



FORGING STEADILY AHEAD

SUSTAINABILITY
REPORT
2021



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This report has been reviewed by the Company's Sponsor, Xandar Capital Pte. Ltd. It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the SGX-ST assumes no responsibility for the contents of this report, including the correctness of any of the statements or opinions made or reports contained in this report.

The contact person for the Sponsor is Ms Pauline Sim Poi Lin, Head of Corporate Finance, at 3 Shenton Way #24-02 Shenton House Singapore 068805, telephone (65) 6319 4954.

BOARD STATEMENT

Dear Stakeholders,

The Board of Directors (the “**Board**”) of LY Corporation Limited (the “**Company**” or “**LY Corporation**”, together with its subsidiaries, the “**Group**”, “**we**” or “**us**”), is pleased to present the Group’s sustainability report (this “**Report**”) for the financial year ended 31 December 2021 (“**FY2021**”).

In this Report, we set out the key material sustainability factors that the Board has considered in setting the Group’s business strategies and direction. The Board is responsible for overseeing the management of the material sustainability factors. Through this Report, we hope to reaffirm our commitment to create a long-term sustainable future and achieve further progress in our efforts towards sustainable growth as we continue to refine our sustainability efforts.

The Board remains steadfast, resolute and committed in the Group’s sustainability efforts and is responsible for providing guidance and oversight over the identification and management of material factors in the Group’s economic, environmental, social and governance performances. In this Report, stakeholders can find information on our sustainability efforts, progress and targets as we strive to provide greater value-added services for all our stakeholders.

As the world continues to grapple with the challenges brought about by the COVID-19 pandemic, the Group has remained more dedicated than ever in its sustainability efforts. With the global supply chain being affected by the pandemic, the Group responded to these new challenges with pro-active management and operational agility. Through this, the Group is confident that we are able to sail through this crisis and conduct our business in an economically sustainable manner. In light of COVID-19’s pervasive health impact, the protection of the health and safety of our employees remains to be the Group’s utmost priority. In order to safeguard the wellbeing of our employees, a series of safe workplace measures such as the mandatory fortnightly self-testing of COVID-19 using the Rapid Antigen Saliva Test Kit, mandatory wearing of face masks, safe distancing and regular sanitisation at our workplaces and health screening for our employees were implemented stringently in FY2021.

In our pursuit of a sustainable business, the Group continues to stay committed to conducting business in a sustainable manner by engaging in environmentally friendly initiatives such as sourcing of sustainable raw materials, recycling of waste materials generated in the course of production and adopting renewable energy sources to reduce our carbon footprint. In this regard, we are proud to announce that as of 31 December 2021, LY Furniture Sdn. Bhd. has obtained the Chain-of-Custody Certification under the Programme for the Endorsement of Forest Certification (“**PEFC**”). As sustainability is a critical part of the Group’s strategy to create long-term value for all its stakeholders, it is imperative that we fulfil our part as a responsible corporate citizen to protect our environment and continue to contribute to our community.

The Group acknowledges that the success of our sustainability journey requires collaboration and continued efforts from all stakeholders. We would like to take this opportunity to express our utmost gratitude towards the Board, the management of the Group (the “**Management**”), all our staff, customers, suppliers and business partners for their boundless support and commitment to our sustainability goals. We aim to continue to create greater value for all our stakeholders in the year ahead.

ABOUT THIS REPORT

This Report outlines the integration of sustainability into the Group's approaches, initiatives and strategies. The information presented in this Report covers the reporting period from 1 January 2021 to 31 December 2021 ("FY2021"), unless stated otherwise.

REPORTING FRAMEWORK

This Report is prepared with reference to the Global Reporting Initiative Standards 2016, Core option ("GRI Standards") and published in pursuant to 711(A) and 711(B) Listing Manual Section B: Rules of Catalyst of the SGX-ST. The Company has selected the GRI Standards as it is a globally recognised and widely adopted framework, which enables our stakeholders to compare our sustainability performance against our industry peers.

The content of this Report was developed using the four (4) reporting principles established by the GRI Standards as follows:

1. Stakeholder inclusiveness: Report context was determined based on engagement and discussions with various stakeholders that the Group considers to be accountable.
2. Sustainability context: The Report covers the Group's performance in the context of sustainability which include the Economic, Environmental, Social and Governance ("EESG") aspects.
3. Materiality: Material issues in the Report are determined through stakeholder engagements and internal discussions.
4. Completeness: The Report covers the impacts of the Group's sustainability efforts during the reporting period using all relevant information collected.

SCOPE OF REPORT

The Report covers the Group's furniture manufacturing and sale businesses in Malaysia for FY2021, which comprises:

- LY Furniture Sdn. Bhd. and LY Global Hub Sdn. Bhd. (collectively "LY Furniture")
- Leyo Holdings Sdn. Bhd. and its subsidiaries, Leyo Manufacturing Sdn. Bhd. and Titan Hardware Sdn. Bhd. (collectively "LHG")

SUSTAINABILITY GOVERNANCE AND REPORT DEVELOPMENT

The Board provides the oversight of the performance of the Sustainability Steering Committee ("SSC"), which comprises the head of departments of the various departments of the Group, and the Sustainability Working Committee ("SWC") which are responsible for implementation of sustainability initiatives for the Group.

FEEDBACK

This Report forms part of our Annual Report for FY2021 ("2021 Annual Report") and can be viewed or downloaded from <https://investor.lyfurniture.com/>. As part of our continued efforts to improve our reporting, we welcome our stakeholders to submit their feedback to the following personnel:

- Mr. Tan Yong Chuan, Chief Executive Officer (CEO) at tanyc@lyfurniture.com
- Ms. Teo Gin Lian, Chief Financial Officer (CFO) at teogl@lyfurniture.com

KEY HIGHLIGHTS

| Dimensions | Material Areas | FY2021 Achievements |
|---------------|---------------------------------|--|
| Economic | Economic Agility | <ul style="list-style-type: none"> Launched five (5) new products for LY Furniture and two (2) new product lines for LHG (FY2020: 9 new products for LY Furniture and 1 new product line for LHG) |
| | Quality of Product and Services | <ul style="list-style-type: none"> Achieved zero cases of significant chargeback under LY Furniture and LHG (FY2020: zero cases) |
| | Customer Satisfaction | <ul style="list-style-type: none"> Obtained an average score of 4.02 across all three (3) aspects for LY Furniture (FY2020: Obtained an average score of 4.09 across all three (3) aspects for LY Furniture) Successfully implemented customer satisfaction survey for LHG |
| Environmental | Material Use | <ul style="list-style-type: none"> Attained PEFC in FY2021 (FY2020: In Progress) 99.75% of wood from sustainable source (FY2020: 85%) |
| Social | Training and Development | <ul style="list-style-type: none"> Attained an average 7.7 training hours per employee (FY2020: 4.6 training hours) |
| | Workplace Health and Safety | <ul style="list-style-type: none"> Achieved zero cases of workplace fatalities (FY2020: zero cases) |
| Governance | Corporate Governance | <ul style="list-style-type: none"> Complied with principles of the Code of Corporate Governance and provided explanations where there are deviations to the Code of Corporate Governance (FY2020: same as FY2021) |
| | Ethics, Bribery and Corruption | <ul style="list-style-type: none"> Achieved zero cases which are unethical, fraudulent or corrupt in nature (FY2020: zero cases) |
| | Regulatory Compliance | <ul style="list-style-type: none"> Achieved zero significant fines and zero reported cases of non-compliance with all applicable laws, rules and regulations (FY2020: zero significant fines and zero reported cases) |


MANAGING SUSTAINABILITY AT LY CORPORATION

We recognise the importance of a robust sustainability governance structure to ensure accountability and transparency. The SSC, supported by the SWC, takes a pro-active role in executing and monitoring of the Group’s sustainability practices and performance. The SSC comprises the Heads of Departments from Finance, Sales & Marketing, Administration, Purchasing & Procurement, Operations and Health, Safety & Environmental Department departments.




SUSTAINABILITY STEERING COMMITTEE


Sustainability Steering Committee




Role
The SSC provides oversight and updates the Board and Management on the Group's policies, strategies and initiatives regarding sustainability measures and corporate social responsibility.



Performance Goals
The SSC determines and monitors the goals established for its performance regarding sustainability measures and corporate social responsibility and assesses the Group’s progress against those goals.



Periodic Feedback
The SSC receives regular feedback from the Management regarding key stakeholders' relationship management, especially those that may have a significant impact on the Group's business activities and performance.



Reporting and Disclosure
The SSC issues the sustainability reports and is also responsible for reporting to the Board on sustainability matters as needed, but minimally on an annual basis.

