



# LY CORPORATION LIMITED



## SUSTAINABILITY REPORT 2017

## **Sponsor's Statement**

LY Corporation Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 31 January 2018. The initial public offering of the Company was sponsored by UOB Kay Hian Private Limited (the "Sponsor").

This sustainability report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this Sustainability Report.

This Sustainability Report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Sustainability Report, including the accuracy, completeness or correctness of any of the information, statements or opinions made, or reports contained in this Sustainability Report.

The contact person for the Sponsor is Mr Lan Kang Ming, Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.



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## **Board Statement**

LY Corporation Limited's Board of Directors ("Board") is proud to present our inaugural sustainability report. Our Board is committed to sustainability and has considered sustainability matters as part of its strategic formulation. The material Economic, Environment, Social and Governance ("EESG") identified during the materiality assessment were approved by our Board. Our Board will continue to oversee the management and monitoring of these material EESG matters. Our Board strives to work with the management to align to our Group's policies and practices with the best practices for each EESG material matter.

We would like to express our heartfelt gratitude to our employees and other stakeholders for supporting us thus far and we look forward to their continued support in creating a sustainable future.

## **Introduction**

### **About LY Corporation Limited**

LY Corporation Limited (our "Company" or "LY Corporation") and its subsidiaries (collectively known as our "Group" or "LY Corporation Group") is one of Malaysia's leading manufacturers and exporters of wooden bedroom furniture. With an established track record of over 40 years in the furniture industry, our Group is an established Original Design Manufacturer ("ODM") principally engaged in the design and manufacturing of custom wooden bedroom furniture, and the manufacturing of custom wooden bedroom furniture which may be tailored to customers' specifications and requirements on an Original Equipment Manufacturer ("OEM") basis.

Currently our Group operates from 15 factories and warehouses, occupying a combined built-up area of approximately 1.4 million sq. ft. Our products are sold mainly to overseas dealers such as furniture wholesalers and retailers who generally resell our products to end users through their respective retail networks as well as domestic customers who are primarily third party agents who export and resell our products outside of Malaysia, such as to the United States of America and People's Republic of China. Our Group are also members of the Johor Furniture Association, Batu Pahat Furniture Association and The Malaysian Furniture Council.

LY Corporation was listed on the Catalist board of Singapore Exchange Securities Trading Limited ("SGX-ST") on 31 January 2018. During the Financial Year 2017 ("FY2017"), there were no significant changes in operations, location of operations and in our supply chain.



## Highlights

### FY2017 Financial Highlights (in RM '000)



Revenue: 350,644

Gross Profit: 87,709

Gross Margin: 25.0%

Profit before Tax: 64,116

Profit Attributable to the Owners of  
the Company: 50,901

### FY2017 Non-Financial Highlights



Average Customer Satisfaction Score  
increased from 3.8 in FY2015/16 to 4.2 in  
FY2016/17 (out of a maximum score of 5)



## About the Report

LY Corporation is delighted to present our inaugural Sustainability Report. This report will cover our non-financial performance for FY2017, from 1 January 2017 to 31 December 2017, with Financial Year 2016 (“FY2016”), from 1 January 2016 to 31 December 2016, as the year of comparison where appropriate.

This report covers information on all of LY Corporation’s entities in Malaysia, unless stated otherwise.

Our report is prepared in accordance with the Global Reporting Initiatives (“GRI”) Standards – “Core” option and the SGX-ST Listing Rule 711(A) and 711(B).

We have not sought external assurance for this report, but will consider doing so as our reporting matures over time. We welcome feedback to this report and any matters related to our sustainability policies, practices performance. Please send your feedback to our Chief Executive Officer (“CEO”), Mr. Tan Yong Chuan at [tanyc@lyfurniture.com](mailto:tanyc@lyfurniture.com) and/or our Chief Financial Officer (“CFO”), Ms. Teo Gin Lian at [teogl@lyfurniture.com](mailto:teogl@lyfurniture.com).

## Sustainability @ LY Corporation Group

With a track record of more than 40 years in the furniture industry, our Group recognises that our business is intrinsically tied to the communities that we operate in. We believe in creating long-term value for all our stakeholders through our commitment to conduct our business operations in a responsible and sustainable manner. Our Group has set a strategic direction to achieve this by maintaining high levels of corporate governance and incorporating sustainable practices in our business operations, such as upholding strict health and safety standards and being prudent in our use of natural resources.

We have a Sustainability Steering Committee (“SSC”), comprising of the Heads of Departments (“HODs”) from Finance, Sales and Marketing, Administration, Purchasing and Procurement and Operations department, who is responsible for ensuring the implementation of the sustainability strategy and evaluation of the progress made with regards to the Group’s sustainability commitments. The implementation portion is carried out by the Sustainability Working Committee which comprise of representatives from the relevant departments. The SSC reports to the Board on the sustainability developments on an annual basis.

## Responsible Supply Chain Management

As a manufacturer and exporter, it is imperative for us to manage our supply chain well. We have over 100 suppliers and close to 20 subcontractors who provide a range of products and services, from supplying timber to packaging services from both within and outside of Malaysia. There were no significant changes in our supply chain in FY2017. We conduct pre-evaluation of suppliers and contractors before deciding entering a business relationship with them. They are evaluated based on price, quality of their products and services, and capacity of their operations.



## Stakeholder Engagement

LY Corporation Group is committed to understanding and meeting the needs of its various stakeholder groups as we believe that our relationships with our stakeholders are integral to our success as an organisation. Our approach towards engaging with our stakeholders and how we respond to their key concerns are summarised in the table below.

