



**2022**  
**Sustainability Report**

INNOVATIVE WATER &  
**WASTE SOLUTIONS**

## Contents

Corporate Profile.....	1
About This Report .....	4
Performance Summary .....	6
Chairman and CEO’s Message .....	7
Governance .....	8
Our Sustainability Approach .....	11
Stakeholders .....	14
Materiality.....	16
Our Environment .....	19
Task Force on Climate-related Financial Disclosures (“TCFD”) Report.....	24
Our People .....	29
Local Communities.....	35
GRI Content Index .....	36

## Corporate Profile

### Darco Water Technologies Limited

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

Established in 1999, the Group designs, fabricates, assembles, and installs engineered water, wastewater and environmental systems for industrial applications. The Group also operates and maintains product water, wastewater and vacuum systems.

In water and wastewater field, Darco designs treatment systems using a combination of membrane and ion exchange technologies available in the market. The Group uses its in-house fabrication capabilities and integrates third-party components to develop the most functional, performance-reliable, and cost-effective solutions for its customers. The selection of treatment processes and equipment is based on the characteristics and composition of the feed water, the desired composition and quality of the treated water, and the volume capacity of the output required.

#### 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.

The Group aims to produce water systems at the lowest cost per unit of water delivered. In order to achieve this, the Group focuses on designing efficient systems that enhance energy and pump efficiency and minimize the need for manual operation.

The Group has expanded beyond designing, manufacturing, and servicing water and wastewater systems for various industries. It offers a wide range of integrated environmental solutions. These industries include electronics, petrochemicals, pharmaceuticals, food and beverage.

The Group provides long-term maintenance services for its loyal customers, provided by its service centres. These service centres are supported by the Group's trading division, which supplies essential chemicals and other products.

Darco is dedicated to making a positive impact on the environment by providing comprehensive solutions to our customers. Over time, the group has kept up with the changing demands of different industries and has worked to improve its engineering capabilities in the environmental protection industry.

The Group is well-positioned for growth due to its strong technology capabilities. The Group's goal is to be the preferred partner of potential customers in the water and environmental protection industry.

## International Certifications

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.

Certification	Excellence Area	Entity
ISO 14001: 2015	Environmental Management System	Darco Water Systems Sdn. Bhd., Darco Industrial Water Sdn. Bhd., Malaysia, Wuhan Kaidi Water Services Co., Ltd., China
ISO 45001: 2018	Occupational Health and Safety Management System	Darco Water Systems Sdn. Bhd., Darco Industrial Water Sdn. Bhd., Malaysia, PV Vacuum Engineering Pte. Ltd., Singapore, Wuhan Kaidi Water Services Co., Ltd., China
bizSAFE Star	Workplace Safety and Health Management System	PV Vacuum Engineering Pte. Ltd., Singapore

## National Certifications

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

Certification / Permit	Awarded By / Certificate Type
<b>Singapore</b>	
Mechanical Engineering - ME 11, L5	Building and Construction Authority ("BCA")
<b>Malaysia</b>	
General Building, Civil Engineering Works & Various Mechanical Equipment (Grade 7)	Construction Industry Development Board ("CIDB")
<b>China</b>	
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.

## Supply Chain

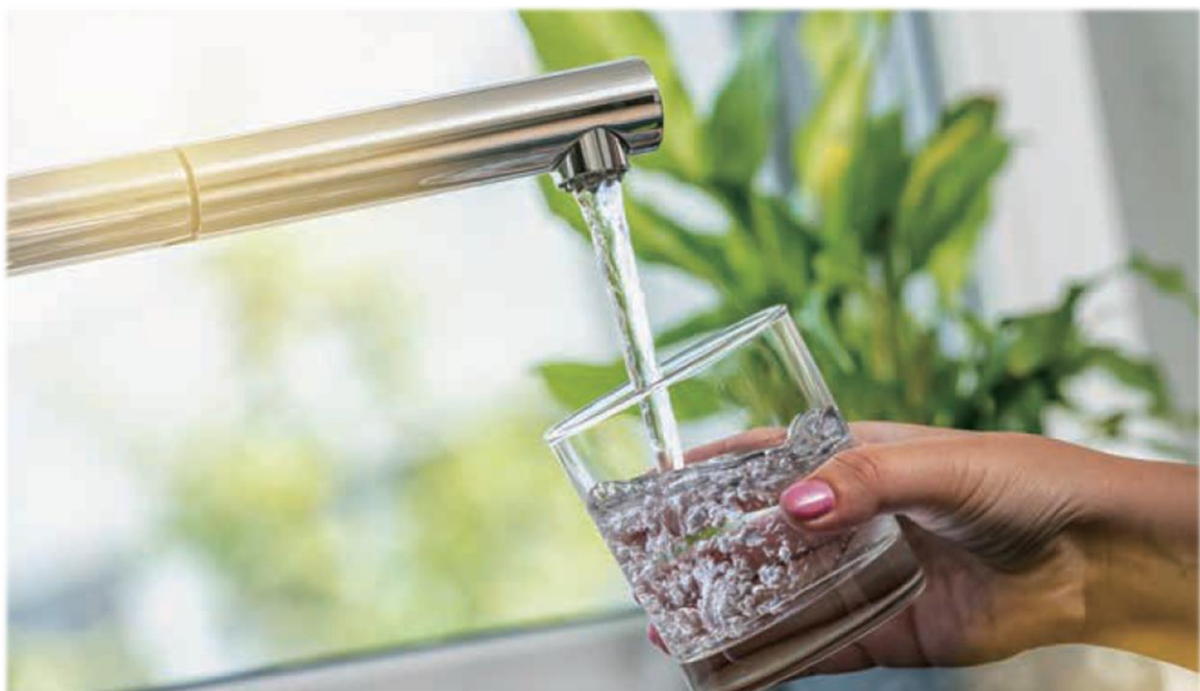
We work with a range of suppliers and subcontractors to deliver high-quality projects and services to our customers. Our supply chain involves designing, sourcing, fabricating, quality control, installation and commissioning, distribution, maintenance and repair services to ensure that our customers receive prompt and efficient support to keep their water treatment and vacuum systems operating optimally. We employ a systematic approach in sourcing and managing vendors for cost effectiveness and quality. This process is applicable for all purchases (material and services), including any out-sourced processes that are carried out by appointed sub-contractors. The out-sourced process is under Darco's quality obligations, and shall be complied with our Occupational Health and Safety ("OHS") requirement. New potential vendors go through a stringent selection process conducted by engineers and support staff before approval from the General Managers. Most of our purchases are from local suppliers. In 2022, local suppliers accounted for 86% of our total purchase by value.

Read more about our approach to suppliers on page 35.

### Head Office

#### **Darco Water Technologies Limited**

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



## About This Report

This is the fifth 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 1<sup>st</sup> January 2022 to 31 December 2022.

## Reporting Scope

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

- 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 2022.

## Reporting Standards

This report is prepared with reference to the Global Reporting Initiative (GRI) Standards for Sustainability Reporting. We have chosen to use the GRI Standards as it is widely accepted as a standard for sustainability reporting. This report adheres to the Listing Rules of the Singapore Exchange Securities Trading Limited (Rules 711A and 711B). In this report, we have initiated the progressive implementation of the guidelines provided by the Task Force on Climate-Related Disclosures (TCFD) to report on how we manage our climate-related risks and opportunities. Additionally, we have aligned our report with the United Nations' Sustainable Development Goals (SDGs) to show our contributions towards sustainable development.

## Reporting Principles

This report has been developed using the eight reporting principles outlined in the GRI Standards 2021 (GRI 1: Foundation 2021). We adhere to GRI's principles of accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability to ensure the report's quality. The ESG data in this report is primarily sourced from internal information systems and primary records to ensure accuracy and consistency. Financial figures are in Singapore dollars unless otherwise stated.

