



DARCO

BETTER SOLUTIONS TO WATER & WASTE

RISING STRENGTH

ADVANCING WATER
& ENVIRONMENTAL
SOLUTIONS

SUSTAINABILITY REPORT 2025



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BOARD STATEMENT

The Board of Directors (“**Board**”) of Darco Water Technologies Limited (“**Darco**” or “**the Group**”) is pleased to present the Group’s Sustainability Report for FY2025.

The Board acknowledges its responsibility for overseeing the Group’s sustainability direction and ensuring that environmental, social and governance (“**ESG**”) considerations are integrated into the Group’s overall business strategy. Sustainability remains a key pillar in supporting the Group’s long-term growth, resilience and value creation.

The Board has reviewed and approved the material ESG topics identified for the Group. These material topics were determined through a structured assessment process, which included stakeholder engagement, industry benchmarking, and consideration of relevant regulatory requirements and sustainability trends. The identified material topics reflect the most significant impacts, risks and opportunities across the Group’s operations and value chain.

In overseeing sustainability matters, the Board ensures that appropriate governance structures, policies and internal controls are in place to support effective management of ESG-related risks and opportunities. Sustainability considerations, including climate-related risks, are progressively integrated into the Group’s enterprise risk management framework, operational decision-making processes and strategic planning.

The Board has also reviewed the Group’s sustainability performance for financial year from 1 January 2025 to 31 December 2025 (“**FY2025**”), including key initiatives and progress made across environmental, social and governance areas. In line with evolving reporting requirements, the Group has enhanced its climate-related disclosures with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (“**TCFD**”), and is progressively preparing for alignment with the International Sustainability Standards Board (“**ISSB**”) Standards.

The Board supports the establishment of sustainability targets across material ESG topics, including short-, medium- and long-term objectives, to guide the Group’s performance and continuous improvement. The Group remains committed to strengthening its data collection processes and expanding its disclosures over time, including the progressive enhancement of Scope 3 greenhouse gas emissions reporting.

The Board is satisfied that the sustainability report has been prepared in accordance with the Global Reporting Initiative (“**GRI**”) Standards (2021 revision) and complies with the requirements of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Rules 711A and 711B, as well as Practice Note 7.6 – Sustainability Reporting Guide.

The Board has reviewed the sustainability report and confirms that, to the best of its knowledge, the information presented is accurate and reliable. The report has been subjected to internal review processes to ensure the integrity of the disclosures.

The Board will continue to strengthen its oversight of sustainability matters, enhance governance practices, and support the Group’s transition towards more comprehensive ESG and climate-related reporting in line with regulatory developments and stakeholder expectations.



CHAIRMAN AND CEO'S MESSAGE

Dear Stakeholders,

As we conclude Financial Year 2025, we are pleased to present Darco Water Technologies Limited's Sustainability Report, which reflects our continued commitment to integrating ESG considerations into our business strategy and operations.

Sustainability as a Strategic Imperative

As a provider of water and environmental solutions, sustainability is inherently embedded in our business model. We recognise the critical role our solutions play in addressing global challenges such as water scarcity, pollution control and climate change. Guided by this responsibility, we remain focused on delivering innovative and reliable solutions while strengthening governance, operational resilience and long-term value creation.

Strengthening Environmental Stewardship

During the year, we enhanced our environmental management practices through improved monitoring and operational controls. We strengthened our greenhouse gas ("GHG") emissions tracking in line with international standards and SGX requirements, reinforcing transparency in our climate-related disclosures.

We continued to advance our transition towards lower-carbon operations through renewable energy initiatives, including solar adoption, and by improving energy efficiency across our facilities. In parallel, we enhanced our water and waste management practices through process optimisation and the application of advanced treatment technologies, supporting responsible resource use and environmental protection.

Investing in Our People

We remain committed to fostering a safe, inclusive and high-performing workplace. Occupational health and safety continue to be a priority, supported by established policies and ongoing monitoring of workplace practices.

We also invested in workforce development through structured training programmes and support for further education, strengthening technical competencies and leadership capabilities. Our focus on nurturing younger management talent supports leadership continuity and positions the Group for long-term sustainable growth. At the same time, we continue to promote an inclusive workplace culture that values diversity and employee well-being.

Enhancing Governance and Risk Management

We strengthened our governance framework through enhanced internal controls, policies and management processes. Sustainability considerations, including climate-related risks and opportunities, are increasingly integrated into our enterprise risk management and strategic planning processes.

During the year, we streamlined our organisational structure to improve efficiency and responsiveness, while maintaining strong governance oversight and accountability.

Looking Ahead

As we move into FY2026 and beyond, we will continue to strengthen our sustainability practices in line with evolving regulatory requirements and stakeholder expectations. This includes enhancing climate-related disclosures in alignment with TCFD recommendations, progressing towards ISSB-aligned reporting, and expanding our data collection capabilities, including Scope 3 emissions.

We will also continue to invest in sustainable technologies, strengthen supply chain management practices, and build organisational capabilities to support long-term growth and resilience.

Appreciation

Sustainability remains a strategic priority for the Group. We are committed to delivering sustainable value to our stakeholders while contributing positively to the environment and society.

We would like to express our sincere appreciation to our employees, customers, partners and shareholders for their continued trust and support.

Together, we will continue to drive sustainable growth and build a resilient future.

MR. WANG ZHI

Executive Chairman and Executive Director

DR. ZHANG ZHENPENG

Executive Director and Chief Executive Officer

SUPPORT THE GLOBAL GOALS

In September 2015, all 193 United Nations member states unanimously adopted the Sustainable Development Goals (“UN SDGs”) during the UN Summit, establishing a transformative global agenda for progress.

At Darco, sustainability is a fundamental pillar of our corporate strategy, and our commitment to the UN SDGs drives our efforts to address the world’s most pressing social and environmental challenges. As a leader in water treatment, waste management, and environmental infrastructure services, we play a crucial role in mitigating water pollution, managing industrial and municipal waste, and promoting sustainable urban development. By aligning our operations with these global priorities, we not only contribute to a more sustainable future but also integrate responsible environmental stewardship into the core of our business, reinforcing our long-term commitment to positive and lasting impact.



Source: United Nations

We integrate the SDGs into our initiatives, leveraging them as a strategic framework to address pressing social and environmental issues. To amplify our impact, we have pinpointed specific SDGs that resonate strongly with our operations and values, such as SDG 3 (Good Health and Well-being), SDG 5 (Gender Equality), SDG 6 (Clean Water and Sanitation), SDG 8 (Decent Work and Economic Growth), SDG 12 (Responsible Consumption and Production), SDG 13 (Climate Action), and SDG 16 (Peace, Justice, and Strong Institutions).



ABOUT THIS REPORT

We are pleased to present Darco Water Technologies Limited's Sustainability Report for FY2025. This marks the Group's eighth sustainability report and reflects its continued commitment to transparency, accountability, and sustainable business practices. The report provides an overview of the Group's ESG performance.

This report outlines how sustainability considerations are embedded into our business strategy, operations and value chain, with a focus on managing key ESG impacts, risks and opportunities relevant to our water and environmental engineering business. Through these disclosures, we aim to demonstrate how the Group delivers long-term value while contributing to environmental protection and sustainable development.

This report shall be read together with our Annual Report 2025.

Reporting Period

This report covers the Group's sustainability performance for FY2025. Where relevant, comparative data from previous reporting periods may be included to provide context and enhance transparency.

Reporting Framework

This Sustainability Report has been prepared with reference to the GRI Standards (2021 revision). The GRI Standards provide a structured and internationally recognised framework for identifying and disclosing material ESG topics, ensuring consistency, comparability and transparency in sustainability reporting.

This report is also prepared in accordance with the requirements of the SGX-ST Listing Rules 711A and 711B, as well as Practice Note 7.6 – Sustainability Reporting Guide.

Climate-related Disclosures and TCFD Alignment

In line with increasing regulatory expectations and the Group's commitment to climate resilience, Darco has aligned its climate-related disclosures with the recommendations of the TCFD.

The Group has adopted the TCFD framework to identify, assess and manage climate-related risks and opportunities across four key pillars: governance, strategy, risk management, and metrics and targets. This enhances transparency and supports informed decision-making in addressing climate-related challenges.

Greenhouse Gas Emissions Reporting

The Group adopts the GHG Protocol Corporate Accounting and Reporting Standard for the measurement and reporting of GHG emissions. This provides a consistent and internationally recognised methodology for quantifying Scope 1 and Scope 2 emissions, while progressively enhancing the coverage and quality of Scope 3 emissions.

Reporting Scope

This report covers the sustainability performance of Darco Water Technologies Limited and its key subsidiaries representing the Group's principal operations, including:

- Darco Water Technologies Limited ("DWTL")
- PV Vacuum Engineering Pte Ltd ("PVV")
- Darco Water Systems Sdn. Bhd. ("DWS")
- Darco Industrial Water Sdn. Bhd. ("DIW")
- Wuhan Kaidi Water Services Co., Ltd. ("WHKD")

The disclosures reflect the Group's core business activities in water and wastewater treatment, environmental engineering, and related services across its operating regions.

There have been no significant changes to the reporting scope or organisational boundary during FY2025, ensuring consistency and comparability of disclosures.

For information about the group structure, please refer to the Annual Report 2025.

ABOUT THIS REPORT

Report Accessibility

In support of environmental sustainability, this report is published in digital format and is publicly accessible on the Company's website and the SGX website.

Feedback

We value feedback from our stakeholders as part of our continuous improvement process. Stakeholders are encouraged to share their views, comments or enquiries regarding this report and our sustainability performance via: sr@darcowater.com.

Internal Review and Assurance

The Group aims to ensure that the information disclosed in this report is prepared with due care and based on established internal processes and controls. Sustainability data and disclosures are compiled using available information, internal reporting systems, and reasonable estimates where applicable.

An independent sustainability consultant was engaged to provide guidance on reporting standards, regulatory requirements, and industry practices. In addition, the report has undergone an internal review by an appointed independent reviewer to assess the overall reporting approach and data presentation.

While this report has not been externally assured, the Group continues to enhance its governance, data management, and reporting processes to improve the consistency, transparency, and quality of disclosures over time.



CORPORATE PROFILE

Our Core Business

Darco Water Technologies Limited, together with our subsidiaries, is a Singapore-based environmental engineering company specialising in water and wastewater treatment solutions, with complementary capabilities in environmental systems and pneumatic waste collection system.

Since its establishment in 1999, the Group has developed strong engineering capabilities in the design, fabrication, installation, and commissioning of customised systems serving both municipal and industrial applications. In addition to system delivery, Darco provides operation and maintenance services, enabling clients to achieve reliable and efficient long-term performance.

In the area of water and wastewater treatment, the Group integrates proven technologies such as membrane filtration and ion exchange with its in-house engineering expertise to deliver tailored and cost-effective solutions. Each system is designed based on specific project requirements, including feed water characteristics, discharge standards, and treatment capacity, ensuring optimal performance and regulatory compliance.

Darco adopts a solutions-oriented approach that emphasises operational efficiency, energy optimisation and system reliability. By enhancing automation and reducing manual intervention, the Group aims to deliver systems with competitive lifecycle costs while maintaining high treatment standards.

Over the years, the Group has expanded its capabilities to provide integrated environmental solutions across a range of industries, including electronics power plant, petrochemicals, pharmaceuticals, and food and beverage. Through its service centres and trading operations, Darco also supplies chemicals, components and consumables, supporting customers with comprehensive lifecycle services.

With its established technical expertise and commitment to environmental protection, the Group continues to strengthen its position as a trusted partner in water and environmental engineering, supporting clients in meeting increasingly stringent environmental requirements.

Our Value Chain and Supply Chain

Darco operates across an integrated value chain that spans project design, procurement, fabrication, installation, testing and commissioning, as well as ongoing maintenance and servicing. This end-to-end approach enables the Group to maintain quality control, ensure operational reliability, and deliver consistent outcomes to clients.

The Group collaborates with a network of qualified suppliers and subcontractors to support project execution. Procurement activities are conducted through a structured process that prioritises quality, cost-effectiveness and compliance with the Group's internal standards, including environmental, health and safety requirements.

All suppliers and subcontractors are subject to a formal evaluation process, which includes technical assessment and management approval prior to engagement. This ensures that materials and services procured meet the Group's specifications and performance expectations. Outsourced activities are closely monitored to ensure alignment with Darco's quality assurance and occupational health and safety standards.

Through disciplined supply chain management and strong vendor partnerships, Darco ensures the timely delivery of projects while maintaining high standards of quality, safety and sustainability.

Our Mission

To be the water and waste solutions company of choice by providing customer-driven multi-technology solutions.

To design and manufacture a wide range of high performance water and wastewater systems and provide services of the highest quality at affordable prices.

Head Office

Darco Water Technologies Limited
1 Commonwealth Lane,
#09-06 One Commonwealth,
Singapore 149544

The Group also operates locations in Malaysia, China, and Vietnam.

VALUE CHAIN ESG AND CLIMATE RISK ANALYSIS

The Group adopts a value chain-based approach to identify, assess and manage ESG impacts and climate-related risks across its operations and supply chain. Given the project-based and engineering-intensive nature of our business, ESG and climate considerations arise at multiple stages—from procurement of materials and components to system design, fabrication, installation and long-term operations.

Our analysis considers both actual and potential impacts across the value chain, as well as climate-related physical and transition risks, enabling the Group to prioritise key areas for mitigation, resilience and value creation.

Value Chain Stage	Key Activities	Key ESG Topics	Climate Risks	Climate Opportunities
Upstream				
Procurement & Sourcing	Sourcing of equipment, chemicals, components, subcontractors	Scope 3 emissions, responsible sourcing, supplier labour practices, compliance	Transition: Higher supplier costs from carbon policies Physical: Supply disruptions due to extreme weather	Sustainable sourcing, low-carbon materials, local supplier optimisation.
Operational				
Design & Engineering	System design, process optimisation, technology selection.	Energy efficiency, water reuse, product compliance.	Transition: Demand for low-carbon, energy-efficient solutions.	Development of efficient and sustainable treatment systems.
Fabrication & Assembly	In-house fabrication, system integration.	Energy use; Waste generation; Workplace safety.	Transition: Rising energy costs; Physical: Heat and weather disruptions	Energy optimisation, automation and process improvements.
Installation & Commissioning	On-site construction, installation and testing.	Site emissions, waste, worker safety, contractor management;	Physical: Weather-related project delays; Transition: Stricter regulations.	Green construction practices, improved project efficiency.
Downstream				
Operations & Maintenance	System operation, servicing and after-sales support	Energy use, discharge quality, customer safety, compliance	Transition: Tightening environmental standards. Physical: Water variability and scarcity.	Growth in water reuse and advanced treatment solutions.



BUSINESS MEMBERSHIP AND CERTIFICATION

Membership Association

Darco Water Technologies Limited
Singapore Business Federation Singapore Water Association
Darco Water Systems Sdn. Bhd
Malaysia Semiconductor Industry Association (“ MSIA ”)
Malaysian Employers Federation
Darco Industrial Water Sdn. Bhd
Federations of Malaysian Manufacturers
Wuhan Kaidi Water Services Co., Ltd.
The Membrane Industry Association of China (“ MIAC ”)

ISO Certification

The Group follows international standards to benchmark its performance in the areas of quality, occupational health and safety and environment. A summary of our certifications is presented below.

Entity	ISO 9001:2015 Quality Management System	ISO 14001:2015 Environmental Management System	ISO 45001:2018 Occupational Health and Safety Management System
Wuhan Kaidi Water Services Co., Ltd.		X	X
Darco Water Systems Sdn. Bhd.	X		X
Darco Industrial Water Sdn. Bhd.	X	X	X
PV Vacuum Engineering Pte. Ltd	X		X

BizSafe Star

PVV is awarded with bizSAFE- Star - the top level in a five-tier scheme that aligns with ISO 45001 standards, enhancing workplace safety and health. Valid for three years, this accolade reaffirms the Group’s dedication to excellent safety measures, increasing client trust and business potential.



BUSINESS MEMBERSHIP AND CERTIFICATION

National Certifications

We obtain relevant national certifications where we operate. Our various certifications and permits include the following:

Certification / Permit	Awarded By / Certificate Type
Singapore	
Mechanical Engineering - ME 11, L5	Building and Construction Authority (“BCA”)
Malaysia	
General Building, Civil Engineering Works & Various Mechanical Equipment (Grade 7)	Construction Industry Development Board (“CIDB”)
China	
Certificate of High-tech Enterprise	High-tech Enterprise
Environment Engineering Design Qualification Class A	Engineering Design Qualification Certificate
Water Supply and Discharge Design Qualification Class B	Engineering Design Qualification certificate
Domestic and Industrial Wastewater Treatment Operation Class II	Pollution Control Facility Operation Serviceability Evaluation Certificate
Environmental Protection Engineering Professional Contracting (Grade One)	Construction Enterprise Qualification Certificate

Awards

In China, Darco has won multiple recognitions for its leading technologies. For example, Darco has been awarded Outstanding Company for Belt and Road Work recognition by the Hubei Association of Environmental Protection Industry (“HBAEPI”). Additionally, our membrane desalination engineering technology won the first Prize certificate of China Electric Power Construction Science and Technology Progress for its application to a large nuclear power plant. Also, our super concentration technology for concentrated salt wastewater treatment has received a certificate of international leading-level customer achievement.

