

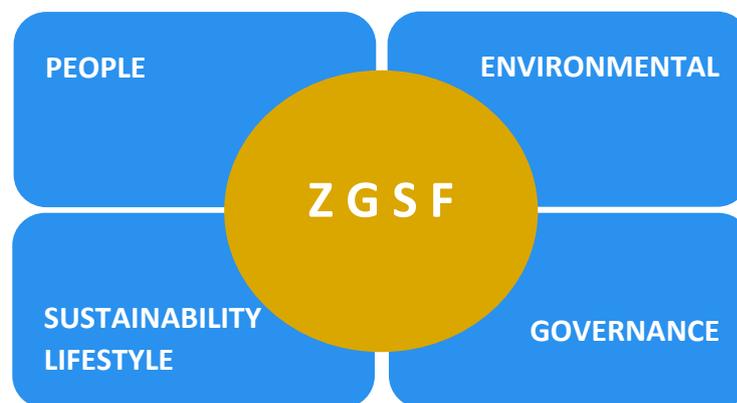
## ZECON SUSTAINABILITY REPORT

Zecon Group Sustainability Committee was approved by the Board of Directors on 25 February 2021 and held its first committee meeting on 15 October 2021.

### SUSTAINABILITY STATEMENT

Zecon's Group sustainability approach embeds sustainability opportunities and risks into business strategic direction, focusing on the people and the environment around the Group's activities to enhance long term economic growth and shareholders' values. Through processes and measures based on global best practice and strategic collaboration, the Group's Sustainability aims to increase competitiveness and cultivate a sustainability lifestyle for its people and stakeholders.

### ZECON GROUP SUSTAINABILITY FRAMEWORK (ZGSF)



ZGSF	
<b>People</b>	Focusing On Employees Welfare, Safety and Health And Practice Inclusivity
<b>Environmental</b>	Enhance Climate Awareness & Management To Minimise Negative Impact
<b>Governance</b>	Establish Governance And Policies In Managing The Group's Economic, Environmental And Social (EES) Opportunities And Risks Through Best Practices
<b>Sustainability Lifestyle</b>	Advocating Sustainability Culture For Our People And Stakeholders

