



DARCO

BETTER SOLUTIONS TO WATER & WASTE

2023

Sustainability

Report



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BOARD STATEMENT

The Board of Directors at Darco Water Technologies Limited holds a steadfast commitment to exemplary governance, unwavering ethics, rigorous accountability, and comprehensive transparency. Recognizing sustainability as integral to the company's strategic trajectory, we embrace it as a cornerstone of our long-term vision.

We are actively engaged in cultivating sustainable value for stakeholders, skillfully navigating the company's environmental, social, and governance (“ESG”) journey. Our ESG Committee works in concert with the Board, meticulously tracking ESG performance, discerning key material issues, and integrating sustainability into our corporate strategy. It is within our purview to establish and approve sustainability objectives and to closely monitor the progress against these targets.

Our leadership is pivotal in guiding the company through climate-related challenges and in seizing opportunities that align with our sustainability strategy. In this sustainability report, we present a transparent account of how the Group manages its ESG impact. It features discussions on material topics approved by the Board, reflecting our vigilance in ESG matters. Having rigorously reviewed the report's contents, we not only approve but also wholeheartedly endorse the ESG material topics discussed, confident in the steps we are taking towards sustainable progress.



CHAIRMAN AND CEO'S MESSAGE

Dear Stakeholders,

As we reflect on the Financial Year 2023 ("FY2023"), I am proud to present Darco Water Technologies Limited's sustainability report, a testament to our unwavering dedication to environmental stewardship and our strides towards sustainable operations.

At Darco, we recognize the imperative role water and environmental solutions play in the ecological balance of our planet. Our core mission remains steadfast: to pioneer innovative and sustainable water technologies that empower our customers to maximize water efficiency and minimize their ecological footprint.

Our sustainability ethos is deeply embedded within the fabric of Darco's culture. This encompasses our product innovation, supply chain optimization, and the fostering of a workforce committed to ecological responsibility. Our concerted efforts aim not only to diminish our environmental impact but also to equip our customers with the tools to amplify their sustainability endeavors.

This year has been pivotal as we have escalated our efforts in line with the latest Global Reporting Initiative ("GRI") Standards, ensuring our reporting reflects global benchmarks. Furthermore, in response to Singapore Exchange's ("SGX") recent guidance, we have begun to integrate the Task Force on Climate-related Financial Disclosure ("TCFD") Recommendations, actively evaluating, and addressing the climate-related challenges and prospects that our operations encounter. This initiative underscores our commitment to transparency and adaptive strategy in the face of climate change.

Yet, we are mindful that our journey does not end here. We pledge to persistently explore new avenues for environmental innovation, to seek collaborative ventures, and to implement actions that further curtail our impact on nature. This dedication extends beyond Darco, as we continually strive to assist our clients in achieving parallel sustainable advancements.

Integrating sustainable practices is not just vital for the environmental health but is also intrinsically linked to our corporate prosperity. By elevating sustainability as a key priority, we create enduring value for our diverse stakeholders - our valued customers, dedicated employees, faithful shareholders, and the communities we serve.

Your unwavering support is the cornerstone of our progress, and it is with great anticipation that we look to the future, eager to share our ongoing contributions to a sustainable world.

MR. WANG ZHI

Executive Chairman and Executive Director

DR. ZHANG ZHENPENG

Executive Director and Chief Executive Officer



SUPPORT THE GLOBAL GOALS

In September 2015, the United Nations Sustainable Development Goals (“UN SDGs”) were unanimously adopted at the UN Summit by 193 member states, setting forth a visionary agenda for global progress. The scope and ambition of these goals recognize that government initiatives alone are insufficient to achieve meaningful change.

We are committed to making a positive contribution to sustainable development, and our commitment to the UN SDGs is embedded in our corporate strategy, guiding us to actively contribute to meeting the world’s most pressing social and environmental needs. Darco is engaged in water treatment, waste management and environmental services infrastructure. Through our operations, we help reduce water pollution, manage industrial and municipal waste, and build sustainable cities and communities. Through engaging these goals, we demonstrate our unwavering commitment to promoting a sustainable future by not only aligning ourselves with these goals, but also by firmly integrating them into the core of our business operations.



Source: Image from United Nations (<https://sdgs.un.org/goals>)

We align our efforts with the SDGs as a roadmap to address the most pressing social and environmental challenges. We have identified specific SDGs where we can make the most impact, including 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). Our contributions to these SDGs are outlined in our sustainability report.



ABOUT THIS REPORT

This is the sixth annual Sustainability Report for Darco Water Technologies Limited (“**Darco**”, the “**Group**”, or the “**Company**”). Our Sustainability Report, published annually, provides an update on our ongoing sustainability commitments and actions, with a focus on the material environmental, social, and governance (“**ESG**”) topics that are important to Darco. Together with our Annual Report, this information gives our stakeholders a comprehensive view of our overall company performance. This report covers the period from 1st January 2023 to 31 December 2023.

This report shall be read together with our FY2023 Annual Report.

Reporting Scope

Unless otherwise stated, the scope of the report covers the following subsidiaries that represent the major business operations of the Group:

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

For information about the group structure, please refer to page 13 of the Annual Report 2023.

Reporting Standards

This Report is prepared with reference to the Global Reporting Initiative (“**GRI**”) Standards 2021 Revision and is aligned with the reporting requirements of the Singapore Exchange (“**SGX**”) Mainboard Rules 711A and 711B.

We applied GRI as the sustainability reporting framework as it is internationally recognised and is widely adopted, enabling us to achieve a comprehensive and comparable disclosure of environmental, social and governance performance in our material topics.

Our sustainability report has been prepared and reported the information cited in this GRI content for the reporting period with reference to the GRI standards: 2021 revision.

We have also augmented our reporting framework by integrating the United Nations Sustainable Development Goals (“**UN SDGs**”) into our reporting process to map our contribution to global sustainable development.

Our climate-related disclosures are guided by the commendations of the Task Force on Climate-related Financial Disclosure (“**TCFD**”).

There are no significant changes from the previous reporting period in the material sustainability issues and boundaries list.

Independent Assurance

The data and insights presented in this report have undergone thorough verification and review by our internal auditor, Virtus Assure Pte. Ltd., reinforcing data uniformity and accuracy. Our commitment to transparency is supported by rigorous internal monitoring processes that validate the accuracy of the information shared within these pages.

To guarantee the quality and accuracy of our data, the Group relies on robust internal verification protocols. As such, this report has not been subject to external assurance, reflecting our confidence in our internal audit systems and processes.

Feedback

Feedback from the Company’s stakeholders is imperative to our Group’s continued improvement and growth. Please let us have your views and suggestions by contacting us at: sr@darcowater.com.

CORPORATE PROFILE

Our Core Business

Darco Water Technologies Limited (referred to as “**Darco**”, the “**Group**”, or the “**Company**”, along with its subsidiaries) is a distinguished provider of comprehensive engineering and knowledge-driven solutions for water and wastewater treatment, as well as for environmental management and vacuum systems.

Since its establishment in 1999, the Group has specialized in the design, fabrication, assembly, and installation of engineered systems for water treatment, wastewater management, and environmental applications tailored to industrial needs. Additionally, Darco undertakes the operation and maintenance of these systems.

In the domain of water and wastewater treatment, the Group leverages a blend of market-available membrane and ion exchange technologies to devise systems. Utilizing in-house fabrication and incorporating third-party components, Darco creates functional, reliable, and cost-efficient solutions that cater to our clients' unique requirements. The design of each system is informed by the specific properties of the feed water, the desired quality of the treated output, and the necessary volume capacity.

With a commitment to cost-efficiency, Darco concentrates on designing systems that bolster energy and pump efficiency while reducing the reliance on manual operations. This approach is integral to achieving our objective of delivering water systems with the lowest possible cost per unit.

Expanding its portfolio, the Group now offers an array of integrated environmental solutions across diverse sectors, including electronics, petrochemicals, pharmaceuticals, and food and beverage industries.

Darco provides enduring maintenance services through its service centers, which are complemented by the trading division responsible for supplying crucial chemicals and ancillary products.

The Group is steadfast in its dedication to environmental stewardship, continually adapting to meet the evolving needs of various industries and enhancing its engineering acumen within the environmental protection sector.

Positioned strategically for advancement, with robust technological capabilities, Darco aspires to be the go-to partner for clients in the water treatment and environmental protection industries. total purchases by value in the year 2023.

Our Value Chain and Supply Chain

At Darco, we engage with a diverse network of suppliers and subcontractors to deliver top-tier projects and services. Our supply chain is meticulously orchestrated to include design, procurement, fabrication, quality assurance, setup, and commissioning. Further, we offer distribution along with comprehensive maintenance and repair services, ensuring our clients experience seamless support for their water treatment and vacuum systems.

Our procurement strategy is systematized, emphasizing cost-efficiency and superior quality across all acquisitions of materials and services. This strategy also extends to processes outsourced to our carefully chosen subcontractors, which fall within Darco’s rigorous quality and Occupational Health and Safety (“**OHS**”) standards.

Prospective vendors are subjected to a thorough evaluation by our engineering and support teams, requiring endorsement by General Managers prior to onboarding. Our commitment to local economies is evident in our purchasing practices, with local suppliers constituting 92.64% of our total purchases by value in the year 2023.

Our Mission

To be the environmental company of choice by providing customer-driven multi-technology solution.

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

Head Office

Darco Water Technologies Limited

120 Lower Delta Road,
#04-03 Cendex Centre,
Singapore 169208

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



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
PV Vacuum Engineering Pte. Ltd.
Indoor Air Quality Association
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 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
PV Vacuum Engineering Pte. Ltd.		X

BizSAFE Star

PV Vacuum Engineering PTE. Ltd. is also 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.

The bizSAFE certifications provide further endorsement of the firm's commitment to health and safety, opening up more opportunities for client projects and contracts.

National Certifications

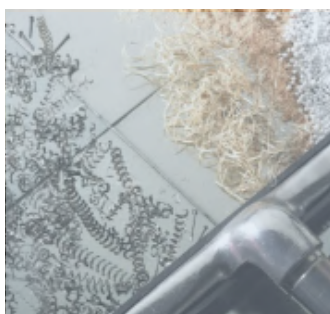
We obtain relevant national certifications where we operate. Our various certifications and permits include the following:

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 APPROACH

We firmly believe that our financial performance is intricately tied to our ability to create value not only for our people, but also for the environment and the society at large. Our approach includes strict adherence to all relevant regulations, materiality assessment to prioritise ESG impacts, minimising negative impacts and risks, enhancing positive impacts and opportunities, making a positive contribution to the SDGs, and taking a precautionary approach to managing potential harm to the environment and people.

Our sustainability approach focuses on the following key elements:



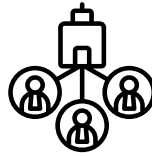
Regulatory Compliance

Adhere to all relevant regulations and standards.



Human Rights

Uphold internationally agreed human rights principles across operations and supply chain.



Business and Governance Ethics

Adhere to the highest standards of governance and business ethics.



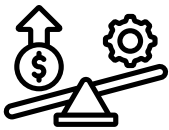
Materiality Assessment

Regularly evaluate and prioritise the ESG impacts of our operations and activities.



Minimising Negative Impacts

Take proactive measures to reduce the negative environmental and social impacts of our operations and supply chain.



Enhancing Positive Impacts

Continuously strive to enhance the positive impacts of our operations on the environment and society.



Precautionary Principle

Take a proactive and cautious approach to manage potential negative impacts and risks associated with our operations.



Stakeholder Engagement

Regularly engage with key stakeholders to understand their concerns, prioritise sustainability issues and identify opportunities for improvement.



Continuous Improvement

Regularly review, evaluate, and improve our ESG performance to make steady progress.



Transparency

Regularly report on our ESG performance and progress using internationally recognised standards such as GRI.

Throughout this report, we have described our efforts to implement our sustainability approach.



POLICY COMMITMENT

At Darco, we are committed to promoting sustainability in all aspects of our operations. We recognise the importance of conserving water resources and protecting the environment, and we are dedicated to developing innovative solutions that contribute to a more sustainable future. To achieve this goal, we will strive to reduce our own water consumption, minimize waste, and ensure the responsible use of natural resources. We will also work to educate our customers on sustainable water practices and the benefits of water conservation.

Sustainability Reporting Policy

We recognise the importance of transparency and accountability in our sustainability practices. We are committed to regularly reporting on our environmental impact and progress towards our sustainability targets. We set annual targets currently but will consider setting targets according to different time horizons next year. The Company currently has performance measurement linked to performance incentives mainly based on financial performance. The Company will consider including sustainability performance in the performance incentives measurement system going forward.

Our sustainability reporting policy focuses on identifying and prioritising the most material ESG impacts of our business operations in line with internationally recognised reporting standards and in accordance with the SGX Sustainability Reporting Guide. We will also provide periodic updates on our sustainability initiatives, such as product innovations and employee development programs.

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 are committed to providing a safe and healthy workplace for all employees, visitors and contractors. We recognise the importance of maintaining a culture of safety and are dedicated to identifying and controlling hazards to prevent accidents and injuries. Our occupational health and safety policy includes regular risk assessments, safety training, and the provision of appropriate personal protective equipment.

We are committed to complying with all applicable health and safety laws and regulations, monitoring and continuously improving our safety performance, and encouraging all employees to take an active role in identifying and addressing safety hazards.