## Restatements

We have restated GHG emissions, percentage of female employees' representation in management, training hours, purchase from local suppliers data for 2020 and 2021 and water use data for FY2020 as a computation error was discovered in the data reported last year. There are no other restatements from the previous report.

## External Assurance

We have not sought external assurance for this report. We rely on internal checks and verification of data included in the report. However, the report has undergone an internal review process overseen by the Internal Audit function.



## Contact

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



## Performance Summary

ESG INDICATORS	Unit	FY2020	FY2021	FY2022
<b>Financial results</b>				
Revenue (from subsidiaries in scope)	S\$m	76.6	50.5	67.6
<b>Environment</b>				
Total Greenhouse Gas (GHG) emissions	tCO <sub>2</sub> e	780	779	831
Scope 1 emissions	tCO <sub>2</sub> e	529	485	560
Scope 2 emissions	tCO <sub>2</sub> e	250	294	271
Carbon emission intensity	tCO <sub>2</sub> e/S\$ million revenue	10.2	15.4	12.3
Total energy consumption (GJ)	GJ	9,353	8,970	9,915
Energy intensity	GJ/S\$ million revenue	122	178	147
Electricity used	kWh	437,518	517,199	377,474
Solar energy used	kWh	157,864	162,608	168,319
<b>Social</b>				
Number of full-time employees	Number	400	395	408
Direct employees (Workers) <sup>3</sup>	Number	13	9	16
New hires	Number	93	78	150
Female employees' representation in the workforce	Percentage	18	18	21
Female employees' representation in management	Percentage	13	16	29
Average training hours per employee (Female)	Hours	11	20	21
Average training hours per employee (Male)	Hours	7	9	15
Employee turnover rate	Percentage	32	24	30
High-consequence work-related injuries (Employees)	Number	0	0	0
Recordable work-related injuries (Employees)	Number	0	0	0
Work stoppages due to safety incidents	Number	0	0	0
Fatal accidents	Number	0	0	0
<b>Governance</b>				
Women on the Board <sup>4</sup>	Percentage	15	10	13
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
<b>Notes:</b> 1. GHG emissions include Scope 1 and Scope 2 emissions. 2. Energy consumption comprises purchased electricity, petrol and diesel. 3. Figures may not add due to rounding up. 4. Refers to Board at subsidiary company level.				



## Chairman and CEO's Message

Dear Stakeholders,

It is with great pleasure that we present to you Darco's sustainability report, detailing our continued commitment to sustainability and the progress we have made in the past year.

As a water and environmental technology company, we recognise the critical importance of conserving and protecting our planet's water resources. Our mission is to provide innovative and sustainable solutions that enable our customers to use water more efficiently and effectively while reducing their environmental impact.

Our commitment to sustainability is woven into every aspect of our business, from product development to supply chain management to employee engagement. We are continuously striving to minimize our own environmental footprint, while also supporting our customers in their efforts to become more sustainable.

Over the past year, we have made significant progress in our sustainability journey. We have prepared this report using the latest GRI Standards for sustainability reporting to keep our disclosures in line with a recognised global standard. In 2022, we also started implementing the TCFD Recommendations to address climate-related risks and opportunities for our business. This report is aligned with the TCFD recommendations in accordance with the guidance provided by SGX.

We recognize that there is still work to be done, and we are committed to continuing to push the boundaries of sustainability in our industry. We will continue to innovate, collaborate, and take action to reduce our environmental impact, while also supporting our customers in their efforts to do the same.

We believe that sustainable practices are not only critical to the long-term health of our planet, but also to the success of our business. By prioritising sustainability, we can create value for all of our stakeholders, including our customers, our employees, our shareholders, and our communities.

Thank you for your continued support, and we look forward to sharing our progress with you in the years ahead.

Sincerely,

MR. WANG ZHI

Executive Chairman and Executive Director

DR. ZHANG ZHENPENG

Executive Director and Chief Executive Officer



# Governance



## Board Statement

The Board of Directors at Darco Water Technologies Limited is committed to upholding the highest standards of governance, ethics, accountability, and transparency. The Board recognises the importance of sustainability and views it as a crucial aspect of the company's long-term strategic direction.

The Board is focused on creating sustainable value for all stakeholders by effectively managing the environmental, social, and governance aspects of the business. With the support of the ESG Committee, the Board identifies material ESG factors, integrates sustainability into company strategy, approves sustainability targets, and oversees the management of key ESG issues. The Board also guides management in addressing climate-related risks and opportunities as part of the overall sustainability strategy.

This sustainability report details how the Group manages its material ESG impacts to benefit stakeholders and contribute to sustainable development. The Board has reviewed and endorsed this report.

## 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.

## Regulatory Compliance

Darco is committed to adhering to all relevant laws and regulations in all locations where it conducts its business operations. 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 of any new laws and regulations that may impact the company. The 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 distributes any new releases from the SGX-ST and Accounting and Corporate Regulatory Authority (ACRA) that are relevant to the Directors.

The Directors are encouraged to attend seminars and receive training to improve their knowledge and skills in carrying out their duties and responsibilities. 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. The company bears the cost of such training.

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.

Our Ongoing Annual Target	Performance in 2022
Zero incidences of significant incidents of regulatory non-compliance	No incident.

## Anti-Corruption and Bribery

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.

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.

In FY2022, there were no confirmed incidents of corruption, bribery, extortion, fraud and money laundering involving the Group.

Our Ongoing Annual Target	Performance in 2022
Zero incidence of corruption and bribery	No incident.

## 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.



## Our Sustainability Approach



We believe our financial performance is linked to our ability to create value for our people, the environment and the society at large. Our approach includes compliance with 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 ESG regulations and standards.
- Human Rights: Uphold internationally agreed human rights principles across operations and supply chain.
- 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.

### Supporting Sustainable Development

We are committed to making a positive contribution to sustainable development. Darco is engaged in building infrastructure for water treatment, waste management and environmental services. Through our business, we help reduce water contamination, manage industrial and municipal waste and build sustainable cities and communities.

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.

### Our Sustainability Policy

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 programmes.

## **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.



## Stakeholders

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, the economy, the 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.

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

Our Stakeholders	Purpose of Engagement	Engagement Method	Stakeholder expectations
<b>Customers</b>	<ul style="list-style-type: none"> <li>• To constantly improve on technical and technological aspects.</li> <li>• To upgrade project infrastructure and operations standards to exceed customers' expectations.</li> </ul>	<ul style="list-style-type: none"> <li>• Visits to customers' office.</li> <li>• Telephone calls/ emails</li> <li>• Progress update meetings.</li> <li>• Updates on research and development.</li> </ul>	<ul style="list-style-type: none"> <li>• On-time delivery.</li> <li>• Meet quality requirements.</li> <li>• Progress updates on contract execution.</li> <li>• Business continuity.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• To understand employees' expectations, aspirations, concerns and ideas.</li> <li>• To promote a fair and open workplace culture.</li> </ul>	<ul style="list-style-type: none"> <li>• Employee feedback mailbox.</li> <li>• Office Automation (OA) system.</li> <li>• Chat groups.</li> <li>• Employee caring sessions.</li> <li>• Training</li> </ul>	Competitive salary. Improve employee welfare and benefits. Business continuity. Career advancement.
<b>Government and regulators</b>	<ul style="list-style-type: none"> <li>• To ensure compliance with regulatory requirements.</li> <li>• To stay updated with new and emerging regulations.</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings and consultations.</li> <li>• Understand industry regulations.</li> <li>• Subscribe to Government websites.</li> <li>• Telephone calls and enquiries.</li> <li>• Attending training and meetings.</li> <li>• Exchange meetings.</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with SGX rules.</li> <li>• Compliance with applicable local laws and regulations.</li> <li>• Pay government taxes and levies diligently.</li> </ul>