## ZECON GROUP SUSTAINABLE GOALS

### (1) Medium Term Goals (1-5 Years)



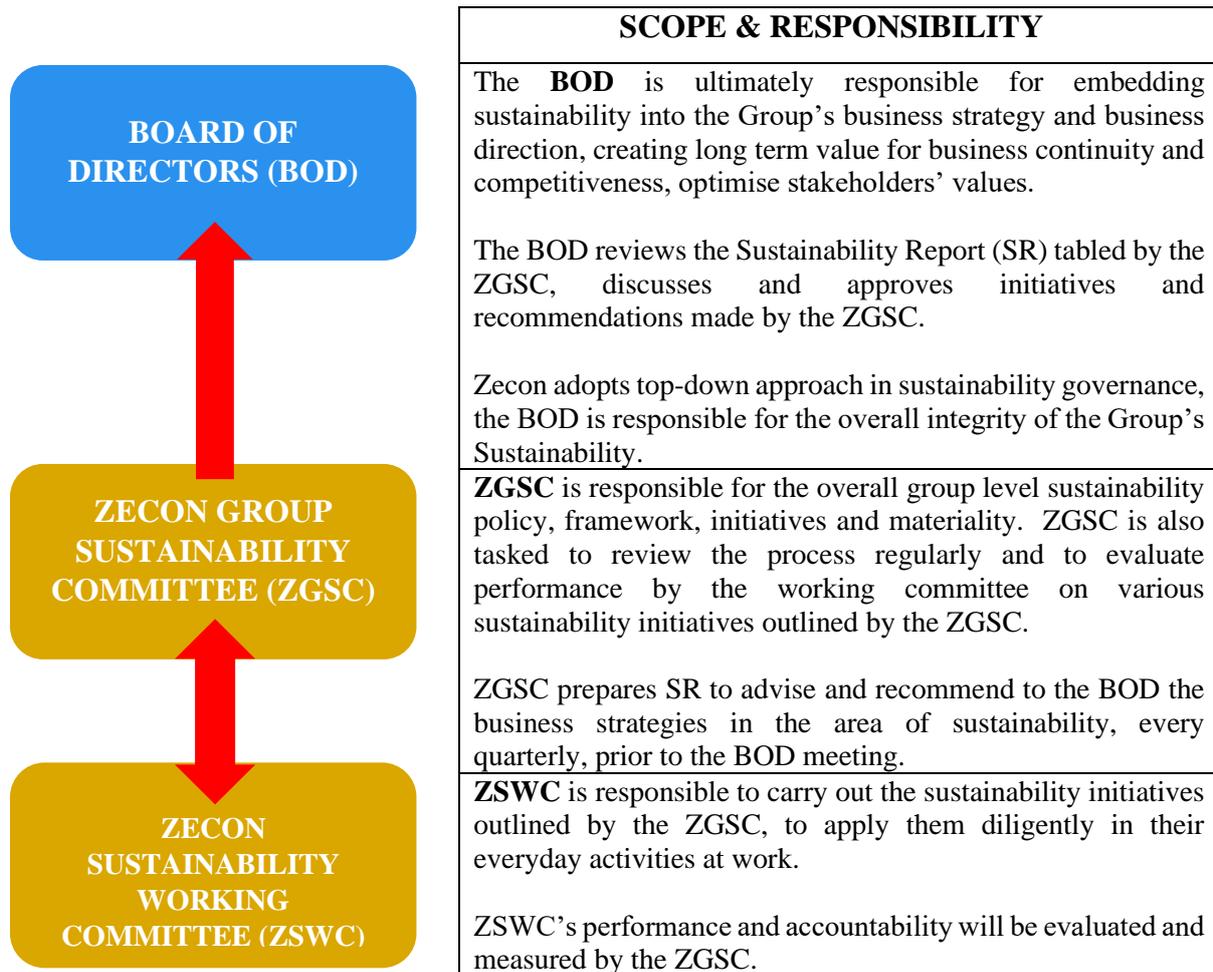
### (2) Medium To Long Term Goals (5 – 10 Years)



**Zecon Group Sustainable Goals** are identified from the **United Nations Sustainable Development Goals (SDGs)** published in September 2015 (<http://sdghub.com/ceo-guide>). These 4 goals are best related and practicable to the Group's day-to-day activities covering the core businesses of Construction, Healthcare Concession and Property Development. They are also in-line with the long-term goal to have a sustainable lifestyle for the people in the organisation and the communities which the Group operates in.

<b>Good Health And Wellbeing</b>	<ul style="list-style-type: none"> <li>• Focus on Employees Health And Welfare</li> <li>• Improve Health Coverage</li> <li>• Improve Safety At The Workplace (Against Hazardous contamination and pollution)</li> <li>• Promote And Raise Mental Health Awareness</li> </ul>
<b>Affordable And Clean Energy</b>	<ul style="list-style-type: none"> <li>• Promote affordable, reliable and modern energy services</li> <li>• Be Part of the global effort to increase energy efficiency</li> <li>• Collaborate in Renewable Energy research and practice</li> </ul>
<b>Industry Innovation And Infrastructure</b>	<ul style="list-style-type: none"> <li>• Industrial Collaboration</li> <li>• Industrial Building System</li> <li>• Research And Development</li> </ul>
<b>Sustainable Cities And Communities</b>	<ul style="list-style-type: none"> <li>• Promote Safe &amp; Affordable Housing</li> <li>• Reduce The Adverse Effect of Natural Disasters</li> <li>• Reduce The Environmental Effect of Cities</li> <li>• Provide Access To Safe And Inclusive Green And Public Spaces</li> </ul>

## ZECON GROUP SUSTAINABILITY STRUCTURE



## MATERIAL SUSTAINABILITY MATTERS

The Group established its material sustainability matters by identifying attributes and factors that are relevant and substantial to the overall performance, financial and operational results and viability of business, in terms of the impact on *governance, social, environmental and consequences to its shareholders*.

**The following matters were identified as the group’s material sustainability matters:**

- Occupational Safety And Health
- Quality, Timeliness And Pricing of Products And Services
- Business Ethics
- Environmental Management
- Building Technology; And
- Social Impact of Products And Services

The Group's sustainability reports on Construction, Property Development and Healthcare Divisions. These are the core revenues generating divisions which cover the majority of the Group's resources and activities. Hence the biggest overall economic, environment and social impact.

