

# SUSTAINABILITY REPORT

## 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 2022 (“**FY2022**”). The entire Report is set out on pages 14 to 40, and forms part of the Annual Report of the Company.

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 LY Corporation’s sustainability strategy and reporting. They review our sustainability mission, goals, key considerations, control mechanisms, and performance annually. 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.

Being in the wooden bedroom furniture industry, LY Corporation recognises that sustainable development is imperative for the Group’s long-term success. Our vision is to lead the change towards a climate resilient industry while being a fair and equal company. The Board is keenly aware of growing risks posed by climate change and global warming, as well as deeply committed to respecting human rights across our operations and value chain. Accordingly, we strive to integrate Economic, Environmental, People, and Governance considerations across our business operations, as well as continue to build on our capabilities and extend the value propositions of our business to safeguard stakeholders’ interests.

As we progress on our sustainability journey, we will be regularly reviewing and revising our performance indicators and targets to align with our business objectives. We will also be strengthening our engagement with stakeholders to improve our sustainability efforts and practices to build a long-term, sustainable business. Notably, it is our responsibility to respect and work to advance the human rights and working conditions of the people working for our suppliers as well as the Group’s employees to ensure they know their rights. The Board, assisted by LY Corporation’s Sustainability Steering Committee (“**SSC**”), is responsible for the monitoring, and overseeing of salient sustainability issues as part of its strategic formulation annually. Through the materiality assessment, the SSC identifies the material topics and embeds their underlying implications into our strategic direction. To realise them, our SSC has developed the relevant metrics and targets in the short-, medium- and long-term time horizons to adequately address the various material topics.

We would like to take this opportunity to express our utmost gratitude towards 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.

The Board of Directors

**LY Corporation Limited**

# SUSTAINABILITY REPORT

## ABOUT THIS REPORT

This Report outlines our Group's sustainability approaches, initiatives and strategies. The information presented in this Report covers the reporting period from 1 January 2022 to 31 December 2022 ("FY2022"), unless stated otherwise.

This Report has been reviewed by the Board in compliance with Rule 711B of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst.

## REPORTING FRAMEWORK

This Report is prepared with reference to the Global Reporting Initiative Standards ("GRI Standards"), Task Force on Climate-related Financial Disclosures ("TCFD") recommendations 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

In FY2022, Leyo Holdings Sdn. Bhd. has expanded its operations to include furniture trading and designing of furniture. This Report covers all aspects of the Group's furniture designing, manufacturing, trading and sales in Malaysia for FY2022, which includes the following entities:

- LY Furniture Sdn. Bhd. and LY Global Hub Sdn. Bhd. (collectively "LY Furniture")
- Leyo Holdings Sdn. Bhd. and its subsidiaries, Leyo Manufacturing Sdn. Bhd.<sup>(1)</sup> and Titan Hardware Sdn. Bhd. (collectively "LHG")

### Note:

- (1) The Company transferred the entire share capital of Leyo Manufacturing Sdn. Bhd. held by Leyo Holdings Sdn. Bhd. to LY Furniture Sdn. Bhd. on 30 December 2022. However, as Leyo Manufacturing Sdn. Bhd. was wholly-owned by Leyo Holdings Sdn. Bhd. for the majority of FY2022, Leyo Manufacturing Sdn. Bhd. is referred as part of the LHG group of companies in this Report.

## FEEDBACK

This Report forms part of our Annual Report for FY2022 ("2022 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](mailto:tanyc@lyfurniture.com)
- Ms. Teo Gin Lian, Chief Financial Officer (CFO) at [teogl@lyfurniture.com](mailto:teogl@lyfurniture.com)

# SUSTAINABILITY REPORT

## KEY HIGHLIGHTS

Dimensions	Material Areas	FY2022 Achievements
Economic	Economic Agility	<ul style="list-style-type: none"> <li>Attended several trade fairs for furniture and builders in FY2022.</li> <li>Launched four (4) new products for LY Furniture and two (2) new product lines for LHG (FY2021: 5 new products for LY Furniture and 2 new product lines for LHG)</li> </ul>
	Quality of Product and Services	<ul style="list-style-type: none"> <li>Achieved zero cases of significant chargeback under LY Furniture and LHG (FY2021: zero cases)</li> </ul>
	Customer Satisfaction	<ul style="list-style-type: none"> <li>Obtained an average score of 4.12 out of 5 across all three (3) aspects for LY Furniture (FY2021: Obtained an average score of 4.02 out of 5 across all three (3) aspects for LY Furniture)</li> </ul>
Environmental	Climate Change	<ul style="list-style-type: none"> <li>Monitored any potential risks and opportunities that climate changes have on our operations.</li> <li>Tracked Scope 1 and Scope 2 Greenhouse Gas emissions</li> </ul>
	Energy Usage	<ul style="list-style-type: none"> <li>Generated a total of 3,524.60MWh of solar energy, which is equivalent to approximate 2,062 tonnes of carbon dioxide (CO<sub>2</sub>) avoidance</li> </ul>
	Water Consumption	<ul style="list-style-type: none"> <li>Adopted more water efficient fixtures and fittings to reduce water consumption</li> <li>Performed frequent checks and maintenance on pipes and installations to prevent potential water leakages</li> </ul>
	Waste Management	<ul style="list-style-type: none"> <li>Recycled 1,963,829 kg of wastes, such as scrap iron, wood, plastics and carton</li> </ul>
	Material Use	<ul style="list-style-type: none"> <li>97.96% of wood from sustainable source (FY2021: 99.75%)</li> </ul>
Social	Talent Attraction and Retention	<ul style="list-style-type: none"> <li>Provided fair and competitive compensation packages to ensure that employees' well-being, and career progression are well-taken care of</li> </ul>
	Training and Development	<ul style="list-style-type: none"> <li>Attained an average 8.6 training hours per employee (FY2021: 7.7 training hours)</li> </ul>
	Workplace Health and Safety	<ul style="list-style-type: none"> <li>Achieved zero cases of workplace fatalities (FY2021: zero cases)</li> </ul>
Governance	Corporate Governance	<ul style="list-style-type: none"> <li>Complied with principles of the Code of Corporate Governance and provided explanations where there are deviations to the Code of Corporate Governance (FY2021: same as FY2022)</li> </ul>
	Ethics, Bribery and Corruption	<ul style="list-style-type: none"> <li>Achieved zero cases which are unethical, fraudulent or corrupt in nature (FY2021: zero cases)</li> </ul>
	Regulatory Compliance	<ul style="list-style-type: none"> <li>Achieved zero significant fines and zero reported cases of non-compliance with all applicable laws, rules and regulations (FY2021: zero significant fines and zero reported cases)</li> </ul>