		<ul style="list-style-type: none"> <li>• Give suggestions via industry association.</li> </ul>	
<b>Suppliers/Business Partners</b>	<ul style="list-style-type: none"> <li>• To build strategic business relationships.</li> <li>• Perform periodic supplier evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>• Visits to suppliers' offices.</li> <li>• Telephone calls/ emails.</li> <li>• Supplier audits and inspections.</li> <li>• Site survey.</li> <li>• Supplier evaluations.</li> <li>• Tenders and Request for Proposals (RFPs).</li> <li>• Improve suppliers management skills</li> </ul>	<ul style="list-style-type: none"> <li>• Timely payment.</li> <li>• Adhere to agreement terms.</li> <li>• Business continuity.</li> </ul>
<b>Investors and shareholders</b>	To provide timely information about company performance and significant issues.	<ul style="list-style-type: none"> <li>• Annual General Meetings.</li> <li>• Annual reports.</li> <li>• Regular financial results announcements.</li> <li>• Sustainability reports.</li> <li>• Company website.</li> <li>• Investor briefings.</li> </ul>	<ul style="list-style-type: none"> <li>• Return on investment, regular dividends.</li> <li>• Business growth.</li> <li>• Good governance.</li> <li>• Timely disclosure of material developments.</li> </ul>
<b>Local communities</b>	<ul style="list-style-type: none"> <li>• To support local community causes.</li> <li>• To build trusted relationships with local communities.</li> </ul>	Community initiatives.	Make a positive contribution to community development.

## 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)

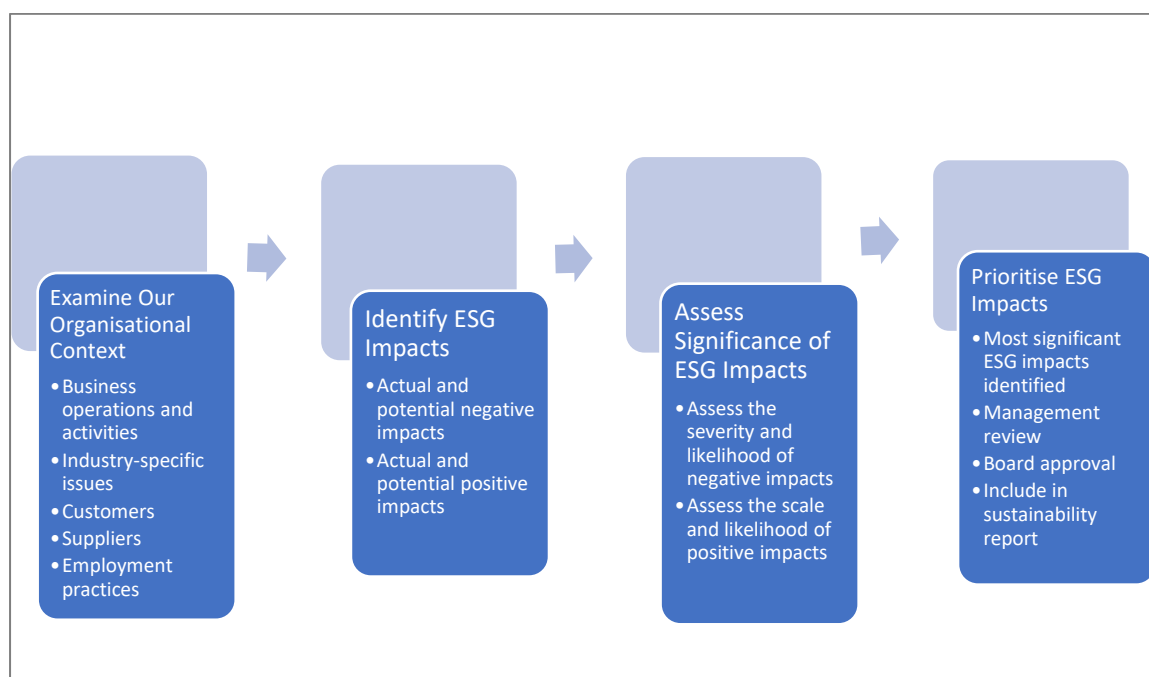


## Materiality




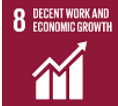


Our sustainability strategy is based on an in-depth materiality assessment to identify and address the most significant environmental, social and governance impacts of our operations in consultation with experts and internal and external stakeholders. We assess the materiality of ESG issues as they emerge, 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 (Universal Standards 2021) 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 FY2023.

As illustrated below, we followed GRI's four-step materiality process to identify and prioritise our material topics for reporting.

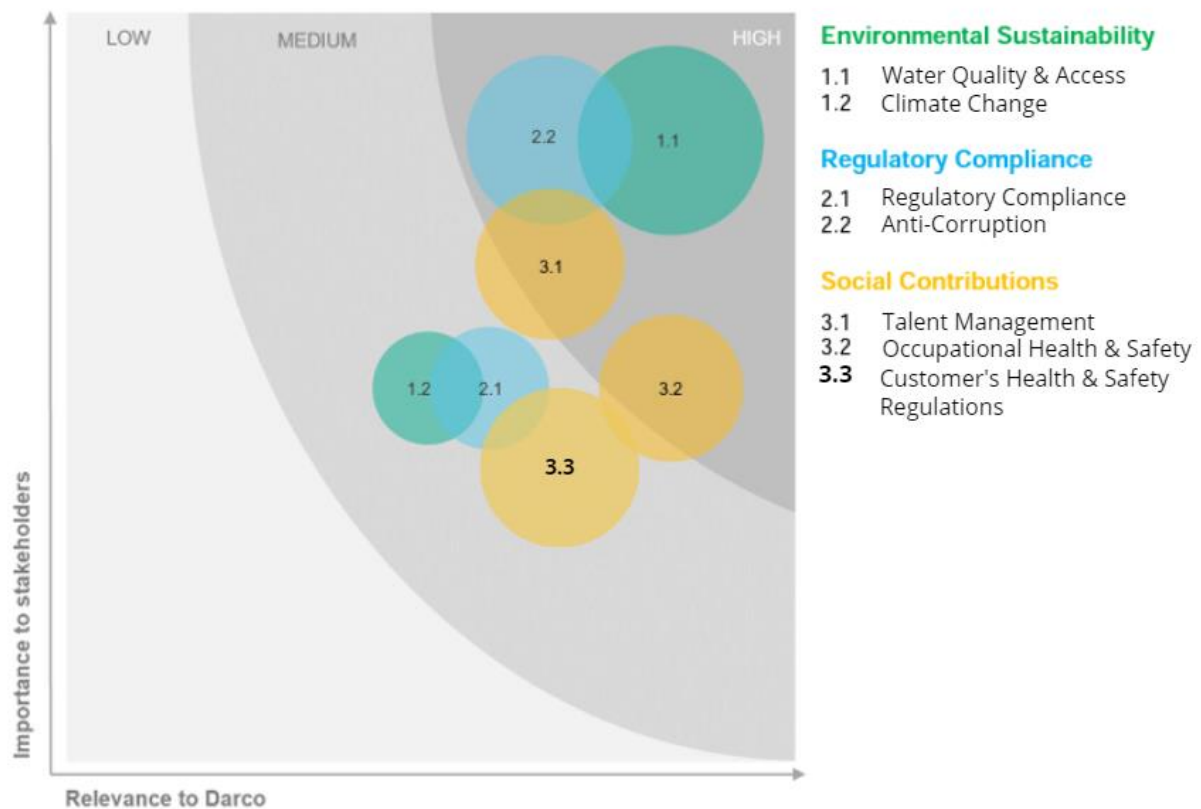


Based on the annual materiality review, we have added the following new topics for reporting: energy consumption, and customer's health and safety regulations. A summary of our material ESG topics, our management approach and how our efforts contribute to the SDGs is presented in the table below.