SUSTAINABILITY WORKING COMMITTEE

The SWC consists of representatives from Finance, Sales & Marketing, Administration, Purchasing & Procurement and Operations departments. Under the directives of SSC, the representatives are responsible for implementing the Group's sustainability initiatives.

| Sustainability Working Committee | |
|----------------------------------|---|
| Finance | <ul style="list-style-type: none">• Ensure that accounts are prepared accurately and timely• Provide required data for the purposes of monitoring and reporting on sustainability topics |
| Sales & Marketing | <ul style="list-style-type: none">• Secure new customers and orders• Procure repeat orders from existing customers• Address customers' requirements and concerns over our products |
| Administration | <ul style="list-style-type: none">• Work along with the Health, Safety & Environmental Department to handle workplace health and safety matters and proper disposal of waste |
| Purchasing & Procurement | <ul style="list-style-type: none">• Ensure that materials purchased for production meet our quality standards and customers' requirements |
| Operations | <ul style="list-style-type: none">• Ensure that products are produced in accordance with customers' specifications and delivered to our customers timely• Ensure minimal wastage during production |

STAKEHOLDER ENGAGEMENT

Under the GRI Standards, stakeholders are defined as “entity or individual that can reasonably be expected to be significantly affected by the reporting organisation’s activities, products and services, or whose actions can reasonably be expected to affect the ability of the organisation to successfully implement its strategies and achieve its objectives”. The Group has identified employees, customers, business partners, communities and government/regulatory bodies as the Group’s key stakeholders for engagement based on their influence, impact, expectations and dependency on our businesses.

We recognise the importance of close collaboration with our key stakeholders in order to achieve a sustainable business goal and believe that communication is the utmost priority towards organisational success. Besides understanding various stakeholders’ viewpoints, we also actively communicate and respond to stakeholders’ needs to align our expectations and goals. The responsible units regularly review the needs and expectations of the respective groups of stakeholders to ensure that stakeholders’ expectations and concerns are considered in our business decisions.

The following table summarises the various stakeholder engagement activities, the key concerns of stakeholders which the Group has gathered, and our commitments to sustainability to address those key stakeholder concerns.

| Stakeholder | Engagement Platforms | Frequency | Key Feedback/ Concern | Commitments to Sustainability |
|-------------|--------------------------------|---------------------|--|--|
| Investors | Annual general meeting | Annual | <ul style="list-style-type: none"> • Sustainable profitability and shareholder returns • Long-term business growth • Accurate, timely and transparent disclosure of information • High standards of corporate governance | <ul style="list-style-type: none"> • Strive to generate sustainable long-term profitability • Adhere to timely, transparent and accurate dissemination of pertinent information to the market • Ensure good corporate governance are in place in accordance to principles and provisions of the Code of Corporate Governance 2018 (Please refer to our Corporate Governance Report set out on pages 15 to 44 of our 2021 Annual Report) |
| | Annual report | Annual | | |
| | Financial result announcements | Bi-annual | | |
| | Other corporate announcements | Ad-hoc | | |
| | Company website | Throughout the year | | |

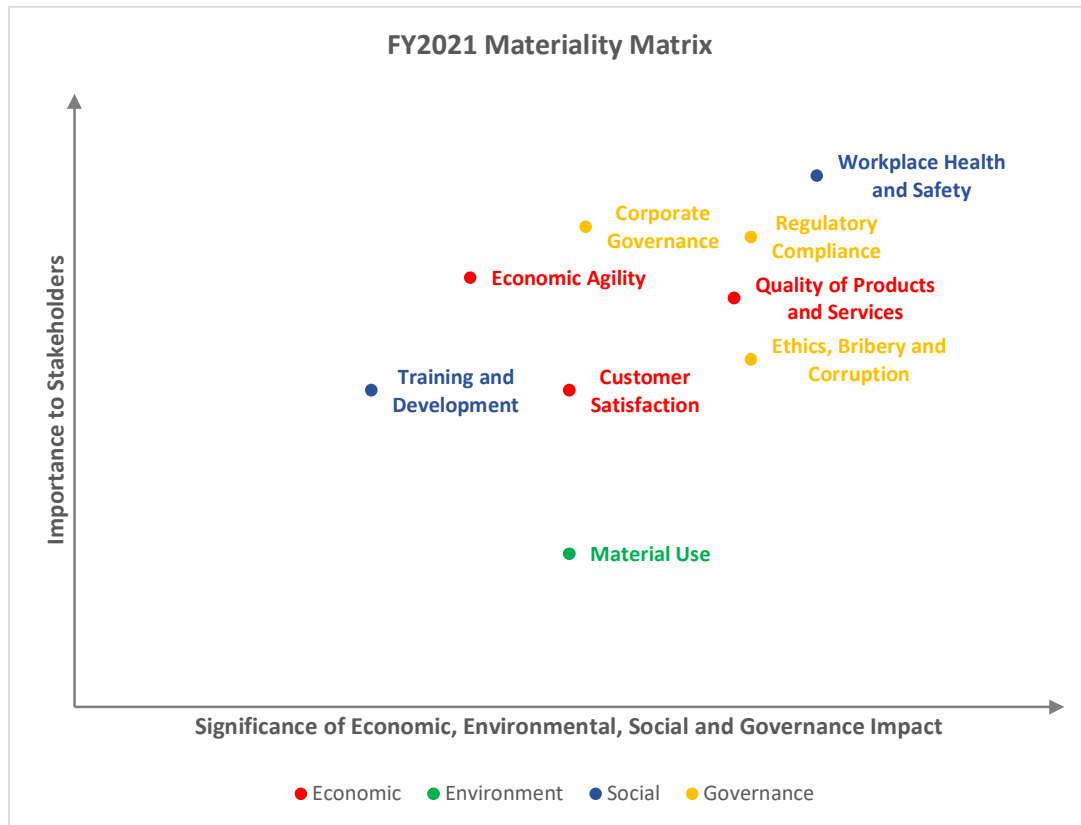
| Stakeholder | Engagement Platforms | Frequency | Key Feedback/ Concern | Commitments to Sustainability |
|----------------------------|--|---------------------|---|---|
| Employees and Workers | Performance reviews with Heads of Department | Quarterly | <ul style="list-style-type: none"> • Job security • Safe working environment | <ul style="list-style-type: none"> • Seek to ensure the job security of employees when making business decisions • Create a safe and cohesive working environment • Provide fair and equal opportunities to all employees • Provide talks and trainings on safety (Please refer to the “Workplace Health and Safety” section of this Report) • Share economic value generated by the Group with employees through increments and bonuses |
| | Training and development | Throughout the year | <ul style="list-style-type: none"> • Fair and competitive employment practices | |
| | Feedback platform | Throughout the year | <ul style="list-style-type: none"> • Staff development and well-being • Work-life balance • Competitive remuneration and benefits | |
| Customers | Emails | Throughout the year | <ul style="list-style-type: none"> • Quality of finished goods • Timely delivery of finished goods • Competitive pricing • Timely response to customers’ feedbacks and complaints | <ul style="list-style-type: none"> • Deliver products with high standards of quality and consistency according to customers’ specifications • Ensure timely shipment of products • Price negotiation with clients to ensure competitive pricing in the market while maintaining the Group’s profit margin • Prompt to deliver after-sales services upon customers’ requests |
| | Tele-conversations | Throughout the year | | |
| | Physical and/or virtual meetups with customers | Throughout the year | | |
| Suppliers/ Sub-contractors | Emails | Throughout the year | <ul style="list-style-type: none"> • Provide suppliers consistent / greater business opportunities • Meeting our Group’s quality requirements | <ul style="list-style-type: none"> • Committed to making sustainable procurement choices • Providing timely feedback on quality of materials/products to suppliers/sub-contractors |
| | Tele-conversations | Throughout the year | | |
| | Physical and/or virtual meetups with suppliers/sub-contractors | Ad-hoc | | |

| Stakeholder | Engagement Platforms | Frequency | Key Feedback/ Concern | Commitments to Sustainability |
|---------------------------|--|---------------------|---|--|
| Government/ Regulators | Correspondences through emails and letters | Throughout the year | <ul style="list-style-type: none"> • Compliance with laws, rules and regulations • Corporate governance • Safe working environment | <ul style="list-style-type: none"> • Strict compliance with relevant laws, rules and regulations • Fair and reasonable business practices • Prioritise employees' health and safety • Provide directors and employees regular trainings to update them of latest regulations and practices |
| | Meetings, briefings and regular reporting | Ad-hoc | | |
| The Community | Community outreach initiatives | Ad-hoc | <ul style="list-style-type: none"> • Eco-sustainable business practices • Responsible and ethical business practices • Contribution to local community | <ul style="list-style-type: none"> • Understand and support initiatives by local community/ government • Proper waste management and disposal system in place |

MATERIALITY ASSESSMENT

Through numerous engagement platforms, we have performed a materiality assessment to identify the key sustainability issues that have a present or future impact on the Group’s value creation and, its business over time.