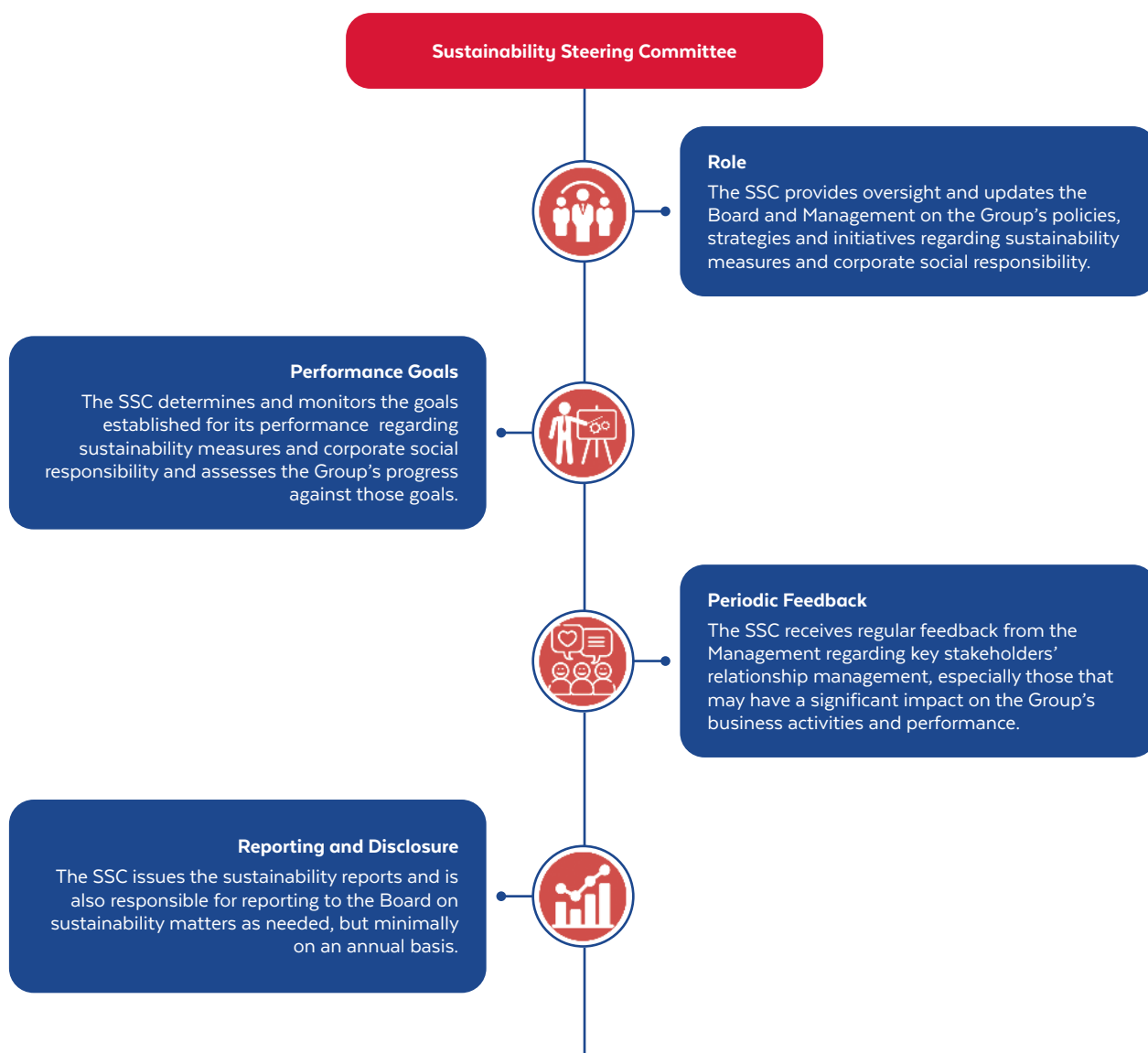
# SUSTAINABILITY REPORT

## 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.



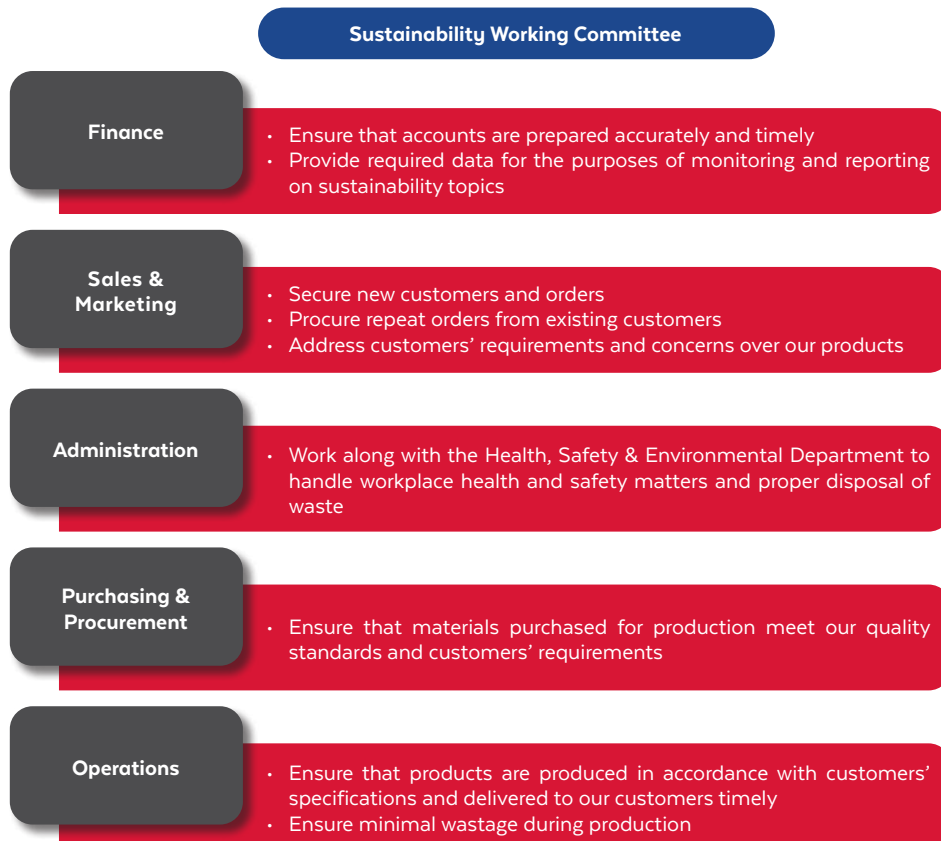
## SUSTAINABILITY STEERING COMMITTEE



# SUSTAINABILITY REPORT

## 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 REPORT

## STAKEHOLDER ENGAGEMENT

We actively communicate and respond to our stakeholders’ needs to align our expectations and goals. We 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"> <li>• Sustainable profitability and shareholders’ returns</li> <li>• Long-term business growth</li> <li>• Accurate, timely and transparent disclosure of information</li> <li>• High standards of corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Strive to generate sustainable long-term profitability</li> <li>• Adhere to timely, transparent and accurate dissemination of pertinent information to the market</li> <li>• Ensure good corporate governance are in place in accordance to principles and provisions of the Code of Corporate Governance 2018</li> </ul>
	Annual report	Annual		
	Financial result announcements	Bi-annual		
	Other corporate announcements	Ad-hoc		
	Company website	Throughout the year		
Employees and Workers	Performance reviews with Heads of Department	Quarterly	<ul style="list-style-type: none"> <li>• Job security</li> <li>• Safe working environment</li> <li>• Fair and competitive employment practices</li> <li>• Staff development and well-being</li> <li>• Work-life balance</li> <li>• Competitive remuneration and benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Seek to ensure the job security of employees when making business decisions</li> <li>• Create a safe and cohesive working environment</li> <li>• Provide fair and equal opportunities to all employees</li> <li>• Provide talks and trainings on safety</li> <li>• Share economic value generated by the Group with employees through increments and bonuses</li> </ul>
	Training and development	Throughout the year		
	Feedback platform	Throughout the year		
Customers	Emails	Throughout the year	<ul style="list-style-type: none"> <li>• Quality of finished goods</li> <li>• Timely delivery of finished goods</li> <li>• Competitive pricing</li> <li>• Timely response to customers’ feedbacks and complaints</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver products with high standards of quality and consistency according to customers’ specifications</li> <li>• Ensure timely shipment of products</li> <li>• Price negotiation with clients to ensure competitive pricing in the market while maintaining the Group’s profit margin</li> <li>• Prompt to deliver after-sales services upon customers’ requests</li> </ul>
	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"> <li>• Provide suppliers consistent/greater business opportunities</li> <li>• Meeting our Group’s quality requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Committed to making sustainable procurement choices</li> <li>• Providing timely feedback on quality of materials/products to suppliers/sub-contractors</li> </ul>
	Tele-conversations	Throughout the year		
	Physical and/or virtual meetups with suppliers/ sub-contractors	Ad-hoc		