SUSTAINABILITY DEVELOPMENT STRATEGY

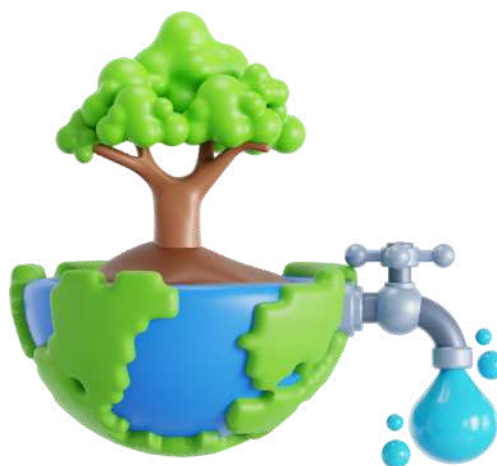
We firmly believe that our financial success is deeply interconnected with our ability to generate lasting value for our people, the environment, and society as a whole. A strong commitment to sustainability enables us to mitigate risks, seize new opportunities, and contribute meaningfully to global development goals.

Our sustainability strategy is built on a robust framework that encompasses regulatory compliance, ethical governance, and a forward-thinking approach to ESG priorities. We are committed to:

- **Regulatory Compliance:** Adhering to all applicable laws, regulations, and industry standards to ensure responsible and sustainable business practices.
- **Human Rights:** Upholding internationally recognised human rights principles across our operations and supply chain, ensuring fair and ethical treatment of all stakeholders.
- **Business and Governance Ethics:** Maintaining the highest standards of corporate governance, transparency, and integrity in all business dealings.
- **Materiality Assessment:** Conducting regular assessments to identify and prioritize ESG impacts, ensuring that our sustainability initiatives address the most critical issues.
- **Minimizing Negative Impacts:** Implementing proactive measures to reduce environmental and social risks across our operations and supply chain.
- **Enhancing Positive Impacts:** Striving to create meaningful benefits for the environment and society through innovation, responsible resource management, and community engagement.
- **Precautionary Principle:** Taking a proactive, science-based approach to managing potential risks and preventing harm to people and the environment.
- **Stakeholder Engagement:** Actively collaborating with stakeholders-including employees, customers, investors, and communities-to understand their concerns, align on priorities, and drive continuous improvement.
- **Continuous Improvement:** Regularly reviewing, measuring, and refining our ESG performance to enhance our long-term impact and resilience.
- **Transparency & Accountability:** Disclosing our ESG progress through internationally recognized reporting frameworks such as the GRI, ensuring accountability and trust among our stakeholders.

Alignment with Global Goals: Actively contributing to SDGs through our business practices, partnerships, and community initiatives.

This report outlines our commitment to sustainability and details our ongoing efforts to integrate ESG principles into our business strategy, operations, and decision-making processes.



SUSTAINABILITY REPORTING POLICY

We are committed to transparency and accountability in our sustainability efforts, regularly reporting on our environmental impact and progress. While we currently set annual targets, we are exploring multi-time-horizon goals for long-term planning.

Our performance incentives are primarily tied to financial outcomes, but we are considering integrating sustainability metrics to reinforce responsible business practices.

Aligned with internationally recognized standards and the SGX Sustainability Reporting Guide, our reporting focuses on material ESG impacts. We will also provide periodic updates on key initiatives, including product innovation and employee development.

Anti-Corruption Policy

At Darco, we have a zero-tolerance policy towards corruption in any form. We are committed to conducting our business with integrity, honesty, and transparency, and we expect the same from our employees, suppliers, and business partners. Our anti-corruption policy prohibits bribery, kickbacks, and any other form of unethical conduct. We require all employees to comply with applicable laws and regulations related to anti-corruption and to report any suspected violations immediately. We also strive to foster a culture of ethical behaviour by providing regular training and communication on our anti-corruption policy.

Environmental Policy

At Darco, we are committed to minimising the environmental footprint of our operations. We recognise that our business has an impact on the environment, and we strive to minimise that impact through responsible management of energy, emissions, water, and waste.

Our environmental policy commitments include the following:

- **Energy:** We will continuously work to reduce our energy consumption by implementing energy-efficient technologies, promoting sustainable behaviours among employees, and setting energy reduction targets.
- **Emissions:** We will aim to reduce our greenhouse gas emissions by measuring and monitoring our carbon footprint, setting emissions reduction goals, and implementing strategies to reduce emissions from our operations, such as optimizing transportation routes and reducing air travel.
- **Water:** We will work to minimise our water usage by implementing water-saving technologies and processes and optimizing our water usage in our operations. We will also monitor and report on our water usage to continuously improve our water efficiency.
- **Waste:** We will strive to reduce our waste generation by adopting a circular economy approach, promoting waste reduction behaviours among employees, and recycling and reusing materials wherever possible. We will also properly dispose of any hazardous waste in compliance with applicable regulations.

Occupational Health & Safety Policy

At Darco, we provide a safe and healthy environment for employees, visitors, and contractors. We prioritize a strong safety culture by identifying hazards, implementing controls, and preventing accidents. Our occupational health and safety policy includes regular risk assessments, safety training, and the provision of personal protective equipment. We comply with all relevant health and safety laws, continuously monitor our performance, and encourage employees to actively participate in safety initiatives. Our commitment extends to regularly reviewing safety protocols to ensure a risk-free workplace for all.

Talent Management Policy

At Darco, we are committed to attracting, developing, and retaining top talent to drive our business forward. Our approach emphasizes diversity, equity, and inclusion, believing a diverse workforce is key to success. We provide a supportive environment for professional growth, investing in learning and development to help employees reach their full potential. Additionally, we foster a culture of feedback and recognition to ensure every employee feels valued and engaged, promoting long-term career satisfaction.

POLICY COMMITTEMENT

The Group is committed to embedding sustainability into its business strategy and day-to-day operations, with a focus on responsible water management, environmental stewardship and long-term value creation. This commitment is guided by established policies and internal frameworks that set out our approach to managing environmental and social impacts across our operations and value chain.

Recognising the importance of water as a critical resource, we strive to promote sustainable water use through both our operational practices and the solutions we deliver to customers. Our approach emphasises resource efficiency, pollution prevention and continuous improvement, supported by ongoing innovation in water and wastewater treatment technologies.

In addition to managing our own operational footprint, we actively engage stakeholders—including customers, employees and business partners—to raise awareness of sustainable practices and encourage responsible resource management. Through these efforts, we aim to contribute positively to environmental protection and support the transition towards a more sustainable and resource-efficient economy.



REMEDiate NEGATIVE IMPACTS FROM OUR OPERATION ACTIVITIES

The Group adopts a structured approach to identifying, preventing and mitigating actual and potential negative impacts arising from our operations. This approach is integrated into our overall management systems and risk management processes, ensuring that environmental and social considerations are systematically addressed.

We implement policies and procedures to assess and manage risks across our activities, with particular focus on areas such as resource consumption, waste generation, emissions and occupational impacts. Where adverse impacts are identified, appropriate mitigation and remediation measures are undertaken in a timely manner to minimise their extent and recurrence.

Stakeholder engagement forms an integral part of our impact management approach. We maintain open channels of communication with relevant stakeholders to understand their concerns, incorporate feedback into our decision-making processes, and enhance the effectiveness of our mitigation measures.

The Group is also committed to continuous improvement through the adoption of appropriate technologies and operational practices that reduce environmental impacts and improve resource efficiency. We monitor our performance regularly and disclose relevant information to stakeholders to ensure transparency and accountability. Through these measures, we aim to minimise negative impacts associated with our operations while supporting sustainable business growth and responsible corporate conduct.



REPORTING APPROACH

In alignment with the GRI 2021-Foundation guidelines, our FY2025 Sustainability Report is crafted adhering to the eight core reporting principles. These principles guide the presentation and substantiation of the information contained within the report.



Principle	Explanation
Accuracy	The information disclosed in this Report is correct and sufficiently detailed to assess the Group’s business impacts towards Governance, Environment, and Social perspective.
Balance	The information is disclosed in an unbiased way and provides a fair representation of the Group’s negative and positive impacts.
Clarity	The information presented in this Report is accessible and understandable.
Comparability	The Group endeavours to select and compile the report information consistently to enable an analysis of changes in the Group’s impacts over time.
Completeness	The Group tries its best to provide sufficient information to enable the transparency of its efforts in ESG topics.
Sustainability Context	The Group ensures that the information it discloses in this Report is about its business impacts within the context of sustainable development.
Timeliness	The Group reviews its ESG material topics on a regular basis to ensure that all the information declared in this Report is updated.
Verifiability	This Report is not internally audited, however, our Sustainability Consultant has guided us to ensure the utmost data accuracy.



GOVERNANCE

Strong corporate governance is fundamental to the Group’s long-term resilience, accountability and value creation. We are committed to maintaining high standards of governance, underpinned by ethical business conduct, transparency and robust oversight mechanisms, to safeguard shareholder interests and support sustainable business performance.

The Board provides overall leadership and oversight of the Group, and is responsible for setting strategic direction, overseeing management performance, and ensuring that appropriate resources are in place to achieve the Group’s objectives. The Board operates in accordance with the principles and provisions of the Code of Corporate Governance 2018 and complies with applicable regulatory requirements, including those of the Monetary Authority of Singapore and SGX-ST.

The Board plays a critical role in embedding a strong governance culture across the Group. It establishes policies, frameworks and internal controls to support effective decision-making, ethical conduct and regulatory compliance. In fulfilling its responsibilities, the Board oversees the Group’s risk management and internal control systems, ensuring that key risks—including sustainability-related risks—are identified, assessed and managed appropriately.

Directors act in a fiduciary capacity and are collectively responsible for the long-term success of the Group. To support effective governance, the Board is regularly updated on relevant regulatory developments, including changes to accounting standards, listing requirements and other statutory obligations. This ensures that the Board remains well-informed and capable of discharging its duties effectively.

Overall, the Board is committed to maintaining a sound system of governance, risk management and internal controls to protect Group assets, enhance shareholder value and support sustainable long-term growth.

Our Governance Structure

The Board comprises five members with an appropriate balance of executive and independent representation, enabling effective oversight and objective decision-making.

Name	Gender	Position
Wang Zhi	Male	Executive Chairman and Executive Director
Zhang Zhenpeng	Male	Executive Director and Chief Executive Officer
Sim Guan Seng	Male	Lead Independent Director
Niu Liming	Male	Independent Non-Executive Director
Lai Hock Meng	Male	Independent Non-Executive Director

Independent Directors make up 60% of the Board, exceeding the minimum requirements under the Code of Corporate Governance, and provide independent judgement on corporate affairs.

The remaining 40% comprises Executive Directors, ensuring strong alignment between strategy and operational execution.

Please refer to FY2025 Annual Report for detailed information.

GOVERNANCE

Board Director Diversity and Competency

The Group recognises the importance of Board diversity in supporting effective governance and decision-making. Diversity is considered across multiple dimensions, including skills, experience, age and independence.

The current Board composition reflects a combination of experience and perspectives, with directors both below and above 50 years of age. This balance enables the integration of fresh perspectives with deep industry knowledge, supporting sound strategic decisions and long-term business sustainability.

The Board collectively possesses a broad range of competencies relevant to the Group's operations and strategic priorities, including:

- Accounting and auditing;
- Corporate finance and legal expertise;
- Water and environmental engineering and construction;
- Project management;
- Environmental and renewable energy;

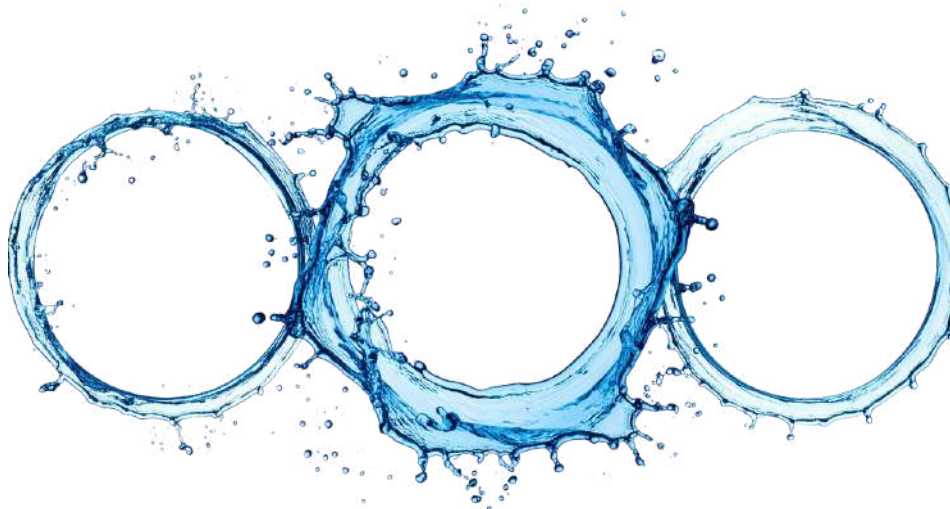
While the current Board comprises all male members, the Group remains committed to enhancing Board diversity over time, taking into account business needs, merit, and the availability of suitable candidates.

Sustainability Governance and Training

The Board oversees sustainability-related risks and opportunities as part of its overall governance responsibilities. Sustainability considerations, including environmental and climate-related matters, are increasingly integrated into the Group's strategic planning, risk management and operational decision-making processes.

All Directors have completed the mandatory sustainability training required under SGX listing requirements. The Group will continue to support ongoing training and capacity building to ensure that the Board remains equipped to address emerging ESG and climate-related developments.

Further details on the Group's corporate governance practices, including Board committees and governance processes, are disclosed in the Corporate Governance Statement in the Annual Report.



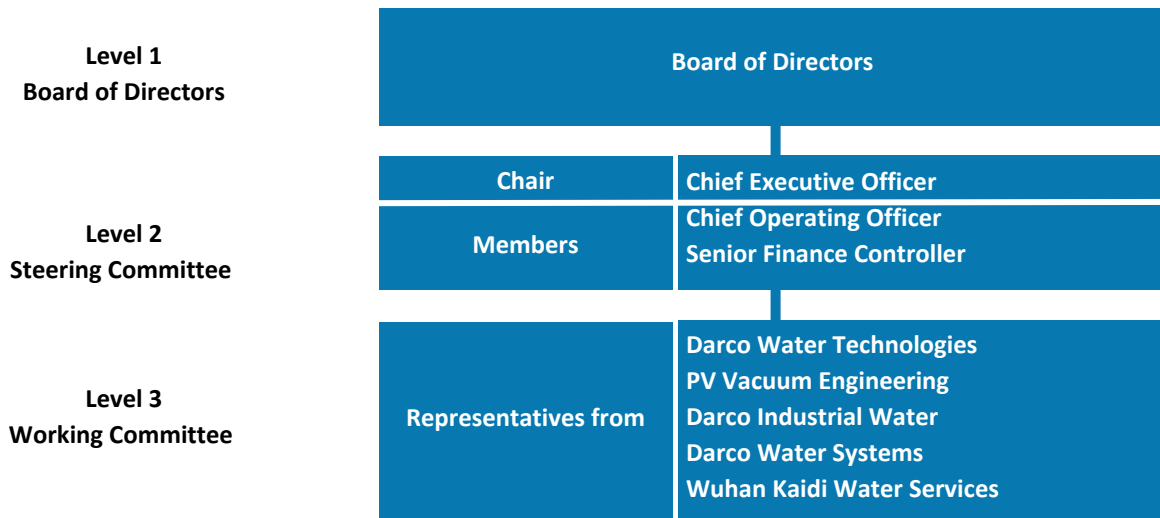
Sustainability Governance Structure

Sustainability Governance

The Board holds the ultimate responsibility for overseeing key ESG factors within the organization. It is tasked with setting and guiding the Group’s sustainability strategy, which encompasses the identification and management of climate-related risks and opportunities. The Board acknowledges that effective governance in sustainability and climate-related matters is integral to fulfilling its fiduciary duties to all stakeholders.

The Board’s sustainability-related responsibilities encompass robust governance practices, strategic alignment, comprehensive risk management, performance metrics, and transparent reporting on material ESG factors. Our Chief Executive Officer (“**CEO**”) and the senior management team, the Board ensures strategic oversight and direction in the identification, management, and execution of sustainability initiatives. This includes addressing environmental considerations linked to climate-related risks and opportunities, as well as overseeing the approval and review of sustainability reporting.

To maintain effective stewardship, the Board regularly evaluates the Group’s ESG performance, with particular attention to how climate-related risks and opportunities are managed across short, medium, and long-term horizons. This ongoing review ensures that the Group’s sustainability strategy remains responsive, proactive, and aligned with evolving global standards and expectations.



ESG Committee

To support the Board in its governance of sustainability matters, Darco has established an ESG Committee, which reports directly to the Board and is composed of senior management executives. The Committee is chaired by the CEO and includes the Chief Operating Officer (“**COO**”) and the Senior Financial Controller as key members. Its primary responsibility is to oversee and address critical sustainability matters, including climate-related risks and opportunities that are pertinent to the Group’s long-term objectives.

The ESG Committee conducts continuous internal assessments of key ESG factors, performs regular materiality evaluations, and monitors ESG performance to ensure alignment with the Group’s strategic goals. Additionally, the Committee plays a crucial role in the development of comprehensive sustainability reports that reflect the Group’s commitment to transparency and accountability.