The materiality assessment took into account the topic’s importance to the stakeholders as well as the significance of the topic’s Economic, Environmental, Social and Governance impacts and are prioritised using a materiality matrix. Material issues and topics described in this Report have been selected according to their level of significance within the Group’s boundaries, the sustainability context and the expectations of stakeholders which are reflective of our core business in a consistent manner for comparability of our performance indicators across time. The material topics are ranked in the materiality matrix and are further discussed in the subsequent pages of this Report.



MATERIAL TOPICS – AT A GLANCE

In our revisit of material topics disclosed in FY2021, the four key sustainability dimensions with nine identified topics remains relevant to our business and stakeholders. For each material topic, we report on its importance to our business and stakeholders as well as measures that are in place to address these material aspects. For applicable topics, additional measures implemented in light of the COVID-19 pandemic is also included in this Report.

| Material Topic | Relevance | How We Are Addressing the Issue |
|---|--|---|
| Economic | | |
| Economic Agility | <p>We recognise the importance to adapt to the constantly evolving business environment in the furniture industry.</p> <p>We aim to be adaptable and expand into new markets and product offerings to diversify our risks and increase our market presence.</p> <p>We are dedicated to be economically agile and operationally ready to respond to the ever-changing pandemic situation.</p> | <p>We strive to continue to expand our presence into new markets and strengthen our product offerings. In FY2021, we managed to expand our product offerings with LY Furniture launching five (5) new product models and LHG introducing two (2) new product lines.</p> <p>We also believe that our strategy for diversification over the years will help us to mitigate the financial impact of the pandemic.</p> |
| Quality of Products and Services | <p>We believe that providing our customers with products and services of the highest quality is the cornerstone of business growth.</p> <p>We recognise that delivering consistent excellent quality products and services is critical for our customer satisfaction and brand loyalty.</p> | <p>We uphold our standard of delivering quality products and services through our rigorous quality control inspections and dedication to customer service. We are also committed to invest in our human capital through training programmes so as to equip them to conduct better quality checks and higher standard of internal audits on our quality assessments.</p> <p>Our quality assurance policy also emphasizes the importance of products being of excellent quality before delivering to our customers.</p> |
| Customer Satisfaction | <p>We recognise the importance of quality in our products and services, as it forms a large part of our branding.</p> <p>We are committed to providing our customers with high quality furniture and services, while seeking to maintain this business relationship in the long run.</p> | <p>We are committed to engage in open communication with our customers and to hear their views and concerns.</p> <p>We have established feedback channels to receive prompt feedback. We also have formalised process in place to receive, escalate, follow-up and report customers' feedback.</p> |

| Material Topic | Relevance | How We Are Addressing the Issue |
|------------------------------------|--|--|
| Environmental | | |
| Material Use | We believe in providing the best quality products to our customers but not at the expense of the environment. | <p>We are committed to achieve our economic goals in a sustainable and environmentally friendly manner.</p> <p>The Board and Management recognises the importance of using materials that adheres to our quality policy. We continue to strive towards making sustainable procurement choices.</p> <p>To further our sustainable efforts, we have attained the PEFC in FY2021.</p> |
| Social | | |
| Training and Development | We believe that our business' productivity and profitability is dependent on our human capital capacity and quality. Investing in training and development programmes to groom skilled and competent employees and workers create long-term value for our Group. | <p>We strive to retain our talent pool by offering them in-house and external training programmes to upgrade their skill sets and meet the needs of their professional development.</p> <p>We advocate good working environment by providing orientation and on-job supervision and guidance.</p> |
| Workplace Health and Safety | <p>With the detrimental health impacts brought by the COVID-19 pandemic, we recognise that the health and safety of our employees are of utmost importance.</p> <p>We are committed to provide a safe and healthy working environment for all employees.</p> | <p>We emphasis on the need of continuous training to refresh employees and workers with the latest safety guidelines and strengthen their workplace health and safety awareness so as to upkeep a high standard of workplace health and safety.</p> <p>We have established a Safety, Health and Environment Policy which serves as a guideline for health and safety practices for all employees. Our Safety, Health and Environment Committee is responsible for ensuring that the policy is understood and adhered by all employees and workers.</p> <p>We also adopted COVID-19 pandemic related safety measures such as safe distancing, health screening and regular sanitisation to promote a safe and healthy work environment for all employees.</p> |

| Material Topic | Relevance | How We Are Addressing the Issue |
|---------------------------------------|--|---|
| Governance | | |
| Corporate Governance | We are committed to establish a strong corporate governance culture with zero tolerance towards unethical practices. | <p>We strive to uphold the highest standard of corporate governance and transparency and compliance to the principles of the Code of Corporate Governance.</p> <p>We established code of conduct which are expected to complied by all employees as our commitment to the ethical standards.</p> |
| Ethics, Bribery and Corruption | We believe that upholding high standards of ethics and conducting our business with integrity is fundamental for the business' success. Therefore, we are committed to building a positive corporate image through our exemplary corporate governance and business ethics. | <p>We have zero tolerance towards unethical practices, bribery, corruption and fraud. In the event of conflict of duties or interests, our employees are expected to make prompt disclosures.</p> <p>We also have a whistle-blowing policy in place to enable the reporting and follow-up on concerns of malpractice or any suspicion of fraudulent or inappropriate activities within the Group.</p> <p>We have established internal controls and written policies on areas of Conflict of Interest, Whistle-blowing, Employment Code of Conduct and Anti-Bribery & Anti-Corruption Policy to provide guidance to our employees in their business conduct.</p> |
| Regulatory Compliance | With a strong ethical culture, we seek to ensure compliance with all regulatory requirements at all times. Any breach of laws, rules and regulations could significantly hurt our businesses and negatively impact our reputation in the industry. | <p>The Board and Management set a strong tone at the top with zero tolerance towards any non-compliances with the Group's policies, applicable laws, rules and regulations.</p> <p>The Group upholds a strong ethical culture and all employees are inculcated with the importance of regulatory compliance since their orientation training.</p> |

ECONOMIC

The unprecedented COVID-19 pandemic has disrupted international trade via mobility restrictive measures such as the suspension of international transport and border closures. While some of these measures were relaxed in FY2021, it is undeniable that the global supply chain has yet to recover to its former level of efficiency, thereby maintaining pressure on the Group's economic performance.

The Group acknowledges that our economic performance directly impacts our stakeholders' investment and that the Group's economic performance is essential to stakeholders such as investors and owners. Other stakeholders, including employees and the community also benefit from such performance indirectly. Being a Catalist-listed company on the SGX-ST, we publish annual reports which include the review of the Group's financial performance. For detailed information on our financial performance, please refer to the financial statements in our 2021 Annual Report.

OUR APPROACH

ECONOMIC AGILITY

In FY2021, the Group continues to feel the impact of the disruptions brought about by the COVID-19 pandemic. Since the onset of the pandemic, global supply chains have been negatively affected, resulting in the obstruction of delivery of finished goods to our overseas customers. The Group also had to temporarily suspend our production activities due to the Full Movement Control Order ("FMCO") implemented in Malaysia from 1 June 2021 to 26 August 2021 which contributed to the deterioration in our financial performance for FY2021.

Economic Value Generated and Distributed

| Financial Year | | FY2020 RM'000 | FY2021 RM'000 |
|-----------------------------------|---|------------------|------------------|
| Economic Value Generated | | 243,467 | 199,524 |
| Economic Value Distributed | Operating Costs | 191,396 | 168,459 |
| | Employee Wages and Benefits | 44,192 | 36,379 |
| | Capital Providers | 1,844 | 1,449 |
| | Government | 2,661 | 81 |
| | Communities | 26 | 18 |
| | Total Economic Value Distributed | 240,119 | 206,386 |
| Economic Value Retained | | 3,348 | (6,826) |

The Group continues to remain resilient and vigilant in monitoring the fast-changing pandemic situation and purchasing trend of consumers so as to continue to grow the business in a sustainable manner and remain relevant in the industry. With that in mind, we also strive to continue to expand our presence into new markets and strengthen our product offerings. In FY2021, we have offered five (5) new product models under the original equipment manufacturer (OEM) business of LY Furniture and also two (2) new self-assembly furniture product lines under the original brand manufacturer (OBM) business of LHG.