The following matters were identified as the Group's Material Sustainability Matters and are discussed in details in the following sections:

- Occupational Safety and Health
- Quality, Timeliness and Pricing of Products and Services
- Business Ethics
- Environmental Management
- Building Technology; and
- Social Impact of Products and Services

### **Occupational Safety And Health**

Operating in the construction and property development sectors, we recognise that our business has an inherently significant safety and health risks on the Group's stakeholders such as employees and workers. It is one of the Group's key objectives to establish a safe working environment for our workers and the communities we operate.

The Group has established a group-level Environmental, Health & Safety Policy (EHS Policy) in accordance with ISO 14001:2015 and ISO 45001:2008 which guide the principles for all health and safety practices of the Group's operations, with an added focus on project sites. The Group takes compliance with relevant law, rules and regulations relating to environmental and social matters seriously and has incorporated key compliance requirements in the Group's EHS Policy. The Group is also required to comply with laws and/or regulations such as those imposed by the Construction Industry Development Board (CIDB), Department of Occupational Safety and Health (DOSH), Department of Environment (DOE) and Natural Resources And Environmental Board, to name a few. The Group has in place processes to ensure compliance so as to obtain the relevant certificates of compliance from these authorities to be able to continue operations.

The Group's Management System on Health and Safety has obtained ISO 45001:2018 (valid until Dec 2023) – Occupational Health and Safety Management Systems and forms part of the Group's Integrated Management System (IMS) which comprises ISO 9001:2015 (valid until Aug 2024) – Quality Management Systems, and ISO 14001:2015 (valid until Dec 2023) – Environmental Management Systems.

Each of the Group's projects is monitored by the respective Safety and Health Committee (SHC) which is responsible to oversee the project's management of health and safety risk and practices. The SHC reviews safety and health procedures, investigates any complaints or related matters raised, and holds regular discussions with employees and workers on issues relating to workplace safety and health.

Safety, Security and Environment (HSSE) Officers who assist the SHCs in monitoring adherence to the Group's EHS Policy and relevant guidelines by employees and workers. The HSSE Officers conduct frequent site visits to observe site conditions and construction process

and work together with the on-site Project Manager in addressing any health and safety concerns include the following measures.

- performance of Hazard Identification, Risk Assessment and Risk Control (“HIRARC”) and appropriate safety plans where necessary;
- provision of appropriate personal protective equipment to employees and workers;
- zoning practices (e.g. green zone and red zone) that manage or prohibits public access at construction sites which are close to the public;
- traffic management plans are devised for construction sites within proximity of traffic to ensure safety of the public and the construction sites;
- establishment of an Emergency Response Team; and
- periodic safety training is provided to employees and workers to instil awareness on workplace safety.

Zecon aims to achieve zero accident cases at its worksite. For the financial year under review, there were no serious injury cases or fatalities, nor fines by authorities, reported for the Group’s operations and activities within the scope of this Statement.

### **Quality, Timeliness And Pricing of Products And Services**

Dedicated to providing excellent engineering and construction services, Zecon Group places quality and timely delivery of its services as a vital element in driving business sustainability. The Group endeavours to ensure its construction and property development projects are delivered in accordance with the agreed and promised standards and quality in a timely manner. The Group believes that the delivery of value in its works helps enhance key customers’ confidence in the Group’s brand name and thus is able to attract, retain and grow its customer base.

In order to maintain the quality of its services, the Group has established standard operating procedures (SOP) for quality management system in accordance with, and certified by, ISO 9001:2015 which forms part of the Group’s IMS. The Group’s Construction and Property Divisions conduct stringent quality checks at all stages of construction and completion of their projects to ensure works at each stage are done in accordance with specifications. In this regard, the Group is supported by Project Directors and Construction Managers who are conversant with relevant industry requirements and possess vast experience on top of their qualification. The Group’s collaboration with established developers and contractors with proven track records in the form of consortium and partnership shows the commitment to deliver the best quality products and services.