To ensure informed decision-making, the ESG Committee is further supported by external sustainability experts, who provide specialized insights and guidance on emerging sustainability trends and best practices.

STAKEHOLDER ENGAGEMENT

Stakeholder trust forms the cornerstone of our sustainability strategy, and we are dedicated to earning and maintaining this trust through transparent and proactive engagement. By actively listening to the concerns of our stakeholders and addressing their expectations, we aim to foster strong, long-lasting relationships. We recognize that the diverse perspectives and input from all stakeholders are instrumental in shaping our sustainability initiatives.

Our approach involves identifying and prioritizing stakeholders who are either impacted by our business activities or have the potential to influence our operations and objectives. Through continuous dialogue with both internal and external stakeholders, we gain a comprehensive understanding of the key sustainability issues that affect not only our business but also the broader economy, environment, and society.

We are committed to creating a culture of collaboration, where ongoing conversations with stakeholders offer valuable insights and feedback, enabling us to enhance and adapt our sustainability efforts. This feedback is considered a critical component in our strategic and operational planning, ensuring that our actions align with stakeholder needs and expectations.

We conduct a thorough internal analysis to identify key stakeholders and ensure their voices are integral to our decision-making processes. By prioritizing their needs and expectations, we continuously refine our approaches to sustainability, strengthening our efforts across the entire value chain and driving long-term positive impact. Below are the definitions of our Internal and External stakeholders:

Internal Stakeholders	External Stakeholders
Investors & Shareholders Management & Employees	Customers Government and Regulators Suppliers and Business Partners Local Communities



STAKEHOLDER ENGAGEMENT

Below is an overview of our stakeholders and how we engage with them.

Our Stakeholders	Purpose of Engagement	Engagement Method	Stakeholder Focus
Customers	<ul style="list-style-type: none"> To constantly improve on technical and technological aspects. To upgrade project infrastructure and operations standards to exceed customers' expectations. 	<ul style="list-style-type: none"> Visits to customers' office. Calls and emails Progress update meetings. Updates on research and development. 	<ul style="list-style-type: none"> On-time delivery. Meet quality requirements. Progress updates on contract execution. Business continuity.
Management & Employees	<ul style="list-style-type: none"> To understand employees' expectations, aspirations, concerns, and ideas. To promote a fair and open workplace culture. 	<ul style="list-style-type: none"> Employee feedback mailbox. Office Automation system. Chat groups. Employee caring sessions. Training 	<ul style="list-style-type: none"> Competitive salary. Employee welfare and benefits. Business continuity. Career advancement.
Government and regulators	<ul style="list-style-type: none"> To ensure compliance with regulatory requirements. To stay updated with new and emerging regulations. 	<ul style="list-style-type: none"> Regular meetings and consultations. Subscribe to Government websites. Calls and enquiries. Attending training. Exchange meetings. Give suggestions via industry association. 	<ul style="list-style-type: none"> Compliance with SGX rules. Compliance with applicable local laws and regulations. Pay government taxes and levies diligently.
Suppliers/Business Partners	<ul style="list-style-type: none"> To build strategic business relationships. Perform periodic supplier evaluation. 	<ul style="list-style-type: none"> Visits to suppliers' offices. Calls/ emails. Supplier audits and inspections. Site survey. Supplier evaluations. Tenders and Request for Proposals ("RFPs"). 	<ul style="list-style-type: none"> Timely payment. Adhere to agreement terms. Business continuity.
Investors and shareholders	<ul style="list-style-type: none"> To provide timely information about company performance and significant issues. 	<ul style="list-style-type: none"> Annual General Meetings. Annual reports. Regular financial results announcements. Sustainability reports. Company website. Investor briefings. 	<ul style="list-style-type: none"> Return on investment, regular dividends. Business growth. Good governance. Timely disclosure of material developments.
Local communities	<ul style="list-style-type: none"> To support local community causes. To build trusted relationships with local communities. 	<ul style="list-style-type: none"> Community initiatives. 	<ul style="list-style-type: none"> Make a positive contribution to community development.

STAKEHOLDER ENGAGEMENT

Engagement with Membership of Associations

Darco engages with relevant industry associations through membership, consultations, and dialogues. Darco is a member of the following associations:

- Malaysia Semiconductor Industry Association
- Malaysian Employers Federation
- Singapore Business Federation
- Singapore Water Association
- The Membrane Industry Association of China

Stakeholder Engagement Assessment

In FY2025, we launched a comprehensive Stakeholder Survey to gain deeper insights into the concerns and expectations of our stakeholders regarding our sustainable development initiatives. We received 62 responses from key stakeholders across diverse groups. The feedback gathered from this survey is invaluable in shaping our sustainability priorities and will be thoroughly detailed in the following sections of the report.

External Stakeholder	Significant		<ul style="list-style-type: none"> • Anti-Corruption Measures • Maintaining Good Business Ethics and Transparency • Compliance • Water Management 	
	Moderate	<ul style="list-style-type: none"> • Economic Performance 	<ul style="list-style-type: none"> • Innovation • Waste Management • Cyber Security and Customer Data Privacy • Energy Saving and Improving Energy Efficiency • Championing Industry Leadership 	<ul style="list-style-type: none"> • Occupational Health and Safety • Employee Training and Skill Development • Fair Employee Relationship
	Less	<ul style="list-style-type: none"> • Social Criteria in Supplier Selection and Evaluation • Climate Risk • Community Engagement • Emission Reduction 	<ul style="list-style-type: none"> • Environmental Criteria in Supplier Selection and Evaluation 	<ul style="list-style-type: none"> • Diversity and Inclusion
		Less	Moderate	Significant
		Internal Stakeholder		

ESG MATERIAL TOPICS

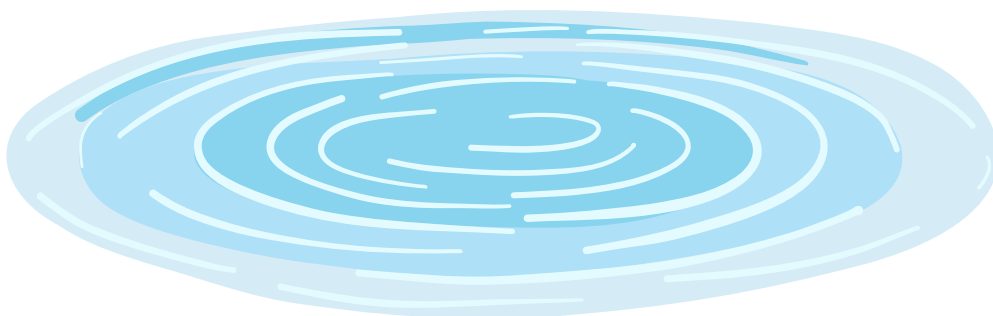
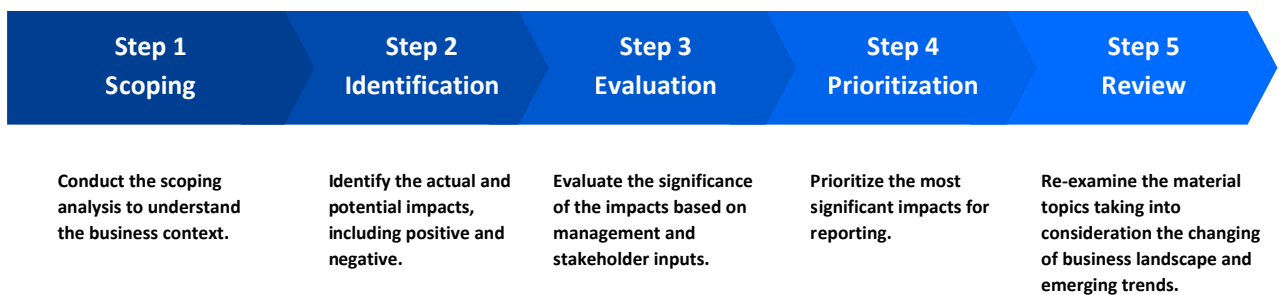
Our sustainability strategy is underpinned by a structured and robust materiality assessment process designed to identify and prioritise the most significant ESG impacts arising from our operations and value chain. This process ensures that our sustainability focus remains relevant, forward-looking and aligned with both stakeholder expectations and evolving regulatory and market developments.

We engage a broad range of internal and external stakeholders, including management, employees, customers and industry experts, to capture diverse perspectives on ESG risks, opportunities and impacts. This is complemented by ongoing monitoring of emerging sustainability trends, regulatory developments and industry practices, enabling us to proactively identify and respond to new and evolving ESG issues.

In determining our material topics, we adopt an impact-based approach that considers the significance of our actual and potential impacts on the environment and society, alongside the associated financial risks and opportunities to the Group. This ensures alignment with an integrated risk management perspective and supports informed decision-making at both operational and strategic levels.

The material topics are reviewed on an annual basis to ensure continued relevance and accuracy. For the current reporting year, we engaged an independent sustainability consultant to review and validate our material topics in line with the GRI Standards (2021) and the SGX sustainability reporting requirements. The review process also incorporated peer benchmarking, alignment with the UN SDGs, and consideration of sector-specific ESG priorities.

As illustrated below, we have adopted a systematic five-step materiality assessment methodology in accordance with GRI guidance, enabling us to identify, evaluate and prioritise our material ESG topics in a consistent and transparent manner. This approach strengthens our ability to manage sustainability-related risks and opportunities effectively, while reinforcing our commitment to responsible and accountable business practices.













ESG MATERIAL TOPICS

Key Material Topics

Considering stakeholder interests and ensuring alignment with the organization’s business strategy, we have identified and revalidated the key ESG topics. For FY2025 reporting period, we applied the following methodology to determine our material topics:

- Assessment of supply chain and value chain risks, including the identification and management of sustainability-related impacts across upstream and downstream activities;
- Evaluation of internal management considerations, including operational priorities, business strategies, and impact factors relevant to sustainability performance;
- Engagement with key management personnel to identify strategic priorities, emerging risks, and material ESG considerations;
- Benchmarking against relevant international standards and industry-specific sustainability frameworks to ensure alignment with leading practices; and
- Comparative analysis against industry peers and customer expectations to maintain competitiveness and meet evolving market requirements.

In accordance with the GRI principles, we have identified ten material topics, which are outlined below:

Key ESG Material Topics			
Governance  	1	Business Ethics	GRI 205 Anti-corruption GRI 206 Anti-competitive Behavior
	2	Procurement Practice	GRI 204 Procurement Practices
	3	Regulatory and Legal Compliance	GRI 2-27 Compliance with laws and regulations
Environment    	4	Response to Climate Change	TCFD Climate Risk Disclosures
	5	Energy and Greenhouse Gas Emissions	GRI 302 Energy GRI 305 Emissions
	6	Water Usage	GRI 303 Water and Effluents
	7	Waste Management	GRI 306 Waste
Social    	8	Fair Employment Condition and Employee Diversity	GRI 401 Employment GRI 402 Labor/Management Relations GRI 405 Diversity and Equal Opportunity GRI 406 Non-discrimination
	9	Training and Skill Development	GRI 404 Training and Education
	10	Occupational Health and Safety	GRI 403 Occupational Health and Safety
	11	Customer Health and Safety	GRI 416 Customer Health and Safety



ESG MATERIAL TOPICS

Material Topic Management Approach

Our Material ESG Topics	
Material Topics	Management Approach
Governance	
Business Ethics	Maintain a zero-tolerance approach toward corruption and bribery
Procurement Practices	Prioritize local supplier development for sustainable growth, ensuring compliance with standards and conducting quarterly evaluations to maintain vendor performance.
Regulatory and Legal Compliance	Comply with all applicable laws and regulations in places where we operate.
Environment	
Response to Climate Change	Focus on providing innovative water solutions that will help communities deal with the water scarcity caused by global warming. Strive to use renewable energy to reduce our environmental impact. Strive to improve energy efficiency in our operations. Continuously reduce GHG emissions from our direct business activities.
Energy and Greenhouse Gas Emission	Monitor and document energy consumption and emissions, evaluate annual operational performance, prioritize enhancing energy efficiency, aim to lower emissions, implement renewable energy solutions, and ensure compliance with environmental regulations throughout our Group.
Water Usage	Strive to improve access to clean water for communities where we operate.
	Consistently meet the water quality for customer health and safety.
Environment	
Waste Management	Managing hazardous waste with trained staff and emergency response readiness, prioritizes employee safety in chemical handling, and actively pursues waste reduction and resource conservation.
	Prioritize paper waste reduction through paperless practices, duplex printing defaults, email over fax, and reusing single-sided paper.
	Automate food waste recycling, addressing the city-state's increasing food waste problem while providing opportunities for student involvement.
Social	
Fair Employment Condition and Employee Diversity	Provide fair employment condition and attract and retain talented and skilled employees.
Training and Skill Development	Maximize employee potential with performance evaluations, career plans, skill-building, and innovation culture for enhanced Group [SP1] success. [SP1]Group?
Occupational Health & Safety	Establish a health and safety management system to maintain a zero-accident workplace.
Customer's Health & Safety	Comply with customer health and safety regulations applicable to our products and services.

FY2025 PERFORMANCE REVIEW

ESG INDICATORS	UNIT	FY2023	FY2024	FY2025
Financial Results				
Revenue (from subsidiaries in scope)	S\$ million (“S\$ mil”)	65.0	58.1	51.0
Environment				
Diesel consumption	L	49,245	49,214	50,999
Petrol consumption	L	120,023	129,653	106,297
Electricity consumption	kWh	438,877	452,311	418,568
Total energy consumption ⁽¹⁾	GJ	7,346	7,656	6,833
Energy consumption intensity ⁽¹⁾	GJ/S\$ mil	113.0	131.8	134.0
Scope 1 emissions	tCO ₂ e	410	428	379
Scope 2 emissions	tCO ₂ e	172	182	166
Total GHG emissions ⁽²⁾	tCO ₂ e	581	609	545
Emission intensity ⁽²⁾	tCO ₂ e/S\$ mil	8.9	10.5	10.7
Solar energy used	kWh	176,899	177,630	163,338
Total water consumption	m ³	78,910	80,056	50,590
Water consumption intensity	m ³ /S\$ mil	1,214.0	1,377.9	992.0
Total waste generated	tonne	59.77	114.98	95.13
Social				
Number of full-time employees	Number	388	390	425
New hires	Number	75	97	94
Female employees’ representation in the workforce	Percentage	20	19	18
Female employees’ representation in management	Percentage	19	17	15
Average training hours per employee (All)	Hours	8.4	5.7	9.3
Average training hours per employee (Female)	Hours	11.2	11.8	17.9
Average training hours per employee (Male)	Hours	7.7	4.4	7.4
Employee turnover rate	Percentage	25	28	15
High-consequence work-related injuries (Employees)	Number	0	2	1
Recordable work-related injuries (Employees)	Number	7	8	2
Work stoppages due to safety incidents	Number	0	0	0
Fatal accidents	Number	0	0	0
Governance				
Women on the Board ⁽³⁾	Percentage	14	0	0
Significant incidents of regulatory non-compliance	Number	0	0	0
Monetary value of fines paid for regulatory non-compliance	\$	0	0	0
Confirmed incidents of corruption	Number	0	0	0

Notes:

(1) Energy consumption comprises petrol, diesel, grid and solar electricity.

(2) GHG emissions include Scope 1 and Scope 2 emissions.

(3) Refers to Board at subsidiary company level.

GOVERNANCE



Business Ethics



Procurement Practices



**Regulatory and Legal
Compliance**

GRI Indicators

- GRI 204 Procurement Practices
- GRI 205 Anti-corruption
- GRI 206 Anti-competitive Behavior
- GRI 2-27 Compliance with laws and regulations

Relevant SDGs



Business Ethics

Material Topics

- GRI 205 Anti-corruption
- GRI 206 Anti-competitive Behavior

Relevant SDGs



Why This Is Important

Maintaining high standards of business ethics is fundamental to the Group’s long-term sustainability, operational integrity, and corporate reputation. As the Group operates across multiple jurisdictions and engages with a wide range of stakeholders, including customers, suppliers, and regulators, exposure to corruption, fraud, and anti-competitive conduct presents both legal and operational risks.

Unethical practices may result in regulatory penalties, contractual disputes, financial losses, and reputational damage, which could adversely affect the Group’s business continuity, access to markets, and stakeholder confidence. Conversely, strong ethical governance enhances trust, supports fair competition, and reinforces the Group’s ability to secure and maintain long-term business relationships.

The Group therefore recognises that effective management of business ethics is not only a compliance requirement but also a key component of risk management and value creation, contributing to sustainable growth and resilience in an increasingly regulated business environment.

Management Approach

The Group adopts a structured and proactive approach to managing business ethics, aligned with applicable laws and regulations in the jurisdictions where it operates, as well as internationally recognised good practices.

The Board of Directors and senior management provide oversight of ethical conduct across the Group, ensuring that appropriate policies, controls, and reporting mechanisms are in place. The Group has established internal policies and guidelines, including its Code of Conduct and Anti-Corruption Policy, which set out clear expectations on ethical behaviour, integrity, and compliance.

These policies prohibit all forms of bribery, corruption, fraud, and anti-competitive behaviour, and apply to all employees, as well as, where relevant, contractors, suppliers, and business partners.