Operational Resilience Amidst COVID-19

As part of the pandemic containment efforts, the need for increased safety measures and regulatory requirements have limited our operational capacity. Therefore, we have continued with our measures in order to stay operationally ready during the period. Some of these measures include:

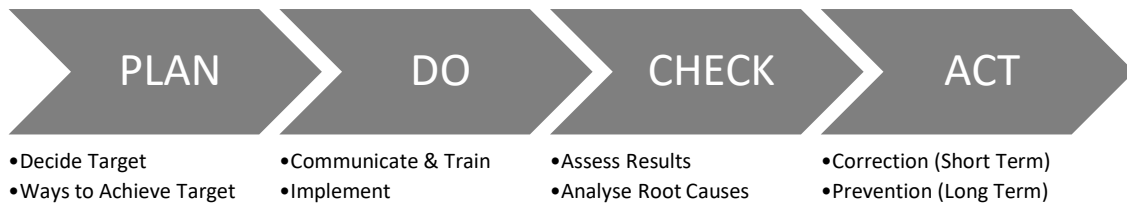
- Ensure that there are at least two (2) alternative suppliers for each type of raw material to diversify sources of supply
- Increase in manpower to handle backlog for departments affected by operational delay
- Close monitoring of the delivery and arrival of raw materials to minimise supply disruptions
- Rented additional warehouses to store finished goods produced in light of the global supply chain disruption
- Work closely with overseas customers to secure shipping containers to ensure timely delivery of products

To navigate the ongoing COVID-19 crisis and continue to engage in business development, we have also implemented pandemic-related safety measures, which are described in the section titled 'COVID-19 Safety Measures' of this Report.

| Perpetual Target | Performance in FY2021 |
|--|--|
| To expand our presence into new markets and strengthen our product offerings | Launched five (5) new products for LY Furniture and two (2) new product lines for LHG (FY2020: 9 new products for LY Furniture and 1 new product line for LHG) |

QUALITY OF PRODUCTS AND SERVICES

Delivering excellent quality products and services is at the heart of our business philosophy since the Group was set up in 1976. Our Group’s Quality Policy emphasises the importance of a Plan-Do-Check-Act (“**PDCA**”) approach to ensure continual improvement and enhance customer satisfaction in all of our business processes.



We also understand that it is important to invest in our human capital through training programmes so as to equip them to conduct better quality checks and higher standard of internal audits on our quality assessments. Due to the various COVID-19 related movement control orders in Malaysia, there were no training conducted for ISO (International Organization for Standardization) related matters in FY2021. Nonetheless, the Group recognises that the importance of such training, which will enable employees to develop the required knowledge and skillsets to assess and report on the conformance and implementation of the quality procedures. Hence, the Group aims to conduct the ISO related training for employees in FY2022.

In both FY2020 and FY2021, external auditors, together with our trained employees were engaged in the ISO9001:2015 audit to review the effectiveness of our quality management system, highlight gaps and provide feedback to improve our quality process. In FY2020, five (5) opportunities for

improvement issues were raised by external auditors which has since been rectified. In FY2021, external auditors raised six (6) opportunities for improvement issues and we are in the midst of rectifying the issues. All employees had since been reminded of the importance to stay vigilant and committed in ensuring compliance with quality standards.

In lieu of the Group’s commitment to maintain high standards of quality, the Group did not have any significant customer chargeback cases (that is, cases with chargeback amounts of RM50,000 and above) in FY2021.

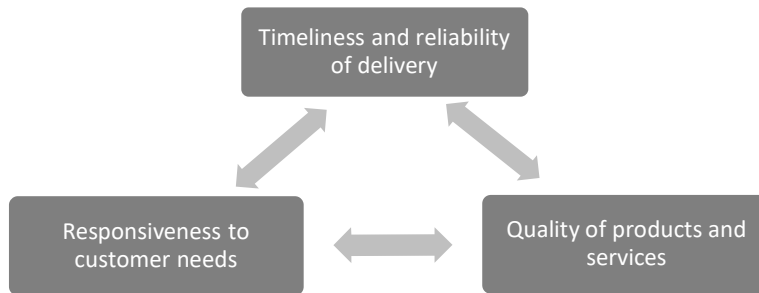
| Target for FY2021 | Performance in FY2021 | Target for FY2022 |
|--|---|--|
| To achieve no more than five (5) significant customer chargeback cases in FY2021 | Zero significant customer chargeback cases in FY2021 (FY2020: zero (0) significant customer chargeback cases) | To achieve no more than five (5) significant customer chargeback cases in FY2022 |

CUSTOMER SATISFACTION

As a customer-centric business, the Group believes that customer satisfaction is bedrock to the success of the business. As such, we prioritise our customers’ experience and strive to exceed their expectations in our products and services delivery. The Group values all types of feedback received from our customers and views them as opportunities for continuous improvement. To demonstrate the Group’s commitment, our dedicated Sales and Marketing team had established a customer feedback process to ensure that all feedback are received and addressed delicately and intentionally.

Upon the receipt of feedback from customer, a thorough investigation will be conducted and issues will be directed to the respective departments for their necessary actions. Thereafter, our team will provide prompt detailed explanations to our customers to show our commitment to our customers’ well-being. The Group is confident that with greater customer satisfaction, a positive brand image for the Group will be reinforced.

An annual customer survey for LY Furniture, overseen by our Executive Director of Sales and Marketing of LY Furniture, was also conducted by our Sales and Marketing Team of LY Furniture in accordance to ISO9001:2015 requirements. This annual customer survey was also implemented by the management of LHG in FY2021. The annual survey highlights areas with room for improvement and provide guidance in development of corrective action. The key criteria for our customer survey are as follows:



Customers are required to grade our products and services against these criteria based on five (5) different levels of satisfaction, from 1 (Not Satisfied) to 5 (Fully Satisfied). As a testament to our efforts, LY Furniture obtained an average score of 4.02 across all three (3) aspects in FY2021. We seek to obtain valuable feedback from our customers and strive to continuously improve on our products and services quality so as to deliver exceptional customer service.

| Target for FY2021 | Performance in FY2021 | Target for FY2022 |
|--|--|---|
| To achieve an average of above 4.0 across all three (3) aspects for the customer satisfaction survey for FY2021 for LY Furniture | Obtained an average score of 4.02 across all three (3) aspects for LY Furniture (FY2020: Obtained an average score of 4.09 across all three (3) aspects for LY Furniture) | To achieve an average of above 4.0 across all three (3) aspects for the customer satisfaction survey for FY2022 for LY Furniture and LHG. |
| To implement customer satisfaction survey in FY2021 for LHG | Successfully implemented customer satisfaction survey for LHG | |

MOVING FOWARD

Moving forward, we will continue to stay resilient and continue to expand our presence into new markets and strengthen our product offerings. We also aim to continuously enhance our quality review regime to attain excellent quality standard for our products and deliver great value to all our stakeholders. As we continuously improve on our products and services quality, we seek to serve and satisfy our customers to the best of our ability.

ENVIRONMENTAL

Operating in the furniture manufacturing industry, the Group understands the importance of managing the impact that our operations have on the environment. We acknowledge that the Group's operating activities such as the procurement of materials has directly and/or indirectly caused strain to the environment in terms of pollution, among other consequences such as resource depletion. The Group, however, remains committed to optimising the usage of natural resources and minimising environmental impact that arise from our business activities.

As an avid supporter of a greener and more sustainable future, the Group is committed to managing and reducing our ecological footprint through continuous improvements in our business processes and operations. We endeavour to play our part in building a green and sustainable future by educating our stakeholders, taking on measures to efficiently manage resources consumption and reduce environmental pollution.

We believe that the effective management and monitoring of our carbon footprint would contribute to the Group's increased productivity, lower consumption of natural resources, reduced wastage and pollution, creating a competitive edge and an overall of improved financial performance.

OUR APPROACH

MATERIAL USE

Exhibiting our commitment to sustainable growth, the Group seeks to monitor and manage resources consumed by our business closely. In FY2021, 99.75% of our wood (that is, timber) were sourced from sustainable sources.

The Group seeks to make more sustainable procurement choices for our manufacturing operations and constantly remind our suppliers to source from sustainable sources. All new suppliers undergo strict evaluation which are assessed with regard to the impact that their products and operations have on the environment. Only suppliers who are deemed to have minimal or no detrimental impact to our environment will be considered. The Group also performs an annual evaluation for all its current suppliers to ensure that they maintain a certain level of sustainability and had met with the Group's expectations.

As part of our sustainable initiatives, we strive to use renewable materials in our production process. With conscious efforts to track and monitor our material usage, we identified that we have utilised 715,042,888 kilograms of wood material for production in FY2021.

We resonate strongly with the value of promoting sustainable forest management in our business philosophy and LY Furniture had attained the Certificate for Chain-of-Custody of Forest Based Products, under PEFC in FY2021. The scope of our certification includes the (i) purchase of PEFC-certified and PEFC-controlled sources sawn timber and wood panels and (ii) manufacture and sale of PEFC-certified and PEFC-controlled source wooden bedroom set furniture using physical separation and percentage-based method. Our certification is valid until the end of FY2026.