**TABLE 1. STAKEHOLDER ENGAGEMENT TABLE**

Stakeholder Group	Mode	Frequency	Stakeholder's Key Concerns	Our Responses
Shareholders	▪ Annual General Meeting	▪ Annually	<ul style="list-style-type: none"> <li>▪ Sustainable returns</li> <li>▪ Business performance</li> <li>▪ Accuracy and timely disclosure of information</li> <li>▪ High standards of corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure that all pertinent information will be disseminated in a timely manner</li> <li>▪ Ensure good corporate governance are in place in accordance to principles and guidelines of the Code of Corporate Governance 2012 by SGX-ST (Refer to our Corporate Governance report in our 2017 Annual Report)</li> </ul>
	▪ Corporate website	▪ Ongoing		
Employees and Workers	▪ Regular performance review with Heads of Department (“HODs”)	▪ Quarterly	<ul style="list-style-type: none"> <li>▪ Job security</li> <li>▪ Safe working environment</li> <li>▪ Prompt payment of salary</li> <li>▪ Yearly increment and bonus</li> </ul>	<ul style="list-style-type: none"> <li>▪ Provide talks and trainings on safety (Refer to Workplace Health and Safety section of this report)</li> <li>▪ Ensure prompt payment of salaries</li> <li>▪ Seek to ensure the job security of employees when making business decisions</li> <li>▪ Share profits made by the organisation with our people through increments and bonuses</li> </ul>
Customers	▪ Email	▪ Ongoing	<ul style="list-style-type: none"> <li>▪ Source of materials used</li> <li>▪ Quality of finished goods</li> <li>▪ Timely delivery of finished goods</li> <li>▪ After-sales service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure that source of all materials used are tracked</li> <li>▪ Team of people focused on quality of both raw materials and finished goods (Refer to Quality of Products and Services and Material Use sections of this report)</li> <li>▪ Ensure that shipment is on time</li> <li>▪ Prompt to provide after-sales service when the needs arises (Refer to Customer Satisfaction section of this report)</li> </ul>
	▪ Tele-conversations	▪ Ongoing		
	▪ Meetups with customers	▪ Ongoing		



Stakeholder Group	Mode	Frequency	Stakeholder's Key Concerns	Our Responses
Suppliers	▪ Email	▪ Ongoing	<ul style="list-style-type: none"> <li>▪ Receiving prompt payments</li> <li>▪ Receiving consistent orders</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ensure that the company pays within the stipulated credit period</li> </ul>
	▪ Tele-conversations	▪ Ongoing		
	▪ Meetups with suppliers	▪ Ongoing		
Local Communities	▪ Engagement with the local people in the area	▪ As appropriate	<ul style="list-style-type: none"> <li>▪ Pollution caused by nearby factories</li> </ul>	<ul style="list-style-type: none"> <li>▪ Proper waste management and disposal system is in place</li> </ul>
Regulators	▪ Email	▪ Ongoing	<ul style="list-style-type: none"> <li>▪ Compliance with laws and regulations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Send employees for the relevant trainings and seminars to keep themselves updated</li> </ul>
	▪ Tele-conversations	▪ Ongoing		
	▪ Meetups with regulators	▪ As appropriate		

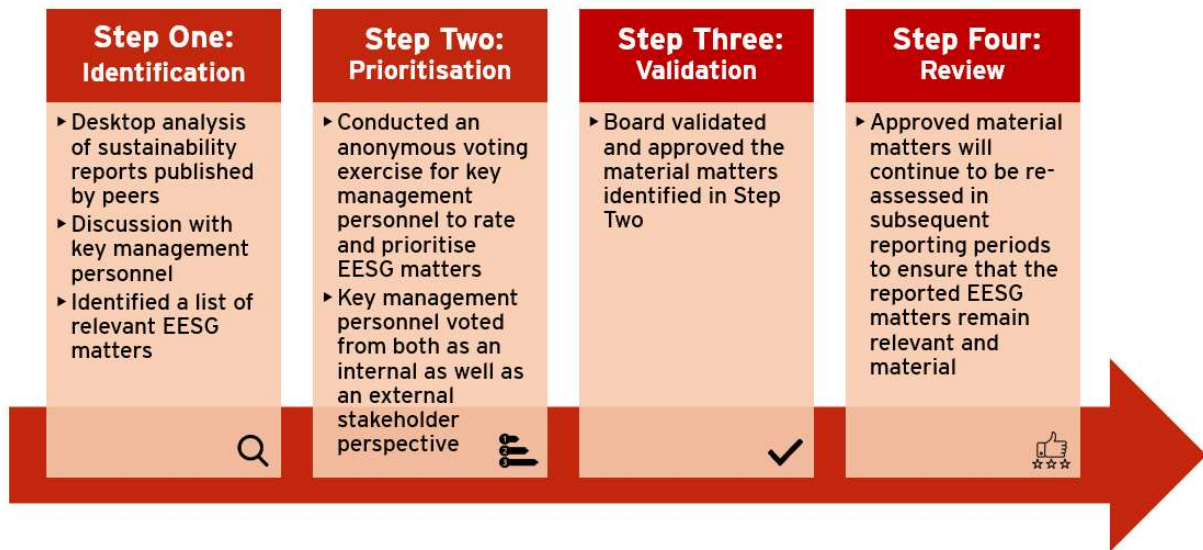




## Materiality Assessment

Our first formal materiality assessment was conducted under the guidance of independent sustainability consultants this year with participation and contributions from key personnel from the respective departments. The assessment process includes four steps as depicted in Figure 1.