Business Ethics

Anti-Corruption Practices

The Group maintains a zero-tolerance stance towards corruption and unethical conduct. Employees are required to comply with all applicable anti-corruption laws and regulations, and to avoid situations involving conflicts of interest or improper influence.

To support this:

- Ethical expectations and anti-corruption requirements are communicated through employee handbooks and internal policies;
- Employees are required to adhere to professional standards of conduct in all business dealings;
- The Group promotes awareness of ethical conduct through internal communication and training initiatives.

The Group monitors and reviews any reported cases of unethical conduct. Confirmed incidents, if any, are subject to disciplinary action in accordance with internal policies and applicable regulations.

Anti-Competitive Behaviour

The Group is committed to fair competition and complies with applicable competition and antitrust laws in all markets where it operates. Employees are expected to conduct business in a manner that does not involve price-fixing, market sharing, abuse of market power, or any other anti-competitive practices.

Any potential breaches are subject to internal investigation and, where necessary, escalated to relevant regulatory authorities in accordance with legal requirements.

Risk Management and Controls

The Group recognises that corruption and unethical practices may arise from operational, contractual, and third-party interactions across its value chain. As part of its internal control framework:

- Ethical risks are considered in business operations and decision-making processes;
- Segregation of duties, approval controls, and financial oversight mechanisms are implemented to mitigate risks;
- The Group maintains oversight of high-risk activities, including procurement and project execution.

Whistleblowing and Reporting Mechanism

The Group has established a whistleblowing framework that allows employees, customers, suppliers, and other stakeholders to report suspected misconduct in a confidential manner.

Reports may be made directly to senior management, and all cases are handled with strict confidentiality. The Group is committed to:

- Conducting impartial and timely investigations;
- Protecting whistleblowers from retaliation;
- Taking appropriate corrective and disciplinary actions where necessary.

Where potential criminal conduct is identified, the Group will escalate the matter to relevant authorities in accordance with applicable laws and regulations.

Monitoring and Continuous Improvement

The Group recognises that maintaining ethical standards requires ongoing vigilance and continuous improvement. Management periodically reviews policies, controls, and practices to ensure their effectiveness and alignment with evolving regulatory requirements and business needs.

Through this structured approach, the Group aims to foster a culture of integrity, accountability, and transparency across all levels of the organisation, supporting sustainable business operations and long-term value creation.

Business Ethics

FY2025 Performance

In FY2025, the Group recorded no confirmed incidents of corruption, bribery, extortion, fraud, or money laundering, in line with our zero-tolerance policy towards unethical conduct.

There were also no significant instances of non-compliance with laws and regulations, including no fines exceeding \$20,000 and no stop-work orders, during the reporting period and over the preceding two financial years.

These outcomes reflect the effectiveness of the Group's internal controls, governance framework, and ongoing monitoring processes. The Group remains committed to maintaining high standards of integrity, regulatory compliance, and ethical business conduct through continuous oversight, periodic reviews, and internal audit functions.

Target Setting

⇒ Short Term - FY2026

- Maintain zero reports of misconduct across all operational levels, reinforcing the highest standards of ethical practices.
- Establish clear and accessible whistleblowing channels, promoting transparency and encouraging timely reporting of any ethical concerns.

⇒ Medium Term - Till 2030

- Continue to achieve zero misconduct cases annually, embedding a culture of integrity and ethical responsibility across the organization.

⇒ Long Term - Beyond 2030

- Sustain an ongoing zero-tolerance approach to misconduct, maintaining a flawless ethical compliance record indefinitely.
- Conduct mandatory annual ethics and anti-corruption training for all employees to strengthen awareness and prevention of misconduct.
- Build a robust ethical culture through consistent stakeholder engagement, transparency, and periodic ethical conduct assessments, reinforcing a shared organizational commitment to integrity and accountability.

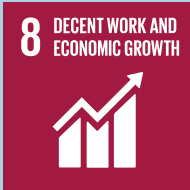


Procurement Practices

Material Topics

- GRI 204 Procurement Practices

Relevant SDGs



Why This Is Important

Procurement is a critical function within the Group’s value chain, directly influencing operational efficiency, cost management, and the reliability of project execution. Effective procurement practices ensure the timely availability of quality materials and services, which are essential to maintaining service standards and meeting customer expectations.

The Group recognises that procurement-related risks—including supply disruptions, vendor underperformance, and non-compliance with regulatory or environmental requirements—may adversely impact project delivery, operational continuity, and cost structures. As such, procurement is closely linked to the Group’s risk management framework and business resilience.

Prioritising local procurement, where feasible, supports regional economic development and strengthens supply chain responsiveness. By engaging local suppliers and service providers, the Group enhances operational agility, reduces logistical complexity, and contributes to the development of local businesses, including small and medium enterprises (“SMEs”).

Through responsible sourcing and structured procurement practices, the Group aims to maintain a resilient, efficient, and compliant supply chain, supporting long-term value creation and sustainable business growth.

Management Approach

The Group adopts a structured procurement framework that balances decentralised execution with centralised oversight. Subsidiaries manage procurement activities based on operational requirements, while adhering to Group-wide policies and internal control procedures to ensure consistency, transparency, and accountability.

Procurement Practices

Supplier Selection and Local Procurement

Suppliers are selected based on defined and objective criteria, including:

- product and service quality;
- pricing competitiveness;
- delivery reliability and service capability;
- compliance with applicable health, safety, and environmental requirements;
- alignment with the Group's code of conduct and ethical standards.

Where relevant, customer-specific requirements are incorporated into procurement decisions.

The Group prioritises local suppliers where feasible, taking into account operational needs, cost considerations, and supplier capability. This approach supports local economies and enhances supply chain responsiveness, while reducing potential risks associated with extended supply chains.

Supply Chain Risk Management

The Group recognises procurement as a key component of operational and supply chain risk management. To mitigate procurement-related risks, the Group:

- maintains a diversified supplier base to reduce reliance on single suppliers;
- develops relationships with key suppliers to ensure continuity and reliability;
- monitors supplier performance to identify and address potential risks proactively.

This structured approach supports business continuity and reduces exposure to supply disruptions and cost volatility.

Supplier Performance Evaluation

Suppliers are subject to periodic evaluation based on:

- quality of goods and services;
- adherence to delivery timelines;
- cost-effectiveness;
- compliance with safety, environmental, and regulatory requirements.

Supplier performance is documented and reviewed by management. Suppliers that do not meet required standards may be subject to corrective actions or removal from the approved vendor list.

Internal Controls and Procurement Governance

The Group has established internal controls to ensure procurement integrity and accountability, including:

- verification of goods and services upon receipt or completion;
- monitoring and resolution of non-conformance issues;
- maintenance of accurate records to support traceability and audit readiness.

Procurement activities are supported by digital systems that enhance data accuracy, transparency, and real-time monitoring.

Training and Compliance

Procurement personnel are trained on internal policies, financial authorisation procedures, and ethical sourcing practices to ensure compliance with regulatory requirements and Group standards.

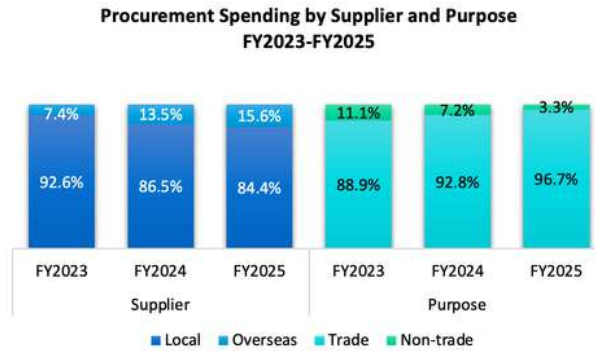
Monitoring and Continuous Improvement

The Group regularly reviews its procurement practices to enhance efficiency, strengthen supplier relationships, and align with evolving regulatory requirements and sustainability expectations across its value chain.

Procurement Practices

FY2025 Performance

In FY2025, the Group sourced 84.4% of its procurement from local suppliers, with the remaining 15.6% from overseas suppliers. Of the total procurement spend, 96.7% was attributed to trade-related purchases, while 3.3% comprised non-trade expenditure.



Target Setting

Short Term - FY2026

- Maintain adequate support to the local suppliers and contractors to actively support the local economy and community.
- Evaluate supplier and contractor base to improve resilience, reduce dependency on current pool of vendors, and enhances competitiveness.

Medium Term - Till 2030

- Establish regular communication channels with local suppliers to reinforce expectations around sustainability practices, compliance, and performance standards.

Long Term - Beyond 2030

- Sustainably maintain procurement from local suppliers at or above 40%, continuously reinforcing support for local economic development.
- Introduce capacity-building programs for diversified local suppliers, focusing on improving their ESG practices and readiness to meet the Group’s sustainability standards.

Regulatory and Legal Compliance

Material Topics

- GRI 2 General Disclosures

Relevant SDGs



Why This Is Important

Compliance with applicable laws and regulations is fundamental to the Group’s ability to operate responsibly, maintain its licence to operate, and deliver sustainable value to stakeholders. Operating across multiple jurisdictions and subject to environmental, health and safety, and corporate governance requirements, the Group faces ongoing regulatory obligations that may impact its operations, financial performance, and reputation.

Non-compliance may result in regulatory penalties, operational disruptions, and reputational damage. Conversely, a robust compliance framework strengthens stakeholder confidence, enhances operational discipline, and supports long-term business resilience. The Group therefore integrates regulatory compliance into its overall governance and risk management approach, recognising it as a key driver of sustainable and responsible business conduct.

Management Approach

The Group adopts a structured compliance management framework under its Integrated Management System (“IMS”), which is aligned with internationally recognised standards, including ISO 9001, ISO 14001, and ISO 45001. This system provides a systematic approach to identifying, monitoring, and managing legal and regulatory obligations across its operations.

Identification of Legal and Regulatory Requirements

The Group maintains documented processes to identify and assess applicable legal and regulatory requirements relevant to its activities. These include environmental laws, occupational health and safety regulations, and industry-specific requirements across its operating jurisdictions.

Legal requirements are captured in compliance registers, which are reviewed periodically to ensure completeness and relevance. Updates to regulations are monitored, and changes are incorporated into operational procedures where necessary.

Implementation and Operational Control

Regulatory requirements are embedded into the Group’s operational controls and standard operating procedures. Responsibilities for compliance are assigned to relevant departments to ensure accountability.

Operational controls include:

- adherence to permit and licensing requirements;
- implementation of environmental, health and safety procedures;
- integration of compliance requirements into project execution and daily operations.

This ensures that compliance obligations are managed proactively at the operational level.

Regulatory and Legal Compliance

Monitoring, Evaluation, and Internal Audits

The Group conducts regular monitoring and evaluation of compliance performance through:

- periodic internal audits under the IMS framework;
- inspections and operational checks;
- management reviews of compliance performance.

These processes are designed to identify gaps, assess effectiveness of controls, and ensure ongoing compliance with regulatory requirements.

Non-Compliance and Corrective Actions

Where non-compliance or deviations are identified, the Group implements structured corrective and preventive actions. Root cause analysis is conducted, and corrective measures are tracked to closure.

Where required, incidents are reported to relevant regulatory authorities in accordance with legal obligations. This approach supports transparency, accountability, and continuous improvement.

Documentation and Record Management

All compliance-related documentation, including permits, licences, audit records, and inspection reports, is maintained in accordance with the IMS requirements. Records are controlled, securely stored, and made available for audits and regulatory inspections.

Governance and Oversight

The Board of Directors oversees the Group's governance framework, including compliance with legal and regulatory requirements. Management is responsible for implementing and maintaining the compliance system and reporting material compliance matters to the Board.

The Integrated Management System provides a structured governance mechanism through:

- defined roles and responsibilities for compliance;
- regular management reviews of system performance;
- escalation of significant compliance risks and issues.

This governance structure ensures that compliance risks are systematically identified, assessed, and managed as part of the Group's broader risk management processes.

FY2025 Performance

In FY2025, the Group maintained full compliance with applicable anti-corruption laws, regulations, and internal policies across its operating jurisdictions. There were no confirmed incidents of corruption, bribery, or significant regulatory non-compliance during the reporting period.

This performance reflects the Group's continued commitment to upholding high standards of integrity, transparency, and ethical business conduct, supported by robust internal controls, employee awareness initiatives, and ongoing monitoring mechanisms.

Regulatory and Legal Compliance

Target Setting

Short Term - FY2026

- Maintain zero incidents of non-compliance with applicable laws and regulations across all operational jurisdictions.
- Continue to receive regular regulatory updates to uphold best governance practices, further embedding a culture of compliance and accountability throughout the organization.

Medium Term - Till 2030

- Maintain continuous annual records with no significant non-compliance incidents, ensuring sustained compliance performance.

Long Term - Beyond 2030

- Maintain a sustained record of non-significant regulatory violations, reflecting the long-term institutionalization of compliance and accountability in all operational aspects.
- Regularly benchmark and update governance and compliance frameworks against global and industry best practices, fostering an adaptive, resilient, and robust compliance culture.



COMPLIANCE

ENVIRONMENT



**Response to
Climate Change**



**Energy and Greenhouse
Gas Emissions**



Water Usage



Waste Management

GRI Indicators

- TCFD Climate Risk Disclosures
- GRI 302 Energy
- GRI 303 Water and Effluents
- GRI 305 Emissions
- GRI 306 Waste

Relevant SDGs



Response to Climate Change

Material Topics

- **Response to Climate Change (TCFD)**

Relevant SDGs



Why This Is Important

Climate-related risks are increasingly material to Darco's operations given its core role in designing, engineering, and operating water and wastewater treatment systems, which are inherently energy-intensive and closely linked to climate-sensitive resources. In Singapore, the national water strategy relies heavily on advanced treatment solutions such as desalination and NEWater, both of which require significant energy input. As a result, electricity consumption forms a key component of operational and project costs for Darco's systems. With electricity prices in Singapore being market-driven and subject to volatility, rising energy costs directly impact project margins, system lifecycle costs, and client demand for more energy-efficient and optimised treatment solutions.

At the same time, the transition towards a low-carbon economy introduces additional cost and regulatory pressures. Singapore's progressively increasing carbon tax, alongside regional decarbonisation policies, exposes Darco to indirect cost increases through energy consumption as well as upstream supply chain impacts, including higher costs of materials, chemicals, and equipment. These developments are further reinforced by increasingly stringent environmental regulations by authorities such as PUB and NEA, particularly in relation to water quality, effluent discharge, and environmental compliance. Failure to meet these requirements could result in operational disruptions, financial penalties, and reputational risks.

Across the region, increasing water stress and climate variability are driving stronger demand for reliable, resilient, and sustainable water treatment solutions. This places greater responsibility on Darco to deliver systems that can operate efficiently under changing environmental conditions while meeting stricter regulatory and client expectations. Collectively, these factors make climate-related risks a critical strategic consideration that influences Darco's cost structure, project execution, compliance obligations, and long-term competitiveness in delivering low-carbon and climate-resilient water solutions.

Management Approach

Our commitment is to thoroughly assess the risks and opportunities associated with climate change, both for the Group and ongoing projects, integrating these insights into our decision-making processes based on their potential impact and significance. Furthermore, we recognize the increasing demand from stakeholders for sustainable, low-carbon, and energy-efficient technologies and services. In line with this, we ensure transparency by providing our TCFD disclosures below, outlining our approach to addressing climate-related financial risks and opportunities.

Response to Climate Change

Governance

Our commitment is to thoroughly assess the risks and opportunities associated with climate change across our operations and projects, and to integrate these considerations into our decision-making processes based on their potential impact and significance. We recognise the growing expectations from stakeholders for sustainable, low-carbon, and energy-efficient solutions, and we are committed to transparency in addressing climate-related financial risks and opportunities through our TCFD-aligned disclosures.

Board Oversight

The Board of Directors holds ultimate responsibility for Darco's sustainability strategy, including the governance of climate-related risks and opportunities. In line with the Group's sustainability reporting procedures and governance framework, the Board provides oversight on the identification, assessment, and management of climate-related risks as part of its broader risk management and strategic planning processes. It reviews and approves material ESG topics, climate-related targets, and sustainability disclosures, ensuring alignment with the Group's long-term business objectives and regulatory requirements.

The Board is supported by regular updates from management on climate-related performance, including key metrics, progress against targets, and emerging regulatory developments. It also ensures that adequate internal controls and resources are in place to support effective sustainability and climate risk management. To strengthen its capabilities, the Board actively enhances its understanding of ESG and climate-related matters through continuous learning and training initiatives.

Management's Role

The Sustainability and Climate Risk Committee ("**SCRC**"), chaired by the CEO, is responsible for overseeing the implementation of the Group's sustainability and climate strategies. In accordance with its Terms of Reference, the SCRC manages day-to-day sustainability efforts, including assessing climate-related risks and opportunities, integrating these considerations into business and operational decision-making, and overseeing the development and execution of the Group's climate transition plans.

The SCRC is supported by a cross-functional working committee comprising representatives from key business units, which is responsible for collecting and validating climate-related data, monitoring departmental performance, and implementing climate-related initiatives across operations. The Committee also oversees climate scenario analysis, tracks progress against climate-related targets, and ensures that sustainability considerations are embedded across the value chain.

Management provides regular updates to the Board on climate-related risks, opportunities, and performance, enabling informed oversight and strategic direction. The SCRC is also responsible for preparing the Group's sustainability disclosures, including TCFD-aligned reporting, for review and approval by the Board, ensuring transparency, consistency, and alignment with international best practices.