In view of preparation for the delivery of asset and facilities management service under the government concession contract for Children Specialist Hospital, University Kebangsaan Malaysia, the Group also incorporates IMS principles and practices into the operations of its Service Concession Division. This will include regular monitoring of service quality and effective communication between the management company and the user to facilitate timely resolution of issues or actions required.

The Group's emphasis on timely delivery of its projects helps to win customers' trust in its construction works and development projects. On a monthly basis, the Project Management Committee of each of the Group's projects meets to update and discuss on project progress, such as timeliness of project execution, billing progress and cost and profit estimation. In addition, the Project Management Committee provides quarterly updates to the Board. Major projects, as well as those requiring additional attention, are also discussed at risk management meetings which are held on a quarterly basis, considering amongst others, any mitigation and contingency plans where required.

At times, projects may face challenges of all sorts which may affect the progress of project implementation, e.g. changes in technical designs, unfavourable weather conditions, escalating costs of raw materials, incompetent sub-contractors, etc. In this regard, the Group endeavours to minimise losses which may potentially be incurred as a result of these challenges.

Therefore, moving forward, the Group will place greater preference on total subcontracting of construction projects to reputable subcontractors or forming joint venture or consortium to participate in major projects, in order to enhance delivery efficiency. We have also enhanced our sub-contractor selection process by establishing a more stringent sub-contractor selection requirement on the competency, experience, track records and financial soundness of sub-contractors, and imposing an increased Liquidated Ascertain Damage (LAD) charges and performance bonds against sub-contractors.

Apart from work quality and timeliness of delivery, the Group also views tender pricing as an important factor for the Group to be relevant and competitive in the market. When participating in tenders, the Group, being mindful of the need to expand its order book, strives to balance between making competitive bids and securing reasonable profit margins without compromising on work quality, all with the objective of creating value for shareholders and other stakeholders on a long-term basis.

Against the backdrop of the Government's objective to promote a fair and competitive environment on public projects, the Group prepares itself to remain relevant in the space of public tenders. In this regard, the Group will seek to ensure the robustness of its tender pricing process, which considers inputs from various functions within the Group, such as budgeting and quantity surveying, legal and contract documentation, project management and delivery, etc.

## **Business Ethics**

Zecon believes that conducting business ethically helps to create a fair and competitive business environment and drives confidence and trust between the business and its stakeholders. The Group is committed to fostering a business culture of integrity and of high ethical standards.

The Board sets the culture for business ethics and conduct, formalised and communicated via the Code of Ethics for Directors, as embedded in the Board Charter, and the Code of Ethics for the Group's employees, provided for in the Employee Handbook. The Code of Ethics is developed based on the principles of transparency, integrity, accountability and social responsibility, addressing amongst others, conflict of interest situations, abuse of power,

insider trading and corruption. The Group also has a no-bribery policy and has communicated such policy in its Employee Handbook.

In view of the amendment to the Malaysian Anti-Corruption Commission Act 2009 (MACC 2009) which introduces corporate liability in preventing bribery, the Group's Anti-Bribery And Corruption Policy was adopted by the Board of Directors on 20 May 2020.

The Group has a Whistleblowing Policy and whistleblowing mechanism that enables the public as well as the Group's employees to raise any concerns on unethical, unlawful and improper behaviour and conduct. In order to uphold check and balance, the reporting channels established include an alternative, independent channel to the Independent Chairman of the Audit Committee of Zecon. Apart from providing protection to the whistleblower's identity, the mechanism also allows for anonymous reporting.

For the financial year under review, the Group did not receive any whistleblowing case where ethical business practices are concerned.

### **Environmental Management**

The Group has obtained ISO 14001:2015 certification for its project management of construction services. This provides for systematic management of the Group's operation for environmental accountability and minimisation of adverse environmental impact.

In practice, all wastes generated from project sites are either recycled for use or transported to designated disposal sites timely and efficiently to minimise disruption to the daily lives of the community. Besides installing silt traps to minimise site pollution, large solid wastes such as concrete, steel or other building materials that cannot be disposed of in landfills are managed according to waste disposal regulations stipulated by the Environmental Quality (Scheduled Wastes) Regulations 2005. Zecon ensures that different kinds of waste are properly disposed of via licensed contractors.