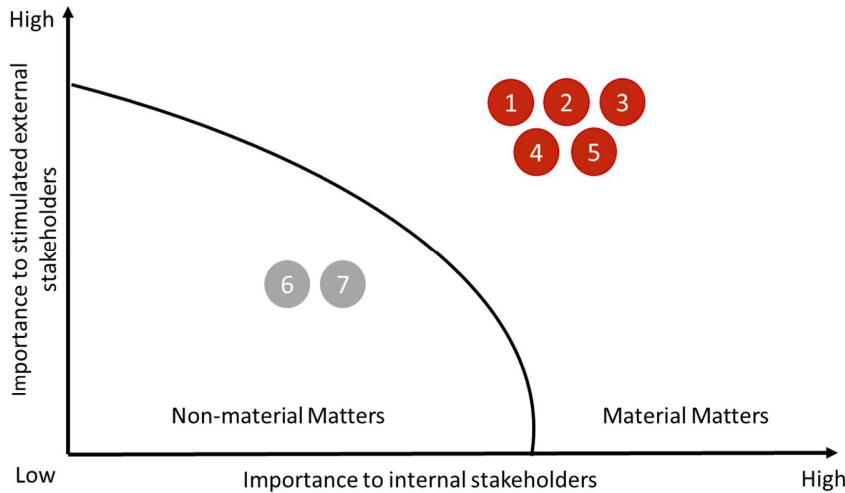
FIG 1. FOUR-STEP MATERIALITY ASSESSMENT PROCESS



Through the materiality assessment process, five material EESG matters were selected as material and two additional EESG matters were selected for reporting even though they were not deemed as material due to their relevance to the industry.



**FIG 2. MATERIALITY MATRIX**



Material Matters		Corresponding GRI Standard Topics	Reference
1	Quality of Products and Services	Not covered in GRI Topic-specific Standards	Pg. 9
2	Customer Satisfaction	Not covered in GRI Topic-specific Standards	Pg. 10-12
3	Economic Agility	GRI 201-1: Direct economic value generated and distributed	Pg. 13
4	Regulatory Compliance	GRI 307-1: Non-compliance with environmental laws and regulations GRI 419-1: Non-compliance with laws and regulations in the social and economic area	Pg. 19
5	Ethics, Bribery & Corruption	GRI 205-3: Confirmed incidents of corruption and actions taken	Pg. 20
Reporting Matters		Corresponding GRI Standard Topics	
6	Workplace Health and Safety	GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Pg. 15-17
7	Material Use	GRI 301-2: Recycled input materials used GRI 301-3: Reclaimed products and their packaging materials <sup>1</sup>	Pg. 18

<sup>1</sup> GRI 301-2 and GRI 301-3 have not been disclosed in this reporting period due to data availability, LY Corporation will work towards reporting them in future years.



## **Our Customers**

### **Quality of Products and Services**

At LY Corporation Group, we recognise that our brand is built on the quality of our products and services. We have in place a Quality Policy that states our commitment to continually improve company growth and enhance customer satisfaction through our work step of Plan-Do-Check-Act (“PDCA”) applied to all our business’ processes.

We have a quality control team who are responsible for conducting quality checks at different stages of the value chain. Quality checks are performed on all input products from suppliers and subcontractors to determine whether or not to accept the product. Random samples are tested and the rejection rate must not exceed 1% for us to accept the product. With regards to the finished products, every new product will be sent for lab testing. Additionally, external parties are sometimes engaged to test materials or new products for added assurance. In FY2016, we invested almost RM 10,000 in these quality checks, and in FY2017, our investment in these checks doubled. Should there be any findings from the lab testing, we will put the item on hold and do the necessary rectifications required.

During FY2017, we invested about RM 10,000 to engage an external consultant to upgrade our ISO9001:2008 to ISO 9001:2015.

Our team also takes a proactive approach to expand our network to learn about potential new materials and technology by attending exhibitions and resource and business missions. In the past two years, some of the exhibitions we have visited includes the Malaysian International Furniture Fair, the Export Furniture Exhibition, the China International Furniture Fair, High Point Market, Las Vegas Market and Milan Furniture Fair. In September 2017, we were one of the participants to the Resource and Business Mission to Poland and Austria organised by MTC, in conjunction with the International Trade Fair of Machines and Tools for Wood and Furniture Industries in Poland. The objective of this mission was to source for softwood and hardwood raw materials such as Pine, Spruce, Beech and Oak, network with the timber industry amongst the different countries as well as to familiarise with the cutting and grading of timber materials.



## Customer Satisfaction

We regard all feedback given on our products and services seriously and will take the necessary actions required to address all valid feedback provided by our customers. When a complaint is received, the sales and marketing team will first respond to the customer to acknowledge that the feedback is received and will be looked into. The team then raises a customer complaint report and send it to the appropriate department for them to do a root cause analysis. Once the analysis is concluded, the sales and marketing team will respond to the customer as appropriate and the suitable actions steps will be taken based on the findings.

While we frequently engage with our clients through regular face-to-face meetings, tele-conversations and e-mail correspondences, we conduct a customer satisfaction survey on an annual basis to provide an additional platform to obtain feedback from our customers.