The receipt of the PEFC certification will further reinforce our brand reputation as an eco-friendly business. Below are some of the benefits:

- (a) Enables us to source responsibly and to communicate to customers that the wood we are using for our products comes from sustainably managed forests;

- (b) Leading retailers are demanding PEFC-certified products as part of their corporate social responsibility commitments and are developing responsible procurement policies for many forest products. With PEFC certification, we will be well placed to meet these requirements;
- (c) PEFC certification assists in meeting regulatory requirements such as the European Union Timber Regulation and the US Lacey Act; and
- (d) We are able to use the PEFC label by selling products produced from PEFC-certified materials.

| Target for FY2021 | Performance in FY2021 | Target for FY2022 |
|---|--|---|
| To attain PEFC | Attained PEFC in FY2021 (FY2020: In Progress) | Not applicable |
| At least 90% of wood sourced from sustainable sources in FY2021 | 99.75% of wood (that is, timber) were sourced from sustainable sources (FY2020: 85% of wood (that is, timber) were sourced from sustainable sources) | At least 90% of wood sourced from sustainable sources in FY2022 |

ENERGY USE

The Group recognises that investing in energy and resource conservation not only reduces our carbon footprint but will simultaneously aid in our cost savings. Therefore, we had explored efficient and renewable solar solutions which improves our energy efficiency and diversify our energy supply in a sustainable manner, allowing us to reduce the environmental impact of our operations.

In FY2021, the solar photovoltaic (PV) system installed had generated a total of 2,017.03MWh of solar active energy, which is equivalent to approximate 1,149.71 tonnes of carbon dioxide (CO₂) avoidance.

WASTE MANAGEMENT

As part of our commitment to environmental preservation, we have put in concerted efforts to make waste management a part of our operations and processes. We strive to efficiently manage and minimise waste generated from our business activities through efficient resources usage and implementation of recycling measures, which is the key to our waste management practices. In FY2021, the amount of waste recycled by LY Furniture are as follows:

| | Type of waste | | | |
|-------------------------------|---------------|---------|--------|------------|
| | Wood | Plastic | Carton | Scrap Iron |
| Amount of waste recycled (kg) | 3,022,870 | 39,893 | 24,370 | 19,673 |

Wood waste generated in LY Furniture is also used as feedstock for our factory boiler to produce heat for our production process in addition to being sent to third-party boilers. Sawdust is also sold to other companies for their usage. In LHG, approximately 102,160 kilograms of medium-density fibreboard and chipboard waste were also sent to a third-party boiler for their usage.

Wood waste recycled had decreased from 3,345,778 kilograms in FY2020 to 3,022,870 kilograms in FY2021 despite increase usage of wood. This is mainly contributed by the fact that wood of higher quality is being utilised in FY2021. Additionally, conscious efforts were put in to maximising the usage

of the wood to reduce wastage (i.e. off cut). The amount of plastic waste recycled had also decreased from 66,967 kilograms in FY2020 to 39,893 kilograms in FY2021. Nonetheless, the Group does not directly control the amount of plastic waste generated as the usage of plastic depends on the packaging requirement from our customers.

MOVING FORWARD

In line with the Group's continual effort in energy conservation, we will continue to play a proactive role in environmental conservation, seeking new solutions to enhance our waste management practices and increase our waste recycling rates. We also remain fully committed to maintain our record of zero incidents of penalties for non-compliance to all relevant environmental regulations of the jurisdictions that we operate in.

SOCIAL

LY stands for “Lian You” (联友), which means “uniting friends” and the Group strongly believes that one cannot succeed without friends, especially in an ever-changing and fast-growing globalised market. Our corporate philosophy is embedded into our corporate actions and is extended to all our stakeholders as identified in previous pages.

The Group believes that our employees, customers and communities are the key pillars to a strong and long-running organisation. The Group recognises that decisions on recruitment and staff’s development are imperative to the organisation growth. Hence, we are committed to empowering and supporting the development of our employees to their greatest potential. We also strive to bring about a positive contribution to the communities we operate in through our business activities and initiatives.

In view of the COVID-19 pandemic, the well-being of our employees remains to be our utmost priority and the Group remains vigilant in monitoring the pandemic’s situation. In addition to encouraging employees to get vaccinated against COVID-19, measures are also put in place to ensure that all employees have a safe and conducive work environment.

OUR APPROACH

TALENT ATTRACTION AND RETENTION

In today’s competitive landscape, the long-term sustainability of our business is dependent on our ability to attract and retain talent. In order to establish a healthy talent pipeline, employee compensation packages are set in line with the job requirements as well as the employees’ qualifications and experience, regardless of age, race, ethnicity, nationality or gender and is unique to their respective job requirements. The Group acknowledges that remuneration and compensation is one of the most important considerations of our employees. Hence, the Group places high emphasis on the competitiveness of our employees’ remuneration and compensation packages, which are reviewed against industry standards regularly to ensure that they remain competitive.

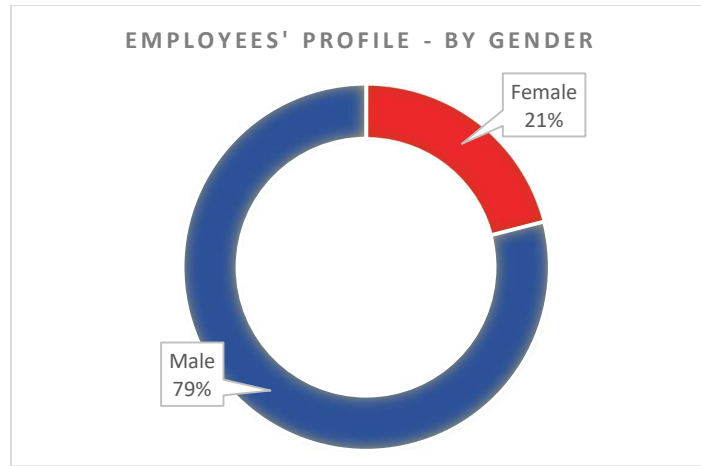
We also emphasise the importance for our new hires to be selected through robust, fair and transparent recruitment process, based on their merits and their potential. In addition to the competitiveness of our employees’ remuneration and compensation packages, the Group also places great importance to our employees’ personal well-being, welfare, and career progression opportunities. Through the Group’s efforts, we aim to attract and retain people with the right experience and expertise that best fit our Group’s culture, values and needs.

Apart from basic compensation, the Group also provides welfare and benefits to employees, such as personal & family medical allowance and annual leaves. Additional types of leaves that are given to employees include marriage leave, prenatal leave and paternity leave, as long as they meet the requirements. Additionally, in order to foster the culture of employee appreciation, employees who have been with us for more than five (5) years of continuous service and have performed well are eligible for long service awards in recognition of their efforts for their valued contribution and dedicated services over the years.

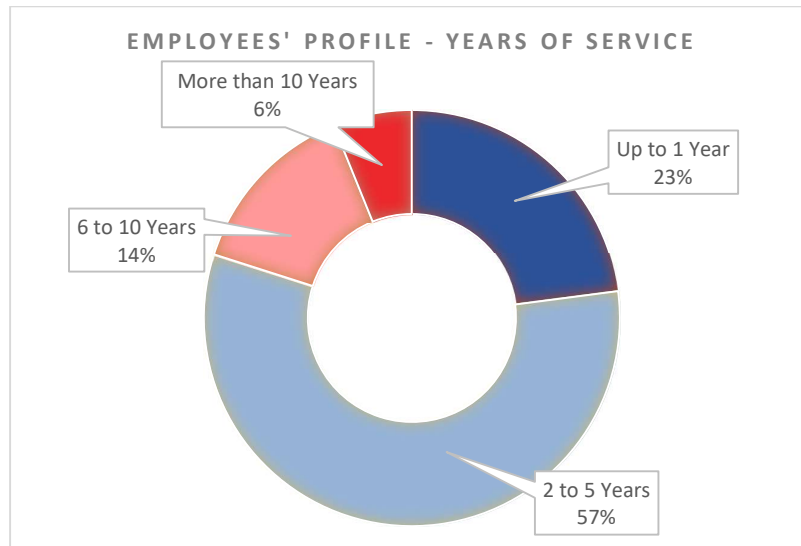
Employees’ Profile

As at 31 December 2021, we have 1,316 LY Furniture employees and 101 LHG employees, a total of 1,417 employees, all of whom are permanent employees. In FY2021, there was a decrease of 422

employees as compared to the prior year. This was due mainly to the departure of the foreign workers upon expiry of their contracts without replacement due to shortages of foreign workers in Malaysia as a result of the COVID-19 pandemic. Due to the nature of our operations which generally involves heavy physical work, a significant proportion of our employees are male.



We believe we have good working relationship with our employees and have a high employee retention rate. More than 50% of our employees have been with us for at least two (2) years, with approximately 22% of employees having over six (6) years of employment with us.