# SUSTAINABILITY REPORT

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"> <li>• Compliance with laws, rules and regulations</li> <li>• Corporate governance</li> <li>• Safe working environment</li> </ul>	<ul style="list-style-type: none"> <li>• Strict compliance with relevant laws, rules and regulations</li> <li>• Fair and reasonable business practices</li> <li>• Prioritise employees' health and safety</li> <li>• Provide directors and employees regular trainings to update them of latest regulations and practices</li> </ul>
	Meetings, briefings and regular reporting	Ad-hoc		
The Community	Community outreach initiatives	Ad-hoc	<ul style="list-style-type: none"> <li>• Eco-sustainable business practices</li> <li>• Responsible and ethical business practices</li> <li>• Contribution to local community</li> </ul>	<ul style="list-style-type: none"> <li>• Understand and support initiatives by local community/government</li> </ul>

# SUSTAINABILITY REPORT

## MATERIALITY ASSESSMENT

To keep abreast of material and critical issues, the Group periodically evaluates and benchmarks its business operations against the changing business landscape, emerging global trends, stakeholders’ opinions and regulatory developments.

The opinions and feedbacks were gathered from the various stakeholders from the abovementioned engagement channels in the previous section. The materiality assessment is outlined below:

### Stage 1: Identification

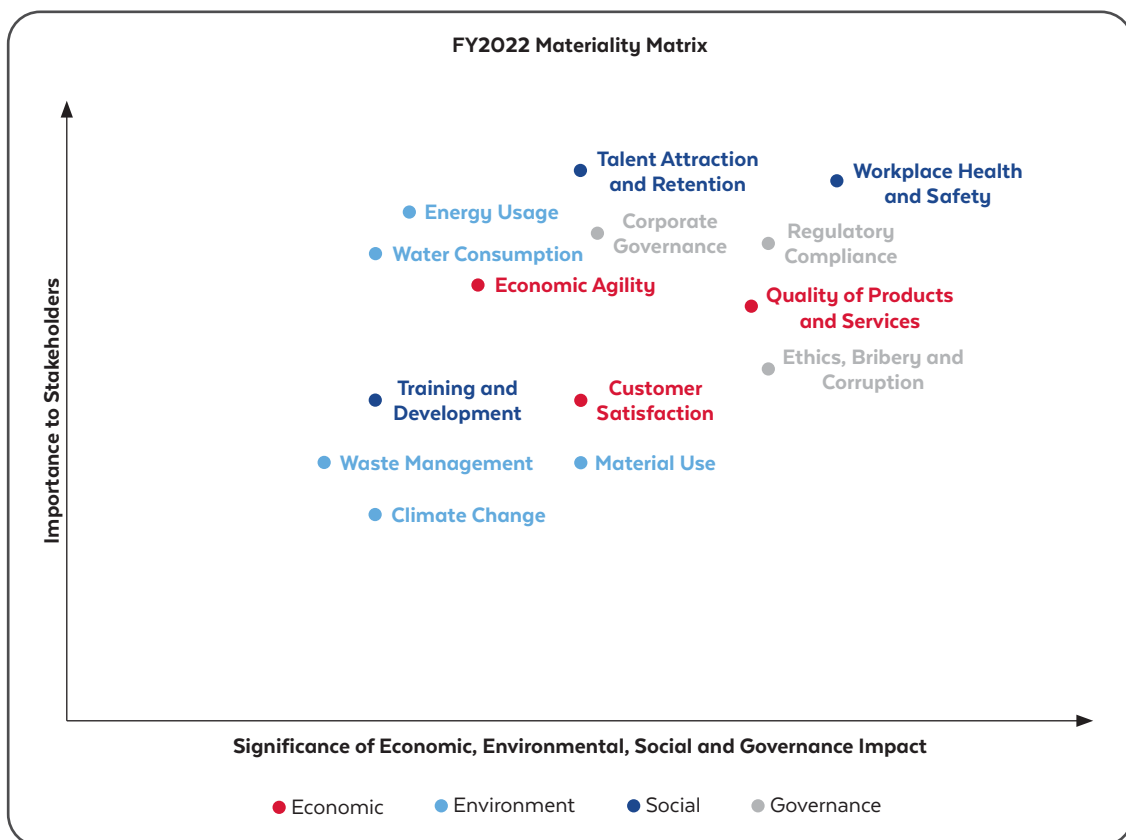
ESG factors are identified through the feedbacks provided from stakeholders through the various communication channels. Additionally, benchmarking of the Group’s ESG factors was made against those disclosed by suitable peer companies of the Group.

### Stage 2: Prioritisation

The SSC, SWC, key management personnel and employees responsible for each identified ESG factor review and assess the relevance of material factors, based on the importance to our stakeholders and the level of impact to our business.

### Stage 3: Validation

Findings from the first two stages are presented to the Board who subsequently confirms a list of key material ESG factors for disclosure.





# SUSTAINABILITY REPORT

## UPDATES TO MATERIAL TOPICS

In FY2022, through our materiality assessment, we have identified and included the following new material topics:

- Energy Usage;
- Water Consumption;
- Waste Management;
- Climate Change; and
- Talent Attraction and Retention.

Reasons for their inclusion and their relevance to our business and stakeholders are discussed below.

## MATERIAL TOPICS - AT A GLANCE

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.

Material Topic	Relevance	How We Are Addressing the Issue
<b>Economic</b>		
<b>Economic Agility</b>	<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 strive to continue to expand our presence into new markets and strengthen our product offerings through collaboration with business partners and engagements in business fairs.</p> <p>We also believe that our strategy for diversification over the years will help us to mitigate the financial impact of the pandemic and global market events.</p>
<b>Quality of Products and Services</b>	<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 also invest in our human capital through provision of regular trainings.</p> <p>Our quality assurance policy also emphasises the importance of products being of excellent quality before delivering to our customers.</p>
<b>Customer Satisfaction</b>	<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>
<b>Environmental</b>		
<b>Energy Usage</b>	<p>The Group recognises that investing in energy conservation not only reduces our carbon footprint but will simultaneously aid in our cost savings.</p>	<p>We constantly review our production processes to optimise the use of energy. We have also adopted renewable energy solutions which improves our energy efficiency and diversify our energy supply.</p>
<b>Water Consumption</b>	<p>We recognise that water is a finite resource and businesses play an important role in ensuring the sustainability of water resources.</p>	<p>We strive to minimise water consumption and improve water usage efficiency through active monitoring. We also seek to inculcate a sense of environmental stewardship in our employees through reminders to minimise use of water.</p>
<b>Material Use</b>	<p>We believe in providing the best quality products to our customers but not at the expense of the environment.</p>	<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>