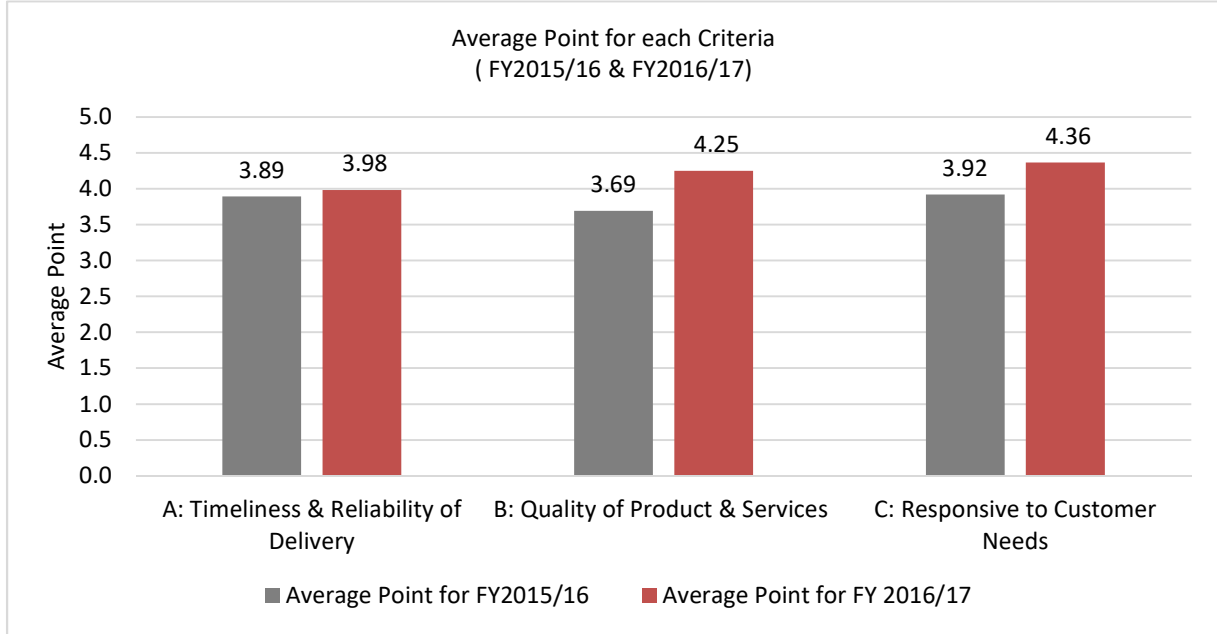
The customer survey is overseen by the Executive Director of Sales and Marketing and executed by the Marketing department. We have in place a SOP for conducting the customer survey. Our surveys cover the period from July to June of the following year in accordance to the requirement under ISO 9001. With regards to coverage, we ensure that the customers participating in the survey represent at least 70% of our sales. The identified customers are then asked to provide their satisfaction levels, on a scale of 1 to 5, with regards to:

1. Timeliness and reliability of delivery
2. Quality of products and services
3. Responsiveness to customer needs

Comment boxes are also provided for customers to provide additional feedback. In the past two years, we managed to obtain a 100% response rate for the survey. The results of the survey in FY2015/16 and FY2016/17 are presented in the figure below.



**FIG 3. RESULTS OF CUSTOMER SATISFACTION SURVEY CONDUCTED IN FY2015/16 and FY2016/17**



One of the comments received from our customers from the customer satisfaction survey conducted in FY2016/17:

“We always get accurate information and prompt response. A shorter lead time will be helpful”

Focus Area	Target for FY2018	Performance in FY2017
Quality of Products and Services and Customer Satisfaction	<ul style="list-style-type: none"> <li>To achieve an average of above 4.0 across all three aspects for the customer satisfaction survey for FY2017/18</li> </ul>	<ul style="list-style-type: none"> <li>Achieved above 4.0 average across two of three aspects</li> </ul>



The actions steps to achieving this target are detailed in the table below.

**TABLE 2. ACTION STEPS TO ACHIEVING THE FY2018 TARGET FOR CUSTOMER SATISFACTION**

Criteria	Action Steps
Timeliness & Reliability of Delivery	<ul style="list-style-type: none"> <li>▪ To ensure on-time delivery of finished goods to our customers. We will ensure that our shipments to customers are planned at least four to seven days prior to the expected delivery date set by our customers.</li> <li>▪ To provide accurate information/part/services as requested by our customers; and</li> <li>▪ Ensure short lead time whereby we will honour our deliveries to our customers between 30 to 90 days, depending on the models and availability of our capacities.</li> </ul>
Quality of Products & Services	<ul style="list-style-type: none"> <li>▪ To ensure that the quality of our finished goods meet the expectation of our customers. Our Quality Control (“QC”) and Production team will work together with the customers’ QC team to ensure that our finished goods can pass the final inspection by the customers’ QC team.</li> <li>▪ We will accept the responsibility of quality works. We will work closely with customers’ QC team to improve the quality of our finished goods if there is any rejection from them to ensure that there is no repeated quality issue in the future.</li> <li>▪ We will work closely with our customers on their comments of our finished goods in terms of the quality of the materials used, hardware used (for e.g. handles) and the construction of the finished goods in order to improve the quality and usage of our finished goods.</li> <li>▪ We will ensure that the finished goods that we produced can meet the requirements/usage of our customers (E.g. bed is comfortable to sleep on, dresser is with drawers for storage purposes.)</li> </ul>
Responsiveness to Customer Needs	<ul style="list-style-type: none"> <li>▪ To ensure prompt response to our customers’ needs by responding to all customer queries and complaints within three working days.</li> <li>▪ To ensure that we offer prices that are competitive with our competitors’ prices</li> <li>▪ To provide clear and regular communication with our customers. We will keep in touch via emails with our regular and existing customers on a daily basis if the need arises. For less regular and potential customers, we will follow-up with them from time to time and aim to secure consistent orders from them.</li> </ul>



## Our Business

### Economic Agility

We must be adaptable to our fast-moving business environment and fast-changing consumer purchasing behaviour in order to thrive economically. Being an exporter, we also need to consider the economic stability of export markets and exchange rate fluctuations. These variables present both risks and opportunities and our ability to mitigate the risks and leverage on the opportunities will determine our financial health. The success of the organisation will further impact our relationships with our stakeholders, especially with our providers of capitals, namely our investors and the banks, our suppliers, our employees, and our customers.