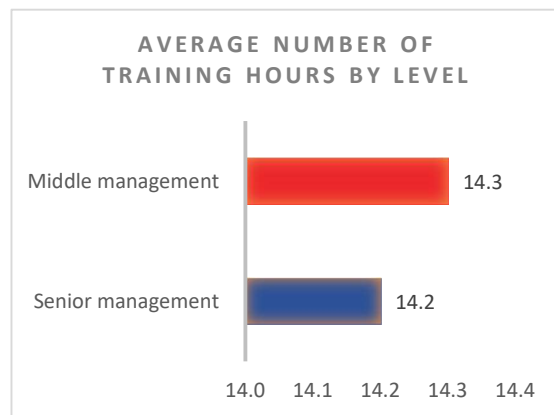
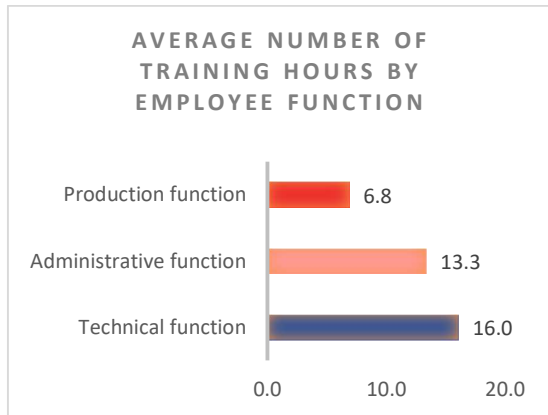
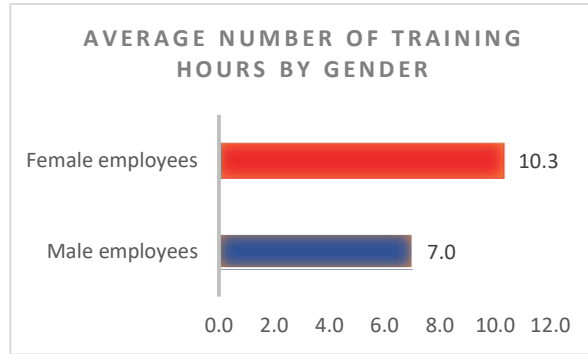
TRAINING AND DEVELOPMENT

The Group is committed to investing in the growth of people as we believe that our success depends on building a competent team which is able to meet the business goals of the Group. We seek to equip our employees with future-ready skills and knowledge through a range of internal/ external trainings and development programmes to upgrade their skill sets and meet the needs of their professional development. Employees are also encouraged to constantly upgrade their skills in order to stay up-to-date with the ever-changing economy and job requirements in order to stay relevant in the ever-changing economy and stay relevant in the fast-evolving business environment.

In the spirit of continuous learning and development, in-house training and development programmes are conducted to educate our employees about the Group's processes and industry standards. In

FY2021, we conducted training for employees on topics such as proper use of COVID-19 self-test kits, security, information security, fire safety, personal data protection act and department/ function specific training. All new employees are also given induction training where they are introduced to the basic company rules and regulations as well as Occupation, Health and Safety (“OHS”) awareness. New workers are also given OHS training relating to social distancing in production to avoid the spread of COVID-19. Our employees’ knowledge and competency are further nurtured through on-the-job training and coaching.

In FY2021, the Group clocked an average number of 7.7 training hours per employee. The details of our employee training statistics are as follows:



Notes:

- 1: Senior management refers to employees with designation of Assistant Manager and above (excluding general workers from production function).
- 2: Middle management refers to employees with designation of Executive and below (including general workers from production function).

While the average number of training hours had increased for our male employees, the average number of training hours for female employees remains higher. This is attributed to the fact that there were more male employees in the production division, where training mostly took the form of on-the-job training. Average training hours for the production function remains to be lower than that of the administrative and technical function as it remains to be the function most affected by the social distancing measures.

With some of the safety requirements being less stringent in FY2021 as the world recovers from the COVID-19, the Group experiences an overall increase in average number of training hours from 4.6 training hours per employee in FY2020 to 7.7 training hours per employee in FY2021.

We also established a quarterly performance evaluation system which provides prompt feedback for employees and help them improve on identified gaps and reinforce good practices. The evaluation criteria include quality of work, quantity of work done, work responsibility, timeliness in work, ability to take instructions from supervisors, relationship with co-workers and critical thinking. A score of 1 being lowest and 5 being highest, will be graded for each employee by their supervisors and reviewed by the Heads of Department. Regular reviews help employees to monitor their development and also provide timely reward for good performance.

| Target for FY2021 | Performance in FY2021 | Target for FY2022 |
|--|---|--|
| To provide an average of 4 hours of training per employee for the Group. | Average of 7.7 hours of training was provided (FY2020: Average of 4.6 hours was provided) | To provide an average of 4 hours of training per employee for the Group. |

WORKPLACE HEALTH AND SAFETY

Safe and healthy workplaces are the topmost priority for us as we believe that the health and safety of our employees are imperative to the sustainability and growth of our business operations. The Group believes that it is our duty to continuously enforce a culture with good health and safety practices.

With that in mind, the Group have established a Safety, Health and Environment Policy (“**SHE Policy**”) which serves as a guideline for health and safety practices for all employees. Our SHE Policy sets a strong tone that safety and health is a joint responsibility between the Management and workers within our Group. Our Management is also in charge of ensuring the compliance of all environment, health and safety laws, rules and regulations. It is also necessary to ensure that all workers are properly trained with adequate health and safety practices. They are also strongly encouraged to promptly report to their supervisors if they observed any safety violations or unsafe work practices. In view of our high standards in occupational safety, LY Furniture is also ISO45001:2018 certified for occupational health and safety management system for manufacture of wooden furniture.

Our Safety, Health and Environment Committee (“**SHE Committee**”) is responsible for ensuring that the policy is understood and adhered by all employees and workers. Our SHE Committee for LY Furniture is led by a Chairman and supported by an Assistant Chairman, Secretaries and Safety Officers from various factories and warehouses. Our SHE Committee for LHG is headed by a Chairman, a Vice Chairman, a Secretary and representatives from factories.

In LY Furniture, to identify work related hazards that poses a high consequence work injury, we adopted the following model for every work activity:



The use of personal protective equipment and engineering control are adopted wherever it is appropriate. We also installed machine covers to reduce sound level and pinch hazard to safeguard the health and safety of our employees.

In FY2021, LHG has zero cases of workplace injuries and fatalities and LY Furniture has a total of five (5) reported work-related injuries and zero cases of fatalities. In lieu of our efforts to create a safe working environment, our overall work-related injury rate (per 1,000,000 manhours worked) has

decreased from 10.37 in FY2020 to 1.23 in FY2021. The breakdown of the injury rate was as follows:

| Indicator | FY2021 | |
|--|--------------|-------------------------------------|
| | Total Number | Rate per 1,000,000 man-hours worked |
| Fatalities as a result of work-related injury | 0 | 0 |
| High-consequence work-related injuries ¹ | 0 | 0 |
| Number of recordable work-related injuries ² , excluding high-consequence work-related injuries | 5 | 1.23 |
| Overall work-related injury incidents | 5 | 1.23 |
| Number of hours worked | 4,057,600 | N/A |

Notes:

- 1: High-consequence work-related injuries refers to work-related injury that results in a fatality or in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six (6) months.
- 2: Recordable work-related injuries refers to work-related injury or ill health that results in any of the following: death, days away from work, restricted work or transfer to another job, medical treatment beyond first aid, or loss of consciousness; or significant injury or ill health diagnosed by a physician or other licensed healthcare professional, even if it does not result in death, days away from work, restricted work or job transfer, medical treatment beyond first aid, or loss of consciousness.

The main causes of the aforementioned work-related injuries were due to human error especially relating to machine handling and not adhering to work instructions. We have since briefed the supervisors to step up on continuous supervision to ensure that all employees properly handle machinery and equipment with care and strong safety awareness

Occupational Health and Safety Measures

We have taken proactive steps to ensure that first-aid rooms are maintained and trained first aiders are available at every factory in LY Furniture. For employees who require medical check-ups or treatments, we will arrange transport to send them to health clinics to seek medical attention. Fire drills are also conducted to ensure that employees are aware of how to use fire-fighting equipment and how to respond in a fire safety situation.

Each of our factories have at least one (1) Emergency Response Team (ERT) member who is well versed in the appropriate responses to various emergency situations occurring at the factories.

We have also obtained Group's personal accident and life insurance to ensure adequate insurance coverage for all staff. We prioritise the welfare of our employees and have provided a selection of panel clinics for employees in LY Furniture who requires medical check-up or treatment. For LHG, we also provided panel clinics for all confirmed staff to receive annual medical check-up. All foreign workers are provided with transport to clinics as and when required. In addition, to ensure that our workers are always in good health, we had collaborated with a local government hospital to organise malaria and filariasis screening tests for all of our foreign workers.

