

MBCDF ESG Report for Phnom Penh Water Supply Authority – Environmental Report FY2018

A. Environmental Influence

1. Has the Investment had an unplanned adverse effect on biodiversity of natural habitat within the region of influence (25 miles)? If so, how?

No, there has been no such adverse effect due to the investment within the region of influence.

2. Has the company's environmental approvals/permits been revoked or has the company received notice of potential revocation over the past year?

No.

3. Has the Investment resulted in better than anticipated environmental effects over the past year? If so, how?

No, however, the delivery of potable water within Phnom Penh municipality is as anticipated.

4. Has the company applied for new CER or VER benefits from the designated national authority over the past year? If so, at what stage is the company in the certification process?

No such application has been made.

5. Has the company received CERs or VERs during the past year? If so, what was the amount of such CERs or VERs?

No.

6. Has the company received CER or VER income over the past year? If so how much? What is the expectation for the upcoming year?

No.

B. Ambient Air Quality

1. Please confirm that during the past year, the company's emissions have not resulted in pollutant concentrations that reached or exceeded relevant ambient air quality guidelines and standards by applying national and municipal/provincial legislated standards? If not compliant, please explain the circumstances.

PPWSA's emissions have not resulted in pollution to the relevant ambient air quality during the past year.

2. Please certify that during the past year, emissions from the company have conformed to the WHO Ambient Air Quality Guidelines

Sulphur Dioxide in 24 hours $\leq 20 \mu\text{g}/\text{m}^3$

Nitrogen Dioxide in 6 months $\leq 20 \mu\text{g}/\text{m}^3$ *X2*

Particle Matter PM in 6 months $\leq 10 \text{ u g/m}$
Particle Matter PM in 6 months $\leq 5 \text{ u g/m}$
Ozone in 8 hour maximum per day $\leq 100 \text{ u g/m}$
If not, please explain the circumstances.

No such emission from the operation.

2. Please confirm that during the past year, the company made no use of CFCs, halons, 1,1,1-trichloroethane, carbon tetrachloride, methyl bromide or HBFCs in its systems or processes.

PPWSA made no use of CFCs, halons, 1,1,1- trichloroethane, carbon tetrachloride, methyl bromide or HBFCs in its systems or processes during the past year.

4. If the company has CO₂-eq. emission exceeding 100,000 metric tons annually, please provide details on overall emissions emitted by type over the past year.

No.

5. Please confirm that emissions generated from the company's on-road and off-road vehicles comply with national emission standards.

The emissions generated from PPWSA's on-road and off-road vehicles comply with national emission standards.

6. Please confirm that the company has not practiced open burning of solid wastes, whether hazardous or non-hazardous during the past year.

PPWSA has not practiced open burning of solid wastes either hazardous or non-hazardous during the past year.

7. Can you please elaborate on the company's use of dust control methods, such as covers, water suppression, or increased moisture content for open materials storage piles, or controls, including air extraction and treatment through a bag-house or cyclone for material handling sources, such as conveyors and bins?

Industria garbage bins used by PPWSA are covered and dust control method for pipeline construction is done in trenches with water suppression and covered work area from the public.

C. Water Discharge Quality

1. Please confirm that during the past year, the company has been compliant with applicable national and municipal/provincial: (i) discharge standards (if the wastewater is discharged to a surface water or sewer), and (ii) water quality standard for a specific reuse (if the wastewater is reused for irrigation or in an industrial processes). If not, please explain the circumstance.

During the past year, PPWSA has been compliant with national waste water discharge standards and does not reuse water.

2. Please confirm that the company's discharges of industrial wastewater, sanitary wastewater, wastewater from utility operations or storm-water into public or private wastewater treatment systems *✓*

- Meet the pretreatment and monitoring requirements of the sewer treatment system into which it discharges;

PPWSA does not discharge any wastewater to Phnom Penh water sewage systems or a private treatment system.

- Do not interfere, directly or indirectly, with the operation and maintenance of the collection and treatment systems, or pose a risk to worker health and safety, or adversely impact characteristics of residuals from wastewater treatment operations; and

No.

- Are discharged into municipal or centralized wastewater treatment systems that have adequate capacity to meet national and municipal/provincial regulatory requirements for treatment of wastewater generated from the facility.

General-used wastewater and sludge from PPWSA is discharged into the Phnom Penh sewage system while sludge from water treatment plants is separately drained back to the Sap and Mekong Rivers.

To be specific, the sludge from the water treatment plants of Phum Prek, Chroy Chang Var and Niroth are discharged into the Sap River, the Mekong River Upstream and the Mekong River Downstream, respectively. This kind of sludge is not regularly tested because it has already been proven as non polluter.