Talent Management Policy

At Darco, we are committed to attracting, developing, and retaining the best talent to drive our business forward. Our talent management policy includes a commitment to diversity, equity, and inclusion, as we believe that a diverse workforce is critical to our success.

We are committed to providing a supportive work environment where employees can develop their skills and advance their careers, and we will invest in learning and development programs to help employees achieve their full potential. We will also promote a culture of feedback and recognition to foster employee engagement and ensure that everyone feels valued and appreciated.

REMEDIATE NEGATIVE IMPACTS FROM OUR OPERATION ACTIVITIES

The Group is fully committed to mitigating any negative impacts that arise from our operational activities. We recognize that while pursuing business development, environmental and social impacts can occur. Therefore:

- We implement robust policies to identify and manage potential adverse effects proactively.
- Stakeholder engagement is integral to our operations, ensuring diverse insights contribute to our sustainable practices.
- We strive to minimize our ecological footprint by exceeding regulatory compliance, optimizing resource use, and responsibly managing waste.

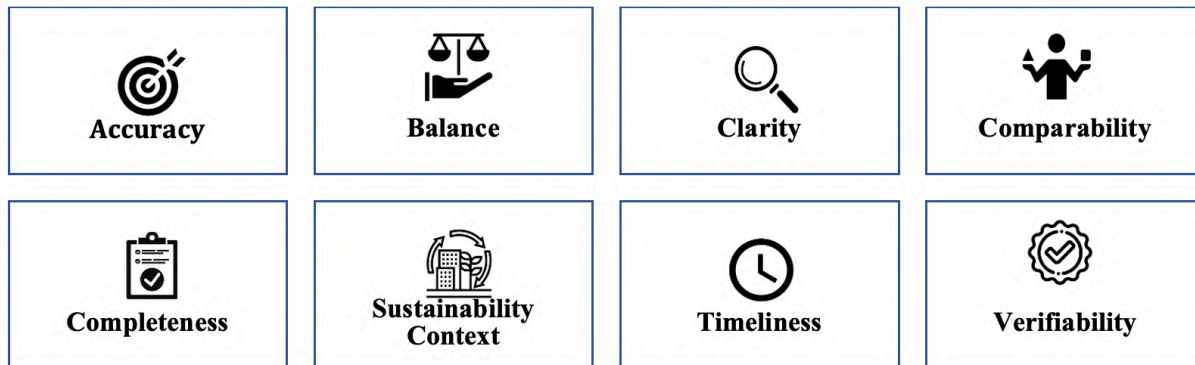
Our commitment extends to adopting advanced technologies for environmental protection and transparently communicating our progress to stakeholders.

We call upon all employees, partners, and stakeholders to embody this commitment, upholding our shared responsibility for ethical and sustainable operations.



REPORTING APPROACH

In alignment with the GRI 2021-Foundation guidelines, our FY2023 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 Company’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 Company’s negative and positive impacts.
Clarity	The information presented in this Report is accessible and understandable.
Comparability	The Company endeavours to select and compile the report information consistently to enable an analysis of changes in the Company’s impacts over time.
Completeness	The Company tries its best to provide sufficient information to enable the transparency of its efforts in ESG topics.
Sustainability Context	The Company ensures that the information it discloses in this Report is about its business impacts within the context of sustainable development.
Timeliness	The Company 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

A robust corporate governance framework, rooted in ethical business practices, is vital for bolstering the Company's accountability and driving sustainable long-term performance to safeguard and maximize shareholder interests.

Our Board of Directors is staunchly committed to maintaining exemplary corporate governance in line with the Code of Corporate Governance 2018, and ensures adherence to pertinent regulations issued by authorities like the Monetary Authority of Singapore ("MAS") and Singapore Exchange Securities Trading Limited ("SGX-ST"). The Board's leadership is pivotal in setting strategic corporate objectives and securing the necessary resources for achieving these goals.

The Board's paramount duty is the protection and enhancement of shareholder value over the long term. It provides strategic direction, enforces a culture of sound governance, and establishes policies and procedures critical for achieving the Group's aims.

An effective control framework is upheld by the Board, facilitating risk management, including the protection of shareholder interests and company assets. It supervises management, evaluates performance, and tracks business objectives to promote shareholder value.

Additionally, the Board takes on the holistic governance of the Group, acting in a fiduciary capacity. Directors consistently updated on regulatory updates, ensuring they are informed of changes in accounting standards, the listing manual, and other statutory requirements.

Overall, the Board shoulders the responsibility for promoting good corporate governance across the Group, which encompasses risk management and internal control systems to protect shareholder interests and company assets.

Our Governance Structure

Here is the detail of our Board of Directors:

Name	Gender	Position
Wang Zhi	Male	Executive Chairman and Executive Director
Zhang Zhenpeng	Male	Executive Director and Chief Executive Officer
Zhao Yong Chang	Male	Executive Director and Chief Operating Officer
Sim Guan Seng	Male	Lead Independent Director
Gn Jong Yuh Gwendolyn	Female	Independent Non-Executive Director
Lai Hock Meng	Male	Independent Non-Executive Director
Wang Yingyang	Male	Independent Non-Executive Director

Board Director Diversity

Our Board of Directors consists 6 male directors with one female directors, a reflection not of preference but of the specific expertise and skill sets required in our industry sector.

We have two directors below 50 years old, all the other 5 directors are above 50 years old, with their combination ideas and experience which can help the Group to drive more sustainable growth with insightful decision making process.

The composition is structured with 42.8% serving as non-independent directors and 57.2% as independent directors, ensuring a balanced oversight.

The Board's collective expertise spans a range of competencies crucial to informed decision-making and the company's success. This includes:

- Accounting and auditing
- Corporate finance and law
- Water and environment design and construction
- Project management
- Environmental and renewable energy

Further elaboration on our commitment to corporate governance can be found in the Corporate Governance Statement within our annual report.

All Board Directors have attended the one-time director sustainability training required by SGX.



Sustainability Governance Structure

Sustainability Governance

The Board has ultimate responsibility for material ESG factors. The Board is responsible for the Group's sustainability strategy, including climate-related risks and opportunities. The Board recognises that good governance in managing sustainability issues and climate-related risks and opportunities is an essential part of its stewardship duties to all stakeholders.

The Board's sustainability-related responsibilities include effective governance, strategy, risk management, performance metrics and reporting covering material ESG factors. The Board, together with the Group's Chief Executive Officer and the senior management team, is responsible for providing strategic oversight and direction for identifying, managing, and implementing appropriate sustainability strategy, including the environmental issues arising from climate-related risks and opportunities and for reviewing and approving sustainability reporting.

The Board regularly reviews the Group's ESG performance, including how the Company manages climate-related risks and opportunities in the short, mid, and long term.

ESG Committee

To assist the Board, Darco has created an ESG Committee that reports to the Board and is made up of senior management executives. The CEO chairs the Committee and it includes Chief Operating Officer ("COO") and Financial Controller as members. The ESG Committee is responsible for managing and monitoring significant sustainability issues, including climate-related risks and opportunities relevant to the Group. The Committee conducts ongoing internal evaluations of our key ESG areas, materiality assessments at regular intervals, monitoring ESG performance, and developing sustainability reports.

The ESG Committee is supported by external sustainability experts engaged by the company.



Solutions to Water & Waste

STAKEHOLDER ENGAGEMENT

Stakeholder trust is the foundation of our sustainability strategy. We strive to earn and maintain the trust of our key stakeholders by actively listening to their concerns and addressing their expectations. We recognise that the perspectives and input of all stakeholders are crucial in shaping our approach to sustainability. We identify and prioritise those stakeholders who are affected by our business activities and who have the ability to affect our business operations and goals. Through regular engagement with internal and external stakeholders, we identify and prioritise the key sustainability issues that impact our business, economy, environment, and people.

We are committed to fostering ongoing dialogue and collaboration with stakeholders to gain valuable insights and feedback, which helps us to improve and achieve our sustainability goals continuously.

We consider feedback from our stakeholders to be integral to our strategic and operational planning. This input is regarded as invaluable for the Group to continually enhance its sustainability efforts. We meticulously pinpoint our primary stakeholders through comprehensive internal analysis to ensure that their insights and needs inform our business approaches across our entire value chain.

Below are the definitions of our Internal and External stakeholders:

Internal Stakeholders	External Stakeholders
<ul style="list-style-type: none"> Investors & Shareholders Employees 	<ul style="list-style-type: none"> Customers Government and Regulators Suppliers and Business Partners Local Communities

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
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.

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 (“MSIA”)
- Malaysian Employers Federation
- Singapore Business Federation
- Singapore Water Association
- Indoor Air Quality Association
- The Membrane Industry Association of China (“MIAC”)



ESG MATERIAL TOPICS

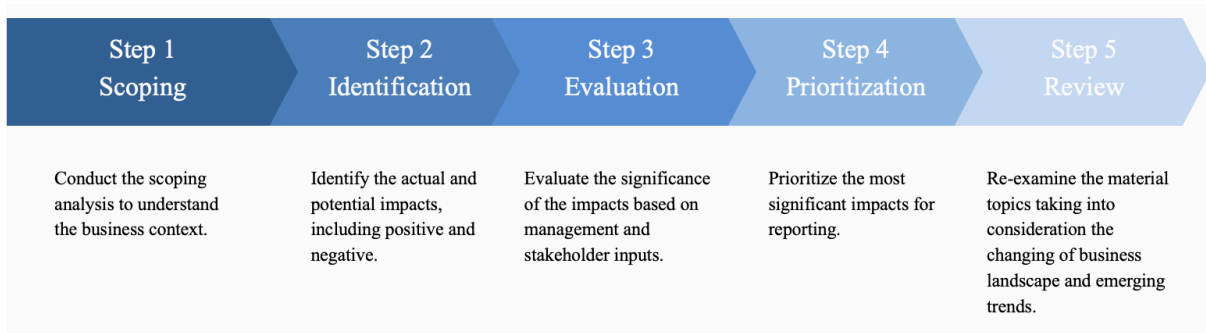
Material Topic Identification

Our sustainability strategy is based on an in-depth materiality assessment to identify and address the most significant environmental, social and governance impacts of our operations in consultation with experts and internal and external stakeholders. We assess the materiality of ESG issues as they emerge, on an ongoing basis.

For reporting purposes, we prioritise issues that reflect our most significant actual and potential impacts, covering both risks and opportunities for Darco. We review our previously reported material topics yearly and update or refresh the issues for the next report. For this report, we engaged a sustainability consulting firm to review our material topics by referencing the latest GRI Standards 2021 revision and the latest SGX guidance on sustainability reporting.

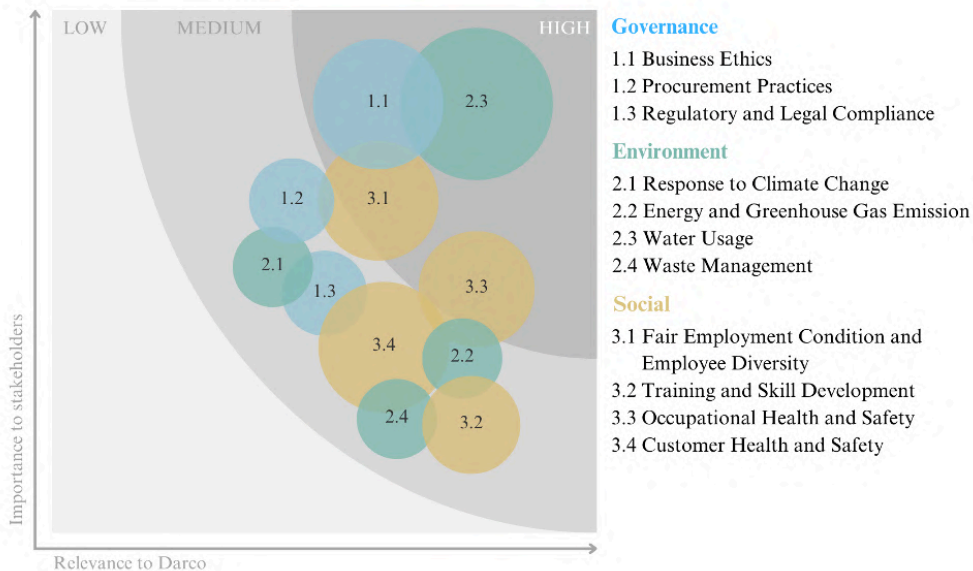
We also considered our nearest peers’ reporting practices, the SDGs, and broader sustainability trends relevant to our industry. We did not engage other external stakeholders this year to select material topics for reporting purposes. We plan to conduct a stakeholder engagement survey with internal and external stakeholders in FY2024.

As illustrated below, we followed GRI’s five-step materiality process to identify and prioritise our material topics for reporting:



Material Topic Matrix Assessment

We recognise the need to continuously develop our responsible business approach to address growing stakeholder expectations around our impact on the environment, economy, and society. Using a materiality index, we align our responsible business priorities with Darco’s principal business and operational risks. We will review and adjust the matrix each year, as the external and business context changes.