COVID-19 Safety Measures

In view of the detrimental health impact of COVID-19 pandemic, we strive to protect our employees and workers and have implemented the following health and safety measures:

- Work-from-home arrangements for employees where possible;

- Split team arrangement and ensure there is no cross deployment or interaction between employees of different shifts where possible;
- Conduct of virtual meetings between colleagues, customers and employees where possible to minimise physical contact;
- Centralised hostel for LY Furniture’s foreign workers to reduce interaction with foreign workers from other companies;
- Conducted swab tests for all local and foreign workers and for those who displayed COVID-19 related unwell symptoms, in addition to mandatory ART test fortnightly;
- Mandated wearing of face masks at our workplace;
- Provision of hand sanitisers to employees at accessible locations;
- Frequent disinfection of common areas in office;
- Daily temperature screening for all on-site employees;
- Conduct of health declarations and MySejahtera scans at all factories;
- Active monitoring of employees’ health via daily health declaration; and
- Formalised reporting procedures for any suspected and confirmed COVID-19 cases within the Group.
- Strongly encourage employees to be vaccinated and have the necessary booster shots

In FY2021, 51 of our employees were infected with COVID-19 and there was one (1) case of hospitalisation due to COVID-19. Eight (8) isolation orders were also issued to our employees in FY2021. Regardless, through the measures implemented, the Group has managed to curb the spread of COVID-19 within the Group. Nonetheless, we will continue to stay vigilant and undertake adequate preventive measures for COVID-19 to safeguard the health and safety of our employees and workers.

| Perpetual Target | Performance in FY2021 |
|---|---|
| To achieve zero case of workplace injuries and fatalities | There was a total of 5 injuries and zero fatality in FY2021. (FY2020: 40 injuries and zero fatality) |

COMMUNITY INVOLVEMENT

As a socially responsible business and part of a larger community, the Group believes in empowering the lives of others and contributing back to the communities that supported our business. Contributing back to the communities that we cared for is one of the sentiments very much rooted in our Group’s values and principles.

Amidst the restrictions brought about by the COVID-19 pandemic, we were unable to conduct our annual blood donation drive in FY2021. Instead, we have donated RM10,000 to the Chinese High School Emergency Relief and RM1,000 to the Contribution of Flood & Mission in Shah Alam, Selangor via the Majlis Perbandaran Batu Pahat, Johor respectively.

MOVING FORWARD

We will continue to invest in training and nurturing our employees to upgrade their skills and aid in their professional development so that they are well-equipped for meeting any new challenges in our everchanging environment. With our robust workplace health and safety measures established, we aim to achieve zero cases of workplace injuries and fatalities in FY2022. We will also aim to create greater positive impact to the community by being more proactive in social initiatives.

GOVERNANCE

The Group believes that good governance practices are imperative in building a sound corporation with an ethical environment, thereby fostering stakeholders' trust in our business. Both the Board and Management are committed to upholding high standards of ethics and complying with the best practices of good governance to enhance corporate sustainability. We are also committed to build a sound corporation with ethical environment that continually enhance and add to our stakeholders' value through the maintenance of a high standard of corporate governance and strong internal controls in our Group. Keeping ourselves updated with the latest changes in legal and regulatory, the Group is also committed to comply with all legal and regulatory requirements in the jurisdictions that we operate.

Guided by the Code of Corporate Governance ("CG Code"), the Group implements multiple sustainability measures to ensure that the best practices of good governance are instilled throughout its operations. Please refer to the Corporate Governance Report set out in pages 15 to 44 of our 2021 Annual Report for details on our compliance with the established CG Code.

Enterprise Risk Management

Enterprise risk management is a holistic business strategy that aims to identify, measure, prioritise and respond to emerging new risks, and to ensure that existing risks that the Group are exposed to are well managed and adequately mitigated. With constantly evolving business environment, performing an enterprise risk management has become more crucial than ever. Therefore, we perform an enterprise risk assessment annually via environmental scanning activities as well as group discussions with top management and the respective risk owners in business units to identify and prioritise key business risks which may hamper our ability to achieve the Group's strategic goals.

By working closely with our stakeholders and consistent monitoring, we will actively assess our risks and review our risk management system, ensuring our capability to manage and respond to new threats remains adequate and effective.

OUR APPROACH

CORPORATE GOVERNANCE

We are dedicated to maintain the highest standards of corporate governance and foster a culture of transparency and accountability for a sustainable business that delivers long term stakeholder value. In addition, the Board recognises the significance of good corporate governance and have implemented a committee structure that enables separation of duties and segregation of responsibilities to focus on critical functions. The Board and Management are also dedicated to conducting business with integrity consistently, setting the tone at the top for all employees.

Our Group also strive to align with our corporate governance framework with the principles and provisions of the CG Code issued by the Monetary Authority of Singapore. We make sure that we keep ourselves updated with the latest changes so as to stay compliant with the CG Code at all times.

As we recognise the importance of having strong and independent element on the Board in order to exercise objective judgement on business decisions, the Board has set up various committees such as the Nominating Committee ("NC"), Remuneration Committee ("RC") and the Audit and Risk Committee ("ARC") in order to assist in the execution of the Board's responsibilities.

The Board and its committees are well-balanced with sufficient mix of directors who possess an appropriate balance and diversity of skills, experience and knowledge in guiding the Group to achieve its long-term strategic goals.

| Perpetual Target | Performance in FY2021 |
|--|---|
| To achieve zero non-compliance with the principles of the Code of Corporate Governance | We have complied with the principles of the Code of Corporate Governance and provided explanations where there are deviations to the Code of Corporate Governance 2018 in our 2021 Annual Report. (FY2020: same as FY2021) |

ETHICS, BRIBERY AND CORRUPTION

The Group’s fundamental values and capability to act with honesty and integrity will ultimately be subverted through fraud, bribery and corruption practices should it be allowed to occur. As such, we place utmost importance on high ethical standards for our business conduct and take on a zero-tolerance approach towards bribery, fraud and corruption. The Group believes that fostering credibility and achieving our strategic goals through ethical business conduct creates long term stakeholder value. In FY2021, we have zero reports relating to business conduct which are unethical, fraudulent or corrupt in nature.

We have established internal controls and written policies on areas of Conflict of Interest, Whistle-blowing, Employment Code of Conduct and Anti-Bribery & Anti-Corruption Policy to provide guidance to our employees in their business conduct. All new employees are formally communicated about these policies during their onboarding. The key elements of the policies are as shown below:

| |
|---|
| Conflict of Interest Policy |
| <ul style="list-style-type: none"> • Employees must not accept gifts, entertainment or favours that may influence one's objectivity in exercising judgment on behalf of the company • Potential scenarios where interests may be conflicted |
| Whistle-blowing Policy |
| <ul style="list-style-type: none"> • Guidelines for employees to raise concerns of malpractice or any suspicion of fraudulent or inappropriate activities within the Group to the Investigation Committee (IC) • Escalation process to IC or where appropriate or required, to relevant government authorities for further investigation or action |
| Employee Code of Conduct |
| <ul style="list-style-type: none"> • Contains a comprehensive list of examples of employee misconduct • Misconduct includes violation of company safety rules, forgery, theft, sexual harassment and sleeping on the job |
| Anti-Bribery & Anti-Corruption Policy |
| <ul style="list-style-type: none"> • Iteration that the Group is committed to conduct its business dealings with integrity and has a zero-tolerance approach against all form of bribery and corruption • Guidelines to identify potential and corruption risks that may affect the Group • Guidelines towards Conflict of Interest, Gifts, Entertainment, Corporate Hospitality and Travel, Dealing with Public Officials, and Corporate Social Responsibility and Donations • Iteration that facilitation payments are strictly prohibited and the guidelines for employees should they encounter any request for facilitation payments |

The Group’s whistleblowing policy encourages and provides a well-defined and accessible channel to stakeholders (that is, both internal and external) of the Group to raise concerns over any unlawful conduct, financial malpractice and/or other wrong-doings. In the event whereby any concerns are

raised, an Investigation Committee will ensure that adequate resources are in place to conduct prompt independent investigation and execute appropriate follow up action. All disclosures will be treated in a confidential manner, protecting the identity of the employee that made the disclosure so as to encourage employees to report any suspicious activities without fear of reprisal.

We place a strong emphasis on the importance of employees' conduct and we expect them to display professional behaviour with integrity at all times. The Employee Code of Conduct provides guidance on the standard of behaviour expected from employees of all levels and indicates that employees who engage in any misconduct or whose performance is unsatisfactory may be subject to disciplinary action up to and including immediate dismissal. In FY2021, there are no instances of employee dismissal due to misconduct.

| Perpetual Target | Performance in FY2021 |
|--|---|
| To achieve zero cases which are unethical, fraudulent or corrupt in nature | Achieved zero cases which are unethical, fraudulent or corrupt in nature. (FY2020: zero cases) |

REGULATORY COMPLIANCE

Ensuring that the Group is in compliance with the relevant rules and regulations is preminent to the Group's integrity and ability to foster trust among stakeholders. As such, we strive to educate our employees with relevant laws, rules and regulations in their area of job scope through training during their orientation programme.