The sludge from the Chamkar Morn Water Treatment Plant is discharged into public drainage system in Boeng Trabek. Due to the volume of sludge in comparison to the volume of water at the river discharge points there is only a bit of increased turbidity, but no overall effect on the water quality within the rivers (after all sludge is basically mud within the river water at intake). PPWSA had not received any complaints from Ministry of Environment or public during the past year.

3. If sewage from your company's water discharges are into a septic system, or to land as part of a treatment system, please confirm that:

- Industrial wastewater is not discharged to these treatment systems;
- The treatment systems are properly designed and installed in accordance with national and municipal/provincial regulations and guidance to prevent any hazard to public health or contamination of land, surface or groundwater; and
- The treatment systems meet applicable national and municipal/provincial standards for sanitary wastewater discharge.

Not applicable

D. Water Conservation

1. Please state the company's average monthly internal water consumption level in cubic meters over the past year? Do you have a target average internal consumption monthly rate for the upcoming year? *NR*

PPWSA's average monthly water consumption for 2018 is 15,946,696m³. PPWSA's target for 2019 is 16,344,822m³.

2. Does your company currently segregate liquid effluents principally along industrial, utility, sanitary, and storm-water categories?

No

3. Over the past year did the company recycle or reuse any water resources? Can you please describe how and estimate how much water was conserved (if possible)?

No, raw water is taken directly from the Mekong River, Sap River and Bassac River for treatment and distribution based on PPWSA network demand – which is only increasing.

E. Energy Efficiency

1. Please state the company's average monthly electricity consumption level in KWh over the past year? Do you have a target average consumption monthly rate for the upcoming year?

PPWSA's average monthly electricity consumption for 2018 is 4,785,569KWh. PPWSA's target for 2019 is 5,194,201KWh.

2. Does your company currently use cogeneration or renewable forms of energy to power its operations (partially or wholly)?

Under Japan Grant, PPWSA has used solar energy (as system of about 550 kW) at its Phum Prek Water Treatment Plant since the mid-year of 2013.

3. Over the past year, has the company made any major changes to its mechanical processes (if any) that will result in significant energy consumption reductions? What is the expected amount of energy savings on a per annum basis?

Over the past year, PPWSA has not made any mechanical processs other than solar energy as mentioned in E.2

4. Has the company engaged in any other energy efficiency initiatives over the past year?

In 2017, PPWSA has engaged with META Water on JCM project of Energy Saving at PPWSA by improving efficiency of water treatment plants. The project will:

- 1. Reduce the transmission losses between WTP and intake facility.*
- 2. Use high-efficient transformer replacing the old one.*
- 3. Old distribution pumps operated within WTP will be replaced with inverter-controlled type pumps.*

F. Solid Wastes

1. Is the company actively recycling solid wastes either back to the production process or for use by a third party? Please explain how?

PPWSA does not have material solid wastes besides office trash and containers. Solid waste generated by the process is only sludge and can not be used in the process.

2. If the company is not recycling certain solid wastes, how have they been disposed of over the past year?

Typically, these solid wastes are disposed of in trash bins for pick-up by the waste management servicer covering Phnom Penh municipality (CINTRI).

3. Did the company's employees receive waste separation training during the past year? Has the company implemented a general waste separation and recycling program within employee facilities?

No, PPWSA has not yet done so.

4. Please provide a description of any other corporate governance actions taken to address the reduction of the company's solid waste materials during the past year.

None so far 

A. Community Welfare

1. Since the commencement of the Investment have new communities emerged which may be affected by such Investment? If so, in what ways may they be affected? What actions is the company taking to mitigate adverse effects?

New communities have been included into the Phnom Penh municipality borders, and those borders continue to expand. PPWSA has expanded its water distribution system to meet the needs of these new neighborhoods. Niroth Water Treatment Plant (Phase I) has been operating since June 2013 and Niroth Phase II has been officially operating on April 2017.

2. Has the Investment resulted in the occurrence of unplanned involuntary resettlement or has the planned resettlement exceeded the original assumptions?

Not applicable.

3. Has the Investment resulted in the occurrence of unplanned effects on the customs or economic activities of IP/EM in the surrounding communities?

No, the investment has only helped by bringing clean, potable water into neighborhoods.

4. Has the Investment resulted in the occurrence of unplanned restrictions on the economic or social activities of IP/EMs?

No

5. Has the Investment unintentionally, materially changed the socioeconomic and cultural integrity of the IP/EMs?

No

6. Has the Investment unintentionally, materially disrupted the IP/EM's way of life?

No, except for everyone life is better – in terms of human health and productivity.