Response to Climate Change

Strategy

Climate-Related Risks and Opportunities

The Group recognises that climate change presents both physical and transition risks, as well as strategic opportunities, across its operations and value chain. Physical risks arise from direct environmental and climatic impacts on infrastructure, operations, and supply chains, while transition risks are driven by policy, regulatory, technological, and market shifts associated with the transition to a low-carbon economy.

Physical Risks

Physical risks are categorised into acute and chronic risks based on their nature and time horizon:

Category	Impact
Acute Risks (Near-Term: 2025–2035)	Extreme weather events, such as floods and storms, may disrupt operations, delay project delivery, damage infrastructure, and cause supply chain interruptions.
Chronic Risks (Long-Term: 2035–2100)	Rising temperatures, sea level rise, and prolonged drought conditions may affect operational efficiency, impact water availability, and reduce asset lifespan due to environmental degradation.

Transition Risks

Transition risks arise from the global shift towards a low-carbon economy and evolving stakeholder expectations:

Category	Impact
Policy and Regulatory Risks	Increasing carbon pricing, including Singapore’s rising carbon tax, and stricter environmental regulations may lead to higher operating costs and compliance requirements. Alignment with international standards and disclosure frameworks is increasingly expected.
Market and Reputational Risks	Heightened expectations from customers and investors on ESG performance may result in loss of business opportunities if the Group does not meet sustainability expectations.
Technological Risks	Rapid advancements in low-carbon and energy-efficient technologies may require significant investment in innovation and could render existing systems less competitive or obsolete.

Climate-Related Opportunities

Transition risks arise from the global shift towards a low-carbon economy and evolving stakeholder expectations:

Opportunity	Impact
Resilience to Climate Change	Investment in adaptive technologies and resilient infrastructure enhances operational continuity and strengthens the Group’s ability to support clients under extreme climate conditions.
Market and Reputational Risks	Increasing demand for sustainable water and wastewater treatment solutions creates opportunities to expand environmentally friendly offerings and revenue streams.
Innovation in Green Technologies	Development of energy-efficient and water-saving technologies can improve cost efficiency, reduce emissions, and enhance competitiveness.
Strategic Partnerships	Collaboration with governments, institutions, and sustainability-focused stakeholders enables access to new markets, funding opportunities, and enhances credibility.

Response to Climate Change

Climate Scenario and Resilience Analysis

The Group assesses the resilience of its strategy under different climate scenarios, focusing on a 1.5°C and 2°C pathway, which represent varying degrees of transition and physical risk exposure.

1.5°C Scenario Rapid Decarbonization / Low Physical Risk / High Transition Pressure	
Impact	Opportunities & Responses
Under a 1.5°C scenario, the Group expects accelerated regulatory tightening, higher carbon pricing, and increased demand for low-carbon solutions. Stricter discharge standards, mandatory disclosures, and stronger ESG expectations will drive the need for investment in energy-efficient technologies, advanced treatment systems, and enhanced reporting capabilities.	Technological innovation and access to green financing are expected to increase, providing opportunities for the Group to scale sustainable solutions, strengthen its competitive positioning, and expand participation in green infrastructure projects. Physical risks are relatively lower under this scenario, allowing the Group to focus more on emissions reduction and operational efficiency.

2°C Scenario Slower Decarbonization / Higher Physical Risk / Moderate Transition Pressure	
Impact	Opportunities & Responses
Under a 2°C scenario, the Group anticipates increased exposure to physical risks, including more frequent extreme weather events, rising sea levels, and prolonged heatwaves. These conditions may disrupt project timelines, affect infrastructure resilience, and increase operational risks, particularly in climate-vulnerable regions.	In response, the Group focuses on enhancing infrastructure resilience, improving project planning through climate considerations, and strengthening business continuity measures. At the same time, regulatory developments may be less consistent across regions, requiring a dual approach to compliance with both local and international frameworks.

Geographic Analysis

The Group’s exposure to climate-related risks and opportunities varies across its key operating regions:

Location	Climate-related Risks and Opportunities Analysis
Singapore	Strong regulatory environment with increasing carbon tax and advanced water reuse systems, alongside growing exposure to heat stress and urban flooding risks.
Malaysia	Increasing water stress, monsoon variability, and infrastructure challenges, with opportunities in water system modernisation.
China	Tightening environmental regulations under national decarbonisation goals, with growing demand for advanced and zero-discharge water treatment systems.

Strategic Response Across Scenarios

In response to climate-related risks and opportunities, the Group adopts a forward-looking approach to strengthen resilience and capture growth opportunities. This includes scaling low-carbon and energy-efficient technologies, developing modular and adaptive treatment systems, and enhancing digital capabilities such as remote monitoring and predictive analytics.

The Group also seeks to expand access to green financing, strengthen partnerships with sustainability-focused stakeholders, and integrate climate scenario analysis into its risk management and investment decision-making processes. Through these efforts, the Group aims to future-proof its operations and maintain competitiveness in an increasingly climate-conscious business environment.

Response to Climate Change

Climate Risk Management

Climate-related risks are assessed as an integral part of Darco's overall sustainability and risk management framework, taking into account the Group's value chain, operational activities, and geographic presence. These risks include both physical risks, arising from climate-related hazards such as extreme weather and long-term environmental changes, and transition risks, associated with evolving regulatory requirements, market expectations, technological advancements, and the global transition towards a low-carbon economy.

The Group evaluates climate-related risks across short-, medium-, and long-term time horizons, with a focus on those that may materially impact assets, project execution, supply chains, and financial performance. This structured approach enables Darco to identify and prioritise risks that may affect operating costs, capital expenditure, asset utilisation, and business continuity, ensuring that appropriate mitigation measures are implemented in a timely and effective manner.

Climate risk considerations are embedded into operational and project-level decision-making, particularly in the design and delivery of water and wastewater treatment systems. This includes the adoption of climate-resilient engineering designs, energy-efficient technologies, and sustainable operational practices, which support the Group's ability to manage climate-related disruptions while optimising long-term cost efficiency and asset performance.

Process for Identifying and Assessing Climate Risks

The identification and assessment of climate-related risks at Darco follow a structured and forward-looking approach. This process includes:



Identify Risks

Climate-related physical and transition risks are identified using climate data, regulatory developments, industry trends, and stakeholder expectations across the Group's operations and supply chain.



Assess Risks

Identified risks are evaluated based on their likelihood and potential financial, operational, and strategic impacts on assets, projects, supply chains, and business continuity.



Prioritise Risks

Risks are prioritised based on materiality, severity, and potential impact on enterprise value, enabling focused resource allocation.



Mitigate Risks

The Group implements adaptation, decarbonisation, and operational measures, including energy efficiency improvements and resilient system design, to reduce exposure and enhance resilience.



Monitor and Review

Climate risk indicators and mitigation effectiveness are monitored on an ongoing basis, with regular reporting to Management and the Board through the SCRC.

Response to Climate Change

Integration into Enterprise Risk Management

Climate-related risks are integrated into the Group's broader sustainability governance and risk management processes through the SCRC. Risk identification and assessment are conducted through location-based analysis, operational exposure reviews, and supply chain considerations, ensuring that both direct and indirect impacts are captured.

Mitigation measures are embedded into operational planning, project execution, and sustainability initiatives. These include improving energy efficiency in treatment systems, enhancing operational resilience, and engaging suppliers to strengthen value chain sustainability. Climate considerations are also incorporated into strategic planning, capital investment decisions, and project design processes, ensuring alignment with long-term business objectives.

Findings from climate-related risk assessments are periodically reported to Management and the Board, supporting informed decision-making and strengthening oversight of climate-related risks and opportunities.

Key Elements of Darco's Climate Risk Approach

Darco's climate risk management approach is supported by several key elements:

- Active stakeholder engagement with management, employees, customers, and regulators to understand evolving climate-related expectations;
- Ongoing monitoring of climate trends and regulatory developments, including qualitative scenario considerations;
- Cross-functional coordination across sustainability, finance, engineering, and procurement teams to ensure integrated risk management;
- Integration of climate-related considerations into existing management systems, including quality, environmental, health and safety ("QEHS"), as well as procurement and supply chain practices.

The Group will continue to enhance its climate risk management processes in line with evolving regulatory requirements, including TCFD and ISSB expectations, and industry best practices, to strengthen resilience and support long-term sustainable growth.

Supplier and Supply Chain Climate Risk Management

Darco's supply chain is critical to its delivery of infrastructure projects and logistics services. To manage climate-related supply chain disruptions, the Group has implemented:

- **Climate-Resilient Procurement:** Supplier selection includes assessments of ESG credentials, environmental compliance, and resilience to climate-related events (e.g., flooding, droughts affecting material availability).
- **Supplier Diversification:** Key components and logistics routes are diversified geographically to minimize dependence on climate-vulnerable regions. Contingency sourcing and alternative shipping arrangements are embedded in strategic procurement plans.
- **Vendor Engagement:** Darco works closely with suppliers and contractors to raise climate awareness, implement environmental protection measures, and co-develop sustainability initiatives that strengthen overall value chain resilience.

Climate Risk Identification

The Group identifies and assesses climate-related risks as part of its sustainability and risk management framework. Climate risks are categorised into physical (acute and chronic) and transition risks, and are evaluated across short-, medium-, and long-term horizons to assess their potential impact on operations, project execution, cost structure, and long-term business resilience.

Time horizons are defined as follows:

- Short term: 0–3 years (operational and compliance impacts);
- Medium term: 3–10 years (capital planning, asset performance, market transition);
- Long term: Beyond 10 years (asset viability and business model resilience).

Response to Climate Change

Risk	Time Horizon	Description	Potential Financial Impact	Key Mitigation Measures
Physical Risks				
Acute Extreme Weather Events (Floods, Storms, Heatwaves)	Short to Medium	Severe weather may disrupt project execution, damage treatment facilities, and delay installation and commissioning of systems across project sites.	Project delays and penalties; increased repair and maintenance costs; supply chain disruptions; higher operating costs.	Climate-resilient system design, project contingency planning, real-time weather monitoring, and strengthened site safety protocols.
Chronic Water Stress and Variability	Medium to Long	Changes in rainfall and water availability may affect water quality and increase treatment complexity.	Higher treatment costs; increased chemical and energy usage; potential redesign costs for systems.	Advanced treatment technologies, flexible system design, and optimisation of water reuse and recycling solutions.
Chronic Rising Temperatures	Short to Long	Higher temperatures increase energy demand for treatment processes and cooling systems, while affecting workforce productivity.	Increased electricity costs; reduced labour productivity; higher operational expenditure.	Energy-efficient system design, automation, and enhanced workforce protection measures.
Chronic Sea Level Rise	Medium to Long	Facilities and infrastructure may face increased exposure to flooding and environmental degradation.	Capital expenditure for infrastructure upgrades or relocation; increased insurance and maintenance costs.	Site risk assessments, elevation design considerations, and long-term infrastructure planning.
Transition Risks				
Regulatory Environmental and Discharge Standards	Short to Medium	Stricter water quality, discharge, and environmental regulations across Singapore and regional markets.	Higher compliance costs; potential penalties; increased capital expenditure for system upgrades.	Continuous regulatory monitoring, compliance management, and investment in advanced treatment technologies.
Carbon Pricing Energy and Emissions Costs	Short to Medium	Rising carbon taxes and decarbonisation policies increase indirect energy and supply chain costs.	Increased operating costs; margin pressure on projects; higher lifecycle costs of systems.	Energy efficiency improvements, optimisation of system design, and adoption of low-carbon technologies.
Market Shift Towards Low-Carbon Solutions	Medium to Long	Clients increasingly demand energy-efficient, low-emission water treatment systems and sustainable solutions.	Loss of competitiveness or reduced project wins if solutions do not meet ESG expectations.	Development of low-carbon, energy-efficient systems and integration of sustainability into project design and client engagement.
Technology Rapid Innovation in Green Solutions	Medium to Long	Advancements in water treatment technologies (e.g. membrane efficiency, digitalisation) may render existing systems less competitive.	Increased R&D expenditure; potential obsolescence of legacy systems; capital investment requirements.	Investment in R&D, digitalisation (e.g. smart monitoring systems), and continuous innovation in treatment technologies.
Reputation Stakeholder Expectations and ESG Performance	Short to Long	Increasing expectations from investors, regulators, and customers on climate transparency and sustainability performance.	Reduced access to financing; reputational risk; potential loss of business opportunities.	Transparent ESG disclosures, stakeholder engagement, and alignment with international frameworks.

Response to Climate Change

Metrics and Target

The Group tracks the following climate performance indicators:

- Energy Consumption (kWh, gigajoules (“GJ”));
- Total Annual Carbon Emissions (Scope 1 and 2);
- Carbon Intensity;
- Operational Disruptions Due to Climate Events.

Increase the percentage of renewable energy usage, ensure zero operational disruptions caused by climate events. Tracking our Scope 1, 2 and 3 carbon emission.

More details of Metrics and Target are being disclosed under Energy and Greenhouse Gas Emission Section.

FY2025 Performance

In FY2025, the Group reported zero operational disruptions due to the adverse climate event, thus meeting our target set in FY2024.

Target Setting

Short Term - FY2026

- Monitor and track Scope 1 and 2 GHG emissions performance.
- Kick off Scope 3 emissions data collection process to assess supply chain emissions.
- Ensure no significant operational disruptions or project delays due to adverse climate conditions.

Medium Term - Till 2030

- Collect data for Scope 3 emissions to assess supply chain emissions.
- Identify and incorporate sustainable technologies and design solutions in operational activities.
- Maintain zero significant operational disruptions or project delays due to adverse climate conditions.

Long Term - Beyond 2030

- Align the Group’s emission reduction efforts with Singapore’s national carbon reduction strategy and targets.
- Continue comprehensive monitoring, reporting, and managing of GHG emissions across all scopes.
- Strengthen resilience to climate risks, ensuring continuous operational stability.

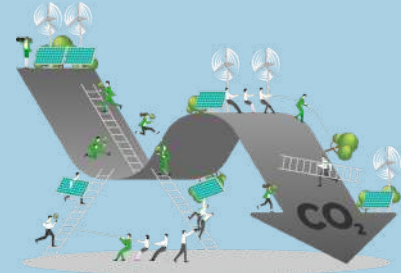
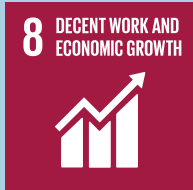


Energy and Greenhouse Gas Emissions

Material Topics

- GRI 302 Energy
- GRI 305 Emissions

Relevant SDGs



Why This Is Important

Energy consumption and greenhouse gas (“GHG”) emissions are intrinsically linked to Darco’s core operations in water and wastewater treatment, which rely on energy-intensive processes such as pumping, filtration, and advanced treatment technologies. As the Group operates across multiple jurisdictions, including Singapore where electricity costs are market-driven and carbon pricing is progressively increasing, effective management of energy use and emissions is critical to controlling operating costs, maintaining regulatory compliance, and enhancing long-term business resilience.

In addition, increasing expectations from regulators, customers, and investors for transparent climate-related disclosures and measurable decarbonisation efforts reinforce the need for Darco to actively manage its energy consumption and carbon footprint. This aligns with the Group’s broader commitment to sustainability and supports its transition towards low-carbon and energy-efficient solutions.

Management Approach

The Group adopts a structured approach to managing energy consumption and GHG emissions, integrating these considerations into its sustainability governance, operational practices, and project delivery. Energy and emissions data are collected and monitored on a regular basis across key operations, with oversight from the Sustainability and Climate Risk Committee to ensure alignment with regulatory requirements and internal performance objectives.

Energy management efforts focus on improving efficiency across both operational activities and project design. As a provider of water treatment systems, Darco incorporates energy-efficient technologies into its engineering solutions, including optimisation of pumping systems, process design, and equipment selection. These measures not only reduce the Group’s own operational energy use but also support clients in lowering their energy consumption and associated emissions.

In managing GHG emissions, the Group adopts a progressive approach aligned with internationally recognised methodologies. Emissions are primarily driven by electricity consumption (Scope 2), given the nature of the business, while direct emissions (Scope 1) arise from fuel use in operational activities and equipment. The Group continues to enhance its emissions data collection processes and improve the accuracy and completeness of its GHG inventory over time, with plans to expand coverage where relevant.

Climate-related considerations are also integrated into project planning and capital investment decisions. The Group evaluates opportunities to reduce emissions through system design, adoption of energy-efficient technologies, and optimisation of operational processes. Where feasible, Darco explores innovative solutions that support water reuse, resource efficiency, and reduced energy intensity, contributing to both environmental performance and cost efficiency.

Energy and Greenhouse Gas Emissions

Monitoring, Performance and Continuous Improvement

Energy consumption and emissions performance are tracked as part of the Group’s broader sustainability monitoring framework. Data is reviewed periodically by management to identify trends, assess performance, and implement improvement measures where necessary.

The Group is committed to continuous improvement in energy efficiency and emissions management, recognising that advancements in technology, evolving regulatory requirements, and stakeholder expectations will continue to shape its approach. By strengthening its energy management practices and enhancing emissions transparency, Darco aims to reduce its environmental impact while supporting long-term operational efficiency and competitiveness in a low-carbon economy.