Our Material ESG Topics		
Material Topics	Management Approach	SDGs Supported
<b>ENVIRONMENT</b>		
Climate Change	<p>Focus on providing innovative water solutions that will help communities deal with the water scarcity caused by global warming.</p> <p>Strive to use renewable energy to reduce our environmental impact.</p> <p>Strive to improve energy efficiency in our operations.</p> <p>Continuously reduce GHG emissions from our direct business activities.</p>	 
Water Quality and Access	<p>Strive to improve access to clean water for communities where we operate.</p> <p>Consistently meet the water quality for customer health and safety.</p>	
<b>SOCIAL</b>		
Occupational Health & Safety	Establish a health and safety management system to maintain a zero-accident workplace.	
Talent Management	Attract and retain talented and skilled employees.	
Customer's Health & Safety Regulations	Comply with customer health and safety regulations applicable to our products and services.	
<b>GOVERNANCE</b>		
Regulatory Compliance	Comply with all applicable laws and regulations in places where we operate.	
Anti-Corruption	Maintain a zero-tolerance approach toward corruption and bribery.	

## Sustainability Materiality Matrix

We recognise the need to continuously develop our responsible business approach in order 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.



## Our Environment



Darco is a water and waste technologies company. Our technology solutions advance sustainability for our clients. Our water treatment and waste management solutions help industries and cities mitigate the negative impacts of wastewater and waste. We implement state-of-the-art waste management systems for municipalities and industries including waste treatment. Our world-class water and waste management services protect the environment, facilitate the supply of safe drinking water and add tangible value to the communities where we operate.

In our own operations, we are committed to protecting the environment by implementing the necessary measures to reduce carbon emissions, energy consumption and waste. Our approach is to identify, prioritise and manage the most significant environmental impacts of our business, including environmental risks and opportunities. We have prioritized GHG emissions, energy, and water quality as our material topics for this report.

### Environmental Management

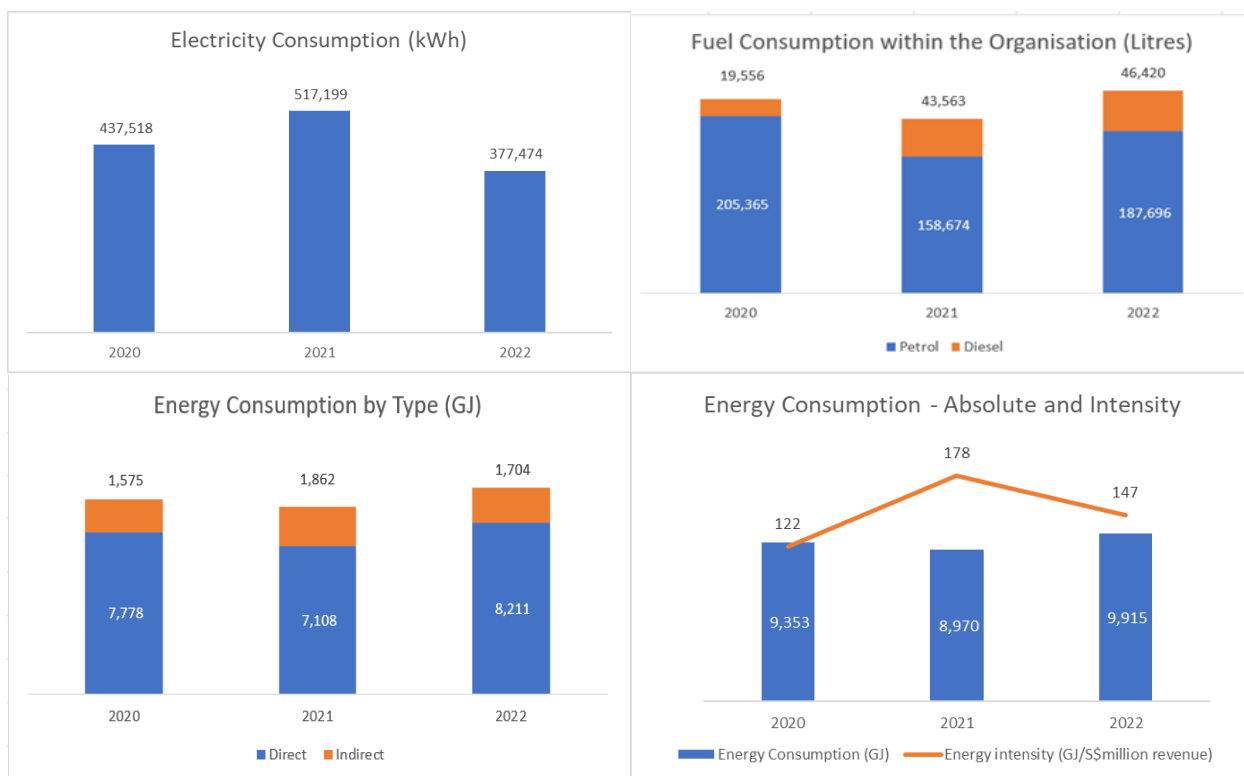
Our Environmental Management System (EMS) follows ISO 14001:2015 standards and helps us assess the environmental impacts of our operations and identify associated risks. We also ensure compliance with relevant environmental laws and regulations in the places we operate. All our project sites undergo 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.



### Energy

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 have met our target this year and will continue to work towards meeting our target next year.

Performance Indicator	2022 Target	Performance in 2022	2023 Target
Energy intensity (GJ/\$ million revenue)	149	147	149



## Water Quality

Water sustains life. Ensuring access to clean drinking water and proper treatment of wastewater is crucial. Our priority is meeting people's needs and addressing the water supply issue by expanding our business and investing in technology for wastewater treatment and clean drinking water provision.

Our water treatment business covers the following areas:

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

We have finished over 2,000 water treatment projects in various industries, including semiconductor, power, municipal, steel metallurgy, petrochemical, coal chemical, paper, food, and pharmaceutical. We possess more than 20 proprietary and patented technologies with Intellectual Property rights that include cone separation technology from the UK and evaporation crystallization technology from the US.

Furthermore, we have formed strategic alliances with numerous tertiary educational institutions and top companies in the water sector, resulting in a leading market position and exceptional competitive advantage in water treatment.





## 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 m<sup>3</sup>/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.

## Health & Safety Regulations

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.

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.

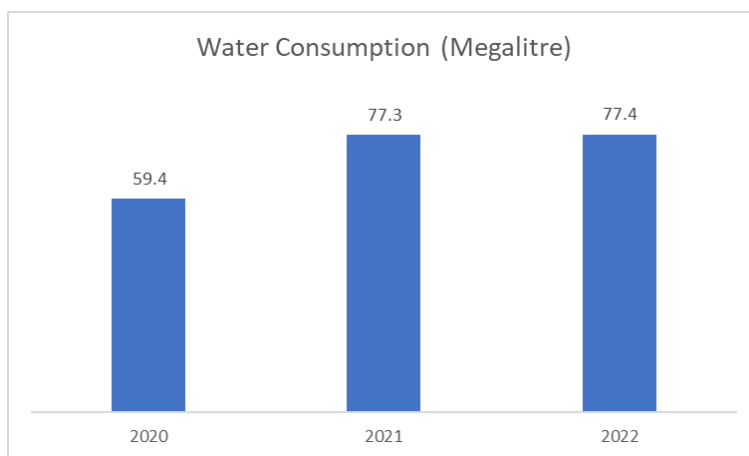
We are dedicated to promoting and upholding high standards of health and safety across all aspects of our operation, and we will continue to strive for excellence in all aspects of our operations to ensure that we are providing the highest level of service. We successfully met our target this year and had zero incident of non-compliance.