# SUSTAINABILITY REPORT

Material Topic	Relevance	How We Are Addressing the Issue
<b>Waste Management</b>	We recognise that minimising waste produced can reduce environmental degradation and conserve resources.	We aim to effectively manage and minimise waste produced from our business activities through resourceful usage and the adoption of recycling initiatives.
<b>Climate Change</b>	We recognise the impact that climate changes might have on our business and see the importance of partaking in global efforts to mitigate the impact of our operations on the environment.	We perform regular risk assessments and constantly monitor our environment for any potential risks and opportunities that climate changes have on our operations.
<b>Social</b>		
<b>Talent Attraction and Retention</b>	We believe that attracting and retaining competent employees is crucial in the success of our business.	We strive to provide fair and competitive compensation packages for our employees. Furthermore, we also ensure that employee's well-being, welfare, and career progression are well-taken care of.
<b>Training and Development</b>	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>
<b>Workplace Health and Safety</b>	We are committed to provide a safe and healthy working environment for all employees.	<p>We have established a Safety, Health and Environment Policy and our Safety, Health and Environment Committee is responsible for ensuring that the policy is understood and adhered by all employees and workers.</p> <p>Regular trainings are provided to promote health and safety awareness amongst our employees.</p>
<b>Governance</b>		
<b>Corporate Governance</b>	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 be complied by all employees as our commitment to the ethical standards.</p>
<b>Ethics, Bribery and Corruption</b>	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.</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 &amp; Anti-Corruption Policy to provide guidance to our employees in their business conduct.</p>
<b>Regulatory Compliance</b>	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>

# SUSTAINABILITY REPORT

## ECONOMIC

LY Corporation is committed to be the leading manufacturer of wooden bedroom set, and we strive to achieve strong, sustainable economic performance and exceed customers' expectations with our corporate network, robust inventory management, and vast experience in the industry. As we aspire to provide competitive, cutting-edge products for our clients and enhance operational efficiency, we seek to deliver exceptional and professional customer service and ultimately, create long-term value for all stakeholders, promote growth and scalability, and boost profitability.

For detailed information on our financial performance, please refer to the financial statements in our 2022 Annual Report.

## ECONOMIC AGILITY

We recognise the importance to adapt to the constantly evolving business environment in the furniture industry. We aim to be adaptable and expand into new markets and product offerings to diversify our risks and increase our market presence. We are dedicated to being economically agile and operationally ready to respond to the ever-changing market condition and risks. In FY2022, we strive to continue to expand our presence into new markets and strengthen our product offerings for diversification.

### Economic Value Generated and Distributed

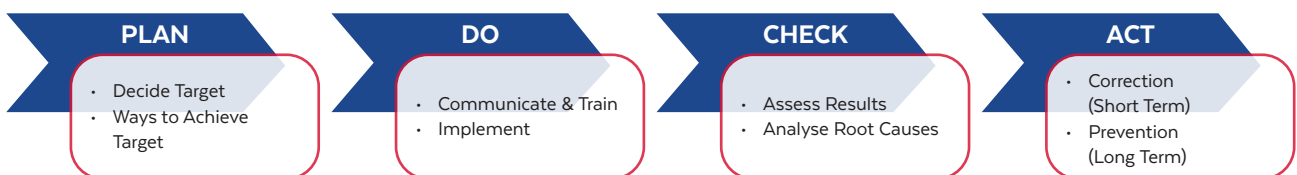
Financial Year		FY2021 RM'000	FY2022 RM'000
<b>Economic Value Generated</b>		<b>199,524</b>	<b>240,898</b>
<b>Economic Value Distributed</b>	Operating Costs	168,459	192,530
	Employee Wages and Benefits	36,379	37,766
	Capital Providers	1,449	2,247
	Government	81	98
	Communities	18	23
<b>Total Economic Value Distributed</b>		<b>206,386</b>	<b>232,664</b>
<b>Economic Value (Distributed)/Retained</b>		<b>(6,826)</b>	<b>8,234</b>

The Group continues to remain resilient and vigilant in monitoring the evolving market conditions and purchasing trend of consumers to continue to grow the business in a sustainable manner and remain relevant in the industry. We also strive to continue to expand our presence into new markets and strengthen our product offerings. In FY2022, we have attended several trade fairs for furniture and builders to reach out to more customers and expand our market.

Perpetual Target	Performance in FY2022
To expand our presence into new markets and strengthen our product offerings	Attended several trade fairs for furniture and builders to reach out to a wider customer base.

## 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. Notably, the Group recognises that the importance of quality assurance 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. In FY2022, the Group has conducted several ISO related in-house training courses for employees, delivered by both internal and external trainers.

# SUSTAINABILITY REPORT

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 FY2022.

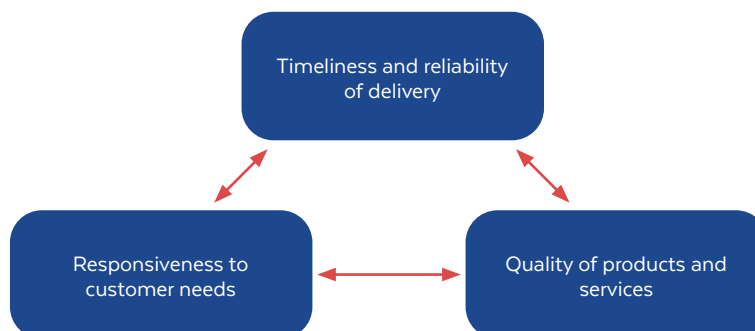
Target for FY2022	Performance in FY2022	Target for FY2023
To achieve no more than five (5) significant customer chargeback cases in FY2022	Zero significant customer chargeback cases in FY2022 (FY2021: zero significant customer chargeback cases)	To achieve no more than five (5) significant customer chargeback cases in FY2023

## CUSTOMER SATISFACTION

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.

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 with ISO9001:2015 requirements. 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 4.12 across all three (3) aspects in FY2022.

Target for FY2022	Performance in FY2022	Target for FY2023
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.	Obtained an average score of 4.12 across all three (3) aspects for LY Furniture (FY2021: Obtained an average score of 4.02 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 FY2023 for LY Furniture and LHG.

## MOVING FORWARD

As we forge ahead, we remain steadfast in our pursuit of growth and innovation. Our aim is to conquer new frontiers and fortify our product portfolio. With unwavering dedication, we will constantly elevate our quality standards to deliver exceptional value to our stakeholders. We aim to surpass customer expectations and provide unparalleled satisfaction with our products and services.

# SUSTAINABILITY REPORT

## ENVIRONMENTAL

As the world rallies to limit global temperature rise to well below 1.5°C as set out in the Paris Agreement, we too seek to do our part to reduce GHG emissions in our business activities. We are working towards developing strategies to build climate resilience across our business divisions, and the first step is to understand the potential risks and opportunities from climate change, as well as their financial impact on our businesses.

## TCFD REPORT (CLIMATE CHANGE)

### GOVERNANCE

The Board has the overall responsibility for the Group's sustainability strategy, including climate-related risks and opportunities. Committees are established to evaluate and monitor climate-related risks and opportunities. Refer to our Sustainability Steering Committee Structure on page 16 and 17 of the Report for further details.

### STRATEGY

We seek to transform the Group into a climate-resilient and future-ready business. Our overarching climate strategy is to identify, assess, prioritise, mitigate, and monitor climate-related physical and transition risks in our business. We also seek to capitalise on climate-related opportunities with the global shift to a lower-carbon economy by 2030 and a net-zero standard by 2050. We expect our strategies evolve to be more developed and refined as we progress with a deeper analysis of risks and opportunities over the coming years.