- Governance**
 - 1.1 Business Ethics
 - 1.2 Procurement Practices
 - 1.3 Regulatory and Legal Compliance
- Environment**
 - 2.1 Response to Climate Change
 - 2.2 Energy and Greenhouse Gas Emission
 - 2.3 Water Usage
 - 2.4 Waste Management
- Social**
 - 3.1 Fair Employment Condition and Employee Diversity
 - 3.2 Training and Skill Development
 - 3.3 Occupational Health and Safety
 - 3.4 Customer Health and Safety

Key Material Topics

Key ESG Material Topics		
Governance 	1	Business Ethics
	2	Procurement Practices
	3	Regulatory and Legal Compliance
Environment  	4	Response to Climate Change
	5	Energy and Greenhouse Gas Emission
	6	Water Usage
	7	Waste Management
Social   	8	Fair Employment Condition and Employee Diversity
	9	Training and Skill Development
	10	Occupational Health and Safety
	11	Customer Health and Safety

Material Topic Management Approach

Our Material ESG Topics	
Material Topics	Management Approach
Governance	
Business Ethics	<ul style="list-style-type: none"> Maintain a zero-tolerance approach toward corruption and bribery.
Procurement Practices	<ul style="list-style-type: none"> Prioritize local supplier development for sustainable growth, ensuring compliance with standards and conducting quarterly evaluations to maintain vendor performance.
Regulatory and Legal Compliance	<ul style="list-style-type: none"> Comply with all applicable laws and regulations in places where we operate.
Environment	
Response to Climate Change	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 company.

Water Usage	<ul style="list-style-type: none"> • Strive to improve access to clean water for communities where we operate. • Consistently meet the water quality for customer health and safety.
Waste Management	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Provide fair employment condition and attract and retain talented and skilled employees.
Training and Skill Development	<ul style="list-style-type: none"> • Maximize employee potential with performance evaluations, career plans, skill-building, and innovation culture for enhanced company success.
Occupational Health & Safety	<ul style="list-style-type: none"> • Establish a health and safety management system to maintain a zero-accident workplace.
Customer's Health & Safety	<ul style="list-style-type: none"> • Comply with customer health and safety regulations applicable to our products and services.



FY2023 PERFORMANCE REVIEW

ESG INDICATORS	UNIT	FY2021	FY2022	FY2023
Financial Results				
Revenue (from subsidiaries in scope)	S\$ million	50.5	67.6	65.0
Environment				
Diesel consumption	L	43,563	46,420	49,245
Petrol consumption	L	158,674	187,696	120,023
Electricity consumption	kWh	517,199	473,314	438,877
Total energy consumption ⁽¹⁾	GJ	8,970	9,915	7,346
Energy consumption intensity ⁽¹⁾	GJ/S\$ million revenue	178	147	113.0
Scope 1 emissions	tCO ₂ e	485	560	410
Scope 2 emissions	tCO ₂ e	294	271	172
Total greenhouse gas (GHG) emissions ⁽²⁾	tCO ₂ e	779	831	581
Emission intensity ⁽²⁾	tCO ₂ e/S\$ million revenue	15.4	12.3	8.9
Solar energy used	kWh	162,608	168,319	176,899
Total water consumption	m ³	77,309	77,431	78,910
Water consumption intensity	m ³ /S\$ million revenue	1,214.0	1,145.4	1,530.9
Total waste generated	t	-	-	59.77
Social				
Number of full-time employees	Number	395	408	450
New hires	Number	78	150	75
Female employees' representation in the workforce	Percentage	18	21	20
Female employees' representation in management	Percentage	16	29	19
Average training hours per employee (All)	Hours	11	16	7
Average training hours per employee (Female)	Hours	20	21	10
Average training hours per employee (Male)	Hours	9	15	7
Employee turnover rate ⁽³⁾	Percentage	24	30	23
High-consequence work-related injuries (Employees)	Number	0	0	0

Recordable work-related injuries (Employees)	Number	0	0	7
Work stoppages due to safety incidents	Number	0	0	0
Fatal accidents	Number	0	0	0
Governance				
Women on the Board ⁽⁴⁾	Percentage	10	13	14
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 purchased electricity, petrol and diesel.
- 2. GHG emissions include Scope 1 and Scope 2 emissions.
- 3. Turnover rates in FY2021 and FY2022 were calculated using the formula:

$$\frac{\text{No. of employee who left}}{\text{Total No. of employee}} \times 100$$

Turnover rate in FY2023 is calculated using a new formula:

$$\frac{\text{No. of employee who left}}{((\text{No. of employee at the beginning} + \text{at the end of FY}) / 2)} \times 100$$

- 4. Refers to Board at subsidiary company level.



OUR BUSINESS



Key Material Topics

- Business Ethics
 - Procurement Practice
 - Regulatory and Legal Compliance
-

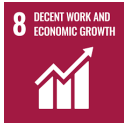
GRI Topics

- GRI 205 Anti-Corruption
 - GRI 204 Procurement Practices
 - GRI 2-27 Compliance with Laws and Regulations
-

UN SDGs We Support



Business Ethics

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 205 Anti-Corruption</p> <ul style="list-style-type: none"> • 205-2 Communication and training about anti-corruption policies and procedures • 205-3 Confirmed incidents of corruption and action take 	

Why This Is Important

Corporations are integral to a diverse network of stakeholders, including employees, communities, the environment, and government bodies. Prioritizing sustainability and responsible action is crucial. Ethical business conduct not only upholds our reputation but also drives long-term growth and resilience.

Operating in a highly regulated environment, we have zero tolerance for non-compliance. Responsible business conduct is essential for maintaining trust with stakeholders and ensuring business success. It fosters employee engagement, customer loyalty, and risk mitigation, facilitating sustainable growth.

Management Approach

Acknowledging that ethical management is a continuous voyage, we realize it transcends mere adherence to regulations and protocols. It demands perpetual introspection and discourse, steering our strategic planning endeavours.

The Company steadfastly upholds the principles of integrity and equity in every facet of its daily functioning, unwaveringly adopting a zero-tolerance stance against any transgressions of business ethics, be it corruption, bribery, or monopolistic practices. We have implemented a robust framework for business ethics aimed at fortifying employee consciousness regarding ethical conduct and fostering a culture of fairness and rectitude in our business practices. We operate our business by the following key policies.

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.

We are committed to complying with laws and regulations regarding bribery, extortion, fraud, and money laundering in the countries where we operate, as such breaches can have a significant reputational and financial impact on the Group. The Group strictly prohibits all forms of bribery and corruption. All employees are expected to adhere to professional ethics, avoid any corrupt practices, and act with integrity in discharging their duties. They are also expected to abstain from any activities that may harm the Group's interests.

The staff handbook also clearly lays out the Group's expectations and guidelines for the code of conduct, and encourages employees, customers, suppliers, or other parties to report any incidents of conflicts of interest, extortion, bribery, fraud, and money laundering.

Whistle-Blowing Policy

Whistleblowers can report any suspected misconduct to senior management, providing full details and supporting evidence. The management will conduct investigations and take appropriate action to protect the Group's interests while maintaining confidentiality for the whistleblowers to protect them from unfair dismissal or victimization. If criminal activity is suspected, the management may report it to relevant authorities when necessary.

FY2023 Performance

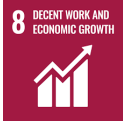
In FY2023, there were no confirmed incidents of corruption, bribery, extortion, fraud, and money laundering involving the Group. There were no significant incidents of non-compliance with laws and regulations involving monetary fines or non-monetary sanctions during the reporting period, covering the current and two preceding reporting periods. We consider a non-compliance incident significant if it exceeds \$20,000 in fine or a stop-work order.

FY2024 Target

In FY2024, our unwavering goal remains unchanged: to preserve the integrity of our operations by maintaining a flawless track record devoid of any malpractice reports. This objective underscores our persistent commitment to ethical business practices and reinforces our zero-tolerance policy against all forms of misconduct. We will continue to cultivate a culture of transparency and accountability throughout the organization, ensuring that these values permeate every level of our company's operations.



Procurement Practices

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 204 Procurement Practices</p> <ul style="list-style-type: none"> 204-1 Proportion of spending on local suppliers 	

Why This Is Important

Effective procurement practices are crucial for optimizing value and ensuring adherence to regulations. At Darco, we have honed our procurement strategies to align with stringent standards and to utilize resources efficiently. Our commitment extends beyond business transactions to supporting and enriching the local communities where we are present. Recognizing the significance of fostering positive local relationships, we engage in initiatives that drive beneficial outcomes for our neighbors.

Local sourcing is a key component of our strategy, aimed at bolstering the regional economy and enhancing community welfare. Our responsible sourcing and procurement practices are designed to maintain our competitive edge even in challenging circumstances. Through diversifying our supplier base and business networks, we ensure timely delivery of services and projects. By prioritizing local materials and supplies, we contribute to the local economy’s growth and sustainability, reaffirming our dedication to community investment.

Management Approach

At our organization, procurement operates in a decentralized manner, with each subsidiary responsible for their vendors selection. Certain procurement decisions are influenced by our customers. Factors such as price, availability, and vendor reliability guide these decisions. However, all suppliers and contractors are required to comply with our safety, health, security, and environmental standard, as well as our Standards of Business Conduct. Our sales support personnel also carry out a quarterly evaluation of the top 10 suppliers on our Approved Vendor List (“AVL”), which considers factors such as service, quality, and price. The assessment is then duly recorded in the Vendor Performance Assessment system.

The vendor’s overall performance undergoes a thorough to determine whether they should remain on the AVL. The outcome of this evaluation is also presented for management scrutiny. This Vendor Performance Assessment is essential for keeping our current vendors and ensuring their adherence to the standards outlined in our Standards of Business Conduct.

FY2023 Performance

In FY2023, Darco collaborated 92.64% of our procurement from local suppliers and 7.36% of overseas suppliers. Of these, 88.91% of our total spendings were allocated for trade purpose, while only 11.09% were designated for the non-trade purposes.

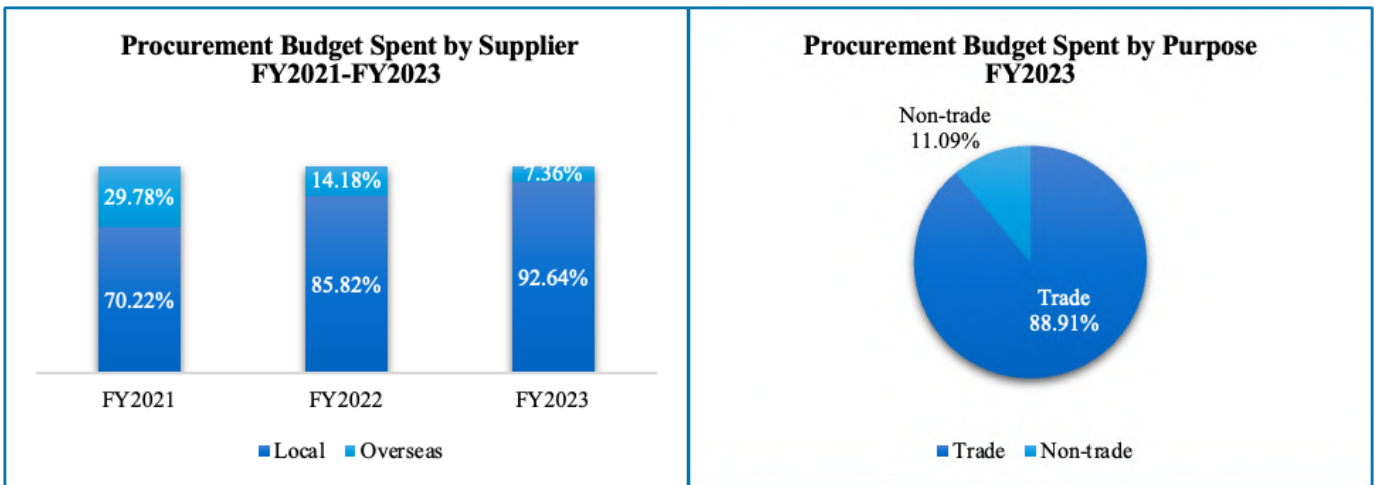


Procurement Budget Spent by Supplier FY2021-FY2023

Financial Year	Supplier	
	Local	Overseas
FY2023	92.64%	7.36%
FY2022	85.82%	14.18%
FY2021	70.22%	29.78%

Procurement Budget Spent by Purpose FY2023

Financial Year	Propose	
	Trade	Non-trade
FY2023	88.91%	11.09%

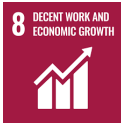


FY2024 Target

In FY2024, Darco remains committed to fostering partnerships with local suppliers, thereby bolstering the local economy and nurturing positive community relationships. As part of our steadfast commitment, we continue to prioritize our engagement with local suppliers. We are dedicated to ensuring that at least 40% of our expenditures are directed towards local supplier partnerships.



Regulatory and Legal Compliance

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 2 General Disclosures</p> <ul style="list-style-type: none"> 2-27 Compliance with laws and regulations 	

Why This Is Important

Ensuring regulatory compliance is paramount to upholding the integrity of business operations and safeguarding the interests of both the public and stakeholders. It serves as a cornerstone for fair and ethical business practices.

A company that aligns with regulatory standards not only meets the requirements set by the industry but also provides assurance to stakeholders regarding its commitment to compliance. By meticulously adhering to pertinent laws and regulations, the company showcases its integrity, reliability, and ethical principles. This not only fosters trust among stakeholders but also amplifies its competitive advantage in the marketplace.

Management Approach

ADarco upholds a steadfast commitment to compliance with all relevant laws and regulations in all locations cross its operational jurisdictions. To promote fair, ethical, and efficient business practices and working conditions, Darco strictly follows local laws and regulations related to anti-corruption and bribery, regardless of the location or country.