Performance Indicator	Our Ongoing Annual Target	Performance in 2022
Compliance with customer health & safety regulations	Zero incident of non-compliance with applicable customer health & safety regulations	Zero incident



## Water Use

Our water use is limited to domestic purposes in our offices such as for drinking, washing or for sanitation. However, we recognise water is a valuable resource and make efforts to save water. We monitor our water use and make efforts to minimise it where possible. All of our water supply is from municipal sources.



## Paper Recycling

Recyclable waste in the Group's offices mainly comprise of paper. We have implemented a paper recycling programme in our offices. We strive to reduce paper waste at source by adopting the following practices:

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

We have recycled over 1,000 kg paper waste over the last three years.



## 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.

Developing a fully  
automated  
recycling solution  
to turn food waste  
into commercially  
valuable products





## Task Force on Climate-related Financial Disclosures ("TCFD") Report

### Climate Change

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 water technology company, 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 2022, 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.

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.

## 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
<b>Physical Risk</b>	
Increased severity of extreme weather events such as cyclones and floods and chronic changes in precipitation patterns and extreme variability in weather patterns	<p>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.</p> <p>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,</p>

	<p>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.</p> <p>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.</p>
<b>Transition Risk</b>	
Policy and Legal	<p>Increasing regulations around climate reporting will require us to develop and disclose our strategy to deal with climate-related risks and opportunities.</p> <p>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.</p> <p>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.</p>
Technology	<p>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.</p> <p>Higher investment will be required for developing low-carbon water technologies.</p>
Market	Risk of decreased construction orders due to inability to meet client demands for low-carbon methods and practices.
Reputation	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.
<b>Climate-Related Opportunities</b>	
Resource Efficiency	<p>Growing demand for water conservation and efficiency will offer increased business opportunities for our water technology solutions.</p> <p>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.</p>
Energy Sources	Incorporating onsite renewable energy generation such as solar PV panels can enhance our projects' energy resilience and reduce carbon footprint.
Products and Services	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.

## Metrics and Targets

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 2022 and will continue to work towards meeting our target next year.

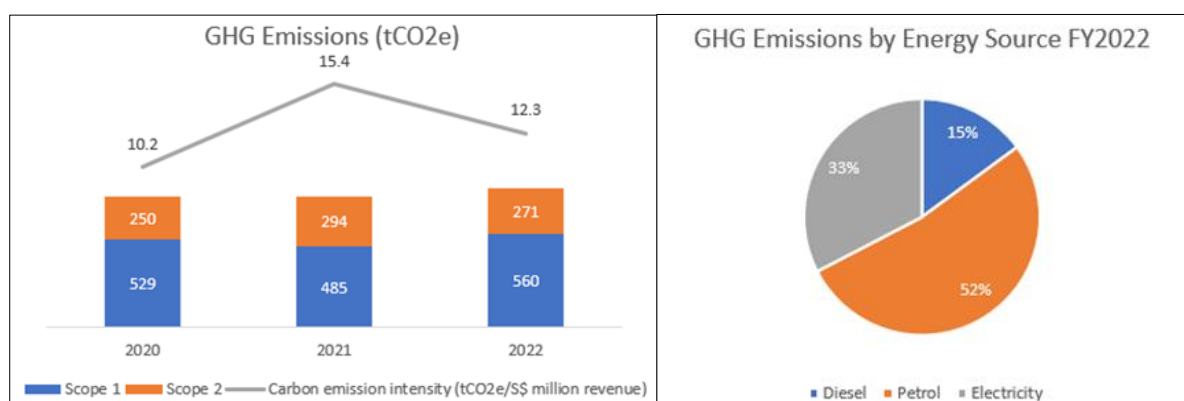
Performance Indicator	2022 Target	Performance in 2022	2023 Target
CO <sub>2</sub> Emissions intensity (tCO <sub>2</sub> / S\$ million revenue)	12.6	12.3	12.6



## GHG Emissions

Reducing greenhouse gas (GHG) emissions is important for several reasons. GHG emissions contribute to global warming and climate change, which can result in severe environmental and societal impacts such as more frequent and intense natural disasters, loss of biodiversity, food and water insecurity, and displacement of populations.

At Darco, 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.

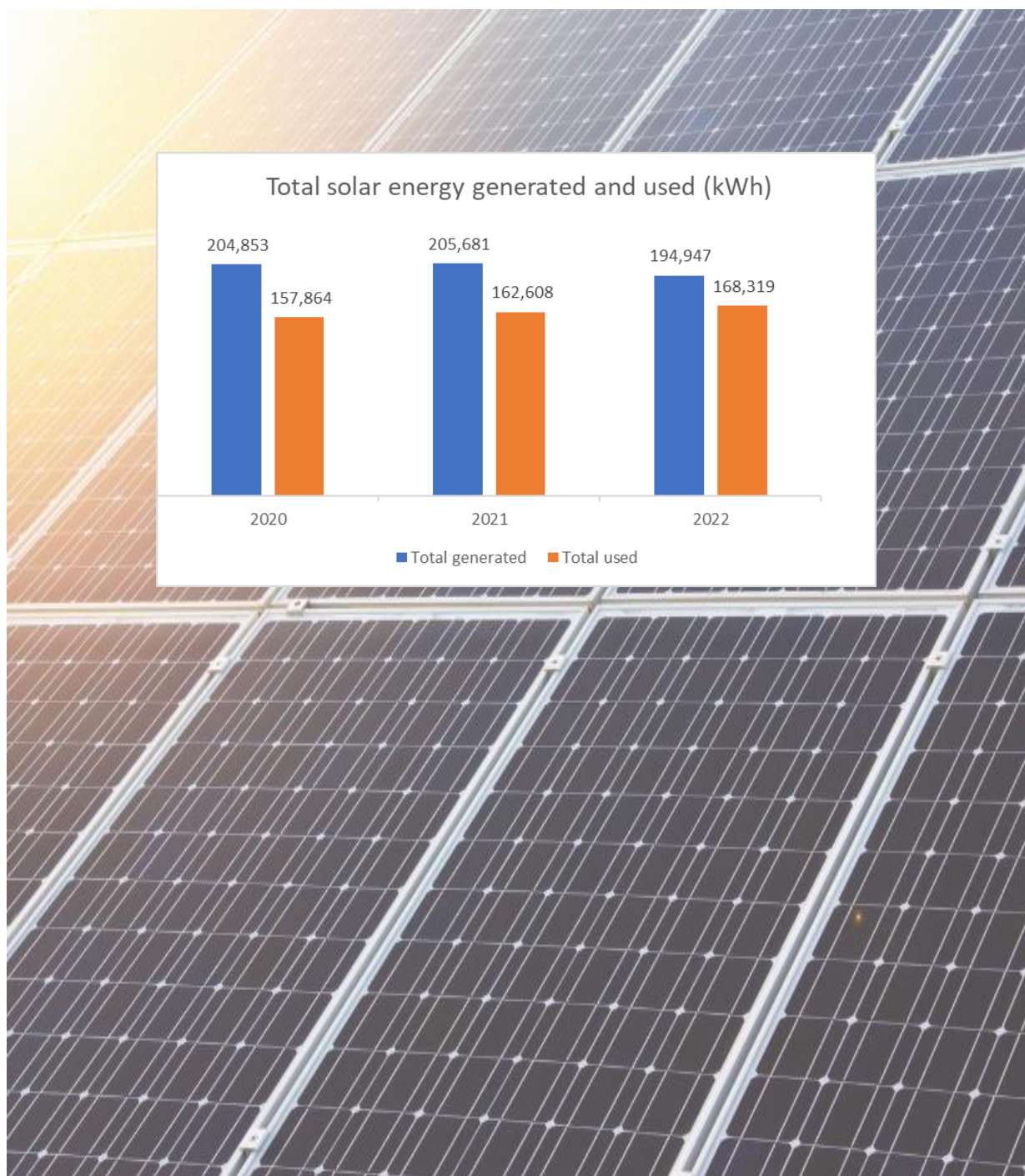






## Solar Energy

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 (TNB). We have installed rooftop solar panels at our facility to generate renewable energy. In 2022, we generated 194,947 kWh of solar energy, used 86% of it to meet our energy needs and exported the rest to the grid.