### SCENARIO ANALYSIS

To assess the impact of climate change on our business, we have performed scenario analysis to review risks and opportunities under different climate scenarios as follows:

Scenario	Paris-aligned scenario (below 2°C)	No mitigation scenario (4°C)
<b>Rationale</b>	We selected this scenario to assess the transition impacts in an economy shifting to a low carbon world. It reflects actions required to limit global warming to under 2°C.	We selected this scenario to assess our physical risk under a high-emission scenario, consistent with a future with limited policy changes to reduce emissions.
<b>Underlying model</b>	International Energy Agency's Sustainable Development Scenario	Intergovernmental Panel on Climate Change ("IPCC") Representative Concentration Pathway 8.5
<b>Used to analyse</b>	Transition impacts	Physical impacts
<b>Assumptions</b>	Transition features: <ul style="list-style-type: none"> <li>Carbon tax and pricing introduced</li> <li>Fossil fuel subsidies phased out by 2050 in net-importers and by 2035 in net-exporters</li> <li>Increased generation from renewable energy</li> </ul>	Physical features: <ul style="list-style-type: none"> <li>Global emissions continue to rise because of high carbon intensity</li> <li>Global mean sea level rise of 0.63 metres by year 2100</li> <li>High frequency and intensity of heat waves and extreme precipitation events</li> </ul>

## CLIMATE-RELATED RISKS AND OPPORTUNITIES

Taking into consideration the above scenarios, we have identified the following risks/opportunities and their impact on our business should the above scenarios materialise.

Climate-related risks	
Description	Impact
<b>Physical risks</b>	
<b>Acute</b> <i>Increased severity of extreme weather events such as frequent flooding</i>	<ul style="list-style-type: none"> <li>Prolonged production timeline</li> <li>Increased insurance premiums</li> <li>Reduced revenue from lower sales output</li> </ul>
<b>Chronic</b> <i>Rising mean temperatures</i>	<ul style="list-style-type: none"> <li>Longer dry spells leading to higher water costs</li> <li>Increased thermal stress and a health risk for our employees</li> <li>Lower work productivity</li> </ul>

# SUSTAINABILITY REPORT

Climate-related risks	
Description	Impact
<b>Transition risks</b>	
<b>Policy and Legal</b>	<ul style="list-style-type: none"> <li>• Increased compliance costs and operation costs</li> <li>• Increased insurance premiums</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Capital investments into technology development</li> <li>• Cost of adoption</li> <li>• Increased write-offs and early retirement of existing assets</li> <li>• Reduced demand for services</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• Increase in energy and water costs</li> <li>• Changing client preferences such as demand for environmental-friendly products</li> <li>• Inability to meet customers' sustainability expectations could make our services less attractive</li> </ul>

Climate-related opportunities	
Description	Impact
<b>Resource Efficiency</b>	<ul style="list-style-type: none"> <li>• Enhancing energy efficiency and water conservation in our operations and business properties can reduce costs</li> </ul>
<b>Energy Sources</b>	<ul style="list-style-type: none"> <li>• Reduced exposure to fossil fuel price increase</li> <li>• Returns on investment in low-emission technology</li> <li>• Increased energy resilience</li> </ul>
<b>Products and Services</b>	<ul style="list-style-type: none"> <li>• Offerings with sustainable designs or material can attract environmentally conscious customers</li> </ul>

## RISK MANAGEMENT

To safeguard the interest of the Company and its shareholders, the Group has established an Enterprise Risk Management (“ERM”) Framework formulated as a guideline for the Group’s approach and mitigative actions on sustainability-related risks. As part of our annual ERM exercise, ESG risks are identified, assessed, and managed to ensure that these risks remain within our risk appetite.

The table below illustrates our key mitigation strategies for material risks.

Climate-related risks	
Description	Mitigating Measures
<b>Physical risks</b>	
<b>Acute</b> <i>Increased severity of extreme weather events such as frequent flooding</i>	<ul style="list-style-type: none"> <li>• Business continuity plan and crisis management plan</li> <li>• Develop climate-resilient policies and procedures as well as integrate them as a part of ERM efforts</li> <li>• Conduct stress-test total exposure against projected climate hazards</li> </ul>
<b>Chronic</b> <i>Rising mean temperatures</i>	<ul style="list-style-type: none"> <li>• Adopt more water efficient fittings and products</li> <li>• Shorten exposure time and use frequent rest breaks for workers</li> <li>• Provide a better indoor environmental quality for our employees</li> </ul>
<b>Transition risks</b>	
<b>Policy and Legal</b>	<ul style="list-style-type: none"> <li>• Use of sustainable materials and technologies that are compliant with laws and regulations</li> <li>• Adoption of renewable energy</li> </ul>
<b>Technology</b>	<ul style="list-style-type: none"> <li>• Switch to low-emission technologies</li> </ul>
<b>Market</b>	<ul style="list-style-type: none"> <li>• Prioritise the reduction of emissions and pollutions in our value chain</li> <li>• Leverage on opportunities to develop new markets</li> <li>• Work closely with stakeholders to promote environmental-friendly practices in value chain</li> </ul>

# SUSTAINABILITY REPORT

## METRICS AND TARGETS

In addition to our existing metrics and targets, we will continue to enhance our disclosures on the implementation of our Net Zero Roadmap by 2050. This includes improving our ability to identify and measure emissions, working with our suppliers and customers, and exploring new ways in which we can use analytics, automation, and artificial intelligence to enhance decision making and transparency.

### Greenhouse gas emissions

The majority of GHG emissions within our operations arise from the use of electricity and fuel (diesel). Activities from our projects are key driver of GHG emissions.

We monitor our GHG emissions regularly and report Scope 1 direct emissions and Scope 2 indirect emissions in line with the GHG Protocol and the GRI Standards. Our Scope 1 direct emissions are primarily from motor vehicles and on-site furnaces. Scope 2 emissions are from purchased electricity.

### Scope 1 Emissions

Scope 1 mobile emissions refer to a wide variety of company-owned or operated vehicles, engines and equipment that generate GHG emissions through the combustion of various fuels while moving from one location to another. To further curtail our emissions, we consider replacing more vehicles with green engines or switching to lower emissions vehicles that are fuel efficient, equipped with eco-friendly technology, and comply with the emission standards. We practise efficient planning of route for our motor vehicles, and regular maintenance is performed to ensure optimal engine performance and fuel consumption, which in turn reduces our GHG emissions.

The Group's environmental performance in FY2022 is as below:

Pollutant	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O
Emission Factor <sup>1</sup> (kg/litre)	2.68	0.000023	0.000032
Global Warming Potential (GWP)	1	28	265

Financial Year	FY2022
Fuel Used	Diesel
Fuel Consumed (litre)	38,343
CO <sub>2</sub> Emissions (tCO <sub>2</sub> e)	102.76
CH <sub>4</sub> Emissions (tCO <sub>2</sub> e)	0.02
N <sub>2</sub> O Emissions (tCO <sub>2</sub> e)	0.33
Total GHG Emissions (tCO <sub>2</sub> e)	103.11
Number of employees	1,042
GHG Intensity (tCO <sub>2</sub> e/employee)	0.10

### Scope 2 Emissions

Our Scope 2 GHG emissions are indirect emissions generated from the consumption of purchased energy in the form of electricity. The Group's environmental performance in FY2022 is as below:

Pollutants	CO <sub>2</sub>
Operating Margin (OM) Grid Emission Factor (GEF) <sup>2</sup>	0.55
Global Warming Potential (GWP)	1

Financial Year	FY2022
Electricity Consumed (kWh)	8,482,062
CO <sub>2</sub> Emissions (tCO <sub>2</sub> e)	4,663.13
Number of Employees as at 31 December 2022	1,042
GHG Intensity (tCO <sub>2</sub> e/employee)	4.48

<sup>1</sup> Retrieved from: Guidance from GHG Protocol and Intergovernmental Panel on Climate Change (IPCC)

<sup>2</sup> Retrieved from: TNB's (Tenaga Nasional Berhad) Sustainability Report 2021

# SUSTAINABILITY REPORT

Target for FY2023	Target for FY2030
To maintain zero incidents of environmental policy related fines	<ul style="list-style-type: none"> <li>Reduce GHG emission levels and emission intensities by 20% by FY2030 (in comparison with FY2022)</li> <li>Include disclosure of Scope 3 GHG emissions by FY2030</li> </ul>

## MATERIAL USE

Exhibiting our commitment to sustainable growth, the Group seeks to monitor and manage resources consumed by our business closely. In FY2022, 98% of our wood (that is, timber) were sourced from sustainable sources.