The Company Secretary keeps the Board informed about pertinent laws and regulations that could potentially affect the company’s operation. Concurrently, the Chief Executive Officer (“CEO”) provides the Directors with updates on evolving commercial and business risks through regular meetings and informal discussions. The Board is also kept up-to-date on changes to SGX-ST Listing Rules, risk management, corporate governance, insider trading, and relevant regulatory requirements and financial reporting standards. The Company Secretary is responsible for disseminating any new releases from the SGX-ST and Accounting and Corporate Regulatory Authority (“ACRA”) that are relevant to the Directors.

The Directors are strongly encouraged to participate in seminars and undergo training sessions to enhance their knowledge and skills in fulfilling their duties and responsibilities effectively. The management closely monitors changes in regulations and accounting standards and the company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in relevant legislation, regulations and guidelines from the SGX-ST Listing Rules that affect the company and/or the Directors in discharging their duties. Notably, the company assumes the financial responsibility for these educational endeavors.

FY2023 Performance

In FY2023, we remained fully compliant with all local anti-corruption statutes, rules, and regulations, with zero incidences of significant in incident of regulatory compliance.

FY2024 Target

In FY2024, our aim is to uphold our zero-violation record by staying updated with legal requirements.

ENVIRONMENT



Key Material Topics

- Response to Climate Change
- Energy and Greenhouse Gas Emission
- Water Usage
- Waste Management

GRI Topics

- GRI 302 Energy
- GRI 303 Water and Effluents Management
- GRI 305 Emissions
- GRI 306 Waste Management

UN SDGs We Support



Response to Climate Change

MATERIAL TOPIC	RELEVANT SDGs
<p>Response to Climate Change (TCFD)</p> <ul style="list-style-type: none"> • Governance • Strategy • Risk Management • Metrics and Target 	 

Why This Is Important

Climate change, caused by increasing greenhouse gas emissions, is leading to a range of negative effects on the planet. Rising temperatures are causing melting of polar ice caps, rising sea levels, more frequent and intense natural disasters such as hurricanes, floods, droughts and heatwaves, and changes in the distribution and abundance of plant and animal species. These impacts, in turn, affect agriculture, water supplies, infrastructure and coastal communities, leading to displacement and economic losses. If not addressed, the impacts of global warming will continue to escalate and have far-reaching consequences for the future of our planet. Therefore, it is critical to limit temperature rise to 1.5°C to meet the Paris Agreement goal.

As a company providing water solutions and design, Darco is well-positioned to play a positive role in dealing with the challenges of climate change. The effects of global warming on water are significant and far-reaching. Changes in precipitation patterns and more frequent droughts can lead to reduced water availability for both human consumption and agriculture. This can result in water scarcity and conflicts over resources in some regions. Addressing the impacts of global warming on water resources is crucial for sustainable development and the protection of human and ecological well-being.

Darco is committed to constantly advancing innovation in water technology while reducing GHG emissions and building climate resilience across our direct operations. We are assessing potential risks and opportunities from climate change, using the TCFD recommendations. In 2023, we conducted a qualitative analysis of climate-related risks and opportunities for our business. As the next step, we will conduct a climate-scenario analysis to understand the financial impact of climate change on our business.

Management Approach

Our commitment is to evaluate the risks and opportunities related to climate change for both the company and projects, and factor these into our decision-making based on their impact and importance. Additionally, we anticipate growing demand from stakeholders for low-carbon and energy-efficient technologies and services. Our TCFD disclosures are presented below.

Governance

The Board at Darco holds ultimate responsibility for the company's sustainability strategy, which includes climate-related risk management and strategy. The Board regularly assesses climate risks and opportunities as part of the Group's broader risk management and maintains strategic oversight of risk management. Additionally, the Board identifies material ESG factors, including climate metrics and targets.

The Board is supported by the Group's ESG Committee, which supervises the implementation of climate strategies and policies and provides regular updates to the Board. Chaired by the CEO, the ESG Committee comprises senior management executives. The ESG Committee is also responsible for preparing sustainability reports including the TCFD disclosures for Board's review and approval.

The Board of Directors attended a training workshop, Environmental, Social and Governance Essentials, conducted by the Singapore Institute of Directors in 2022 to enhance their knowledge of sustainability issues

Strategy

We recognise that the global transition to a lower-carbon economy by 2030 and a net-zero state by 2050 presents a range of opportunities for our water technology business. Our strategy is to be a leader in providing innovative water solutions that will help communities deal with the water scarcity caused by global warming. Additionally, our strategy is to identify, assess and mitigate climate-related physical risks and transition risks to our projects.

In our own operations, our approach is to reduce GHG emissions to lower our carbon footprint. We will refine our climate strategy and over the next two years, we will be conducting a deeper analysis of climate-related risks and opportunities to elaborate our strategy.

Climate Risk Management

We have performed a qualitative analysis based on the TCFD risk types and classification, focusing on two risk categories.

Physical risks: These risks stem from event-based acute hazards, such as severe weather events like cyclones, hurricanes, and floods, as well as longer-term climate changes, such as rising temperatures leading to sea level rise or persistent heat waves. Physical risks can result in financial losses for businesses, including direct damage to assets and indirect disruptions to operations.

Transition risks: Transition risks refer to the potential impacts on businesses and the economy that may arise from the shift to a low-carbon economy. These risks can be financial, operational, or reputational in nature and can result from changes in policy, technology, consumer behaviour, and market forces. They have both financial and reputation-related implications for our business.

Climate-Related Risks	
Risk Type	Potential Impact on Darco
Physical Risk	
Increased severity of extreme weather events such as cyclones and floods and chronic changes in precipitation patterns and extreme variability in weather patterns	<ul style="list-style-type: none"> Increased flood risk poses a threat to our project sites and facilities, potentially causing damage and disrupting operations, leading to a decrease in revenue. Damage to our project sites may be caused by extreme weather events such as heavy rain, floods, and strong winds, including flooding, destruction of facilities, and delayed material delivery. Physical climate risks like extreme weather events can affect project schedules. Without adequate preparation, these risks can result in significant damage to our assets, such as facility collapse or damage, water pollution, and delayed equipment and material delivery. Furthermore, a heightened risk of floods and cyclones may result in a rise in our insurance costs. A rising global temperature can lead to higher levels of thermal stress and health risks for our workers, particularly for those involved in construction who spend a substantial amount of time working outdoors.
Transition Risk	
Policy and Legal	<ul style="list-style-type: none"> Increasing regulations around climate reporting will require us to develop and disclose our strategy to deal with climate-related risks and opportunities. Our customers will expect us to design and build low-energy projects to meet stricter legal requirements to arrest global warming. Our inability to do so can result in loss of business. There is a likelihood of a rise in direct and indirect costs due to stronger GHG emission regulations. Also, there could be increased energy and operational costs resulting from stricter GHG emission regulations.

Technology	<ul style="list-style-type: none"> • Rapid development in water and environmental technology by competitors to meet customer demands in a water-stressed economy can render older technology outdated and non-competitive. • Higher investment will be required for developing low-carbon water technologies.
Market	<ul style="list-style-type: none"> • Risk of decreased construction orders due to inability to meet client demands for low-carbon methods and practices.
Reputation	<ul style="list-style-type: none"> • A lack of a credible climate strategy and high levels of operational carbon emissions can lead to poor ESG ratings and affect our corporate reputation.
Climate-Related Opportunities	
Resource Efficiency	<ul style="list-style-type: none"> • Growing demand for water conservation and efficiency will offer increased business opportunities for our water technology solutions. • Operation costs may come down due to GHG emission reduction initiatives. Also, the waste treatment cost may see a reduction owing to an increase in reuse and recycling.
Energy Sources	<ul style="list-style-type: none"> • Incorporating onsite renewable energy generation such as solar PV panels can enhance our projects' energy resilience and reduce carbon footprint.
Products and Services	<ul style="list-style-type: none"> • There will be an increasing demand for net-zero projects. Water stress caused by global warming will likely result in higher demand for our water solutions. Additionally, providing green design, engineering and construction services could enhance our competitiveness. Our constant innovation in water technology solutions can help us to be ahead of competitors.

Matrix and Target

We currently report Scope 1 & 2 emissions for our businesses. We have established targets for GHG emission reduction, and we report our performance against these targets. In addition, we have adopted water efficiency targets, and we report our water performance against these targets.

In the future, we plan to develop a process to assess, validate and monitor our material Scope 3 emissions. We met our emissions target for 2023 and will continue to work towards meeting our target next year.

Please refer to the following Energy and Emissions section for FY2023 performance and FY2024 targets setting.



Energy and Greenhouse Gas Emission

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 302 Energy</p> <ul style="list-style-type: none"> 302-1 Energy consumption within the organization <p>GRI 305 Emissions</p> <ul style="list-style-type: none"> 305-1 Direct (Scope 1) GHG emissions 305-2 Energy indirect (Scope 2) GHG emissions 	

Why This Is Important

The importance of reducing greenhouse gas (“GHG”) emissions cannot be overstated. These emissions are major contributors to global warming and climate change, leading to increasingly severe environmental and societal consequences such as heightened natural disasters, loss of biodiversity, and threats to food and water security, as well as population displacement.

Reducing energy consumption and emissions is a top priority for our Group as it aligns with our commitment to sustainable development and environmental stewardship. Being a prominent player in the shipping and logistics sector, we understand the significance of minimizing our carbon footprint. This effort not only ensures compliance with global environmental regulations but also addresses the escalating costs of energy and carbon taxes. Beyond financial implications, these reductions underscore our dedication to preserving marine ecosystems and fostering a more sustainable industry. Our initiatives serve as a model for transitioning towards a low-carbon economy, showcasing our leadership role and ensuring a healthier planet for future generations.

Management Approach

We are committed to improving energy efficiency across our business operations including the project design and construction phases. We monitor our energy consumption and strive to reduce energy consumption.

We are committed to reducing emissions from our direct operations. We measure, monitor, and review our Scope 1 and Scope 2 GHG emissions regularly to identify opportunities for reduction. Our Scope 1 emissions result from the use of fuel while Scope 2 emissions are from our electricity consumption.

We are committed to using renewable energy where possible to reduce our climate impact. Our facility in Malaysia participates in the Net Energy Metering (“NEM”) scheme, a mechanism which allows eligible electricity consumers to install a solar photovoltaic system for their own use and the excess of energy (kWh) .

can be exported to the grid for offsetting against the total electricity purchased from the Distribution Licensee. We have installed rooftop solar panels at our facility to generate renewable energy.

Our Environmental Management System (“EMS”) follows ISO 14001:2015 standards and helps us assess the environmental impacts of our operations and identify associated risks. We also ensure compliance with relevant environmental laws and regulations in the places we operate. All our project sites undergo an Environmental Aspects and Impacts Assessment, evaluating energy usage, resource consumption, water and waste management, land and wildlife impact, pollution prevention, chemical management, and spill control measures. Based on the analysis, our management team sets environmental protection goals, measures, and controls.

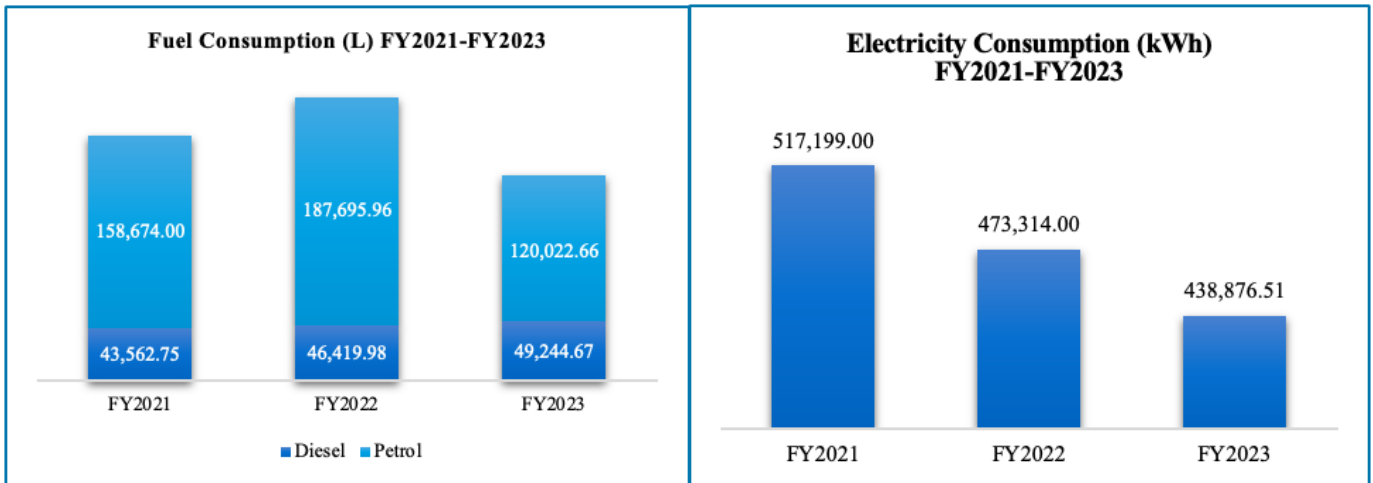
FY2023 Performance

Energy Consumption Performance

In FY2023, our total energy consumption amounted to 7,346.31 gigajoules (“GJ”), which comprised 5,766.35 GJ from the combustion of fuel energy, majority from our company owned vehicles, and 1,579.96 GJ from electricity consumption.