## Our People



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 are dedicated to providing our employees with fulfilling and rewarding careers by fostering their growth and development through open communication, regular training, and providing the necessary resources.

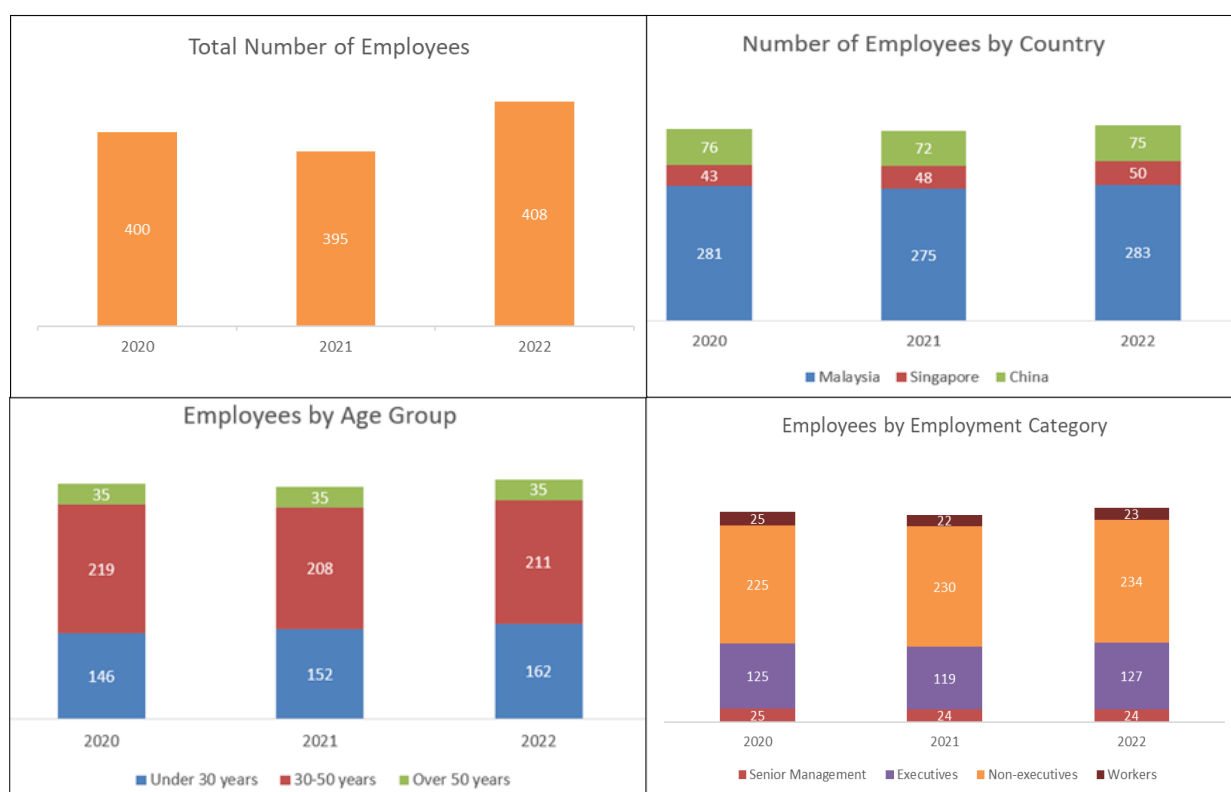
The well-being of our employees is of utmost importance to us and we ensure that we comply with all relevant national labour laws and the ILO's core labour standards, which include prohibiting child labour, forced labour, discrimination, and the protection of freedom of association.



### Our Employees

As at the end of FY2022, Darco employed 408 people. Of the total headcount, 75% were on permanent contracts, 23% were on fixed-term contracts and the rest were temporary workers. All 100% of employees were in full-time positions. Malaysia accounted for 69% of our employee base followed by China (18%) and Singapore (12%).

Additionally, we had 16 workers who were not our employees.

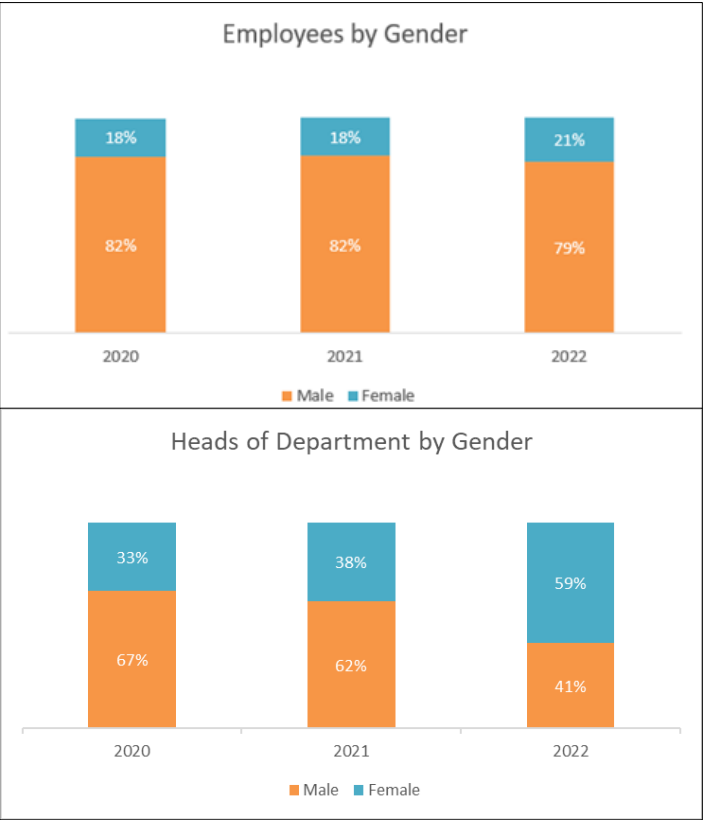




## Diversity and Inclusion

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.

In 2022, women's representation on the Board<sup>1</sup> was 13%, and women held 59% of the Head of Department positions.