FY2025 Performance

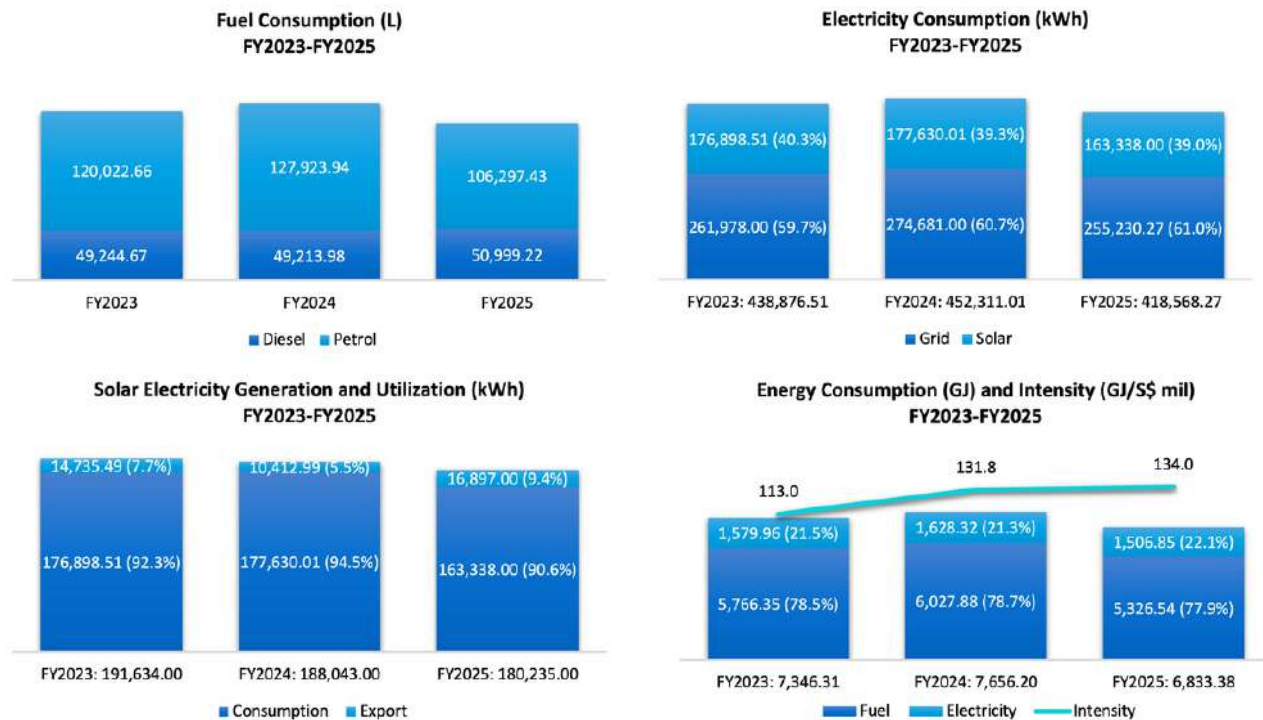
Energy Consumption

In FY2025, the Group’s total energy consumption reached 6,833.38 GJ, comprising:

- 5,326.54 GJ from the combustion of diesel and petrol.
- 1,506.85 GJ from grid and solar electricity.

During the year, a total of 180,235 kWh of solar electricity was generated at DWS factory. Of this, 90.6% was consumed for operational use, while the remaining 16,897 kWh was exported to the grid.

In FY2025, the Group’s total energy consumption decreased by 10.7% compared to FY2024, primarily due to reduced production activities at DWS. Energy consumption intensity was 134.0 GJ/\$ mil, representing a 1.7% increase year-on-year, while the Group continues to implement energy efficiency and renewable energy initiatives to improve long-term performance.



Energy and Greenhouse Gas Emissions

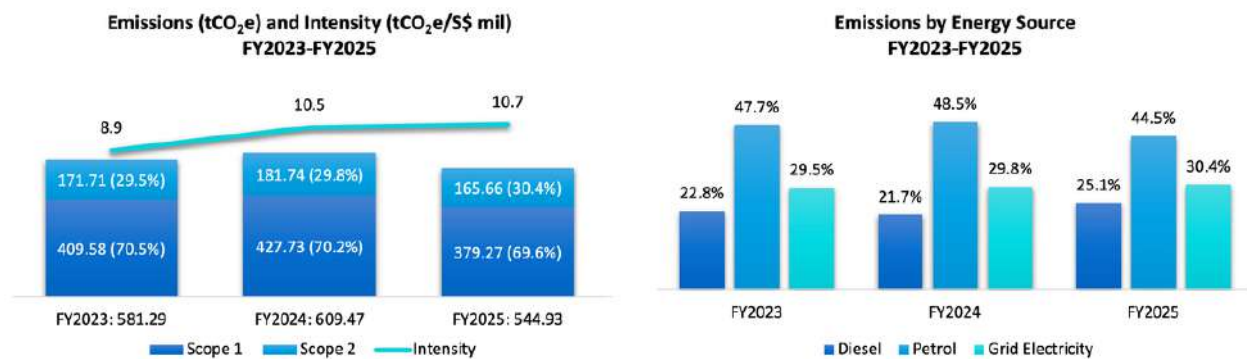
Emissions

In FY2025, the Group's GHG emissions amounted to 544.93 tCO₂e, comprising:

- Scope 1 emissions: 379.27 tCO₂e, from fuel combustion.
- Scope 2 emissions: 165.66 tCO₂e, attributed to grid electricity consumption.

Based on the latest grid emission factors ("EF"), the use of solar-generated electricity avoided 120.87 tCO₂e of GHG emissions in FY2025.

In line with the reduction in energy consumption, the Group's total GHG emissions decreased by 10.6% compared to FY2024. GHG emission intensity increased by 1.9%, reaching 10.7 tCO₂e/\$ mil.



Calculation Methodology

The Group adopted the GHG Protocol as the primary framework for the calculation of energy consumption and associated GHG emissions.

- Scope 1 emissions were calculated using the Singapore NEA Reckonable GHG Emissions Calculator, which is aligned with the 2006 Intergovernmental Panel on Climate Change ("IPCC") Guidelines.
- Scope 2 emissions were calculated in accordance with the GHG Protocol methodology and the latest available EF. For Singapore operations, grid electricity emissions were calculated using the grid EF of 0.402 kg CO₂/kWh in 2024, as published in the Energy Market Authority ("EMA")'s Singapore Energy Statistics. For Malaysia operations, the grid EF of 0.740 Gg CO₂/GWh for Peninsular Malaysia (2024) was sourced from MyEnergyStats. China grid EF was based on 0.5306 kg CO₂/kWh in 2023 from Ministry of Ecology and Environment of the People's Republic of China.

Target Setting

Short Term - FY2026

- Monitor and track Scope 1 and 2 GHG emissions performance.
- Collect data for Scope 3 emissions to assess supply chain emissions.

Medium Term - Till 2030

- Maintain ongoing monitoring and reporting of Scope 1, 2, and Scope 3 emissions.
- Identify and understand emission hotspots within operations and supply chain to implement emission reduction initiatives.

Long Term - Beyond 2030

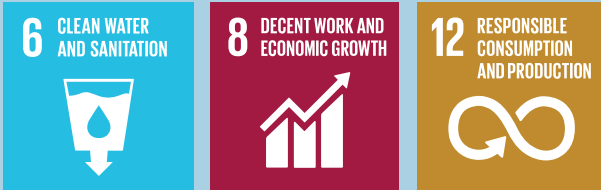
- Align the Group's emission reduction efforts with Singapore's national carbon reduction strategy and targets.
- Continue comprehensive monitoring, reporting, and managing of GHG emissions across all applicable scopes.

Water Usage

Material Topics

- GRI 303 Water and Effluents

Relevant SDGs



Why This Is Important

Water is a core strategic resource for the Group and fundamental to both our operations and value proposition. As a provider of water and wastewater treatment solutions, the Group operates at the intersection of environmental stewardship, industrial productivity, and regulatory compliance. Effective water management is therefore not only an operational necessity but a critical enabler of long-term business resilience and sustainable development.

Increasing global water stress, tightening discharge regulations, and rising stakeholder expectations have elevated water management into a material sustainability priority. Poor water governance may result in regulatory non-compliance, operational disruptions, reputational risks, and increased costs associated with water sourcing, treatment, and discharge. Conversely, efficient water management enhances operational efficiency, reduces environmental impact, and strengthens the Group’s competitive positioning in delivering sustainable water solutions.

Through our engineering expertise and technological capabilities, the Group contributes directly to improving water efficiency, enabling water reuse, and safeguarding water quality across industries and municipalities. Our solutions support customers in reducing freshwater withdrawal, minimising pollutant discharge, and achieving regulatory compliance, thereby reinforcing broader ecosystem protection and long-term water security.

Management Approach

The Group adopts an integrated and lifecycle-based approach to water management, focusing on efficient water use, responsible discharge, and extending its impact through the deployment of advanced treatment technologies across its value chain. Water management is embedded within the Group’s operational controls and engineering solutions, ensuring alignment with regulatory requirements while supporting long-term resource sustainability.

Within its own operations, water consumption is primarily associated with equipment rinsing, system testing, and operational hygiene. The Group sources water from municipal supplies and implements systematic monitoring and control measures to optimise usage efficiency. A structured Water Management Programme has been established to track water withdrawal, consumption, and discharge across all operational sites. Through this programme, the Group is able to identify high-consumption processes, analyse usage patterns, and implement targeted improvement initiatives. Continuous efforts are made to enhance operational efficiency through process optimisation, improved rinsing techniques, and equipment upgrades, ensuring that water is utilised responsibly without compromising operational performance.

The Group places strong emphasis on ensuring that all wastewater generated from its activities is managed in full compliance with applicable environmental laws and regulatory frameworks, including the Environmental Quality (Industrial Effluent) Regulations 2009. Wastewater is either treated internally or discharged through approved channels only after meeting prescribed regulatory standards.

Water Usage

Treatment processes are designed to effectively remove contaminants and safeguard environmental quality, with routine monitoring conducted on key discharge parameters such as pH, chemical oxygen demand, and total suspended solids. Discharge points are subject to regular inspections and environmental risk assessments to prevent contamination of surrounding water bodies, particularly under abnormal or emergency operating conditions.

Beyond its internal operations, the Group's most significant contribution to water management lies in its engineering expertise and the deployment of advanced water and wastewater treatment technologies. The Group designs and delivers solutions such as zero liquid discharge systems, advanced filtration and membrane technologies, and municipal and industrial water treatment systems that enable customers to improve water efficiency, increase water reuse, and meet stringent discharge standards. Through the implementation of these technologies across a wide range of projects globally, the Group supports industries and municipalities in reducing freshwater withdrawal, minimising pollutant discharge, and strengthening water resilience. This value chain contribution is central to the Group's role in advancing sustainable water management practices.

Recognising the potential risks of water contamination arising from chemical handling, the Group has implemented stringent chemical management procedures governing the safe receipt, storage, use, and disposal of treatment chemicals. All chemicals are supported by up-to-date safety data sheets, and personnel are trained in proper handling techniques as well as emergency response protocols. In addition, emergency preparedness and response procedures are established to ensure that any incidents involving chemical spills or leaks are managed promptly and effectively, thereby minimising environmental impact and safeguarding both human health and water resources.

Performance monitoring and continuous improvement are integral to the Group's water management strategy. Water-related performance is regularly reviewed through scheduled inspections, internal audits, and operational evaluations. Data on water consumption and discharge quality is systematically recorded and analysed to ensure compliance with regulatory requirements and internal standards. The Group also promotes a culture of water stewardship through employee training and awareness programmes, reinforcing responsible water use and pollution prevention practices across all levels of the organisation. Continuous improvement initiatives are implemented based on performance insights, technological advancements, and evolving regulatory expectations, ensuring that the Group remains responsive to emerging water-related risks and opportunities.

Providing Access to Clean Water in Vietnam

Access to clean water in Vietnam, the third most populous country in Southeast Asia with over 90 million people remains a significant challenge, particularly for the rural poor. The gap between the provision of water supply and sanitation services for the rural poor and urban non-poor is widening, with 72% of the rural population using non-piped water compared to 55% of the national population and 20% of the urban population. To close these gaps, more innovative financing and increased effectiveness are needed. However, access to private sector finance is limited due to low tariffs, which do not cover investment costs and the high volume of non-revenue water.

Our Project

Darco and InfraCo Asia are jointly developing a Water Supply Portfolio to enhance private sector involvement in water supply projects in Vietnam, thereby meeting its goals of universal access to safe drinking water by 2030. InfraCo Asia is part of the Private Infrastructure Development Group, which deploys funding and expertise to de-risk the early-stage development of socially responsible and sustainable infrastructure projects that make a lasting impact on people and economies, in alignment with the UN Sustainable Development Goals.

The Portfolio comprises a water distribution system aimed at providing 24x7, treated and piped water to 16 communes and one industrial area in Ben Tre province, serving individuals who are highly reliant on rainwater collection for daily use. Following the completion of the development, the portfolio is expected to deliver 15,000 m³/day of clean water supply directly to rural households and industrial facilities.

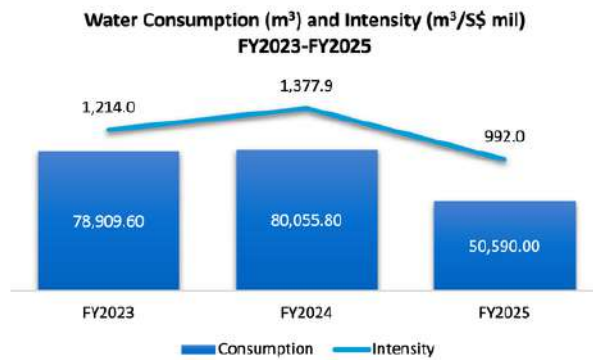
Our Impact

The portfolio is set to deliver better water supply services and initial access to a dependable piped water supply to several households, especially those residing in areas with high reliance on rainwater collection for daily use.

Water Usage

FY2025 Performance

In FY2025, the Group’s water consumption decreased by 36.8% to 50,590.00 cubic metres (“m³”) compared to FY2024, primarily due to reduced production activities at DWS. Water consumption intensity also declined by 28%, reaching 992 m³/S\$ mil.



Target Setting

Short Term - FY2026

- Maintain zero incidents of illegal discharge or spillage, continuously maintaining full compliance with all water-related regulatory standards and ensuring zero penalties or fines from regulatory bodies.

Medium Term - Till 2030

- Set up water consumption reduction target.
- Maintain zero incidents of illegal discharge or spillage, continuously maintaining full compliance with all water-related regulatory standards and ensuring zero penalties or fines from regulatory bodies.

Long Term - Beyond 2030

- Lead industry initiatives for water conservation practices and share best practices with industry partners to foster sector-wide improvements in water resource management.

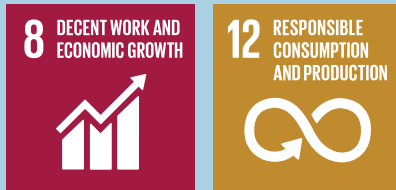


Waste Management

Material Topics

- GRI 306 Waste

Relevant SDGs



Why This Is Important

Effective waste management is a critical component of the Group’s environmental stewardship and operational resilience. Given the nature of our activities—including fabrication, installation, and water treatment processes—the generation of both hazardous and non-hazardous waste presents inherent environmental and regulatory risks. Improper handling or disposal of such waste could result in environmental contamination, legal non-compliance, and operational disruptions, thereby affecting business continuity and stakeholder confidence.

The Group recognises that waste management extends beyond regulatory compliance. It is integral to minimising environmental impact, improving resource efficiency, and advancing circular economy practices. By embedding structured waste controls into our operational processes, we aim to reduce waste generation at source, ensure safe handling and disposal, and enhance recovery and recycling rates where feasible.

This approach enables the Group to manage environmental risks systematically while optimising operational efficiency and cost performance. It also reinforces our commitment to sustainable industrial practices, supporting long-term value creation and aligning with evolving stakeholder expectations and regulatory developments.

Management Approach

The Group generates both scheduled (hazardous) and non-scheduled waste across its operational activities, including chemical containers, contaminated materials, treatment sludge, and spent activated carbon. These waste streams are identified as having potentially significant environmental and health impacts.

In accordance with the Waste Management System Procedure, the Group adopts a structured approach to identifying and evaluating waste-related environmental aspects. This includes process mapping, lifecycle consideration, site inspections, and consultation with operational personnel. Risks are assessed under normal, abnormal, and emergency conditions, ensuring comprehensive coverage of potential environmental impacts. Waste streams with significant risk profiles are formally classified and prioritised for control under the Group’s Environmental Aspects Control Plan.

Governance and Waste Management Framework

Waste management is governed through a formalised internal system supported by documented procedures and clearly defined roles and responsibilities. Waste is systematically classified into scheduled waste, recyclable waste, general waste, and scrap materials to facilitate appropriate handling, storage, and disposal.

The Group applies the waste hierarchy as a guiding principle, prioritising waste prevention, reduction, reuse, and recycling before disposal. Responsibilities are assigned across operational levels to ensure accountability, while periodic reviews are conducted to assess the effectiveness of waste control measures and identify opportunities for improvement.