Our Board and management oversee LY Corporation Group's economic agility. Currently, we are looking to diversify our consumer base by expanding our sales network to People's Republic of China and exploring the possibilities of entering the e-commerce market. We also continue to remain economically resilient, by maintaining healthy capital ratios, and being cost competitive without compromising on the quality of our products and services.

Both Malaysian External Trade Development Organisation ("MATRADE") and Malaysian Timber Council ("MTC") have been organising buying and/or sourcing mission trips to different countries on a yearly basis. We have taken this opportunity to work very closely with MATRADE and MTC. We joined MTC for trips to countries such as Poland and Austria to look for new suppliers in FY2017. We also intend to have in place a formal hedging policy in FY2018 to manage foreign exchange fluctuations. Operationally, we plan to outsource the more labour intensive work to subcontractors so that we can focus more on the strategic aspects such as business development, building client relationships, research and development, and design and marketing.

**TABLE 3. ECONOMIC VALUE GENERATED AND DISTRIBUTED**

Financial Year		FY2016 RM'000	FY2017 RM'000
Economic Value Generated (Revenue)		293,064	357,725
Economic Value Distributed to Others	Operating Costs	203,706	253,920
	Employee Wages and Benefits	31,950	39,277
	Capital Providers	38,710	55,208
	Government	12,921	13,333
	Communities	331	86
Economic Value Retained		5,446	(4,099)

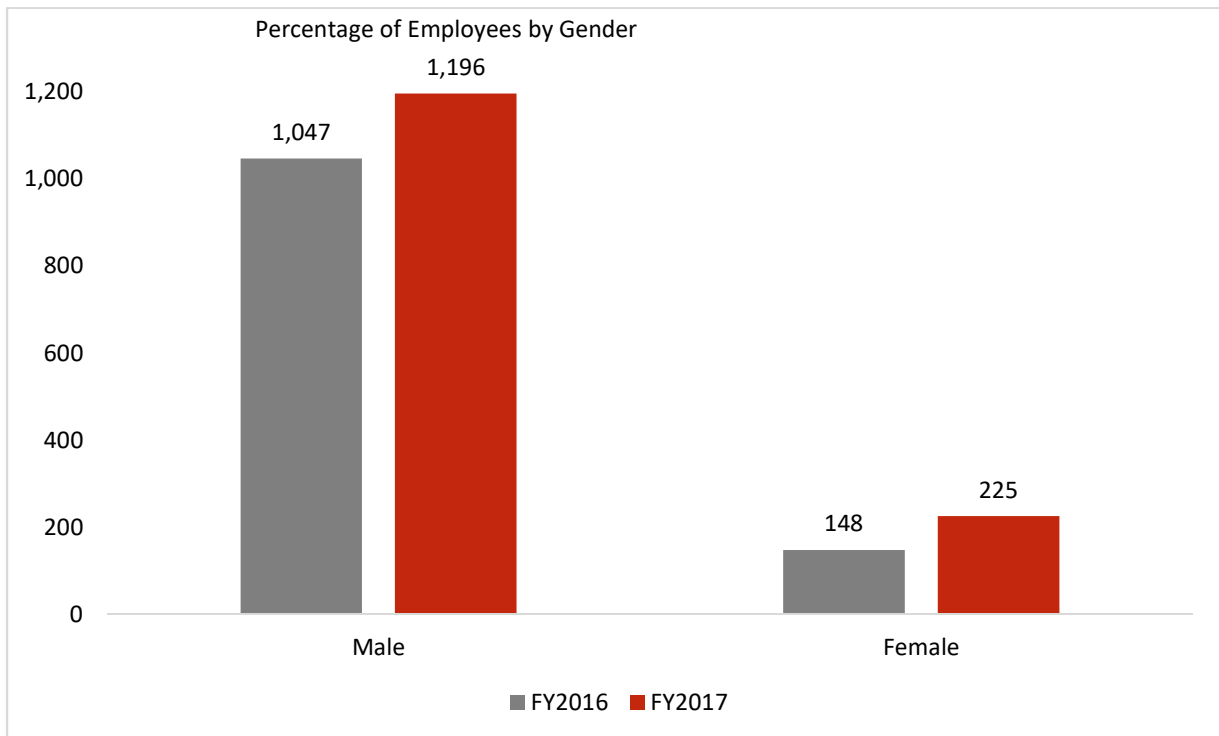


## Our People

### Profile of Our Workforce

Our people are our greatest assets. All our employees based in Malaysia are permanent staff who are working on a full-time basis. As at the end of FY2017, we have a total strength of 1,421 employees, a 19% increase from FY2016. Overall, there is an increase in total head count from FY2016 mainly due to the additional spray painting line in one of our factories. Due to the nature of the industry, a large majority of our employees are males. Our interns and self-employed workers, do not perform a significant portion of our business activities.

FIG 4. NUMBER OF EMPLOYEES BY GENDER FOR FY2016 AND FY2017







## **Workplace Health and Safety**

It is imperative for all organisations to provide their employees and workers with a safe working environment. Poor management of Workplace Health and Safety (“WHS”) may result in severe consequences and put the reputation of the organisation at risk.

At LY Corporation Group, we have in place a Safety, Health and Environment (“SHE”) policy that states our commitment to providing a safe and healthy working environment for all employees that is free from all forms of environmental pollution.