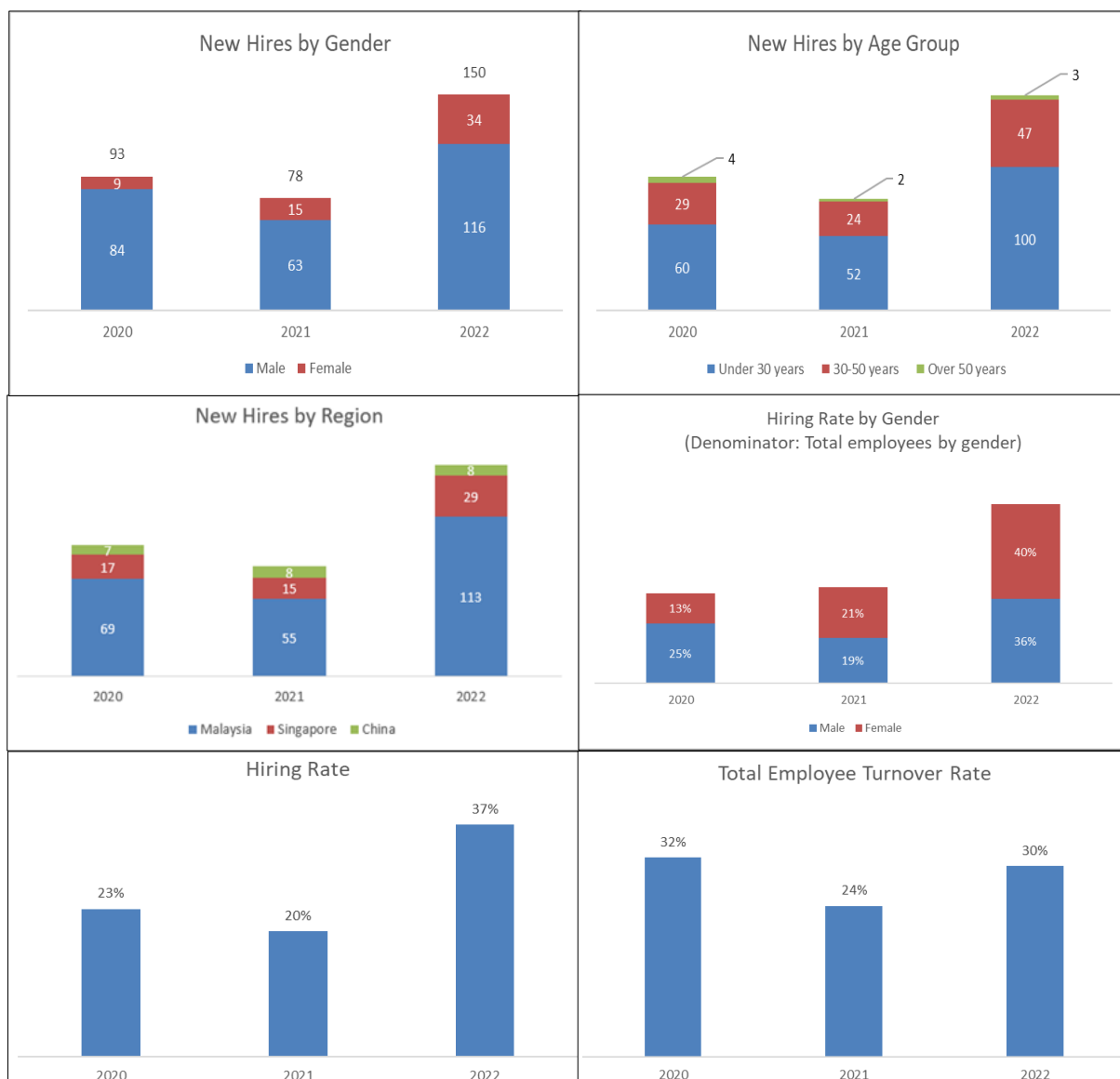
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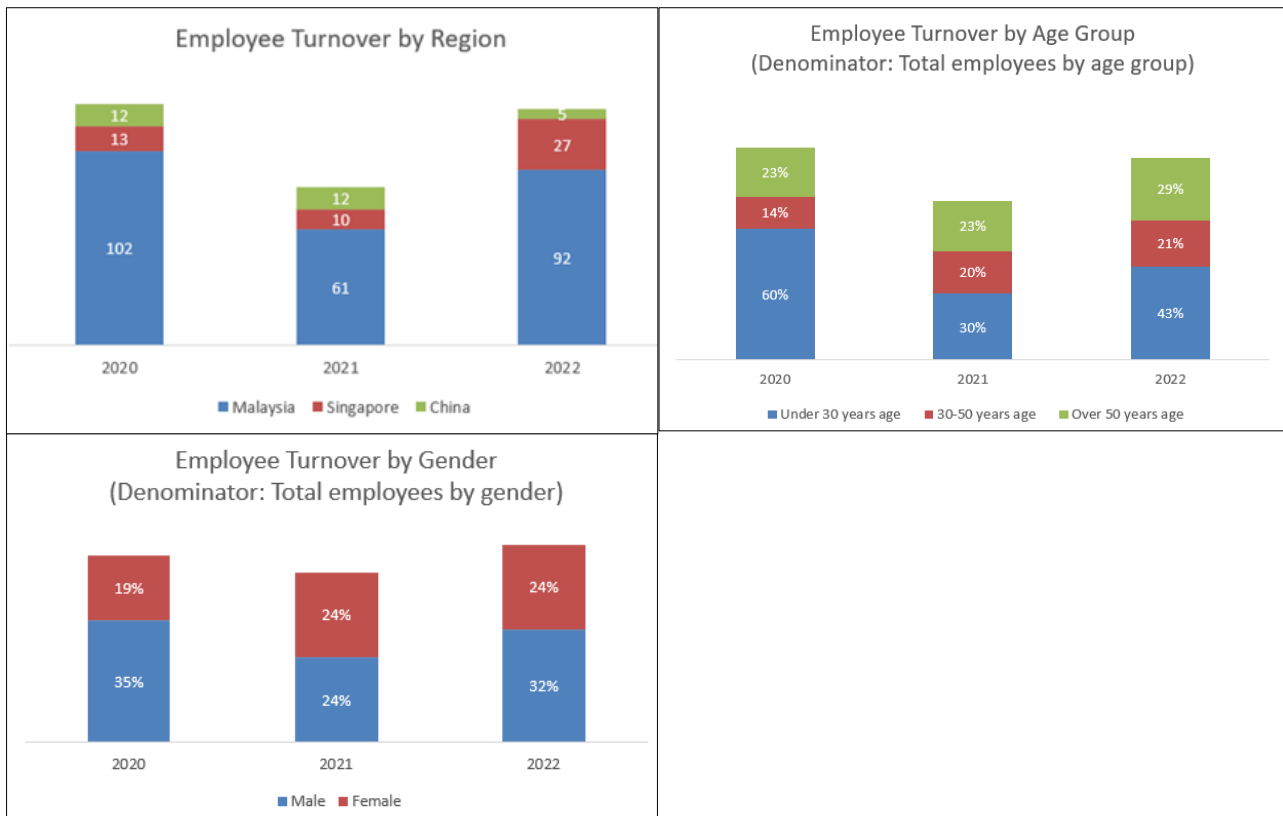
1. Refers to Board at subsidiary company level

## 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. 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. Employee turnover rate in 2022 was 5% higher than our target mainly due to the disruption caused by Covid-19 pandemic in certain subsidiaries.

Performance Indicator	Our Ongoing Annual Target	Performance in 2022
Employee turnover rate	Less than 25%	30%



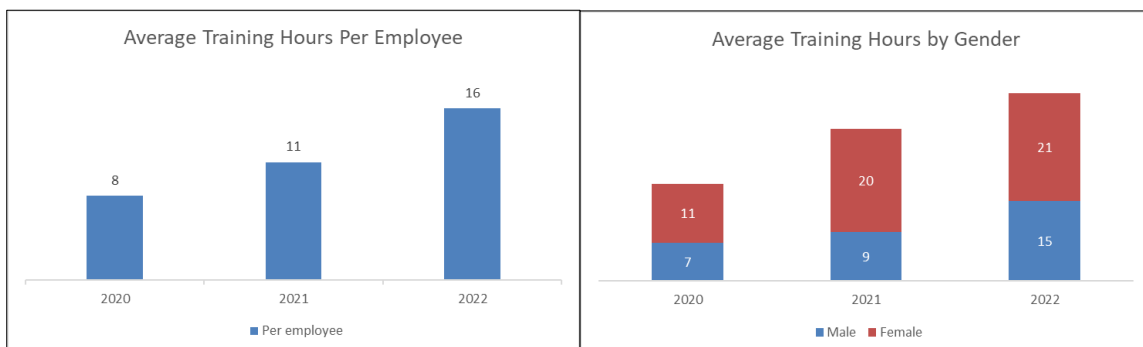


## Employee Development



Employee development is crucial for the success of our employees and our organisation as a whole. 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.

Performance Indicators	Our Ongoing Annual Target	Performance in 2022
Average training hours per employee	8 hours	16 hours





## Occupational Health and Safety

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.

Our Occupational Health and Safety Management System (OHS) follows the ISO 45001 standard and emphasizes continuous improvement. It ensures consistent delivery of projects with high safety performance across all our markets. Our OHS 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. In 2022, our targeted employees received a total of 843 hours of safety training.