Fuel (L) and Electricity (kWh) Consumption FY2021-FY2023

Financial Year	Fuel Consumption (L)		Electricity Consumption (kWh)
	Diesel	Petrol	
FY2023	49,244.67	120,022.66 ⁽¹⁾	438,876.51
FY2022	46,419.98	187,695.96	473,314.00 ⁽²⁾
FY2021	43,562.75	158,674.00	517,199.00

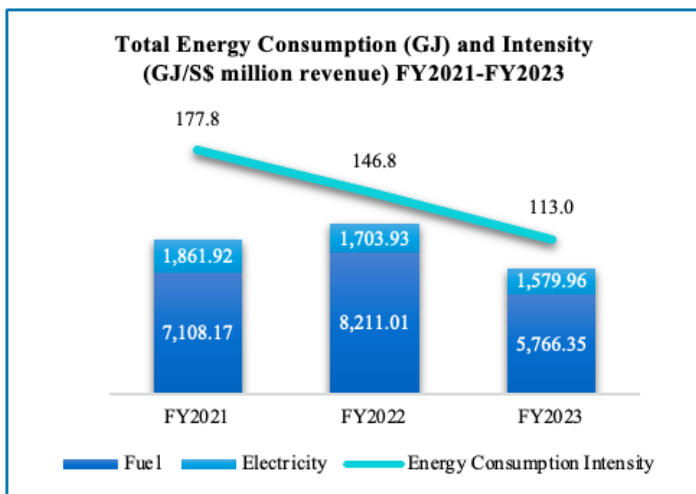


Note:

- (1). The observed decrease in petrol consumption for the fiscal year 2023 can be attributed to the exclusion of the employee fuel allowance from the overall petrol usage calculations for Wuhan Kaidi.
- (2). FY2022 Electricity Consumption has been revised due to inaccurate calculation in FY2022.

Energy Consumption (GJ) and Intensity (GJ/\$ million revenue) FY2021-FY2023

Financial Year	Energy Source (GJ)		Total (GJ)	Energy Consumption Intensity (GJ/\$ million revenue)
	Fuel	Electricity		
FY2023	5,766.35	1,579.96	7,346.31	113.0
FY2022	8,211.01	1,703.93	9,914.94	146.8
FY2021	7,108.17	1,861.92	8,970.09	177.8

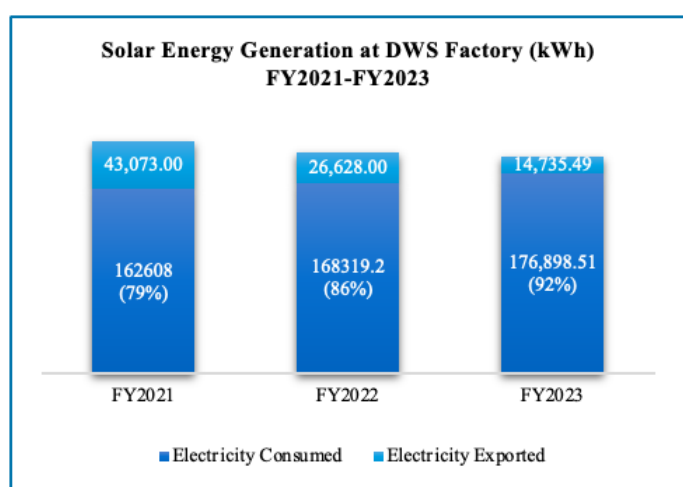


Solar Energy Consumption Performance

In 2023, energy generation reached 191,634.00 kWh. We allocated 92% of it to fulfil our internal energy needs, with the surplus exported to the grid. Compared to FY2022, our energy consumption increased by 5.10%, while our export volume decreased by 44.66%.

Solar Energy Generation at DWS Factory FY2021-FY2023

Financial Year	Electricity Generated (kWh)	Electricity Consumed (kWh)	Electricity Exported (kWh)
FY2023	191,634.00	176,898.51	14,735.49
FY2022	194,947.20	168,319.20	26,628.00
FY2021	205,681.00	162,608.00	43,073.00



Emission Performance

In FY2023, we diligently gathered our Scope 1 and Scope 2 emission data to comply with TCFD standards. The Group's total greenhouse gas ("GHG") emissions totalled 581.29 tonnes of CO₂ equivalent ("tCO₂e"). Our Scope 1 GHG emissions is 409.58 tCO₂e, while our electricity consumption resulted in Scope 2 GHG emissions reached 171.71 tCO₂e.

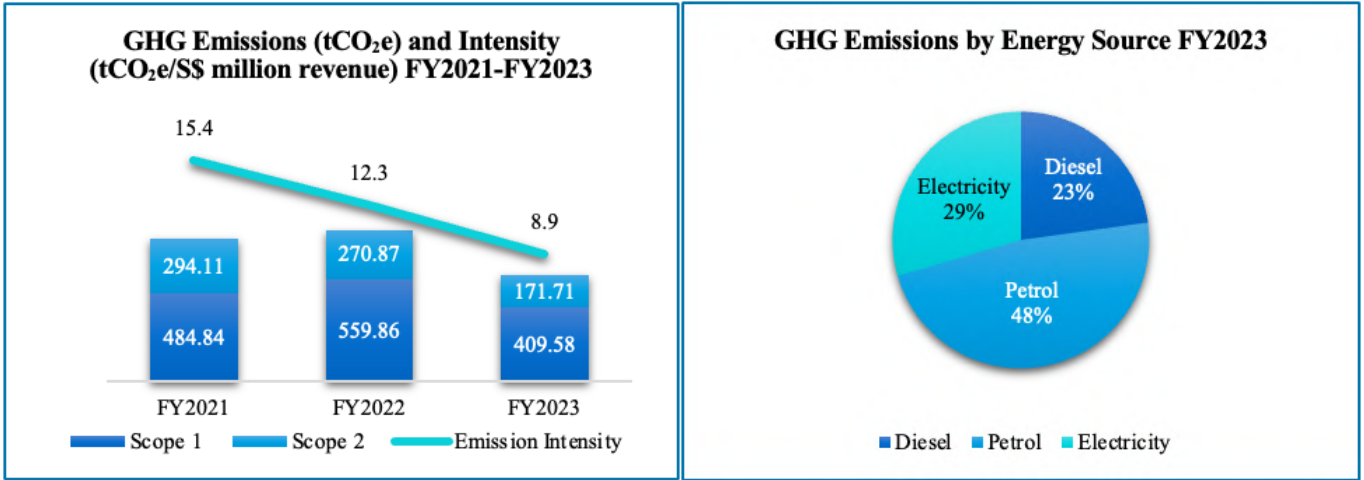
GHG Emissions (tCO₂e) and Intensity (tCO₂e/\$ million revenue) FY2021-FY2023

Financial Year	GHG Emission Category (tCO ₂ e)		Total (tCO ₂ e)	Emission Intensity (tCO ₂ e/\$ million revenue)
	Scope 1	Scope 2		
FY2023	409.58⁽¹⁾	171.71⁽²⁾	581.29	8.9
FY2022	559.86	270.87	830.73	12.3
FY2021	484.84	294.11	778.95	15.6

Note:

(1). The decrease in Scope 1 emissions for Wuhan Kaidi can be attributed to the employee fuel allowance no longer being included in the company's reported petrol usage and greenhouse gas (GHG) emissions.

(2). The reduction in Scope 2 emissions is due to a large portion of DWS factory's electricity consumption, sourced from solar panels, that do not emit greenhouse gases, having been mistakenly included in emission calculations in previous FYs.

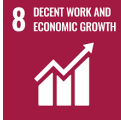



FY2024 Target

In FY2024, we are committed to consistently lowering our energy consumption through the implementation of energy-efficient technologies, fostering sustainable behaviors among employees, and establishing clear energy reduction targets. The Group is dedicated to ambitious yet feasible energy and emissions reduction targets, achieved through rigorous monitoring across all operations to understand our energy use and emissions.



Water Usage

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 303 Water and Effluents</p> <ul style="list-style-type: none"> • 303-2 Management of water discharge-related impacts • 303-5 Water consumption 	 

Why This Is Important

Water management is paramount for Darco Water Technologies Limited, as it lies at the core of our operational ethos and business strategy. As a specialist in the field, we understand that effective water management is not only about conservation and efficient use of this vital resource but also about ensuring the longevity and reliability of water supply systems which are critical for economic stability and community well-being.

Our expertise in engineering and deploying advanced water and wastewater treatment solutions directly contributes to the preservation of water quality and availability. It addresses the pressing needs of a myriad of industries that depend on precise water quality specifications for their operations. Moreover, as global awareness of water scarcity grows, Darco’s role becomes increasingly significant in innovating sustainable water management practices that can mitigate the impact of water-related challenges.

By advancing these practices, Darco doesn’t just support the health of ecosystems and human populations but also helps industries to meet stringent regulatory standards, reduce operational costs, and enhance their sustainability profiles. Therefore, water management is not merely a service we provide; it is a responsibility we uphold to foster a future where clean and safe water is a secured asset for all.

Management Approach

As a leader in water technology, our company is dedicated to health and safety, tackling the hazards of untreated wastewater with reliable and secure solutions. Utilizing cutting-edge technology, our skilled team treats wastewater to remove dangerous substances, adhering to strict regulations without any incidents of non-compliance this year.

We provide diverse industrial water treatment services, aiming for zero discharge and specialize in managing municipal water systems to ensure clean, safe water access for communities. With over 2,000 projects across various sectors and more than 20 proprietary technologies, we’ve secured a competitive edge in the market. Our commitment to water conservation is reflected in our efforts to minimize water usage in our offices, with all our water sourced from municipal supplies.

Within our own operations, we implement a comprehensive Water Management Program to meticulously document, characterize, and monitor water sources, usage, and discharge, with a focus on water conservation and contamination prevention. All wastewater undergoes thorough characterization, monitoring, control, and treatment before discharge or disposal, with routine monitoring ensuring optimal system performance and regulatory compliance.

Additionally, the Group has formalized procedures for managing chemical leakage encompass protocols for receiving, issuing, handling, and storing chemicals, aligning our operations with the highest environmental protection standards.

Our key objective is to achieve zero hazardous substance leaks. Furthermore, the Group has proactively established an Emergency Preparedness and Response Procedure to ensure swift and effective actions in the event of environmental incidents or emergencies.

At the Group, we diligently assess our operations to identify areas with high water usage and then implement specialized training programs for our employees. This training is crucial to our daily operations, promoting a culture of water conservation and efficiency across our facilities.

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

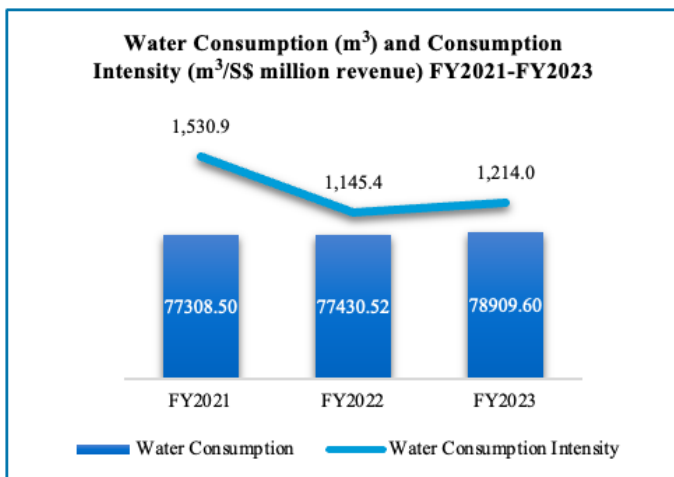
The portfolio is set to deliver better water supply services and initial access to a dependable piped water supply to several households, especially those residing in areas with high reliance on rainwater collection for daily use.

FY2023 Performance

In FY2023, the Group’s overall water consumption amounted to 78,909.60 m³, which increased 1.91% compare to last year.

Water Consumption (m³) and Intensity (m³/S\$ million revenue) FY2021-FY2023

Financial Year	Water Consumption (m ³)	Water Consumption Intensity (m ³ /S\$ million revenue)
FY2023	78,909.60	1,214.00
FY2022	77,430.52	1,145.40
FY2021	77,308.50	1,530.90

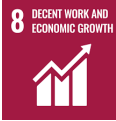



FY2024 Target

In FY2024, our dedication extends to minimizing water usage through the implementation of water-saving technologies and optimized processes, with ongoing monitoring and reporting to enhance water efficiency in alignment with projected company growth. Upholding strict adherence to regulatory standards, we relentlessly pursue the prevention of illegal discharge or spill incidents, integral to our overarching environmental stewardship initiatives. Additionally, we remain steadfast in educating our workforce on water conservation methods, ensuring our impact on water resources is continually mitigated across all operational facets.



Waste Management

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 306 Waste</p> <ul style="list-style-type: none"> • 306-2 Management of significant waste-related impacts • 306-3 Waste generated 	 

Why This Is Important

A robust waste management system is not only integral to the Group's sustainable development but also embodies its commitment to responsible corporate citizenship. By efficiently managing waste, the company can significantly reduce operational costs, making its operations more economically sustainable.

Furthermore, effective waste management demonstrates the Group's dedication to environmental stewardship, contributing to the preservation of ecosystems and mitigating its ecological footprint. In doing so, the company upholds its role as a responsible corporate citizen, setting a positive example for industry peers and fostering goodwill within the communities in which it operates. In essence, a well-structured waste management system aligns with the Group's vision of sustainability by harmonizing economic, environmental, and social objectives.