Target for FY2022	Performance in FY2022
At least 90% of wood sourced from sustainable sources.	97.96% of our wood (that is, timber) were sourced from sustainable sources.

The Group is committed to making sustainable procurement choices for our manufacturing operations and continually reminds suppliers to source from environmental-friendly sources. All potential suppliers undergo rigorous evaluations to assess their impact on the environment and only those who have minimal or no negative impact are considered for partnership. The Group also conducts yearly evaluations for all current suppliers to ensure they are meeting sustainability standards and fulfilling the Group's expectations.

LY Furniture had attained the Certificate for Chain-of-Custody of Forest Based Products, under Programme for the Endorsement of Forest Certification ("PEFC") in 2021. 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 2026.

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.

Perpetual Target
Explore ways to increase adoption of renewable sources of energy and environmental-friendly production methods.

## ENERGY USAGE

The Group recognises that investing in energy conservation not only reduces our carbon footprint but will simultaneously aid in our cost savings. We actively monitor our electricity consumption and seek ways to optimise energy usage. For data on energy consumption, kindly refer to the disclosures under the TCFD Report – Scope 2 Emissions.

We have also 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 FY2022, the solar photovoltaic (PV) system installed had generated a total of 3,524.60MWh of solar active energy, which is equivalent to approximate 2,062 tonnes of carbon dioxide (CO<sub>2</sub>) avoidance.



# SUSTAINABILITY REPORT

## WATER CONSUMPTION

We also recognise that businesses play an important role in ensuring the sustainability of water resources. Therefore, we strive to minimise water consumption and improve water usage efficiency. Our water usage data is closely tracked, monitored and reported.

Financial Year	FY2022
Water Consumed (cubic meters)	108,750
Number of Employees as at 31 December 2022	1,042
Water Intensity (Total water consumption/Number of employee)	104.34

We have continued to monitor our water usage and adopted the following measures to ensure water usage efficiency:

- Adopt more water efficient fixtures and fittings with Water Efficient Labelling Scheme (“WELS”) three ticks or more to reduce water consumption;
- Installation of water conservation apparatus; and
- Perform frequent checks and maintenance on pipes and installations to prevent potential water leakages.

Target for FY2023	Target for FY2030
Reduce water intensities by 5% in FY2023	Reduce waste intensities by 20% in FY2030

## WASTE MANAGEMENT

In line with our dedication to preserve the environment, we have made waste management a key aspect of our operations and processes. We aim to effectively manage and minimise waste produced from our business activities through resourceful usage and the adoption of recycling initiatives, which play a central role in our waste management approach. In FY2022, the amount of waste disposed and recycled by LY Furniture are as follows:

	Type of waste				
	Wood	Plastic	Carton	Scrap Iron	Others
Amount of waste recycled (kg)	1,822,268	37,890	78,950	5,070	19,651
Amount of waste disposed (kg)	1,303,280	-	-	-	816,532

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 consumption or further processing.

Additionally, conscious efforts were put in to maximising the usage of the wood to reduce wastage (i.e. off cut).

Target for FY2023	Target for FY2030
Reduce waste intensities by 5% in FY2023	Reduce waste intensities by 20% by FY2030

## MOVING FORWARD

As part of the Group’s ongoing efforts to conserve energy, we will continue to take a proactive stance in environmental protection, exploring new ways to improve our waste management practices and raise our recycling rates. We also remain dedicated to maintaining our record of zero penalties for non-compliance with all applicable environmental regulations in the jurisdictions we operate in.

# SUSTAINABILITY REPORT

## 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 recognises that employees, customers, and communities are the cornerstone of a successful and sustainable organisation. As such, we are dedicated to empowering and fostering the growth of our staff to their full potential. Additionally, we also aim to make a positive impact on the communities in which we operate.

## TALENT ATTRACTION AND RETENTION

We recognise that our business’ longevity is tied to our human capital. Our employees’ compensation packages are designed to be fair, equal and based on job requirements, qualifications and experience. Recognising compensation as a crucial factor for our staff, we regularly review our packages against industry standards to maintain their competitiveness. We also adopt a firm stance against discrimination based on race, ethnicity, age, gender or nationality.

Our recruitment process is robust, fair and transparent, with selection criteria based on merit. Along with competitive compensation, we also ensure that employees’ well-being, welfare, and career progression are well-taken care of. Employees are entitled to benefits such as medical allowances, annual leaves, and special leaves for life events like marriage, prenatal, and paternity. For our employees who have given their all, serving the company for more than five (5) years, we reward them with long service awards as a token of our appreciation for their valuable contributions and unwavering commitment.

By doing so, we seek to attract and retain competent individuals who embody our Group’s culture and values.

### *Employees’ Profile*

As of 31 December 2022, our employees’ profile is as follows:

Workforce As of 31 December 2022	No. of headcount	Percentage of total headcount (%)
<b>By Gender</b>		
Male	824	79
Female	218	21
<b>By Age Group</b>		
18-30 years old	372	36
31-50 years old	595	57
Over 50 years old	75	7
<b>By Nationality</b>		
Malaysian	552	53
Bangladeshi	190	18
Burmese	206	20
Nepalese	85	8
Pakistanis	9	1

Workforce As of 31 December 2022	No. of new hires	No. of turnovers
<b>By Gender</b>		
Male	309	533
Female	59	110
<b>By Age Group</b>		
18-30 years old	120	338
31-50 years old	228	289
Over 50 years old	20	16