B. Employee Welfare

1. Please state the number of the company's employees 1 year ago vs. the number at present. The change is attributable to? Please break down employment by gender.

The number of employees in 2017 was 1,033 (Male:848 and Female:185) and that of FY 2018 was 1,047 (Male:857 and Female:190)

2. Please state the previous year's employee turnover rate (%) and expected turnover rate in the current year (%). The change is attributable to?

Employee turnover rate for 2018 is 2.29% and 2019 is expected to be 0.27% based on retiring employees only X

3. Over the past year, please rank your belief that the average employee wage structure in the company is within the Upper, Mid or Lower third of the industry in which you operate.

PPWSA uses a performance-driven salary system based on market rates. Thus, we would say appropriate – or mid. Bonus are linked to PPWSA's overall performance, so that an additional 1 month's salary is given if net profit is between 5%-10% of operating expenses; 2 month's if net profit is over 10% to 20% of operating expenses; and 3 month's if net profit is over 20% or operating expenses.

4. Do your employees work over-time? If so, approximately how many hours on average per week? What is the over-time pay structure in comparison to others within the industry you operate?

Employees may work over-time at their discretion. Most employees are salaried, but over-time is permitted on a mission basis. In principle, over-time will be paid to staff ranking from chief of group downward and according to the actual need of work.

5. Have there been changes to the company's remuneration process or procedures over the past year? If so, can you please provide general details?

No. PPWSA evaluates its employees four times a year. Line managers are responsible for evaluation and are required to have face-to-face discussions with staff members. There are different sets of evaluation forms for:

- *Section chiefs and assistant managers of offices;*
- *Office managers; and*
- *Staff from network operations.*

6. Have there been changes to the company's pension, health or social welfare arrangements with its employees over the past year? If so, can you please provide general details?

On January 10, 2019, after obtaining approval from all the employees, the PPWSA terminated its pension scheme effective on December 31, 2018.

7. Are your company's employees unionized? If not, have the employees freely made attempts to unionize over the past year?

No. No one has made an attempt to unionize, as PPWSA's employees originate from the civil service and are not really amenable to unionizing.

8. Has one or more employees suffered an accident at your facility over the past year? If so, how many? What was the severity? Can you please discuss changes implemented by the company to avoid reoccurrence?

In 2018, there were 3 employees who had accidents during the working hours. These 3 employees were immediately sent to hospital for the injuries of the broken leg, hip fracture and broken finger.

9. Please provide a description of corporate governance actions taken, if any, to mitigate discrimination within the company over the past year.

None were necessary 

10. Were any of the company's employees disciplined or dismissed for discriminating against colleagues or members of the surrounding community during the past year?

No

11. Were any of the company's employees involuntarily retrenched during the past year, other than for cause? If so, how many and were terms of such retrenchment(s) different than those within the human resource policy?

None.

12. Please provide a description of other corporate governance actions taken to address the welfare of the company's employees, including by the company's Board, (if any) over the past year.

An employee representative sits on the PPWSA Board as a member. Grievances, if any, and employee sentiment are directly communicated to management and the Board.

13. Please provide the number of grievances received by the company by employees over the past year and details.

There is regular general meeting with employees annually and there is no any complaints or grievance reported by employees as well as representative of employees.

C. Community Outreach

1. If known, please provide an estimate of the number of people who presently utilize or are the beneficiaries of the Investment (Number of Customers)?

PPWSA had 367,032 connections serving Phnom Penh municipality at the end of 2018.

2. Please list the dates of consultations held between the company and the community over the past year regarding issues of possible concern to the community. Please give a one line description of the nature of the consultation.

PPWSA held the community meetings 8 times in 2018 for the purpose of informing residents about the water quality, water tariff structure, other procedures in relation to the water connections and so on. Apart from these meetings, PPWSA has added a customer service front desk at the 5 water towers and at the Niroth Water Treatment Plant for answering questions by its customers on water quality, volume of water consumption, billing procedures and so on.

3. Please provide the number of grievances received by the community to the company that occurred over the past year and details.

PPWSA receives complaints and promptly responds to the questions from its customers. There were approximately 5,561 cases (2,032 by phone and 3,529 by face to face meeting) in 2018, with most concerning the increase in their water meters, water leakages, installment payments, water connections, changes of customers' name, addresse and water consumption categories, water pressure, water deposit.

4. Please summarize community education or good will events conducted by the company over the last year. Please approximate average attendance/participants *20*

Besides community meetngs, there were no additional events conducted by PPWSA over the past year - besides the 6th General Meeting of Shareholders.