The Group acknowledges that regulatory compliance is of paramount importance as any failure to comply will not only result in legal and financial impact, but also reputational loss to the Group. Some of the relevant laws, rules and regulations that the Group adheres to, is as follows:

- Ministry of International Trade and Industry
 - Industrial Co-ordination Act (1975)
- Department of Occupational Safety and Health
 - Factories and Machinery Act (1967)
- Ministry of Human Resource
 - Employment Act (1955)
- Department of Environment
 - Environmental Quality Act (1974)
- Personal Data Protection Department
 - Personal Data Protection Act (2010)
- Singapore Exchange Limited
 - SGX-ST Catalist Rules
- Monetary Authority of Singapore
 - Code of Corporate Governance 2018
- Singapore Companies Act
- Malaysia Companies Act 2016
- Malaysia Timber Industry Board
 - Malaysian Timber Industry Board (Incorporation) Act (1973)
 - Timber Industrialisation Methods (Registration) (1991)

Despite our committed efforts to being in full compliance, the Group had incurred approximately RM88,000 in penalties during FY2021. Nonetheless, there were no single penalty cases which exceeded the threshold of RM50,000 for significant fines. Regardless, the Management has since investigated the core reasons for all penalties and employees has since been reminded that regulatory compliance is critical to their business conduct.

| Perpetual Target | Performance in FY2021 |
|--|--|
| To achieve zero significant fines and reportable cases of non-compliance with all applicable laws, rules and regulations | Achieved zero significant fines and reportable cases of non-compliance with all applicable laws, rules and regulations (FY2020: zero significant cases) |

MOVING FORWARD

Moving forward, we will continue to maintain a culture of good corporate governance and seek to remain in compliance with all relevant laws, rules and regulations in the jurisdictions we operate in to the best of our ability.

GRI CONTENT INDEX

| GRI Standard | Disclosure Number and Title | Page Reference and Remarks | |
|---------------------------------------|--|--|--|
| GRI 101: Foundation 2016 | | | |
| GENERAL DISCLOSURES | | | |
| GRI General Disclosures 2016 | 102: Organizational profile | | |
| | 102-1 | Name of the organization | LY Corporation Limited |
| | 102-2 | Activities, brands, products, and services | 2021 Annual Report – Corporate Profile (Page 01) |
| | 102-3 | Location of headquarters | 2021 Annual Report – Corporate Profile (Page 01) |
| | 102-4 | Location of operations | 2021 Annual Report – Corporate Profile (Page 01) |
| | 102-5 | Ownership and legal form | 2021 Annual Report – Group Structure (Page 11), Notes to the Financial Statements, Corporate Information (Page 65), Statistics of Shareholdings (Pages 112 to 113) |
| | 102-6 | Markets served | 2021 Annual Report – Corporate Profile (Page 01), Notes to the Financial Statements, Revenue, Disaggregation of revenue (Pages 79 to 80) |
| | 102-7 | Scale of the organization | This Report – Employees' Profile (Pages 20 to 21) 2021 Annual Report – Corporate Profile (Page 01) 2021 Annual Report – Financial Review (Pages 04 to 05) |
| | 102-8 | Information on employees and other workers | This Report – Employees' Profile (Pages 20 to 21) |
| | 102-9 | Supply chain | We do not specifically disclose our supply chain |
| | 102-10 | Significant changes to the organization and its supply chain | Not applicable as there is no significant changes to the organisation and its supply chain |
| | 102-11 | Precautionary Principle or approach | This Report – Governance (Pages 26 to 29) |
| | 102-12 | External initiatives | None |
| | 102-13 | Membership of associations | Our subsidiaries, LY Furniture Sdn Bhd and Leyo Manufacturing Sdn. Bhd. are members of the Malaysian Furniture Council |
| Strategy | | | |
| 102-14 | Statement from senior decision-maker | This Report – Board's Statement (Page 1) | |
| Ethics and integrity | | | |
| 102-16 | Values, principles, standards, and norms of behavior | This Report – Governance (Pages 26 to 29) | |

| GRI Standard | Disclosure Number and Title | Page Reference and Remarks |
|-----------------------------------|---|--|
| Governance | | |
| | 102-18 Governance structure | This Report – Managing Sustainability at LY Corporation (Pages 4 to 5), Corporate Governance (Pages 26 to 29) |
| Stakeholder engagement | | |
| | 102-40 List of stakeholder groups | This Report – Stakeholder Engagement (Pages 6 to 8) |
| | 102-41 Collective bargaining agreements | The Group’s employees are not covered by collective bargaining agreements |
| | 102-42 Identifying and selecting stakeholders | This Report – Stakeholder Engagement (Pages 6 to 8) |
| | 102-43 Approach to stakeholder engagement | This Report – Stakeholder Engagement (Pages 6 to 8) |
| | 102-44 Key topics and concerns raised | This Report – Stakeholder Engagement (Pages 6 to 8) |
| Reporting practice | | |
| | 102-45 Entities included in the consolidated financial statements | 2021 Annual Report – Group Structure (Page 11) |
| | 102-46 Defining report content and topic Boundaries | This Report – About This Report (Page 2) |
| | 102-47 List of material topics | This Report – Material Topics – At a Glance (Pages 10 to 12) |
| | 102-48 Restatements of information | Not applicable as there is no restatement of information |
| | 102-49 Changes in reporting | No change in reporting |
| | 102-50 Reporting period | This Report – About This Report (Page 2) |
| | 102-51 Date of most recent report | 31 December 2020 |
| | 102-52 Reporting cycle | Annual |
| | 102-53 Contact point for questions regarding the report | This Report – About This Report (Page 2) |
| | 102-54 Claims of reporting in accordance with the GRI Standards | This Report – About This Report (Page 2) |
| | 102-55 GRI content index | This Report – GRI Content Index (Pages 30 to 34) |
| | 102-56 External assurance | We have not sought external assurance for this reporting period, and may consider it in the future. |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | The material factor boundaries are defined as where the Group has significant impacts and has caused or contributed to the impacts through its business relationships. Material factors with internal boundaries: |

| GRI Standard | Disclosure Number and Title | Page Reference and Remarks | |
|---|-----------------------------|---|---|
| | | <ul style="list-style-type: none"> ▪ Training and Development ▪ Workplace Health and Safety <p>Material factors with internal and external boundaries:</p> <ul style="list-style-type: none"> ▪ Corporate Governance ▪ Ethics, Bribery and Corruption ▪ Regulatory Compliance ▪ Economic Agility ▪ Quality of Products and Services ▪ Material Use ▪ Customer Satisfaction | |
| ECONOMIC AGILITY | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundaries | 2021 Annual Report – Financial Contents (Pages 51 to 111) |
| | 103-2 | The management approach and its components | This Report – Economic: Economic Agility (Pages 13 to 14) |
| | 103-3 | Evaluation of the management approach | |
| GRI 201: Economic Performance 2016 | 201-1 | Direct economic value generated and distributed | |
| QUALITY OF PRODUCTS AND SERVICES | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundaries | This Report – Economic: Quality of Products and Services (Pages 14 to 15) |
| | 103-2 | The management approach and its components | |
| | 103-3 | Evaluation of the management approach | |
| CUSTOMER SATISFACTION | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundaries | This Report – Economic: Customer Satisfaction (Pages 15 to 16) |
| | 103-2 | The management approach and its components | |
| | 103-3 | Evaluation of the management approach | |
| MATERIAL USE | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundaries | This Report – Environmental: Material Use (Pages 17 to 18) |
| | 103-2 | The management approach and its components | |
| | 103-3 | Evaluation of the management approach | |

| GRI Standard | Disclosure Number and Title | Page Reference and Remarks |
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| GRI 301: Materials 2016 | 301-1 Materials used by weight or volume | |
| TRAINING & DEVELOPMENT | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | This Report – Social: Training and Development (Pages 21 to 23) |
| | 103-2 The management approach and its components | |
| | 103-3 Evaluation of the management approach | |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | |
| WORKPLACE HEALTH AND SAFETY | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | This Report – Social: Workplace Health and Safety (Pages 23 to 25) |
| | 103-2 The management approach and its components | |
| | 103-3 Evaluation of the management approach | |
| GRI 403: Occupational Health and Safety 2018 | 403-9 Work related injuries | |
| CORPORATE GOVERNANCE | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | This Report – Governance: Corporate Governance (Pages 26 to 27) |
| | 103-2 The management approach and its components | |
| | 103-3 Evaluation of the management approach | |
| ETHICS, BRIBERY AND CORRUPTION | | |
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its Boundaries | This Report – Governance: Ethics, Bribery and Corruption (Pages 27 to 28) |
| | 103-2 The management approach and its components | |
| | 103-3 Evaluation of the management approach | |
| GRI: Anti-Corruption 2016 | 205-3 Confirmed incidents of corruption and actions taken | |

| GRI Standard | | Disclosure Number and Title | | Page Reference and Remarks |
|--|-------|--|--|----------------------------|
| REGULATORY COMPLIANCE | | | | |
| GRI 103: Management Approach 2016 | 103-1 | Explanation of the material topic and its Boundaries | This Report – Governance: Regulatory Compliance (Pages 28 to 29) | |
| | 103-2 | The management approach and its components | | |
| | 103-3 | Evaluation of the management approach | | |
| GRI 419: Socioeconomic Compliance 2016 | 419-1 | Non-compliance with laws and regulations in the social and economic area | | |