Management Approach

The Group is deeply committed to minimizing its environmental impact and upholding responsible environmental practices. This commitment is reflected in our stringent Environmental Policy, which sets high standards for reducing environmental risks to the lowest feasible level and aims to position us as leaders in improving environmental quality within our industry. To achieve these goals, we focus on minimizing waste and emissions, promoting recycling and reuse, reducing the use of natural resources, and implementing pollution prevention efforts across all operations.

We have implemented a comprehensive Electronic Scheduled Wastes Information System, ensuring proper handling and disposal of scheduled wastes. Trained personnel equipped with Appropriate Personal Protective Equipment ("PPE") manage scheduled wastes, placing them in designated areas with proper labelling and hazardous signage. Our licensed contractors responsibly collect and transfer scheduled wastes to designated storage areas. Moreover, our Emergency Response Team ("ERT") remains on standby to address any spillage incidents promptly.

Furthermore, the Group places paramount importance on the safety of employees and personnel involved in Chemical and Hazardous Waste Handling. Our safety protocol mandates the acquisition of a Permit to Work ("PTW") and comprehensive briefings during Tool-Box Meetings ("TBMs") led by the Project Engineer and Supervisor. Adherence to proper PPE, understanding Safety Data Sheets ("SDS"), and meticulous labelling of containers are integral to ensuring personnel safety and environmental integrity.

Efforts to minimize waste generation and conserve natural resources include modifying production processes, promoting materials substitution, encouraging reuse and recycling, and implementing other sustainable practices. These initiatives underscore our ongoing commitment to environmental stewardship and sustainability.

Paper Recycling

The Group has prioritized minimizing paper waste through a recycling initiative in our offices. Our strategies for reducing paper usage include transitioning to digital platforms, encouraging mindful printing, setting double-sided printing as the default, using emails over faxes to cut down on paper use, and segregating paper for efficient recycling. Additionally, we repurpose the reverse side of used single-sided papers for printing drafts or internal documents.

Food Waste Management

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

This project aims to provide a complete automated food waste conveyance system by combining PVV’s Pneumatic Waste Conveyance System with Insect Feed’s Hermetia Illucens, also known as black soldier fly’s technology, for districts and large commercial/ industrial development. PVV and Insect Feed will share the Intellectual Property rights of these technologies.

The three entities will collaborate on research and testing, and provide new opportunities for RP students including placements, workshops, and projects. This solution addresses the growing problem of food waste in Singapore, which has increased by 20% in the past decade, according to the Ministry of Sustainability and the Environment.

FY2023 Performance

In FY2023, Darco Water System Sdn. Bhd. and Darco Industrial Water Sdn. Bhd. collectively amassed 59.77 tonnes of hazardous waste, with Darco Water Systems Sdn. Bhd. accounting for 56.52 tonnes and Darco Industrial Water Sdn. Bhd. for 3.25 tonnes.

Waste Generation (tonne) FY2023

Business Entity	Hazardous Waste Collection (tonne)	Total Waste Collection (tonne)
DWS	56.52	59.77
DIW	3.25	

FY2024 Target

In FY 2024, we are dedicated to strategically reducing our waste output through ongoing, collaborative efforts. Our approach will focus on adopting principles of the circular economy, fostering waste reduction behaviors among employees, and maximizing recycling and reuse opportunities for materials. Additionally, we are committed to ensuring proper disposal of any hazardous waste in accordance with relevant regulations.



SOCIAL



Key Material Topics

- Fair Employment Condition and Employee Diversity
- Training and Skill Development
- Occupational Health and Safety
- Customer Health and Safety


GRI Topics

- GRI 401 Employment
- 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

UN SDGs We Support



Fair Employment Condition and Employee Diversity

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 401 Employment</p> <ul style="list-style-type: none"> 401-1 New employee hires and employee turnover 401-3 Parental leave <p>GRI 405 Diversity and Equal Opportunity</p> <ul style="list-style-type: none"> 405-1 Diversity of governance bodies and employees <p>GRI 406 Non-discrimination</p> <ul style="list-style-type: none"> 406-1 Incidents of discrimination and corrective actions taken 	

Why This Is Important

Our employees are the backbone of our business, and we have a responsibility to respect and safeguard their rights. To enable them to perform at their best, we strive to create a workplace where every employee can prioritise their physical and mental well-being. Furthermore, we provide our employees with fulfilling and rewarding careers by fostering their growth and development through open communication, regular training, and providing the necessary resources.

The well-being of our employees is of utmost importance to us and we ensure that we comply with all relevant national labour laws and the ILO's core labour standards, which include prohibiting child labour, forced labour, discrimination, and the protection of freedom of association.

Management Approach

At our core, we are committed to fostering an environment that propels both personal and corporate advancement. Our comprehensive programmes in recruitment, training, and rewards are designed to elevate our employees' skillsets and enhance the operational efficiency of the Group.

In line with our regional expansion, we place a high value on cultivating local talent in their respective markets, recognizing that such localization is key to our success. We acknowledge the vital role the youth play in shaping our future, and we are dedicated to providing them with opportunities that prepare them to be the leaders of tomorrow.

Understanding the need for a proficient talent pool to manage intricate and specialized roles, we are dedicated to continually refining our talent development system. This ensures we not only attract but also nurture the exceptional talent necessary for leadership and execution within our complex business landscape.

The Group takes pride in our distinctive management approach, which is centred on active employee engagement.

Darco has meticulously documented a comprehensive employment policy in our employee handbook, outlining the organization's acceptable behaviors, norms, and values, which is readily accessible to all employees. Prior to commencing employment with the Group, employees receive thorough briefings on these policies and undergo training specific to their assigned roles.

Fair Employment

Within our Group, we uphold an unwavering dedication to fair and transparent recruitment practices. Our method entails interviews and written assessments meticulously crafted to evaluate candidates solely on job-related merits. Through this approach, we guarantee access to a diverse talent pool, while maintaining strict adherence to selection criteria aligned with the demands of the role. Supported by our Fair Employment Policy, we are committed to offering equal opportunities to all employees, nurturing an inclusive environment devoid of discrimination.

Employee Benefits

All employee benefits are comprehensively detailed in our Employee Handbook, covering aspects such as employment terms, leave policies, remuneration benefits, and non-discrimination guidelines.

Our Group diligently adheres to wage laws, guaranteeing equitable compensation and benefits without any deductions for disciplinary actions. We ensure that all employees receive timely and transparent pay documentation.

Furthermore, we maintain transparent disciplinary procedures, clearly communicated to all employees, and strictly prohibit any form of inhumane treatment or harassment. Our commitment is to foster a safe and respectful workplace environment for all.

Diversity and Inclusion

Our company is dedicated to fostering an inclusive and collaborative work environment. We adhere to principles of equal opportunities and non-discrimination in all areas of our employees' careers, including hiring, compensation, promotion, and termination. Our non-discrimination policy ensures that employment decisions are based solely on individual capabilities and qualifications, without any form of discrimination.

We expect all employees to treat each other with respect and will not tolerate any forms of discrimination, including sexual harassment, verbal abuse, or physical assault, regardless of age, gender, race, colour, socioeconomic status, nationality, religious belief, disability, marital status, pregnancy, sexual orientation, union membership, political affiliation, or any other factors. There were no reported incidents of discrimination or harassment during the period.

Talent Retention

Our talent retention strategy focuses on creating a positive work environment that offers opportunities for growth, provides competitive compensation and benefits, fosters open communication and recognition, and encourages a good work-life balance.

Human Rights

Darco is committed to upholding internationally recognized principles of human rights, such as the UN Declaration of Human Rights and the core labour standards set by the International Labor Organization ("ILO"), as well as national laws that protect the rights of individuals. We do not tolerate child labour, forced labour, or discrimination within the organization, and we expect our suppliers to uphold similar standards.

Additionally, we respect the right of our employees to freedom of association and collective bargaining in accordance with relevant national regulations. We have determined that the risk of child labour, forced labour and a violation of workers' right to in our direct operations is relatively low as we strictly enforce our policies on these issues.

Freedom of Association and Collective Bargaining

We respect our employees' right to freedom of association and collective bargaining in accordance with local labour laws. Currently, our employees are not part of any collective bargaining agreement.

FY2023 Performance**Total Employees by Gender FY2021-FY2023**

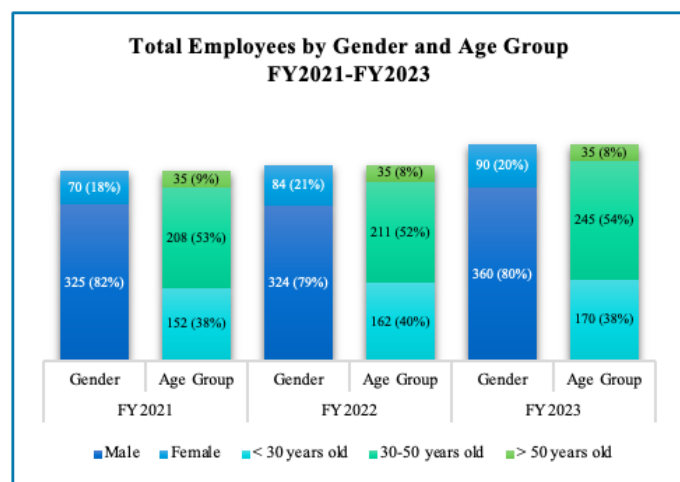
As of December 2023, Darco's total workforce consisted of 450 employees, marking a notable 10.30% increase compared to FY2022. Among these employees, 80% were male employees, while 20% were female employees.

Financial Year	Gender		Total
	Male	Female	
FY2023	360	90	450
FY2022	324	84	408
FY2021	325	70	395

Total Employees by Age Group FY2021-FY2023

In FY2023, we had 170 employees under 30 years old, 245 employees between 30 and 50 years old, and 35 employees over 50 years old. Age Group 30-50 took the highest percentage of our total workforce.

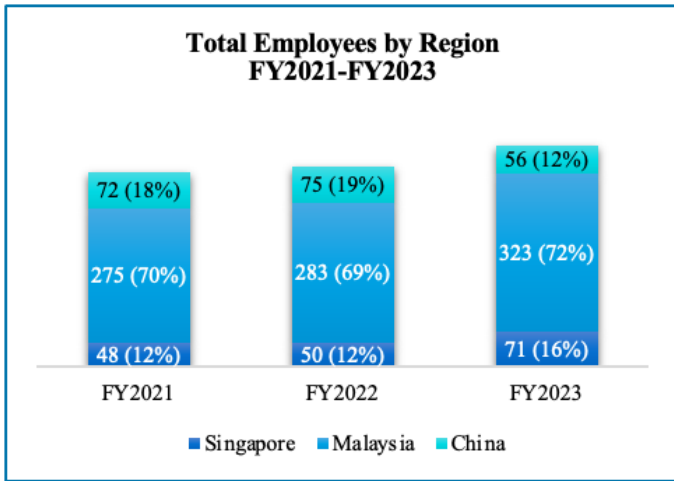
Financial Year	Age			Total
	Under 30	30 - 50	Over 50	
FY2023	170	245	35	450
FY2022	162	211	35	408
FY2021	152	208	35	395



Total Employees by Region FY2021-FY2023

In FY2023, the majority of our employees were based in Malaysia, comprising 72% of our workforce, totalling 323 individuals. Additionally, employees based in Singapore constituted 16%, totalling 71 individuals, while those based in China made up 12%, totalling 56 individuals.

Financial Year	Singapore	Malaysia	China	Total
FY2023	71	323	56	450
FY2022	50	283	75	408
FY2021	48	275	72	395



Total Employees by Contract Type FY2023

In FY2023, 399 of our employees were on permanent contracts with 51 temporary employees. 88.67% employees are permanent employees with the company.

Financial Year	Contract Type		Total
	Permanent	Temporary	
FY2023	399	51	450

Total Employees by Working Type FY2023

In FY2023, we had 448 full time employees and 2 part-time employees. 99.56% of our workforce are full time employees employed by the Group.

Financial Year	Working Type		Total
	Full Time	Part Time	
FY2023	448	2	450

NEW HIRES

By Gender FY2021-FY2023

In FY2023, our 75 new hires consisted of 62 males and 13 females. Notably, there were 20 employees internally transferred from DIW to DWS, who were not counted as new hires nor resigned employees.