The SHE policy states that safety and health is a joint responsibility between management and workers at LY Corporation Group. The management is responsible for ensuring all laws and procedures relating to safety, health and environment are adhered to, that workers are properly trained and that all company activities will not put any of the workers in danger. Workers are expected to report any instances of danger in the workplace and adhere to the safety, health and environment procedures set out by management.

We have assembled a team of 41 trained employees to form the Safety and Health Committee to oversee SHE. The Committee is overseen by a Chairman and comprises of an assistant Chairman, a secretary, and 38 safety officers from our various factories and warehouses. Some of the members of the committee have first aid certifications. In FY2018, we intend to send some of the committee members for Personal Protective Equipment (“PPE”) training and SHE group chats are set up on WhatsApp which includes both employees and safety officers for employees to provide their feedback on matters pertaining to SHE.

A fire protection system consisting of sprinklers, alarm bells, FM200 Fire Suppression System and fire extinguishers are set up in all factories. An Emergency Response Team (“ERT”) has also been formed to manage the fire protection systems. The ERT has weekly meetings to discuss on the maintenance of the fire protection system.

Our WHS measures undergo an external audit by Department of Occupational Safety and Health (“DOSH”) on an annual basis. In FY2016, we had one finding regarding an air receiver tank not being registered. We registered the air receiver tank within three months of the audit and closed the case with DOSH. In FY2017, there were no findings from the audit. We are also subjected to SHE audits from our customers on an ad-hoc basis.

The WHS performance data can be found in Table 4 below. Although the number of injury cases has increased in FY2017, the cases recorded were less severe compared to FY2016. There were zero workplace fatalities and occupational disease cases in FY2016 and FY2017. There were also no work-related injuries relating to workers during both years.



**TABLE 4. WORKPLACE HEALTH AND SAFETY PERFORMANCE**

Category	FY2016			FY2017		
	Male	Female	Total	Male	Female	Total
Number of Injuries	8	1	9	21	2	23
Injury Rate ("IR") <sup>2</sup>	3.05	2.97	3.04	7.93	4.00	7.31
Lost day rate ("LDR") <sup>3</sup>	69.42	38.56	65.91	28.60	2.54	31.14
Absentee Rate ("AR") <sup>4</sup>	0.06%	0.03%	0.05%	0.03%	0.01%	0.03%

Focus Area	Perpetual Target	Performance in FY2017
Workplace Health and Safety	<ul style="list-style-type: none"> <li>To achieve zero cases of workplace injuries and fatalities</li> </ul>	<p>○ Did not meet</p> <p>In FY2017, 19 cases were due to injuries caused while using tools and machineries, 3 cases were caused by falling objects and 1 case was due to chemical ingestion.</p> <p>We will continue to ensure that we strictly adhere to our WHS measures (detailed in Table 5) in place and work towards achieving zero cases of non-compliance in FY2018.</p>

**TABLE 5. PRACTICES REATING TO WORKPLACE HEALTH AND SAFETY**

Type of Injury	Workplace Health and Safety Measures to Prevent Such Injuries
Caused while using tools and machineries	<ul style="list-style-type: none"> <li>Regular review and revisions to the Work Instruction ("WI")</li> <li>Having clamps to ensure that wood is in place when cutting the wood</li> <li>Having a SOP for use of machinery</li> <li>Issuing of self-adjusting guards to put on when using machinery</li> <li>Having an 'anti-kickback' tool to prevent sharp splinters from flying towards the operators</li> <li>Perform tagging before use of machinery to ensure that the electrical components of machinery are in working order before use</li> </ul>
Falling objects	<ul style="list-style-type: none"> <li>Ensuring that all forklift drivers have the proper certification and training</li> <li>All drivers to wear the Personal Protective Equipment ("PPE") when using the forklift</li> </ul>

<sup>2</sup> Injury Rate is calculated as the frequency of injuries relative to the total time worked by all workers during the reporting period, as defined by the GRI Standards.

<sup>3</sup> Lost Day Rate is calculated by comparing the total lost days to the total number of hours scheduled to be worked by workers in the reporting period, as defined by the GRI Standards.

<sup>4</sup> Absentee Rate is the total absentee days lost, relative to the total days scheduled to be worked by the employees in the reporting period, expressed as a percentage, as defined by the GRI Standards.



*Pictures from our training on the usage of Forklift*



*Pictures from our training on the usage of Respirators*

- Installation of a local exhaust ventilation to ensure that chemical fumes are reduced
- Issuing of respirators to put on in the factory

Chemical Ingestion



We will also continue to enforce safety trainings for all new and existing employees, including first aid, Cardiopulmonary Resuscitation (“CPR”), usage of forklift and usage of respirator trainings. In FY2018, the Group intends to implement several additional health and safety initiatives, including an upgrading of its dust collection suctions, inspecting its local exhaust ventilation system and providing all employees involved in spray painting with a respirator.



## Our Environment

### Material Use

The quality of the materials we use will contribute to the quality of our products. In the selection of our materials, we adhere to our Quality policy. Our procurement team, with the oversight of Board and management, invests time and effort in the material selection process based on quality and cost. We also welcome all feedback from clients on our material use which they can provide through their account manager.

As a consumer of timber due to the nature of our business, we have taken steps to attain certification. We are targeting to attain the Programme for the Endorsement of Forest Certification (“PEFC”) in FY2018.

Focus Area	Target for FY2018
Material Use	▪ To attain Programme for the Endorsement of Forest Certification (“PEFC”) in FY2018

We are conscious to use our materials in a prudent manner. Some environmentally-friendly practices includes recycling wood dust and small wood scraps by burning them in the boiler, while the larger wood scraps are used as a counterweight for products. We have also taken the initiative to use recycled stretch film in our packaging process.