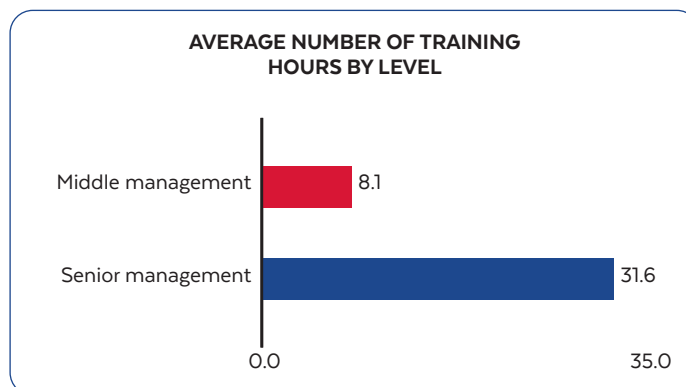
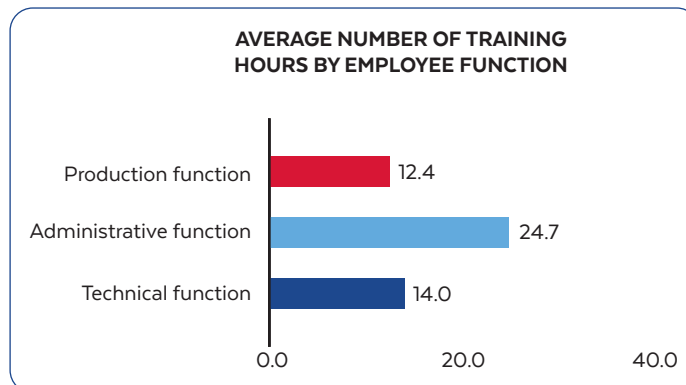
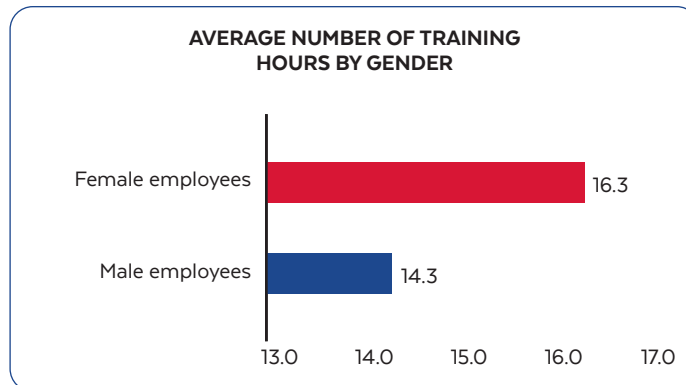
# SUSTAINABILITY REPORT

## TRAINING AND DEVELOPMENT

At the Group, we understand that our triumph is predicated on a competent team, capable of achieving our business objectives. As such, we are steadfast in fostering the growth of our people through a wide variety of internal and external training and development programs. These programs aim to equip our employees with cutting-edge skills and knowledge, allowing them to stay ahead of the curve and meet the demands of their professional growth.

In FY2022, we conducted training for employees on topics such as 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.

The details of our employee training statistics for FY2022 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).

# SUSTAINABILITY REPORT

We believe in regularly evaluating our employees’ performance and providing them with constructive feedback to help them improve and grow. To this end, we’ve implemented a quarterly performance review system that gives employees quick and actionable insights into their work. The review process assesses the employee’s quality of work, output, work responsibility, timeliness, ability to follow instructions, relationships with colleagues, and critical thinking skills. This regular review process allows employees to track their progress, receive recognition for their good work, and make necessary adjustments to their job performance.

Target for FY2022	Performance in FY2022	Target for FY2023
To provide an average of 4 hours of training per employee for the Group.	Attained an average 8.6 training hours per employee (FY2021: 7.7 training hours)	To provide an average of 10 hours of training per employee for the Group.

## WORKPLACE HEALTH AND SAFETY

The Group places utmost importance on the health and safety of our employees and takes proactive measures to foster a culture of safety. We have implemented a comprehensive Safety, Health, and Environment Policy (“**SHE Policy**”) to guide all employees in maintaining safe and healthy work practices.

The Management is responsible for ensuring compliance with all health and safety regulations and all employees are trained on proper health and safety procedures. The Group has also achieved ISO 45001:2018 certification for occupational health and safety management. A dedicated Safety, Health, and Environment Committee (“**SHE Committee**”) oversees the implementation of the SHE Policy and ensures that it is being followed by all employees. The SHE Committee comprises key leaders and safety representatives from various factories and warehouses. Our commitment to employees’ safety and health remains unwavering as we strive to create a safe and healthy work environment for all.

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 required 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 FY2022, the breakdown of the injury rate is as follows:

Indicator	FY2022
	Total Number
Fatalities as a result of work-related injury	0
High-consequence work-related injuries <sup>1</sup>	0
Number of recordable work-related injuries <sup>2</sup> , excluding high-consequence work-related injuries	4
Number of hours worked	2,930,932

**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.

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.

# SUSTAINABILITY REPORT

Our factories and warehouses are equipped with first-aid rooms, trained first aiders, and Emergency Response Teams (“ERTs”) to respond to any emergency. All employees are insured with personal accident and life insurance, and have access to a range of panel clinics for medical check-ups and treatments. Our foreign workers receive transportation to medical clinics as needed, and undergo malaria and filariasis screening tests to ensure their good health.

Perpetual Target	Performance in FY2022
To achieve zero major (i.e. leave of absence of more than 4 calendar days) case of workplace injuries and fatalities	Four (4) cases of minor 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.

In FY2022, we continued our support for charitable causes in the communities we operate in. Some of the key projects were donations to Batu Pahat Chinese High School, Persatuan Peniaga-Peniaga Perabut Batu Pahat, Johor, and Bandar Penggaram Associated Chinese Schools.

In FY2022, approximately 80 of our employees also generously participated in our annual blood drive which we held in conjunction with the local general hospital.

## MOVING FORWARD

The Group is steadfast in its commitment to uplifting our people by providing training and professional development opportunities. Our aim is to create a workforce that is adept at navigating the shifting business landscape. By fortifying our workplace safety measures, we aim to achieve the goal of zero major workplace incidents in the coming fiscal year. Additionally, we plan to amplify our positive impact on the community through increased engagement in social initiatives.

# SUSTAINABILITY REPORT

## GOVERNANCE

Both the Board and Management are dedicated to maintaining high ethical standards and adhering to best practices in corporate governance for the long-term sustainability of the Group. With strong internal controls and a commitment to corporate governance, the Group aims to create value for its stakeholders and maintain a sound, ethical corporate environment.

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.

Our Board is composed of a balanced mix of directors who bring a diversity of skills, experience, and knowledge, allowing the Group to effectively achieve its long-term goals. The following is a summary of our board and management composition, more details can be found in the earlier sections of the 2022 Annual Report.

Description	Percentage (%)
<b>Board Independence</b> The number of independent board of directors as a percentage of all directors.	50
<b>Women on the Board</b> The number of female board directors as a percentage of all directors.	17

## CORPORATE GOVERNANCE

The Group places a strong emphasis on adhering to high standards of corporate governance and promoting transparency and accountability. The Board and Management are committed to maintaining a culture of integrity and ethical behaviour.

To ensure that the Group operates within the principles of good governance, we align our framework with the CG Code issued by the Monetary Authority of Singapore, regularly updating ourselves with the latest changes. The Board has established various committees, such as the Nominating Committee (“NC”), Remuneration Committee (“RC”) and the Audit and Risk Committee (“ARC”), to ensure that key functions are separated and responsibilities are well-defined.

Perpetual Target	Performance in FY2022
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 2022 Annual Report. (FY2021: same as FY2022)

# SUSTAINABILITY REPORT

## ETHICS, BRIBERY AND CORRUPTION

The Group values integrity and ethical behaviour as crucial for maintaining credibility and achieving its strategic goals. To this end, we have a strict zero-tolerance policy towards bribery, fraud, and corruption, and we believe that ethical conduct creates long-term stakeholder value. In FY2022, there were no reports of unethical, fraudulent, or corrupt behaviour within the Group.

To promote ethical behaviour, we have implemented internal controls and established written policies on Conflict of Interest, Whistleblowing, Employment Code of Conduct, and Anti-Bribery & Anti-Corruption Policy. These policies serve as guidelines for our employees and are communicated to all new hires during their onboarding process. The key elements of the policies are as shown below:

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

The Group places significant importance on ensuring that employees exhibit professional and ethical behaviour, and is committed to upholding the standards outlined in the Employee Code of Conduct. All employees are expected to maintain integrity in their conduct and those who engage in any misconduct or fail to meet performance standards may face disciplinary action, including termination. In FY2022, there were no cases of employee misconduct resulting in dismissal.