Financial Year	Gender		Total
	Male	Female	
FY2023	62	13	75
FY2022	116	34	150
FY2021	63	15	78

By Age Group FY2021-FY2023

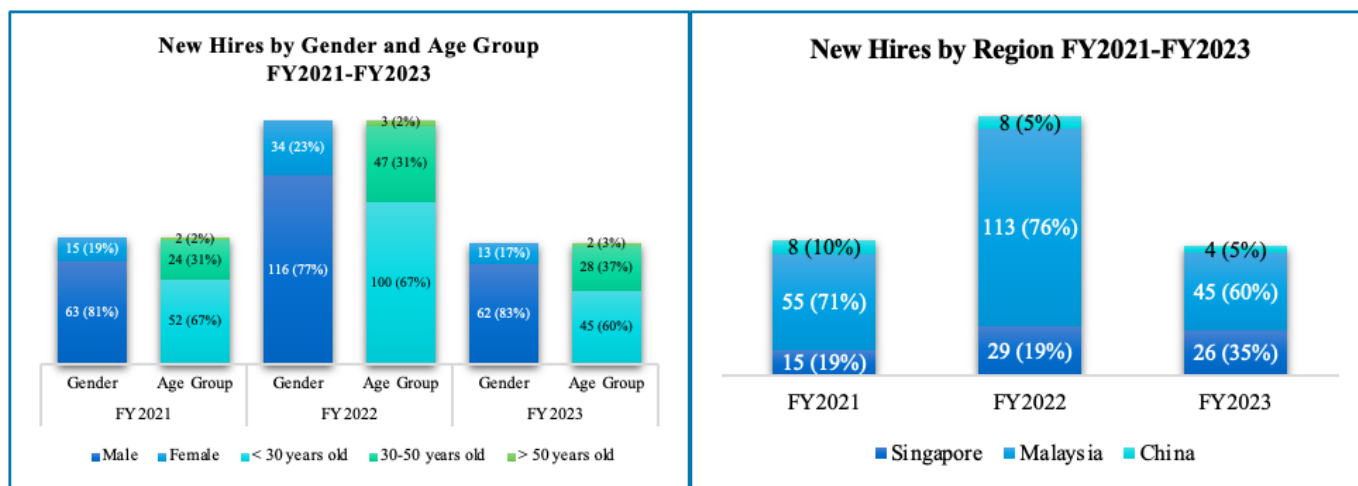
In FY2023, we hired 45 employees under the age of 30, 28 employees aged between 30 and 50, and 2 employees over the age of 50.

Financial Year	Age			Total
	Under 30	30 - 50	Over 50	
FY2023	45	28	2	75
FY2022	100	47	3	150
FY2021	52	24	2	78

By Region FY2021-FY2023

In FY2023, 26 of our new hires were based in Singapore, 45 were based in Malaysia, and 4 were based in China.

Financial Year	Singapore	Malaysia	China	Total
FY2023	26	45	4	75
FY2022	29	113	8	150
FY2021	15	55	8	78



Employee Turnover Rate by Gender FY2023

In FY2023, the employee turnover rate was 23.12% for the Group. Brokend down by gender, the turnover rate of male employees is 22.61%, while that of our female employee is 25.14%.

Gender	No. of Employees Who Left	Employee No. at the Beginning of FY	Employee No. at the End of FY	Employee Turnover Rate
Male	78	330	360	22.61%
Female	22	85	90	25.14%
Total	100	415	450	23.12%

Employee Turnover Rate by Age Group FY2023

In FY2023, the employee turnover rate for those under the age of 30 was 28.23%, while individuals aged between 30 and 50 experienced a turnover rate of 19.65%. Employees over the age of 50 accounted for a turnover rate of 21.62%.

Age Group	No. of Employees Who Left	Employee No. at the Beginning of FY	Employee No. at the End of FY	Employee Turnover Rate
Under 30	47	163	170	28.23%
30 - 50	45	213	245	19.65%
Over 50	8	39	35	21.62%
Total	100	415	450	23.12%

Employee Turnover Rate by Region FY2023

In FY2023, the turnover rate among employees based in Singapore was 21.88%, while employees based in Malaysia experienced a turnover rate of 22.11%. Employees based in China had the highest turnover rate, standing at 29.01%.

Region	No. of Employees Who Left	Employee No. at the Beginning of FY	Employee No. at the End of FY	Employee Turnover Rate
Singapore	14	57	71	21.88%
Malaysia	67	283	323	22.11%
China	19	75	56	29.01%
Total	100	415	450	23.12%

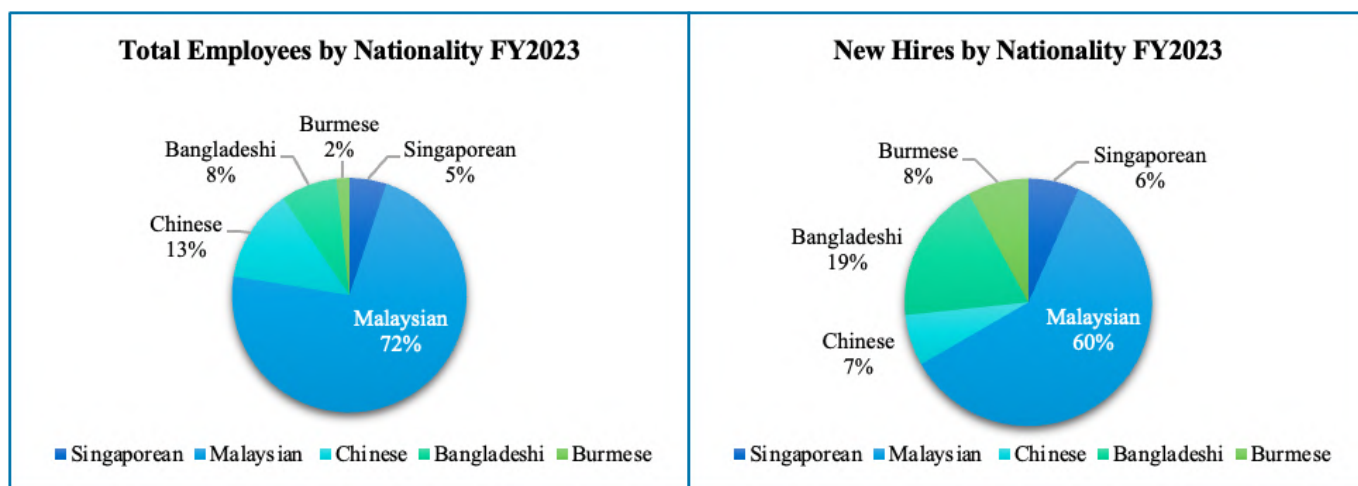
Employee Parental Leave FY2023

In FY2023, we entitled our 6 employees (4 male, 2 female) with parental leave, with a 100% return to work and retention rate in FY2023.

Total Employees by Nationality FY2023

In FY2023, our workforce hailed from five different countries. Over half of our employees, totalling 326 individuals are Malaysian, constituting 72% of our workforce. Chinese employees made up 13% of our workforce, followed by Bangladeshi and Singaporean nationals at 8% and 5%, respectively, accounting for 35 individuals and 23 individuals. Burmese nationals comprised 2% of our total employees.

Nationality	Total
Singaporean	23
Malaysian	326
Chinese	58
Bangladeshi	35
Burmese	8
Total	450



New Hires by Nationality FY2023

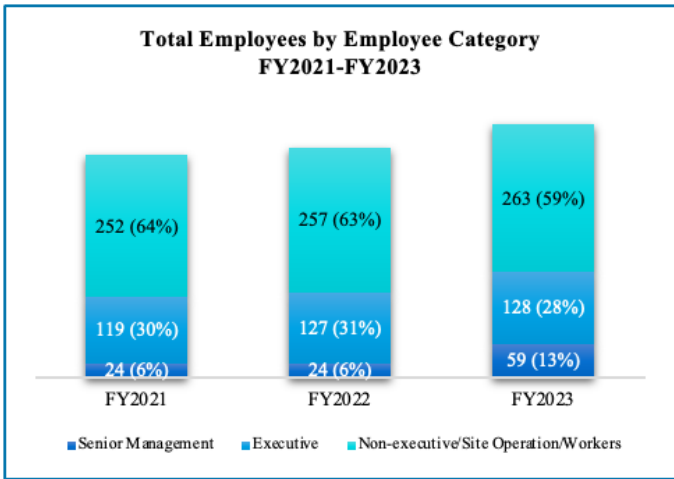
In FY2023, we welcomed 75 new hires from 5 different countries. Malaysians made up the majority of new hires at 60%, followed by Bangladeshi and Burmese nationals at 19% and 8%, respectively. Chinese comprised 7% of the headcount, while Singaporeans constituted another 6%.

Nationality	Total
Singaporean	5
Malaysian	45
Chinese	5
Bangladeshi	14
Burmese	6
Total	75

Total Employees by Employee Category FY2021-2023

In FY2023, we adopted a new approach in determining our employee categories. Senior management positions saw a sharp rise from 24 employees to 59 employees. Executive roles remained steady with 1 more employee, while non-executive/site operation/worker positions increased from 257 employees to 263 employees.

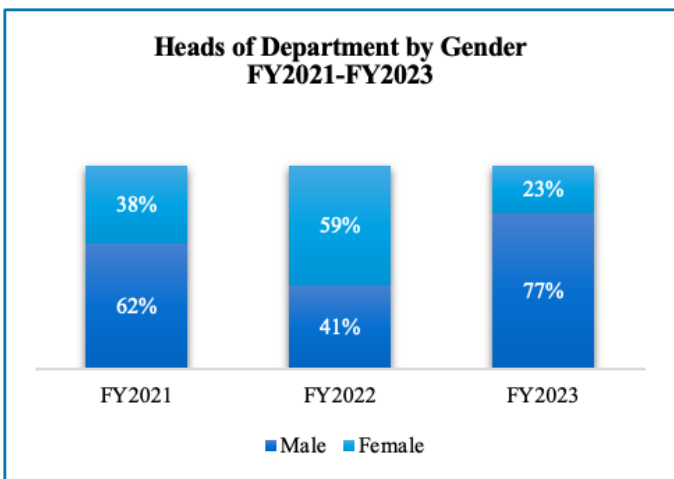
Financial Year	Senior Management	Executive	Non-executive/Site Operation/Worker	Total
FY2023	59	128	263	450
FY2022	24	127	257	408
FY2021	24	119	252	395



Heads of Department by Gender FY2021-2023

In FY2023, 77% of our head of departments are male, which female account for 23% of our management roles.



Financial Year	Gender		Total
	Male	Female	
FY2023	10	3	13
FY2022	7	10	17
FY2021	8	5	13



FY2024 Target

In FY2024, we are dedicated to upholding the standards set in FY2023, ensuring that all employment conditions meet or surpass industry norms. Our unwavering commitment extends to fostering a workplace free from complaints regarding employment conditions or instances of unfair treatment. Our overarching objective remains to maintain a harmonious and respectful environment that reflects our dedication to employee satisfaction and equitable treatment for all.

Training and Skill Development

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 404 Training and Education</p> <ul style="list-style-type: none"> 404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs 404-3 Percentage of employees receiving regular performance and career development reviews 	 

Why This Is Important

Employee development is crucial for the success of our employees and our organisation. We believe investing in the growth and professional development of our employees can improve job satisfaction, increase motivation and engagement, foster a culture of continuous learning, and enhance the overall skills and capabilities of our workforce. Employee development also helps us to retain talent. Our focus on employee development led us to successfully meet and achieve our target.

Management Approach

We use regular performance evaluations and career development plans to help employees achieve their full potential. Additionally, we offer opportunities for skill-building and encourage a culture of innovation to keep employees motivated and invested in the success of the company.

FY2023 Performance

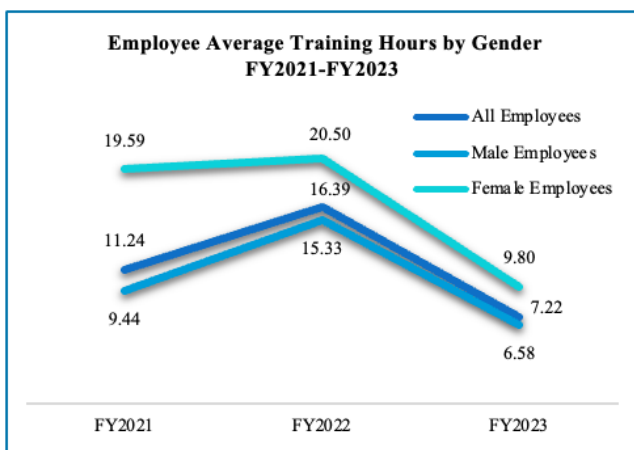
Employee Training Hours

In FY2023, 7.22 average training hours were received per employee in the Group.

Employee Training Hours by Gender FY2021-FY2023

In FY2023, our male employees received an average of 6.58 hours of training, while female employees received a higher average training hour of 9.80 hours.

Financial Year	Male	Female	All Employees
FY2023	6.58	9.80	7.22
FY2022	15.33	20.50	16.39
FY2021	9.44	11.24	11.24



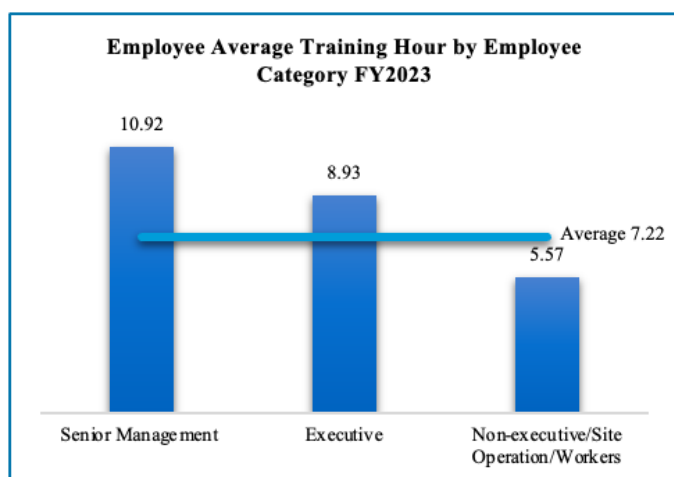
Note:

Training hours are typically associated with the number of new employees. Starting from FY2023, a new methodology for calculating the employee turnover rate has been implemented, making direct comparisons with previous years inadvisable. In FY2022, the company welcomed 150 new hires, whereas in FY2023, there were only 75 new hires. Despite the reduced number of new hires, there was an increase in the total number of employees, due to a lower turnover rate.