## Our Governance

### Regulatory Compliance

Compliance with laws and regulations is fundamental for us to remain in business as it poses serious threats to business reputation and has significant operational and economic implications. Any violations of the applicable laws and regulations may result in fines or in more severe cases, a suspension of operations.

LY Corporation Group adopts zero tolerance stance towards non-compliance. Regulations requirements are incorporated into our Group’s policies and practices. All newly appointed directors of the Board are required to undergo an orientation programme where they will be briefed on our Group’s governance practices as well as the expected duties of a director of a listed company. Our HODs are held accountable for ensuring regulatory compliance. All employees are given a briefing on the importance of regulatory compliance at LY Corporation Group as well as their role in ensuring compliance during their induction. Employees are also sent for external trainings as appropriate to ensure that they are updated on any regulatory developments or changes. The key applicable laws and regulations for our Group can be found in Table 6.

**TABLE 6. KEY APPLICABLE LAWS AND REGULATIONS FOR THE GROUP**

Key Applicable Laws and Regulations for the Group	
Industrial Co-ordination Act, 1975	Ministry of International Trade and Industry
Factories and Machinery Act, 1967	Department of Occupational Safety and Health (“DOSH”)
Employment Act, 1955	Ministry of Human Resource (“MOHR”)
Environmental Quality Act, 1974	Department of Environment (“DOE”)
Personal Data Protection Act, 2010	Personal Data Protection Department (“PDPP”)
SGX-ST Catalyst Listing Requirements	Singapore Exchange Limited (“SGX”)
Malaysian Timber Industry Board (Incorporation) Act, 1973 and Timber Industrialisation Methods (Registration), 1991	Malaysia Timber Industry Board

Focus Area	Perpetual Target	Performance in FY2017
Regulatory Compliance	<ul style="list-style-type: none"> <li>To achieve zero cases of non-compliance with all applicable laws and regulations</li> </ul>	<p>○ <b>Did not achieve</b></p> <p>During the reporting year, LY Corporation Group received a fine of RM 50,000 from DOE due to a breach of the Environmental Quality Act arising from the failure to properly dispose of its waste. We have in place a Standards Operating Procedure (“SOP”) on waste disposal which includes specific steps on disposal, including where to store them, how long they should be stored and how to record the waste disposed. We will continue to ensure that we strictly adhere to our SOP and work towards achieving zero cases of non-compliance in the financial year ending 31 December 2018 (“FY2018”).</p>



## Ethics, Bribery & Corruption

LY Corporation Group prides ourselves as an organisation that is trusted by its stakeholder and we are mindful not to allow our integrity to be compromised in any way. On top of ensuring compliance with regulations by SGX and Malaysia Anti-Corruption Commission (“MACC”), our Group has in place several policies on Ethics, Bribery & Corruption such as the Conflict of Interest Policy, Whistle-blowing Policy and Employee Code of Conduct. These policies are introduced to employees during their induction. Details on these policies, and respective practices and performances can be found in the table below.

**TABLE 7. POLICIES, PRACTICES & PERFORMANCE RELATING TO ETHICS, BRIBERY & CORRUPTION**

Policies, Practices and Performance for FY2017	
Conflict of Interest Policy	<p>This policy states that employees must not accept gifts, gratuity, entertainment or favours that may influence their position to act in the best interest of our Group. This policy was emailed to all of our suppliers.</p> <p>There was no known breach of the policy in FY2017.</p>
Whistle-blowing Policy	<p>This policy provides a guidance for employees to raise their concerns of malpractice or wrongdoing within the Group to the Investigation Committee (“IC”), consisting of an Executive Director, CFO and an external Human Resource consultant, as well as Audit Committee (“AC”) Chairman without fear of reprisal. Based on the nature of the case, the IC assists the AC to carry out the appropriate follow-up action to address the concerns raised. Where appropriate or required, a report shall be made to the relevant governmental authorities for further investigation/action. The whistle-blower will not be updated on the outcome of the investigations but will receive a confirmation that the matter has been dealt with by LY Corporation Group. This is to safeguard all parties, including our Group.</p> <p>All employees are required to sign and acknowledge the policy upon employment.</p> <p>No whistle-blowing reports were received in FY2017.</p>
Employee Code of Conduct	<p>All employees are introduced to the Employee Code of Conduct during induction which contains a comprehensive list of examples of employee misconduct which are not tolerated by our Group, categorised as ‘minor’ and ‘major’. Misconducts include violating company safety rules, forgery, theft, sexual harassment and sleeping on the job. All employees also have access to this list through the Group’s shared drive.</p> <p>In FY2017, there were zero cases of employees being disciplined or dismissed for corruption. However, there were four employees being dismissed for misconducts.</p>

Focus Area	Perpetual Target	Performance in FY2017
Ethics, Bribery and Corruption	<ul style="list-style-type: none"> <li>To achieve zero cases which are unethical, fraudulent or corrupt in nature</li> </ul>	Achieved