Waste Management

Scheduled Waste and Hazardous Materials Management

The management of scheduled waste is subject to stringent controls due to its potential environmental and safety risks. In line with the Waste Management System Procedure, a competent person is appointed to oversee the identification, classification, and regulatory compliance of scheduled waste, including adherence to prescribed waste codes and reporting requirements through regulatory systems.

Hazardous waste is stored in designated and clearly labelled areas, with segregation based on compatibility to prevent chemical reactions and environmental hazards. The Chemical Control Procedure further strengthens this process by governing the handling, storage, and use of hazardous substances, ensuring alignment with Safety Data Sheet requirements and regulatory standards.

Personnel involved in handling hazardous materials are provided with appropriate personal protective equipment and receive training on chemical safety, waste handling, and emergency response protocols. Licensed contractors are engaged for the collection and disposal of scheduled waste, ensuring full compliance with applicable environmental regulations.

Emergency preparedness measures are integrated into operations, with established response procedures for chemical spills or accidental releases. Trained emergency response teams are mobilised to mitigate environmental and safety risks, minimising potential impacts.

Management of Non-Scheduled Waste and Resource Recovery

Non-scheduled waste, including packaging materials, office waste, and uncontaminated operational waste, is managed through segregation at source into recyclable and non-recyclable streams. Collection systems are implemented across operational areas to facilitate proper disposal and maximise recycling opportunities.

The Group promotes responsible waste management practices through employee awareness and training programmes, reinforcing the importance of waste segregation, reduction, and environmental responsibility. Authorised service providers are engaged to ensure that waste is managed and disposed of in accordance with regulatory requirements.

Waste Reduction and Operational Efficiency Initiatives

The Group actively implements initiatives to reduce waste generation and improve resource efficiency. Measures such as digitalisation, controlled printing practices, and material reuse contribute to reducing operational waste while enhancing efficiency. These initiatives are aligned with broader sustainability objectives and support the transition towards more sustainable operational practices.

Innovation and Circular Economy Initiatives

In line with its commitment to sustainability and innovation, the Group explores advanced waste recovery and circular economy solutions. Through strategic collaboration, the Group is developing integrated systems to convert food waste into valuable by-products, combining engineering capabilities with biological processing technologies.

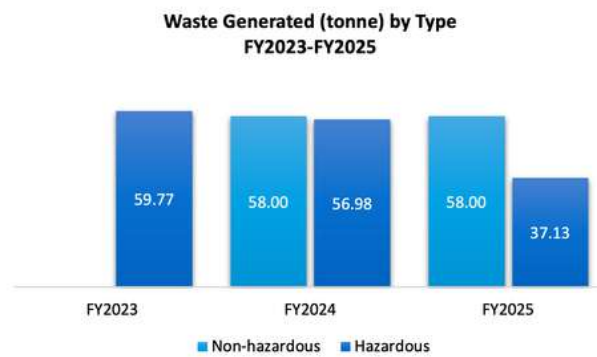
This initiative reflects the Group's proactive approach to addressing waste challenges while contributing to national sustainability goals. It also demonstrates the Group's ability to leverage innovation to enhance resource recovery, reduce landfill dependence, and create long-term environmental and economic value.

Waste Management

FY2025 Performance

In FY2025, DWS and DIW generated 58.00 tonnes of non-hazardous general waste and 37.13 tonnes of hazardous waste, primarily arising from wastewater treatment processes.

The hazardous waste was managed using appropriate treatment methods, including physical and chemical treatment, recovery, cementation, and incineration, in accordance with the requirements of the Malaysia Department of Environment (“DOE”), based on the specific characteristics of each waste type.



Target Setting

Short Term - FY2026

- Ensure compliance with all waste management and disposal regulations.
- Implement systematic collection of waste generation data across all operational locations.

Medium Term - Till 2030

- Maintain consistent compliance with waste management and disposal standards.
- Continuously monitor and analyse waste generation data to inform reduction strategies.

Long Term - Beyond 2030

- Focus on maximizing waste recycling and exploring opportunities for upcycling.
- Support the national goal of achieving a circular economy as per Singapore Green Plan 2030.



SOCIAL



**Fair Employment Condition
and Employee Diversity**



**Training and Skill
Development**



**Occupational Health and
Safety**

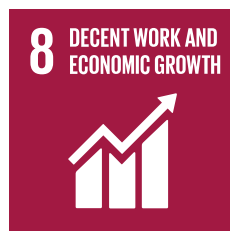


**Customer Health and
Safety**

GRI Indicators

- GRI 401 Employment
- GRI 402 Labor/Management Relations
- GRI 403 Occupational Health and Safety
- GRI 404 Training and Education
- GRI 405 Diversity and Equal Opportunity
- GRI 406 Non-discrimination
- GRI 416 Customer Health and Safety

Relevant SDGs



Fair Employment Condition and Employee Diversity

Material Topics

- GRI 401 Employment
- GRI 402 Labor/Management Relations
- GRI 405 Diversity and Equal Opportunity
- GRI 406 Non-discrimination

Relevant SDGs



Why This Is Important

Employees are a critical asset underpinning the Group’s long-term resilience, operational effectiveness, and ability to deliver sustainable value. Effective human capital management supports business continuity, enhances productivity, and strengthens the Group’s capacity to respond to evolving market, regulatory, and technological developments.

The Group recognises that fair employment practices, workforce stability, and inclusive workplace conditions are fundamental to maintaining a motivated and high-performing workforce. Aligning with applicable labour laws and internationally recognised standards, the Group is committed to providing equitable employment opportunities, safeguarding employee rights, and fostering a respectful and inclusive working environment.

From a sustainability and risk management perspective, the ability to attract, develop, and retain talent is directly linked to operational reliability, project execution capability, and long-term competitiveness. Workforce-related risks, including talent shortages, employee disengagement, and regulatory non-compliance, are actively managed to ensure organisational stability and sustainable growth.

The Group also recognises that diversity, equal opportunity, and non-discrimination contribute to innovation, stronger decision-making, and improved organisational performance. By embedding these principles into its workforce strategy, the Group enhances employee well-being while reinforcing its commitment to responsible business conduct.

Management Approach

The Group adopts a structured and policy-driven approach to managing employment practices across the employee lifecycle, including recruitment, onboarding, performance management, remuneration, and separation. Employment terms are clearly defined and communicated to all employees, with compensation and benefits aligned with applicable laws and industry practices.

Employee welfare is supported through comprehensive leave entitlements, medical benefits, and well-being initiatives, contributing to workforce stability and retention. The Group also promotes internal mobility and career progression opportunities, ensuring employees are able to grow within the organisation while meeting evolving business needs.

Fair Employment Condition and Employee Diversity

Talent Development and Retention

The Group places strong emphasis on attracting, developing, and retaining talent to support long-term business sustainability. Structured training and development programmes are implemented to enhance employee competencies, strengthen leadership capabilities, and ensure operational effectiveness.

Career development pathways and performance management systems are designed to recognise merit and support employee progression. By investing in continuous learning and capability building, the Group mitigates risks associated with skills gaps while fostering a resilient and future-ready workforce.

Employee Engagement and Labour Relations

Open communication and constructive engagement between employees and management are integral to the Group's workplace culture. Employees are provided with accessible channels to raise feedback, concerns, and grievances, which are addressed in a timely and transparent manner.

The Group respects employees' rights to freedom of association and ensures that employees can communicate workplace concerns without fear of retaliation. Through regular engagement initiatives and direct communication channels, the Group fosters a collaborative and trust-based working environment.

Diversity and Equal Opportunity

The Group is committed to building a diverse and inclusive workforce where all employees are treated fairly and with respect. Employment-related decisions, including recruitment, promotion, and training opportunities, are based on merit, qualifications, and performance.

Efforts are made to ensure equitable access to opportunities across the organisation, without bias or favouritism. Workforce diversity is recognised as a key driver of innovation, enabling the Group to benefit from a wide range of perspectives and experiences.

Non-Discrimination and Workplace Respect

The Group maintains a zero-tolerance approach towards discrimination, harassment, and any form of inappropriate workplace behaviour. Policies clearly prohibit discrimination based on personal characteristics, including gender, age, race, nationality, and religion.

Employees have access to formal grievance mechanisms to report concerns confidentially. All reported cases are investigated fairly, and appropriate actions are taken to uphold a respectful and safe workplace. Retaliation against individuals who raise concerns is strictly prohibited.

Human Rights and Ethical Employment

The Group is committed to upholding internationally recognised human rights principles across its operations. Employment practices are aligned with applicable labour laws and international standards, ensuring that all work is voluntary and fairly compensated.

The Group strictly prohibits forced labour, child labour, and any form of exploitation. These principles are embedded within internal policies and extended to suppliers and contractors through contractual expectations and due diligence processes.

Workforce Sustainability and Risk Management

Human capital considerations are integrated into the Group's broader risk management and sustainability strategy. The Group monitors workforce-related indicators such as employee engagement, training effectiveness, and retention to ensure alignment with operational and strategic objectives.

By proactively managing workforce risks and investing in employee development, the Group strengthens organisational resilience and ensures that its workforce remains capable of supporting long-term growth and sustainability ambitions.

Fair Employment Condition and Employee Diversity

FY2025 Performance

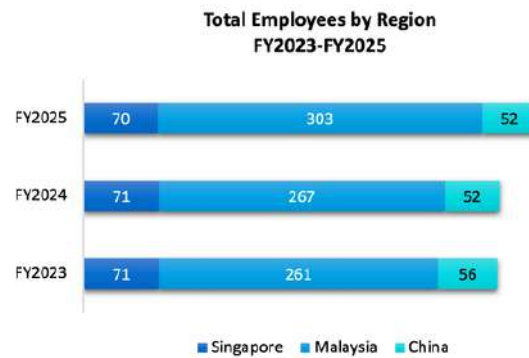
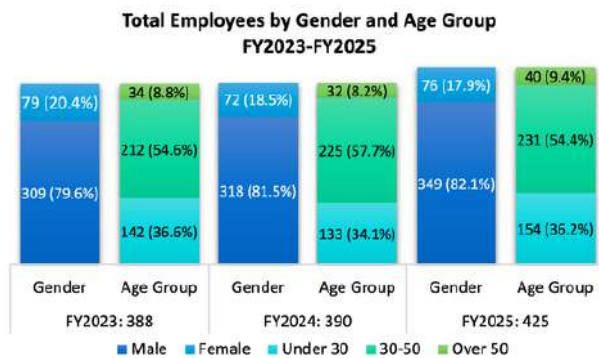
In FY2025, the Group recorded no substantiated incidents of discrimination. The Group continues to foster a culture of respect, inclusivity, and accountability across all levels of the organisation.

Total Employees

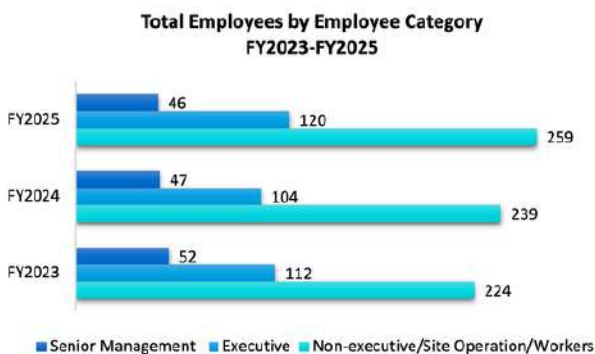
As of 31 December 2025, the Group employed a total of 425 employees, representing a 9.0% increase compared to FY2024.

By employment type, 82.8% of employees were on permanent contracts, while the remaining 17.2% were on temporary contracts. The workforce remained predominantly full-time, with 99.3% of employees employed on a full-time basis and only three employees working part-time.

The Group's gender and age distribution remained largely stable compared to FY2024. Geographically, headcount in Singapore and China remained stable, while the number of employees in Malaysia increased.



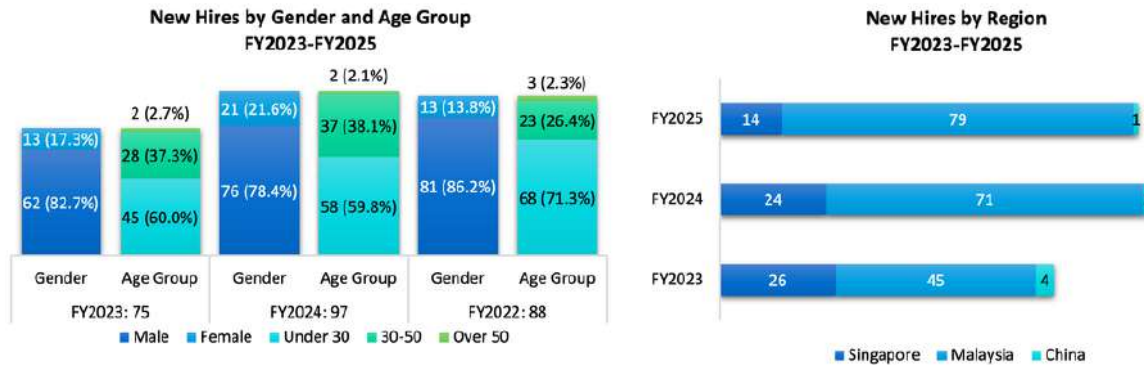
The Group's workforce composition by employee category remained largely unchanged. In FY2025, the Group's workforce comprised employees from five nationalities, with Malaysian nationals representing the largest proportion.



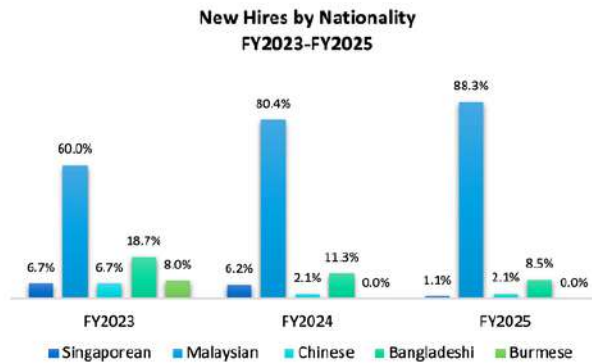
Fair Employment Condition and Employee Diversity

New Hires

In FY2025, the Group onboarded a total of 88 new employees. The majority of new hires were male, with a higher proportion aged below 30. Most new hires were based in Malaysia.



The Group's new hires comprised employees from four nationalities, with Malaysian nationals representing the largest proportion.



Employee Turnover

In FY2025, the Group recorded a total of 59 employee departures, resulting in an employee turnover rate of 14.5%. This represents an improvement in employee retention compared to FY2024.

Parental Leave

In FY2025, 15 employees (14 males and 1 females) were entitled and took parental leave, with a 100% return-to-work and retention rate.

Target Setting

Short Term - FY2026

- Maintain zero substantiated complaints regarding employment conditions or unfair treatment.

Medium Term & Long Term- Beyond 2026

- Maintain zero substantiated complaints regarding employment conditions or unfair treatment.
- Achieve external recognition or certification (e.g., "Great Place to Work").
- Continuously refine and update employment practices and policies based on evolving industry standards and feedback.

Training and Skill Development

Material Topics

- GRI 404 Training and Education

Relevant SDGs



Why This Is Important

The Group recognises that human capital development is a critical driver of long-term value creation, operational resilience, and service quality. In an industry characterised by evolving regulatory requirements, advancing treatment technologies, and increasing expectations on environmental and safety performance, maintaining a skilled and adaptable workforce is essential to sustaining competitiveness.

Continuous training and professional development enable the Group to mitigate operational and safety risks, ensure compliance with applicable regulatory standards, and enhance the reliability and efficiency of project delivery. At the same time, investing in employee capabilities supports talent retention, strengthens employee engagement, and prepares the workforce to respond effectively to changing business and industry conditions.

By fostering a culture of continuous learning and capability building, the Group supports workforce readiness, enhances productivity, and aligns employee development with its broader sustainability objectives of promoting employee wellbeing, career progression, and organisational excellence.

Management Approach

The Group adopts a structured and systematic approach to training and development, guided by internal human resource policies and the Employee Handbook. Training programmes are designed to ensure that employees possess the necessary competencies to perform their roles effectively, while supporting compliance with regulatory, environmental, and occupational health and safety requirements. Training needs are identified through job scope analysis, performance appraisals, operational requirements, and statutory obligations, ensuring alignment with both organisational priorities and individual development needs.

Training Programmes and Delivery

Employees across all levels are provided with access to both formal and on-the-job training throughout their employment lifecycle. The Group delivers a broad range of training programmes covering technical competencies, occupational health and safety, environmental compliance, and behavioural skills. Induction programmes are conducted for new hires to ensure a clear understanding of organisational policies, operational procedures, and workplace expectations, while continuous training supports employees in adapting to evolving technologies and operational requirements.

On-the-Job Training and Knowledge Transfer

On-the-job training remains a core component of capability development, enabling employees to acquire practical skills within operational environments. This is complemented by structured learning methods, including workshops, seminars, certification programmes, and safety briefings. The Group also leverages internal expertise by appointing qualified employees as in-house trainers to facilitate knowledge transfer across teams, contractors, and clients, strengthening organisational capability and continuity.

Training and Skill Development

Employee Development and Transition Support

To support workforce adaptability, the Group provides training and development opportunities during role transitions, including job rotations, reassignment support, and competency alignment for new responsibilities. For safety-critical roles, employees are required to meet relevant medical fitness and competency standards prior to deployment. This approach ensures that employees are adequately prepared to undertake their duties while maintaining workplace safety and operational integrity.