Employee Training Hours by Employee Category FY2023

In FY2023, employees in senior management positions received the highest average training hours, at 10.92, followed by those in Executive positions, with an average of 8.93 training hours. Employees in non-executive/ site operation/worker positions received an average of 5.57 training hour.

Employee Category	No. of Employees	Training Hour	Average Training Hour
Senior Management	59	644	10.92
Executive	128	1,143	8.93
Non-Executive/Site Operation/Workers	263	1,464	5.57
Total	450	3,251	7.22




Performance Review

In FY2023, every employee underwent annual performance reviews, with Wuhan Kaidi Water Services Co., Ltd. going a step further by conducting quarterly reviews to maintain the highest standards of accountability and foster professional growth.

FY2024 Target

In FY2024, our aim is to provide an average of 7 hours of training per employee, thereby ensuring that our workforce remains equipped with the latest skills and knowledge.

Occupational Health and Safety

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 403 Occupational Health and Safety</p> <ul style="list-style-type: none"> • 403-1 Occupational health and safety management system • 403-2 Hazard identification, risk assessment, and incident investigation • 403-3 Occupational health services • 403-4 Worker participation, consultation, and communication on occupational health and safety • 403-5 Worker training on occupational health and safety • 403-6 Promotion of worker health • 403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships • 403-9 Work-related injuries • 403-10 Work-related ill health 	

Why This Is Important

OHS stands at the core of the Group’s operational ethos, reflecting our unwavering commitment to safeguarding our workforce the most valuable asset of our enterprise. Recognizing that the well-being of our employees is intrinsically linked to our overall success, we place paramount importance on creating a workplace environment where health and safety risks are systematically identified, assessed, and mitigated.

A robust OHS framework not only ensures compliance with legal standards but also fosters a culture of proactive care, leading to enhanced productivity, employee morale, and corporate reputation. By prioritizing OHS, the Group actively contributes to sustainable development goals, demonstrating our dedication to the social pillar of sustainability, and reinforcing our pledge to responsible business practices.

We view occupational health and safety as integral to employee motivation, engagement, and productivity. The safety of our employees is our top priority, and we strive to create a safe and healthy working environment for them. Our target is to zero incidents of high-consequence injuries at our workplaces.

Management Approach

Occupational Health & Safety Policy

At Darco, we are committed to providing a safe and healthy workplace for all employees, visitors, and contractors. We recognise the importance of maintaining a culture of safety and are dedicated to identifying and controlling hazards to prevent accidents and injuries. Our occupational health and safety policy includes regular risk assessments, safety training, and the provision of appropriate personal protective equipment.

We are committed to complying with all applicable health and safety laws and regulations, monitoring and continuously improving our safety performance, and encouraging all employees to take an active role in identifying and addressing safety hazards.

Occupational Health and Safety Management System

Our Occupational Health and Safety Management System (“OHSMS”) follows the ISO 45001 standard and emphasizes continuous improvement. It ensures consistent delivery of projects with high safety performance across all our markets. Our OHSMS covers all employees and workers at our operational sites.

Our Health and Safety Policy is regularly reviewed and made accessible to all employees, suppliers, and visitors at our project sites. It serves as a guide for our actions and ensures compliance with all relevant laws and regulations. We require our contractors to comply with all applicable work safety regulations, including safety risk assessment and preventive and mitigative measures to operate in a safe environment.

To ensure a safe workplace, we have established robust systems in place to measure, monitor, and evaluate our safety performance. This includes standard procedures for identifying hazards, assessing risks, and conducting safety audits.

We have implemented Health and Safety Committees at the project level, composed of management and worker representatives. These committees work to proactively address health and safety concerns by regularly reviewing safety performance and assessing the effectiveness of current measures.

We are committed to ensuring our employees have access to healthcare services and benefits. To that end, we offer group medical insurance that covers both outpatient and hospitalization services for all eligible employees.

We are dedicated to investigating and reporting safety incidents, as well as implementing any necessary corrective and improvement actions. Additionally, we conduct regular health and safety training for all employees and contractors at our construction sites to maintain a high level of safety awareness's Management System.

Hazard Identification, Risk Assessment, and Incident Investigation

At Darco, we have a documented risk policy in address the approach how we identify the hazard and managing our occupational health and safety risks. Darco Group will pursue an organizational philosophy that ensures risk management is an integral part of corporate objectives, plans and management systems. Compliance with legislative requirements is only a minimum standard. The core function of risk management is to assist Darco Group to meet its objectives.

Promotion of Occupational Health Services

In the pursuit of maintaining a safe and healthy workplace, our company has established comprehensive procedures and systems outlined in addressing workers occupational health issues. The procedures are designed to prevent, manage, track, and report occupational injury and illness. They encompass strategies to promote and facilitate worker reporting of incidents.

We have a structured approach to classifying and recording cases of injury and illness, ensuring transparency and accountability. When injuries occur, we are prepared to provide prompt and appropriate medical treatment. To prevent recurrence, each incident is thoroughly investigated and corrective measures are taken to address and eliminate the root causes. Additionally, our procedures support the rehabilitation and reintegration of workers post-injury, ensuring a smooth and safe transition back into the workplace.

At the same time, we also put our employee well-being as one of the top priority in our operation. The well-being of employees is a top priority for us. Our initiatives include periodic health examinations and regular team bonding sessions that involve group exercise. In China, our facility also includes a fitness centre to promote physical well-being. As an additional gesture of support, we also provided employees with coupons on Children's Day, allowing them to purchase storybooks for their children.

Worker Participation, Consultation, and Communication on Occupational Health and Safety

In Darco, we engage with workers at various levels and functions within the organization. The key points of this engagement include:

- Establishing a process for the involvement of workers and, if present, their representatives, in the OHS management system.
- Providing necessary mechanisms, time, training, and resources for effective participation.
- Ensuring timely access to clear and relevant information about the OSH management system.
- Identifying and removing barriers to participation or minimizing those that cannot be removed.

Consulting non-managerial workers particularly on:

- Identifying the needs and expectations of interested parties.
- Establishing the OSH policy.

- Assigning roles, responsibilities, and authorities.
- Compliance with legal and other requirements.
- Setting OSH objectives and plans to achieve them.
- Controls for outsourcing, procurement, and contractors.
- Monitoring, measuring, and evaluating procedures.
- Developing and maintaining audit programs.
- Ensuring continuous improvement.

Additionally, the participation of non-managerial workers in:

- Deciding on consultation and participation mechanisms.
- Identifying hazards, assessing risks and opportunities.
- Planning actions to eliminate hazards and reduce OSH risks.
- Determining the required competence and training needs.
- Communicating needs and the methods for doing so.
- Establishing control measures and ensuring their effective implementation.
- Investigating incidents, non-conformities, and determining corrective actions.

This framework is designed to integrate workers at all levels into the OSH management process, ensuring their input is considered in decision-making and continuous improvement efforts.

Worker Training on Occupational Health and Safety

We believe regular employee training in environment, health and safety (“EHS”) topics is essential for safe operations. Our employees receive ongoing training in various aspects of EHS management. Our safety training program covers new employee orientation, risk management, behavior-based safety programs, safe work practices worldwide, OHS processes and tools, and safety management courses.

For example, our staff in Malaysia completed training covering a range of topics that included a workshop on the Preparation of Scheduled Wastes Information, how to use the Department of Environment’s eSWIS waste information system, Establishment of an Effective Environmental Committee, Scheduled Wastes Awareness training, Safety Training, Safe Handling of Chemical Training, Safe Handling of Forklift Truck Training, and Industrial First Aid & Cardiopulmonary Resuscitation (“CPR”) Course.

FY2023 Performance

OUR EMPLOYEES

For the past three financial years from FY2021 to FY2023, there were no reported cases of workplace injuries or fatalities recorded.

Total Working Hours and Work-related Injuries FY2021-FY2023

In FY2023, the total working hours of our employees totalled 883,214 hours. There was no fatality, major incident, or man-day loss reported across the Group. As the Group’s operations normalised in 2023 post-pandemic, we saw an increase in employee working hours compared to previous years. We recorded 7 cases of minor injuries and a rate of recordable work-related injuries of 7.93. We take an active approach to monitoring and preventing workplace injuries and fostering a culture of adherence to safe work practices.



Financial Year		FY2023	FY2022	FY2021
Total Working Hours		883,214	558,199	606,116
No. of Occurrence	Fatality ⁽¹⁾	0	0	0
	Major Injury ⁽²⁾	0	0	0
	Minor Injury ⁽³⁾	7	0	0
No. of Lost Days		0	0	0
Rate of high-consequence work-related injuries ⁽⁴⁾		0.00	0.00	0.00
Rate of recordable work-related injuries ⁽⁵⁾		7.93	0.00	0.00
<p>(1) Fatality: Fatalities as a result of work-related injury</p> <p>(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.</p> <p>(3) Minor injury: Recordable work-related injuries, including medical treatment beyond first aid, restricted work or days away from work.</p> <p>(4)(5) The injury rate is based on per 1,000,000 working hours</p>				

Details of Work-related Injuries FY2023

In FY2023, all 7 minor injuries reported are categorized as First Aid Injuries, predominantly resulting from hazards such as cuts, followed by burn/hot surface and exposure to chemicals.

Type of Work-related Injury	No. of Occurrences	Hazard
First Aid Injuries	1	Burn/Hot surface
First Aid Injuries	5	Cuts
First Aid Injuries	1	Chemical

Work-related Ill Health

In FY2023, none of our operating sites reported work-related ill health issues.



OUR CONTRACTORS

Total Working Hours and Work-related Injuries

There were zero injury cases and zero man-day losses reported across our contractors.

Financial Year		FY2023	FY2022	FY2021
Total Working Hours		111,313	338,100	393,046
No. of Occurrence	Fatality	0	0	0
	Major Injury	0	0	0
	Minor Injury	0	0	0
No. of Lost Days		0	0	0
Rate of high-consequence work-related injuries		0.00	0.00	0.00
Rate of recordable work-related injuries		0.00	0.00	0.00

Note:


In FY2023, our contractors logged a total of 111,313 working hours, which is a decrease compared to the previous two years. A significant factor contributing to this reduction is the increase in the number of hired employees, resulting in a rise in employee working hours from 558,199 to 883,214.

FY2024 Target

In FY2024, the Group remains steadfast in its pursuit of achieving zero fatalities and zero major injuries from work-related injuries for our employees and contractors. We also trying our best to completely eliminating severe work-related injuries, thereby cultivating the safest work environment possible for our employees.



Customer Health and Safety

MATERIAL TOPIC	RELEVANT SDGs
<p>GRI 416 Customer Health and Safety</p> <ul style="list-style-type: none"> 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services 	

Why This Is Important

Ensuring the safety and well-being of individuals is a fundamental objective embraced by numerous national and international regulations. Consumers rightfully anticipate products and services to fulfil their intended purposes effectively while also guaranteeing their safety. They hold an inherent entitlement to products devoid of hazards, prioritizing their health and safety. Moreover, should their health or safety be compromised, consumers possess the prerogative to pursue appropriate recourse.

As a water technology company, our commitment to health and safety is of the utmost importance. We understand the potential risks associated with untreated wastewater, and we are dedicated to providing effective, reliable, and safe solutions to address these concerns.

Management Approach

Our team of experienced professionals utilises advanced technologies and processes to treat wastewater, removing harmful contaminants and pathogens. We strictly adhere to all regulatory standards and requirements to ensure that our operations are environmentally responsible and safe.

We are dedicated to promoting and upholding high standards of health and safety across all aspects of our operation, and we will continue to strive for excellence in all aspects of our operations to ensure that we are providing the highest level of service.

FY2023 Performance

In FY2023, the Group successfully achieved the objectives established in the preceding year. We are pleased to report that zero incident of non-compliance with applicable customer health & safety regulations.

FY2024 Target

For FY2024, the Group is committed to upholding the stringent target of receiving zero complaints related to customer health & safety regulations.



GLOBAL REPORTING INITIATIVE INDEX

Statement of Use

The Group has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.

GRI Foundation 2021 Revision have been used.

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2-4	Restatements of information	Energy Consumption Employee Category	Pg.34 Pg.49
2-5	External assurance	About This Report	Pg.04
2-6	Activities, value chain and other business relationships	Corporate Profile	Pg.05
2-7	Employees	Fair Employment Condition and Employee Diversity	Pg.47
2-8	Workers who are not employees	Fair Employment Condition and Employee Diversity	Pg.47
2-9	Governance structure and composition	Board Composition and Guidance	Annual Report FY2023 Pg.22-26
2-10	Nomination and selection of the highest governance body	Board Composition and Guidance	Annual Report FY2023 Pg.22-26
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2-12	Role of the highest governance body in overseeing the management of impacts	Governance	Pg.14
2-13	Delegation of responsibility for managing impacts	Sustainability Governance Structure	Pg.15
2-14	Role of the highest governance body in sustainability reporting	Sustainability Governance Structure	Pg.15
2-15	Conflicts of interest	Nil	Nil
2-16	Communication of critical concerns	Whistle-Blowing Policy	Annual Report FY2023 Pg.44
2-17	Collective knowledge of the highest governance body	Governance	Pg.14

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2-18	Evaluation of the performance of the highest governance body	Board Performance	Annual Report FY2023 Pg.31-32
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2-20	Process to determine remuneration	Procedure for Determining Remuneration Policies	Annual Report FY2023 Pg.32-33
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