In addition, effluent generated from construction operations, such as site clearing, cut and fill operations, etc., is also treated before it is allowed to be discharged. Biochemical Oxygen Demand levels, i.e. B.O.D, are regularly monitored to ensure that the effluent discharged does not affect the water quality of waterways or drainage systems. To ensure the reliability and credibility of water quality tests, an independent external party is engaged to perform testing periodically.

Ambient dust is also generated during various phases of construction such as demolition, hacking, excavation, vehicular movement, housekeeping and carpentry works. The Group requires its contractors to monitor the ambient dust in accordance with local environmental pollution control regulations.

Construction sites are commonly prone to water retention spots, especially during rainy season, increasing the possibility of it becoming a mosquito breeding ground and thus a greater risk of dengue outbreak. The Group's construction teams undertake necessary efforts to ensure water retention spots are reduced or cleared at project sites.

There were no fines imposed by authorities, neither have there been complaints received from those residing in the vicinity of development sites, relating to environmental matters during the financial year.

### **Building Technology**

The leverage of technology in the construction sector poses a myriad of opportunities in various ways including shorter construction time, less involvement of manual labour, reduced waste and better work quality. Technology such as the Industrialised Building System (IBS) have been getting much traction in recent years in both the public and private sectors. Further, the Malaysian Government has also mandated the adoption of IBS in public projects.

The Group has already started to leverage on some form of IBS technologies in some of its projects. However, the adoption of IBS technology is not without challenge. In Sarawak where the Group's projects are largely based, manufacturers and suppliers of IBS materials are much more limited than in Peninsula Malaysia and hence the economic viability of IBS for projects based in Sarawak becomes challenged. In addition to that, the specification and requirements of the project owners will also determine the extent of IBS application in construction.

That said, the Group continues to explore possibilities to enable economically-viable adoption of IBS in its projects. This includes actively looking out for sourcing partners and strategic alliance with other market players. In addition, where possible, the Group invests in the development of IBS knowledge and skills within its workforce, in various aspects including design, manufacturing and project management.

The Group's subsidiary, Zecon Medicare Sdn Bhd (project Children Specialist Hospital, Universiti Kebangsaan Malaysia) is registered with Sustainable Energy Development Authority (SEDA) Malaysia as Solar Photovoltaic Investor 2021 (RPVI) under The Net-Energy Metering (NEM) Programme. The RPVI certificated was renewed in February 2022.

### **Social Impact of Products And Services**

Zecon Group's experience and expertise have allowed the Group to contribute to the public and society through the construction of public infrastructure including schools, hospitals, water works and highways.

We pride ourselves with our involvement in projects which enables better access and geographical connection including across the two largest states of Malaysia, better access to water and water treatment facilities, education and healthcare.

Zecon aims to maintain itself as a reliable development and construction partner of the Malaysian public, especially the Sarawakian society, and this will continue to be part of Zecon Group's business strategy that fosters a sustainable business-society relationship driving the nation and the state towards prosperous development. Zecon will continue to improve and enhance itself to prepare to continue its contribution in elevating living standards of the community in Sarawak, as well as in Malaysia.

## **Internal Audit & Risk Management**

As an integrated element in Zecon Group's business strategy and operations, the Group's internal audit conducts regular audits to ensure the Group's policies and Standard Operating Procedures, as well as relevant law, rules and regulations where Material Sustainability Matters are concerned. Scheduled audits are also conducted periodically by auditors of external certification bodies.

In response to any audit findings subsequent to audit exercises, Risk Management Committee reviews all potential risks, identifies and recommends appropriate remedial actions to rectify control lapses in managing the material risks identified, i.e. Material Sustainability Matters in the context of this Statement.

## **Conclusion**

Notwithstanding the Material Sustainability Matters disclosed in this Statement, the Group also considers other aspects of sustainability risks and opportunities and has invested resources and relevant efforts proportionally in managing these sustainability matters.

The Board believes that sustainability considerations are vital to the preservation of the Group's long-term value and are an integral element in driving business, economic, environmental and social prosperity. The Group's setup its independent standalone Sustainability Committee in 2021 chaired by an Independent Non-Executive Director and consists of another independent director and representatives from the Management. The Group will continue to align its sustainability practices to the Group's purpose and strategies, as appropriate.

March 2022