Perpetual Target	Performance in FY2022
To achieve zero cases which are unethical, fraudulent or corrupt in nature	Achieved zero cases which are unethical, fraudulent or corrupt in nature.

# SUSTAINABILITY REPORT

## REGULATORY COMPLIANCE

Compliance with regulations is of utmost importance as any failure to do so can have legal and financial consequences and can also harm the Group's reputation. In addition, the Group's policy on labour standards follows the regulations and guidelines set by the government, and bars discrimination, child labour and forced labour in all facets of our operations and business activities. Having structured labour standards in place shows the Group's dedication towards socially responsible conduct and its impact, as well as human rights protection through forbidding discrimination, slavery and any inhuman treatment whilst promoting equality and fairness.

Specifically, some of the laws, regulations, and rules that the Group abides by include:

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

Perpetual Target	Performance in FY2022
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.

## MOVING FORWARD

As we progress, our focus remains on preserving a culture of strong corporate governance and ensuring adherence to all applicable laws, regulations, and rules in the territories where we conduct our business.



# SUSTAINABILITY REPORT

## GRI CONTENT INDEX

GRI Standard	Disclosure Number & Title	Section Reference
GRI 2: General Disclosures 2021	2-1 Organisational details	Annual Report: Corporate Profile
	2-2 Entities included in the organisation's sustainability reporting	Annual Report: Corporate Profile
	2-3 Reporting period, frequency and contact point	Sustainability Report: About this Report
	2-4 Restatements of information	Not applicable
	2-5 External assurance	LY Corporation has not sought external assurance for this reporting period, and may consider it in the future
	2-6 Activities, value chain and other business relationships	Annual Report: Corporate Governance Statement
	2-7 Employees	Sustainability Report: Social
	2-8 Workers who are not employees	Not applicable
	2-9 Governance structure and composition	Annual Report: Corporate Governance Statement Sustainability Report: Sustainability Steering Committee
	2-10 Nomination and selection of the highest governance body	Annual Report: Corporate Governance Statement
	2-11 Chair of the highest governance body	Annual Report: Corporate Governance Statement
	2-12 Role of the highest governance body in overseeing the management of impacts	Annual Report: Corporate Governance Statement
	2-13 Delegation of responsibility for managing impacts	Annual Report: Corporate Governance Statement Sustainability Report: Sustainability Steering Committee
	2-14 Role of the highest governance body in sustainability reporting	Annual Report: Corporate Governance Statement
	2-15 Conflicts of interest	Annual Report: Corporate Governance Statement
	2-16 Communication of critical concerns	Annual Report: Corporate Governance Statement
	2-17 Collective knowledge of the highest governance body	Annual Report: Corporate Governance Statement
	2-18 Evaluation of the performance of the highest governance body	Annual Report: Corporate Governance Statement
	2-19 Remuneration policies	Annual Report: Corporate Governance Statement
	2-20 Process to determine remuneration	Annual Report: Corporate Governance Statement
	2-21 Annual total compensation ratio	Annual Report: Corporate Governance Statement
	2-22 Statement on sustainable development strategy	Annual Report: Corporate Governance Statement Sustainability Report: Sustainability Steering Committee
	2-23 Policy commitments	Annual Report: Corporate Governance Statement Sustainability Report: <ul style="list-style-type: none"> <li>• Governance – Ethics, Bribery and Corruption</li> <li>• Governance – Regulatory Compliance</li> </ul>
	2-24 Embedding policy commitments	Annual Report: Corporate Governance Statement Sustainability Report: <ul style="list-style-type: none"> <li>• Governance – Ethics, Bribery and Corruption</li> <li>• Governance – Regulatory Compliance</li> </ul>
	2-25 Processes to remediate negative impacts	Annual Report: Corporate Governance Statement
	2-26 Mechanisms for seeking advice and raising concerns	Annual Report: Corporate Governance Statement

# SUSTAINABILITY REPORT

GRI Standard	Disclosure Number & Title	Section Reference
	2-27 Compliance with laws and regulations	Annual Report: Corporate Governance Statement Sustainability Report: <ul style="list-style-type: none"> <li>• Governance – Ethics, Bribery and Corruption</li> <li>• Governance – Regulatory Compliance</li> </ul>
	2-28 Membership associations	Not applicable
	2-29 Approach to stakeholder engagement	Sustainability Report: Stakeholder Engagement
	2-30 Collective bargaining agreements	Not applicable, no collective bargaining agreements are in place
GRI 3: Material Topics 2021	3-1 Process to determine material topics	Sustainability Report: Materiality Assessment
	3-2 List of material topics	
	3-3 Management of material topics	
<b>Topic-specific disclosure</b>		
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Sustainability Report: <ul style="list-style-type: none"> <li>• Economic</li> <li>• TCFD Report</li> </ul>
	201-2 Financial implications and other risks and opportunities due to climate change	
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Sustainability Report: <ul style="list-style-type: none"> <li>• Social – Training and Development</li> <li>• Governance – Ethics, Bribery and Corruption</li> </ul>
	205-2 Communication and training about anti-corruption policies and procedures	
	205-3 Confirmed incidents of corruption and actions taken	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Sustainability Report: <ul style="list-style-type: none"> <li>• Greenhouse Gas Emissions</li> <li>• Energy Usage</li> </ul>
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	
	302-5 Reductions in energy requirements of products and services	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Sustainability Report: Greenhouse Gas Emissions
	305-2 Energy indirect (Scope 2) GHG emissions	
	305-4 GHG emissions intensity	
	305-5 Reduction of GHG emissions	
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Sustainability Report: Talent Attraction and Retention
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	
	401-3 Parental leave	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	Sustainability Report: Workplace Health and Safety
	403-5 Worker training on occupational health and safety	
	403-6 Promotion of worker health	
	403-9 Work-related injuries	
	403-10 Work-related ill health	

# SUSTAINABILITY REPORT

GRI Standard	Disclosure Number & Title	Section Reference
Topic-specific disclosure		
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Sustainability Report: Training and Development
	404-2 Programmes for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Sustainability Report: <ul style="list-style-type: none"> <li>• Social - Talent Attraction and Retention</li> <li>• Governance - Ethics, Bribery and Corruption</li> </ul>
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	Sustainability Report: Regulatory Compliance
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	Sustainability Report: Regulatory Compliance
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	Sustainability Report: Social - Community Involvement

# SUSTAINABILITY REPORT

## TCFD RECOMMENDATIONS CONTENT INDEX

Governance		
TCDF 1(a)	Describe the board’s oversight of climate-related risks and opportunities.	Pages 16, 17 and 25
TCFD 1(b)	Describe management’s role in assessing and managing climate-related risks and opportunities.	
Strategy		
TCFD 2(a)	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Pages 25 and 26
TCFD 2(b)	Describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning.	
TCFD 2(c)	Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	
Risk Management		
TCFD 3(a)	Describe the organisation’s processes for identifying and assessing climate-related risks.	Pages 25 and 26
TCFD 3(b)	Describe the organisation’s processes for managing climate-related risks.	
TCFD 3(c)	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation’s overall risk management.	
Metrics and Targets		
TCFD 4(a)	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 27
TCFD 4(b)	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	
TCFD 4(c)	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	