5. Please summarize larger scale public relations events conducted by the company over the last year.

The 6th General Meeting of Shareholders was held on April 18th, 2018 in Phnom Penh 

A. Organization

1. How many members are there in the Board? How many executive and how many non-executive members?

PPWSA's Board consists of 7 persons. There are 2 executive directors, the Director General and the Employee Representative, and 5 other directors, who are non-executive directors from MIH as chairman of the board, MEF as member, Phnom Penh Municipality as member, an independent director as member and a director representing the private shareholders.

2. Are the Chairman and CEO separate positions? If not how long has the Chairman been CEO?

Yes, they are separate. The Chairman is from the Ministry of Industry and Handicraft (MIH).

3. Does the Board function with enough weight to challenge senior management as necessary and set corporate policy?

Yes, as the vast majority of members are non-executive.

4. Does the Board have a clear process for assessing all business risks and defining how they will be managed

Yes, the Board requires extensive regular reporting on PPWSA operations and performances. The Board meets at least once every 3 months.

5. What type of organizational structure has been implemented (i.e. hierarchical, decentralized, matrix...)? Are role responsibilities and reporting lines clear in the organization?

Hierarchical structure. Reporting lines are clear vis-à-vis the organization chart.

6. Has the company undertaken a corporate or management restructuring/reshuffling over the past year? What were the significant changes effectuated under such restructuring/reshuffling?

In 2018, PPWSA complied with the Corporate Governance regulation issued by SECC.

7. Have any key managers departed from the company over the past year? How have they been succeeded? What is the expected effect on the company's operational and financial performance?

In 2018, there is no any key management departed from PPWSA.

8. What activities has management undertaken during the past year to make itself accessible to staff and receive staff feedback on operations and the performance of the company?

PPWSA had one general meeting with employees, which was held in April presided over by the Director General to report the FY2017 performance and Business Plan 2018. However, PPWSA also performs regular meetings (on a bi-monthly basis) participated in by employees ranking from deputy head of office to Director General, as well as representatives of PPWSA's employees to follow up on the annual plan and day-to-day operational issues. Staffs can directly communicate or use the director representing PPWSA's employees.

B. Business Integrity

1. Is the company in compliance with all applicable known laws?

Yes

2. Is the company in compliance with the MBCDF Prohibited Activities List?

Yes, PPWSA's operations/business are complied with the MBCDF Prohibited Activities List provided by Dragon Capital Management Limited (the extraction).

3. Does the company have a code of conduct prohibiting all employees from making or receiving payments for preferential treatment or from making or receiving gifts of substance in the course of business?

Yes

4. Has the company suffered any instances of fraud or employee non-compliance with its code of conduct over the past year? What was the situation and how did the company act upon it?

There were 7 employees who did not respect to the employment rules of PPWSA.

5. Over the past year, has the company encountered third party corruption Frequently? or Infrequently?

Corruption and pay-offs are not tolerated at PPWSA.

6. What, if anything, has the company done over the past year to reduce the opportunity for third-party corruption?

PPWSA has and will continue the process of conducting open bids for the goods/services provided to it in compliance with Law on Public Procurement.

7. Over the past year, has the company encountered conflicts of interest between personal interests of an employee(s) (including the management) and the interest of the company? How did the company act on this conflict?

None

8. Over the past year, did the company make any political contributions which may have benefited it in a material manner?

No, PPWSA paid the annual dividend to the Government thru MEF as its substantial shareholder.

9. Did the company properly record and report financial and tax information for the last fiscal year?

Yes

10. Did the company's internal or external auditors notify management about any unusual (non-customary) risk events over the past year? Please provide detail on any such risk events.

No.

11. Did the company receive any penalties, violation notices, other legal notices in relation to its activities or has an authoritative body taken action against the company during the past year?

No

C. Regulatory and Market Developments

1. Please describe any new industry, environmental, social or governance regulation that has been enacted over the past year that may have a material effect on the company's business?

In 2018, there were two regulations issued by SECC in connection with governance regulation, concerning the Corporate Disclosure and Corporate Governance for the listed companies.

2. Please describe any new tax regulation or financial requirement that has been enacted over the past year that may have a material effect on the company's results?

None.

3. Please provide details of any inspections or visits from authorities and what were the results of such inspections or visits?

No inspections or visits outside the ordinary course of its business.

4. Please provide any details on legal judgments taken against the company or others within the industry during the past year that are material to the company's business?

None

6. Please describe all legal actions taken against the company during the past year and present management's view toward their likely result.

None 