Performance Review and Career Development

Performance and career development are supported through a formal annual appraisal process for all permanent employees. These reviews facilitate structured discussions between employees and supervisors on performance outcomes, development needs, and career progression. The appraisal process informs targeted training plans and supports alignment between individual objectives and organisational goals.

Monitoring and Effectiveness of Training

The effectiveness of training programmes is monitored through participation, feedback, and assessment mechanisms, where applicable. Employees are expected to actively engage in training, demonstrate competency improvements, and apply acquired knowledge in their roles. The Group continues to enhance its training framework to improve the quality, relevance, and accessibility of learning programmes, ensuring that employee development contributes to business resilience, regulatory compliance, and long-term sustainability.

FY2025 Performance

During FY2025, the Group implemented a comprehensive suite of training programmes to enhance employee competencies across safety, environmental management, compliance, technical operations, and professional development.

Safety and health training remained a key priority, with extensive programmes covering workplace safety and health (“**WSH**”), confined space operations, working at height, chemical handling, hazard identification (physical, biological, and ergonomic), first aid and emergency response, as well as industry-specific safety certifications. These initiatives support a strong safety culture and regulatory compliance across operations.

Environmental and sustainability-related training was also conducted, including ISO 14001 Environmental Management System awareness, scheduled waste management, industrial effluent treatment processes, zero liquid discharge strategies, and sustainability reporting aligned with ISSB standards.

In addition, employees participated in governance and compliance training, such as anti-corruption, Responsible Business Alliance (“**RBA**”) Code of Conduct, employment law, and tax-related updates, ensuring adherence to regulatory and ethical standards.

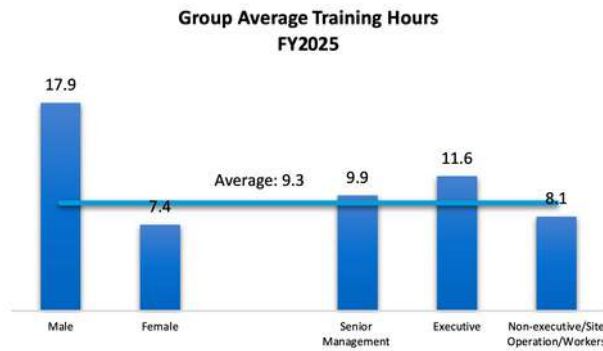
The Group also provided technical and operational training, including project management, data analysis tools, engineering and process optimisation, as well as equipment operation (e.g., scissor lifts, forklifts).

To support continuous professional development, a range of soft skills and business-related training was conducted, including finance modelling, language courses, and leadership development.

These training initiatives reflect the Group’s commitment to building a competent, compliant, and future-ready workforce.

Training and Skill Development

In FY2025, employees across the Group received an average of 9.3 training hours, up from 5.7 hours in FY2024 and surpassing the target of 5 hours.



Performance Review

In FY2025, all employees underwent annual performance reviews. In addition, WHKD conducted quarterly performance reviews to further enhance accountability and support continuous professional development.

Target Setting

Short Term - FY2026

- Achieve an average of at least 8 training hours per employee annually.
- Systematically monitor total training hours quarterly for all employees.

Medium Term & Long Term- Beyond 2026

- Maintain an average of at least 8 training hours per employee annually.
- Systematically monitor total training hours quarterly for all employees.
- Extend awareness programs to suppliers and contractors to enhance overall competency and align them with the Group's standards.

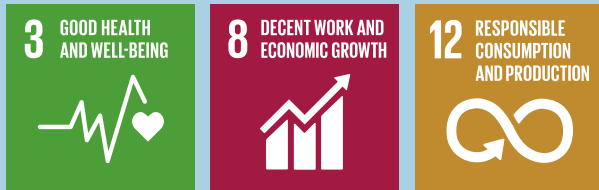


Occupational Health and Safety

Material Topics

- GRI 403 Occupational Health and Safety

Relevant SDGs



Why This Is Important

Occupational health and safety (“OHS”) is fundamental to the Group’s operational resilience and long-term value creation. As a provider of water and wastewater solutions, our activities involve exposure to operational, environmental, and workplace hazards that require systematic management. Ensuring a safe and healthy working environment is therefore essential to protecting our workforce, maintaining operational continuity, and safeguarding stakeholder trust.

The Group adopts a proactive and risk-based approach to OHS, recognising that effective safety management extends beyond regulatory compliance. By embedding health and safety considerations into our business processes, we minimise workplace incidents, reduce operational disruptions, and enhance workforce productivity. A strong safety culture also supports employee engagement and reinforces accountability across all levels of the organisation.

Our commitment to OHS reflects our broader sustainability objectives under the social pillar, where protecting employee well-being and ensuring safe working conditions are integral to responsible business conduct. Through continuous improvement, active workforce participation, and robust management systems, we strive to achieve a workplace free from high-consequence injuries and occupational illnesses.

Management Approach

OHS Management System and Governance

The Group maintains a structured Occupational Health and Safety Management System aligned with internationally recognised standards, including ISO 45001. The system is integrated into the Group’s overall governance framework and applies to all employees, contractors, and third-party personnel working under the Group’s control.

Clear roles and responsibilities are defined across all organisational levels to ensure accountability for OHS performance. Management is responsible for implementation and monitoring, while leadership provides oversight and ensures that adequate resources are allocated to maintain and improve safety performance. Regular reviews, audits, and inspections are conducted to ensure the effectiveness of the system and compliance with applicable legal and regulatory requirements.

Hazard Identification, Risk Assessment, and Incident Management

The Group adopts a systematic approach to identifying hazards and assessing risks associated with its operations. Through established risk management procedures, workplace hazards are evaluated and controlled using appropriate mitigation measures based on the hierarchy of controls.

All incidents, including near-misses, are reported, recorded, and investigated to determine root causes. Corrective and preventive actions are implemented and tracked to prevent recurrence. This structured approach ensures continuous improvement in safety performance and strengthens the Group’s ability to manage operational risks effectively.

Occupational Health and Safety

Occupational Health Services and Worker Well-being

The Group provides occupational health support through structured processes to manage workplace injuries and illnesses. Employees have access to medical care, and incidents are managed through established reporting, investigation, and rehabilitation processes, including return-to-work arrangements where applicable.

In addition, the Group promotes employee well-being through health initiatives such as medical benefits, periodic health assessments, and wellness programmes. These initiatives support both physical and mental well-being, contributing to a healthier and more engaged workforce.

Worker Participation, Consultation, and Communication

The Group promotes active worker participation in OHS through formal consultation mechanisms, including Health and Safety Committees and regular engagement channels. Employees are encouraged to raise safety concerns, report hazards, and contribute to the development of control measures without fear of reprisal.

Workers are involved in key aspects of OHS management, including policy development, risk assessment, incident investigation, and the evaluation of safety performance. Safety-related information is communicated clearly and made accessible to all employees to ensure awareness and compliance across operations.

Worker Training and Competency Development

The Group implements comprehensive training programmes to ensure that all employees and contractors are competent to perform their work safely. Training includes safety induction for new employees, task-specific training for operational roles, and specialised programmes for high-risk activities.

Ongoing training covers areas such as hazard awareness, safe work practices, emergency response, and the use of personal protective equipment. Training effectiveness is monitored through records and periodic assessments to ensure continuous competency development across the workforce.

Prevention of Occupational Health and Safety Impacts

The Group prioritises the prevention of workplace injuries and ill health through proactive risk management, implementation of safe work procedures, and continuous monitoring of workplace conditions. Preventive measures include engineering controls, administrative controls, and the provision of appropriate protective equipment.

Emergency preparedness and response plans are established to manage potential incidents effectively. Regular drills and reviews are conducted to ensure readiness and minimise the impact of emergencies on employees and operations.

Value Chain Safety Management

The Group extends its OHS requirements to contractors, suppliers, and other business partners operating within its control. Contractors are required to comply with established safety procedures, conduct risk assessments, and implement appropriate control measures prior to commencing work.

Regular inspections and monitoring are carried out to ensure adherence to safety standards across project sites. This approach ensures that OHS risks are effectively managed not only within the Group's operations but also throughout its value chain.

Workers Covered by the OHS Management System

The Group's OHS management system covers all individuals working under its control, including full-time employees, contract staff, and third-party personnel at operational sites and project locations. All workers are subject to the same safety requirements, training standards, and emergency response procedures to ensure consistent protection across the organisation.

Monitoring, Performance Evaluation, and Continuous Improvement

The Group maintains processes to monitor and evaluate OHS performance through data collection, internal audits, inspections, and management reviews. Safety performance indicators, including incident trends and corrective actions, are tracked to identify areas for improvement.

Continuous improvement is achieved through the regular review of policies, procedures, and performance outcomes. Lessons learned from incidents and audits are integrated into operational practices to strengthen the overall effectiveness of the OHS management system and enhance workplace safety outcomes.

Occupational Health and Safety

FY2025 Performance

Total Working Hours and Work-related Injuries

Our Employees

In FY2025, the Group recorded a total of 880,816 working hours, a 6.3% increase compared to 828,402 hours in FY2024. No work-related fatalities were reported during the year. The Group recorded one major and one minor injury case, resulting in 9 lost workdays, with a total recordable injury rate of 1.14. In addition, no work-related injuries were reported among our contractors.

Financial Year		FY2023	FY2024	FY2025
Total Working Hour		883,214	828,402	880,816
No. of Occurrence	Fatality ⁽¹⁾	0	0	0
	Major Injury ⁽²⁾	0	2	1
	Minor Injury ⁽³⁾	7	6	1
No. of Lost Days		0	347	9
Rate of high-consequence work-related injuries ⁽⁴⁾		0.00	2.41	1.14
Rate of recordable work-related injuries ⁽⁵⁾		7.93	9.66	2.27

(1) Fatality: Fatalities as a result of work-related injury

(2) Major injury: High-consequence work-related injuries (excluding fatalities), including injuries where the worker cannot, does not, or is not expected to recover fully to pre-injury health status within 6 months.

(3) Minor injury: Recordable work-related injuries, including medical treatment beyond first aid, restricted work or days away from work.

(4)(5) The injury rate is based on per 1,000,000 working hours

Our Contractors

In FY2025, contractors under DWS and DIW recorded a total of 641,652 working hours, following the increase in FY2024 driven by a larger-scale project, higher manpower requirements, and extended daily working hours. The Group is pleased to report zero work-related injury cases and zero lost man-days among contractors during the year.

Financial Year	FY2023	FY2024	FY2025
Total Working Hour	111,313	1,242,058	641,652

Work-related Ill Health

In FY2025, none of our operating sites reported work-related ill health issues.

Occupational Health and Safety

Target Setting

Short Term - FY2026

- Maintain zero fatalities.
- Zero major injury.
- Maintain zero Stop Work Order from authorities.

Medium Term - Till 2030

- Maintain zero fatalities.
- Zero major injury.
- Maintain zero Stop Work Order from authorities.

Long Term - Beyond 2030

- Maintain zero fatalities.
- Zero major injury.
- Maintain zero Stop Work Order from authorities.
- Create a safe work organisation recognised as an industry leader.



Customer Health and Safety

Material Topics

- 418 Customer Privacy

Relevant SDGs



Why This Is Important

Protecting customer privacy and safeguarding personal and operational data are fundamental to maintaining trust, ensuring regulatory compliance, and upholding the integrity of our business. In an increasingly digital and interconnected environment, customers expect that their sensitive information—including operational data, technical specifications, and personal details—is handled responsibly, securely, and in accordance with applicable data protection laws.

As a provider of water and wastewater treatment solutions, the Group regularly handles confidential customer information, including engineering designs, operational performance data, and site-specific details. Any breach or misuse of such information could result in significant reputational damage, legal consequences, and disruption to customer operations.

We recognise that strong data protection practices are not only a regulatory requirement but also a critical component of service quality and customer confidence. Our commitment extends beyond compliance to ensuring that data privacy considerations are embedded across our project lifecycle, operational processes, and stakeholder engagements.

Management Approach

The Group adopts a structured and risk-based approach to managing customer privacy and data protection across all operations. We are committed to ensuring that all customer information is collected, processed, stored, and protected in a secure and responsible manner, in line with applicable data protection regulations such as the Personal Data Protection Act (“PDPA”) and other relevant legal requirements in our operating jurisdictions.

Customer data is primarily handled during key stages of our project lifecycle, including system design, engineering assessments, fabrication, installation, and post-delivery services. Throughout these stages, access to sensitive information is restricted to authorised personnel on a need-to-know basis, with appropriate controls in place to prevent unauthorised access, disclosure, or misuse.

During the design and engineering phase, technical data such as site specifications, process requirements, and system configurations are managed under controlled procedures to ensure confidentiality. Internal documentation, including design reports and treatability studies, is securely stored and shared only with relevant stakeholders involved in project execution. Approval processes are in place to ensure that data handling aligns with both customer expectations and internal governance requirements.

Customer Health and Safety

In the fabrication and project execution phases, operational and customer-related information is safeguarded through controlled documentation systems and secure communication channels. Personnel involved in project delivery are required to adhere to internal policies on confidentiality and data protection. Where third parties or contractors are engaged, contractual agreements include provisions to ensure the protection of customer data and compliance with applicable privacy requirements.

Post-delivery, the Group continues to manage customer information responsibly through structured service and maintenance processes. Performance monitoring data, system operation records, and customer feedback are collected and retained securely to support service improvement and regulatory compliance. Access to such data is carefully managed, and retention practices are aligned with legal and operational requirements.

To reinforce our commitment, employees are made aware of their responsibilities in handling confidential information through internal policies, training, and contractual obligations. Any potential data breaches or privacy-related concerns are addressed promptly through established reporting and investigation procedures, with corrective actions implemented to prevent recurrence.

The Group remains committed to continuously strengthening its data protection practices by enhancing internal controls, improving data governance frameworks, and aligning with evolving regulatory expectations.

FY2025 Performance

In FY2025, the Group successfully met the objectives outlined in the previous year. There were no incidents of non-compliance with applicable customer health and safety regulations, reflecting the Group's commitment to maintaining high standards of safety and regulatory compliance.

This outcome underscores the Group's ongoing efforts to ensure a safe environment for customers and to uphold compliance across all operations.

Target Setting

Short Term - FY2026

- Maintain zero complaints from customers regarding health and safety on project.

Medium Term & Long Term- Beyond 2026

- Maintain zero complaints from customers regarding health and safety on project delivery.
- Regularly update safety training and emergency response protocols based on latest standards and customer feedback.
- Continuously review and improve processes based on project outcomes and customer feedback.

APPENDIX 1: GRI CONTENT INDEX

Statement

Darco Water Technologies Limited has reported the information cited in this GRI content index for the period 1 January 2025 to 31 December 2025 with reference to the GRI Standards.

GRI Foundation 2021 Revision have been used.

Disclosure Reference	Disclosure Title	Header	Page Reference & Remarks
General Disclosures			
2-1	Organizational details	About This Report	Pg. 06
2-2	Entities included in the organisation's sustainability reporting	About This Report	Pg. 06
2-3	Reporting period, frequency and contact point	About This Report	Pg. 06
2-4	Restatements of information	N.A.	N.A.
2-5	External assurance	About This Report	Pg. 07
2-6	Activities, value chain and other business relationships	Corporate Profile	Pg. 08
2-7	Employees	Fair Employment Condition and Employee Diversity	Pg. 56
2-8	Workers who are not employees	Fair Employment Condition and Employee Diversity	Pg. 56
2-9	Governance structure and composition	Governance	Pg. 17
2-10	Nomination and selection of the highest governance body	Principle 4: Board Membership	Annual Report Pg. 25
2-11	Chair of the highest governance body	Governance	Pg. 17
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Governance Structure	Pg. 19
2-13	Delegation of responsibility for managing impacts	Sustainability Governance Structure	Pg. 19
2-14	Role of the highest governance body in sustainability reporting	Sustainability Governance Structure	Pg. 19
2-15	Conflicts of interest	Principle 1: The Board's Conduct of Affairs	Annual Report Pg. 17
2-16	Communication of critical concerns	Business Ethics	Pg. 29
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2-18	Evaluation of the performance of the highest governance body	Principle 5: Board Performance	Annual Report Pg. 29
2-19	Remuneration policies	Principle 6: Procedures for Developing Remuneration Policies	Annual Report Pg. 30
2-20	Process to determine remuneration	Principle 6: Procedures for Developing Remuneration Policies	Annual Report Pg. 30

APPENDIX 1: GRI CONTENT INDEX

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General Disclosures			
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2-22	Statement on sustainable development strategy	Sustainability Development Strategy	Pg. 12
2-23	Policy commitments	Policy Commitment	Pg. 14
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2-25	Processes to remediate negative impacts	Remediate Negative Impacts from Our Operation Activities	Pg. 15
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3-3	Management of material topics	ESG Material Topics	Pg. 25
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GRI 206 Anti-competitive Behavior			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Business Ethics	Pg. 29
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302-3	Energy intensity	Energy and Greenhouse Gas Emissions	Pg. 47

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GRI 305 Emissions 2016			
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305-2	Energy indirect (Scope 2) GHG emissions	Energy and Greenhouse Gas Emissions	Pg. 48
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305-5	Reduction of GHG emissions	Energy and Greenhouse Gas Emissions	Pg. 48
GRI 306 Waste			
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