Performance Indicator	Our Ongoing Annual Target	Performance in 2022
Work-related fatality	Zero fatality	No fatality
High consequence injury rate	Zero incidences of high-consequence injury	Zero incidences of high-consequence injury

## **Safety Performance**

We regularly monitor and review our safety performance at our project sites against key performance indicators. In FY2022, the Group had no instances of serious reportable injuries.

## **EHS Training**

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 & CPR Course.

## **Employee Wellbeing**

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.

## **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.



## Local Communities

Darco has a strong commitment to supporting and investing in the local communities in which it operates. We recognise the importance of building and maintaining positive relationships with our neighbours and strive to make a positive impact through various initiatives.

We regularly donate to local charities and non-profit organisations, volunteer time and resources to community events, and support local community programmes. Additionally, we prioritise sourcing materials and supplies from local businesses whenever possible, contributing to the growth and sustainability of the local economy.



### Buying Local

We aim to create long-term economic benefits for local communities through supplier development and supporting a reliable local supply network within the country of the project. This approach also benefits the Group, as it results in shorter delivery times, better technical support, and transportation savings from local deliveries. We actively work to develop local businesses through regular meetings and ensure they are aware of opportunities created by our projects and our requirements. We have committed to sourcing at least 40% of our purchases locally as part of our strategy.

Procurement at our organization is decentralised, with each subsidiary responsible for selecting its own vendors. Some procurement decisions are controlled by our customers. Decisions are usually often based on factors such as price, availability, and vendor reliability. However, all suppliers and contractors must adhere to our safety, health, security, and environmental requirements, 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 takes into account factors such as service, quality, and price. The assessment is then duly recorded in the Vendor Performance Assessment system. The overall performance of the vendor is reviewed to decide if they are maintained in the AVL or to be deregistered. The result of this assessment is also submitted for management review. This Vendor Performance Assessment helps us to maintain currency of our existing vendors and ensure that they meet the standards outlined in our Standards of Business Conduct.

In FY2022, 86% of all purchases made by the Group were from local suppliers.

Purchase from Local Suppliers			
% of total purchases from local suppliers	FY2020	FY2021	FY2022
	71%	70%	86%



## GRI Content Index

<b>Statement of Use</b>	Darco Water Technologies Limited has reported with reference to the GRI Standards for the period 1 January 2022 to 31 December 2022.
<b>GRI 1 Used</b>	GRI 1: Foundation 2021
<b>Applicable GRI Sector Standard(s)</b>	Not applicable as a GRI sector standard is not available for our industry

GRI Standard	Disclosure	Location
<b>GRI 2: General Disclosures 2021</b>		
<b>ORGANIZATIONAL DETAILS AND REPORTING PRACTICES</b>		
GRI 2-1	Organizational details	SR Pg 1
GRI 2-2	Entities included in the organization's sustainability reporting	SR Pg 4
GRI 2-3	Reporting period, frequency and contact point	SR Pg 4-5
GRI 2-4	Restatements of information	SR Pg 4
GRI 2-5	External assurance	SR Pg 4
<b>ACTIVITIES AND WORKERS</b>		
GRI 2-6	Activities, value chain and other business relationships	SR Pg 1, 3
GRI 2-7	Employees	SR Pg 29
GRI 2-8	Workers who are not employees	SR Pg 29, 33
<b>GOVERNANCE</b>		
GRI 2-9	Governance structure and composition	SR Pg 8
GRI 2-10	Nomination and selection of the highest governance body	AR Pg 17-61
GRI 2-11	Chair of the highest governance body	AR Pg 17-61
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	SR Pg 8, AR Pg 17-61
GRI 2-13	Delegation of responsibility for managing impacts	SR Pg 8, AR Pg 17-61
GRI 2-14	Role of the highest governance body in sustainability reporting	SR Pg 8, AR Pg 17-61
GRI 2-15	Conflicts of interest	AR Pg 17-65
GRI 2-16	Communication of critical concerns	SR Pg 18
GRI 2-17	Collective knowledge of the highest governance body	SR Pg 11, AR Pg 17-61
GRI 2-18	Evaluation of the performance of the highest governance body	AR Pg 17-61
GRI 2-19	Remuneration policies	AR Pg 17-61
GRI 2-20	Process to determine remuneration	AR Pg 17-61
GRI 2-21	Annual total compensation ratio	AR Pg 17-61
<b>STRATEGIES, POLICIES AND PRACTICES</b>		
GRI 2-22	Statement on sustainable development strategy	SR Pg 25
GRI 2-23	Policy commitments	SR Pg 11-13
GRI 2-24	Embedding policy commitments	SR Pg 11-13
GRI 2-25	Processes to remediate negative impacts	SR Pg 9-10
GRI 2-26	Mechanisms for seeking advice and raising concerns	SR Pg 9-10, AR Pg 17-61
GRI 2-27	Compliance with laws and regulations	SR Pg 9
GRI 2-28	Membership associations	SR Pg 15
<b>STAKEHOLDER ENGAGEMENT</b>		
GRI 2-29	Approach to stakeholder engagement	SR Pg 14-15
GRI 2-30	Collective bargaining agreements	SR Pg 34
<b>MATERIAL TOPICS</b>		
GRI 3-1	Process to determine material topics	SR Pg 16
GRI 3-2	List of material topics	SR Pg 17
<b>ECONOMIC</b>		
<b>Procurement Practices</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 35
<b>GRI 204: Procurement Practices 2016</b>	204-1 Proportion of spending on local suppliers	SR Pg 35
<b>Anti-corruption</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 9-10

<b>GRI 205: Anti-corruption 2016</b>	205-3 Confirmed incidents of corruption and actions taken	SR Pg 10
<b>ENVIRONMENT</b>		
<b>Energy</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 19
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	SR Pg 19-20
	302-3 Energy intensity	SR Pg 19-20
<b>Water</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 20, 22-23
<b>Management Approach Disclosures 2018</b>	303-1 Interactions with water as a shared resource	SR Pg 20, 22
	303-2 Management of water discharge-related impacts	SR Pg 19, 23
<b>GRI 303: Water and Effluents 2018</b>	303-3 Water withdrawal	SR Pg 22
<b>Emissions</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 27
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	SR Pg 27
	305-2 Energy indirect (Scope 2) GHG emissions	SR Pg 27
	305-4 GHG emission intensity	SR Pg 27
<b>SOCIAL</b>		
<b>Employment</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 29-30
<b>GRI 401: Employment 2016</b>	401-1 New Employee hires and employee turnover	SR Pg 31-32
<b>Occupational Health and Safety</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 33-34
<b>Management Approach Disclosures 2018</b>	403-1 Occupational health and safety management system	SR Pg 33
	403-2 Hazard identification, risk assessment, and incident investigation	SR Pg 33
	403-3 Occupational health services	SR Pg 33
	403-4 Worker participation, consultation, and communication on occupational health and safety	SR Pg 33
	403-5 Worker training on occupational health and safety	SR Pg 33-34
	403-6 Promotion of worker health	SR Pg 34
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SR Pg 33
<b>GRI 302: Occupational Health and Safety 2018</b>	403-9 Work-related injuries	SR Pg 33
<b>Training and Education</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 32
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	SR Pg 32
<b>Diversity and Equal Opportunity</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 29-30
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	SR Pg 29-30
<b>Non-Discrimination</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 29-30
<b>GRI 406: Non-discrimination 2016</b>	406-1 Incidents of discrimination and corrective actions taken	SR Pg 30
<b>Customer Health and Safety</b>		
<b>GRI 3: Material Topics 2021</b>	3-3 Management of material topics	SR Pg 17, 21-22

<b>GRI 416: Customer Health and Safety 2016</b>	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	SR Pg 22
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**Note:**

SR refers to Sustainability Report 2022

AR refers to Annual Report FY2022

**Darco Water Technologies Limited**

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