## GRI Content Index

GRI Standard	Disclosure	Section of Report	Page Reference	
<b>General Disclosures</b>				
<b>GRI 102: General Disclosures 2016</b>	<b>Organisational profile</b>			
	102-1	Name of the organisation	Introduction: About LY Corporation Limited	Pg 2
	102-2	Activities, brands, products, and services	Introduction: About LY Corporation Limited	Pg 2
	102-3	Location of headquarters	Introduction: About LY Corporation Limited	Pg 2
	102-4	Location of operations	Introduction: About LY Corporation Limited	Pg 2
	102-5	Ownership and legal form	Introduction: About LY Corporation Limited	Pg 2
	102-6	Markets served	Introduction: About LY Corporation Limited	Pg 2
	102-7	Scale of the organisation	Introduction: About LY Corporation Limited Our People: Profile of Our Workforce Annual Report 2017	Pg 2 Pg 14 Pages 50-51, 89 and 91 of Annual Report for FY2017
	102-8	Information on employees and other workers	Our People: Profile of Our Workforce	Pg 14
	102-9	Supply chain	Our Customers: Responsible Supply Chain Management	Pg 4
	102-10	Significant changes to the organisation and its supply chain	Our Customers: Responsible Supply Chain Management	Pg 4
	102-11	Precautionary Principle or approach	LY Corporation Group is in the process of creating the organisation's Enterprise Risk Management.	
	102-12	External initiatives	LY Corporation Group does not currently subscribe to or endorse any external initiatives.	
	102-13	Membership of associations	Introduction: About LY Corporation Limited	Pg 2
<b>Strategy</b>				
102-14	Statement from senior decision-maker	Board Statement	Pg 2	



GRI Standard	Disclosure	Section of Report	Page Reference
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	Our Governance: Ethics, Bribery & Corruption	Pg 20
<b>Governance</b>			
102-18	Governance structure	Sustainability @ LY Corporation Corporate Governance Report	Pg 4; Pages 13 to 42 of Annual Report for FY2017
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups	Stakeholder Engagement	Pg 5-6
102-41	Collective bargaining agreements	Our People: Profile of Our Workforce	Pg 14
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	Pg 5-6
102-43	Approach to stakeholder engagement	Stakeholder Engagement	Pg 5-6
102-44	Key topics and concerns raised	Stakeholder Engagement	Pg 5-6
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements	Introduction: About the Report	Pg 4
102-46	Defining report content and topic Boundaries	Introduction: About the Report	Pg 4
102-47	List of material topics	Materiality Assessment	Pg 8
102-48	Restatements of information	No restatements as it is the first year of reporting	N.A.
102-49	Changes in reporting	No changes as it is the first year of reporting	N.A.
102-50	Reporting period	Introduction: About the Report	Pg 4
102-51	Date of most recent report	2017 Annual Report	N.A.
102-52	Reporting cycle	Introduction: About the Report	Pg 4





GRI Standard	Disclosure	Section of Report	Page Reference	
	102-53	Contact point for questions regarding the report	Introduction: About the Report	Pg 4
	102-54	Claims of reporting in accordance with the GRI Standards	Introduction: About the Report	Pg 4
	102-55	GRI content index	GRI Content Index	Pg 21-25
	102-56	External assurance	Introduction: About the Report	Pg 4
<b>Topic-specific GRI Standard Disclosures</b>				
<b>Quality of Products and Services</b>				
<b>GRI 103: General Disclosures 2016</b>	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 7
	103-2	The management approach and its components	Our Customers: Quality of Products and Services	Pg 9
	103-3	Evaluation of the management approach	Our Customers: Quality of Products and Services	Pg 9
<b>Customer Satisfaction</b>				
<b>GRI 103: General Disclosures 2016</b>	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 7
	103-2	The management approach and its components	Our Customers: Customer Satisfaction	Pg 10-12
	103-3	Evaluation of the management approach	Our Customers: Customer Satisfaction	Pg 10-12
<b>Economic Agility</b>				
<b>GRI 103: General Disclosures 2016</b>	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 7
	103-2	The management approach and its components	Our Business: Economic Agility	Pg 13
	103-3	Evaluation of the management approach	Our Business: Economic Agility	Pg 13
<b>GRI 201: Economic</b>	201-1	Direct economic value generated and distributed	Our Business: Economic Agility	Pg 13



GRI Standard	Disclosure	Section of Report	Page Reference	
<b>Performance 2016</b>				
<b>Workplace Health and Safety</b>				
<b>GRI 103: General Disclosures 2016</b>	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 7
	103-2	The management approach and its components	Our People: Workplace Health and Safety	Pg 15-17
	103-3	Evaluation of the management approach	Our People: Workplace Health and Safety	Pg 15-17
<b>GRI 403: Occupational Health and Safety 2016</b>	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Our People: Workplace Health and Safety	Pg 16
<b>Material Use</b>				
<b>GRI 103: General Disclosures 2016</b>	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 7
	103-2	The management approach and its components	Our Environment: Material Use	Pg 18
	103-3	Evaluation of the management approach	Our Environment: Material Use	Pg 18
<b>Regulatory Compliance</b>				
<b>GRI 103: General Disclosures 2016</b>	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 7
	103-2	The management approach and its components	Our Governance: Regulatory Compliance	Pg 19
	103-3	Evaluation of the management approach	Our Governance: Regulatory Compliance	Pg 19
<b>GRI 307: Environmental</b>	307-1	Non-compliance with environmental laws and regulations	Our Governance: Regulatory Compliance	Pg 19



GRI Standard	Disclosure	Section of Report	Page Reference
<b>Compliance 2016</b>			
<b>GRI 419: Socioeconomic Compliance 2016</b>	419-1	Non-compliance with laws and regulations in the social and economic area	Our Governance: Regulatory Compliance Pg 19
<b>Ethics, Bribery &amp; Corruption</b>			
<b>GRI 103: General Disclosures 2016</b>	103-1	Explanation of the material topic and its Boundary	Materiality Assessment Pg 7
	103-2	The management approach and its components	Our Governance: Ethics, Bribery & Corruption Pg 20
	103-3	Evaluation of the management approach	Our Governance: Ethics, Bribery & Corruption Pg 20
<b>GRI 205: Anti-corruption 2016</b>	205-3	Confirmed incidents of corruption and actions taken	Our Governance: Ethics, Bribery & Corruption Pg 20