

kitchen
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KITCHEN CULTURE HOLDINGS LTD.

SUSTAINABILITY REPORT FY2019

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ORGANISATIONAL PROFILE

Listed on the SGX-Catalist in 2011, Kitchen Culture Holdings Ltd. (the “**Company**”) together with its subsidiaries (the “**Group**”) ranks among Singapore’s leading distributors of high-end kitchen systems, kitchen appliances, wardrobe systems, bathroom furniture, household furniture and kitchen accessories from Europe. Backed by more than 28 years of experience and track record in the business, the Group has established itself as a premier kitchen solutions provider for discerning and well-heeled consumers in Singapore, where it is headquartered, as well as China, Hong Kong and Malaysia.

ABOUT THIS REPORT

This is the Company’s second sustainability report and it covers the period from 1 July 2018 to 30 June 2019 (“**FY2019**”). It is intended at addressing material Environmental, Social and Governance (“**ESG**”) matters which are significant to the Group’s project and retail business in Singapore. In line with the Group’s continued commitment to environmental sustainability, we hope to share more in our subsequent reports which will be published on a yearly basis.

The Group has not obtained any independent assurance of the information being reported in report but will continue to work on enhancing its reporting processes and consider obtaining independent assurance in the future.

We welcome stakeholders to provide us with feedback and suggestions on this report. You may contact us at finance@khlmktg.com.

BOARD STATEMENT

Recognising the importance of sustainability, the Board of Directors (“**Board**”) leads the sustainability efforts of the Group. The Board has considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of these factors.

The Company believes in reducing its footprint and impact on the environment and abides by the precautionary principle to minimise negative effects of doing business whenever feasible.

FRAMEWORK, POLICY, PRACTICES AND PERFORMANCE

FRAMEWORK AND REPORTING PROCESS

This report is guided by the Global Reporting Initiatives (“**GRI**”) standards: Core option. The Company has chosen to adopt the GRI standards as it is the most internationally recognised global framework for voluntary corporate reporting of environmental and social performance.

The Company has in place a central function for sustainability to structure the Group’s sustainability initiatives led by the Group Financial Controller. These initiatives are based on the Group’s ESG impact and key focus areas defined at Group level, including environmental, social and business ethical issues, are integrated into all business units. Activities are initiated with the objective of developing a sustainable business.

Sustainability matters at the Group are governed and managed across various levels in the organisation. The Board has overall responsibility and oversight on sustainability matters. The Executive Chairman and CEO, assisted by the Group Financial Controller, is accountable for the oversight of the implementation and communication of sustainability strategies, policies and practices to the relevant department heads who will implement and monitor sustainability practises on the ground.

STAKEHOLDER ENGAGEMENTS

The Company recognises all stakeholders are important to the Group's long-term success, and efforts are made to know and understand the demands and concerns of its stakeholders. Stakeholders are identified and prioritised based on their dependence and influence on the business. The Group proactively engages with its key stakeholders, so that their feedback can be incorporated to improve the Group's business. The Group adopts both formal and informal channels of communication to understand the needs of key stakeholders, and incorporate these into its corporate strategies to achieve mutually beneficial relationships. The following sets out the list of key stakeholders and the engagement platforms with such stakeholders:

Stakeholder Group	Mode of Engagement	Stakeholder Expectation
Clients	<ul style="list-style-type: none"> • Customer enquiry channels • Proposals • Meetings • Marketing and media • Satisfaction surveys 	Stock availability, on-time delivery and services, quality products and services, convenience and experience, technical and after-sales support
Suppliers	<ul style="list-style-type: none"> • Quotations • Periodic discussions • Supplier evaluation 	Compliance with terms and conditions of purchasing policies and procedures, maintain ethical standards, fair and transparent business conduct, continued engagement
Employees	<ul style="list-style-type: none"> • Internal briefings and memorandums • Staff appraisal • Induction and orientation programmes • Training and development programmes • Company events and activities 	Working environment, salaries and incentives, staff rights and welfare, personal development, career growth, occupational health and safety
Shareholders and Investors	<ul style="list-style-type: none"> • SGXNet announcements • Press releases • Annual reports • Circulars to shareholders • Shareholders' general meetings • Corporate website 	Profitability, transparency, timely financial and business updates, ethical business conduct
Business Partners	<ul style="list-style-type: none"> • Frequent discussions and meetings 	Partnership for opportunities and growth
Governments and Regulators	<ul style="list-style-type: none"> • Electronic communications • SGXNet announcements • Discussions with government agencies and regulators 	Compliance with applicable laws and regulations, timely reporting and resolutions of issues, support for relevant government or regulators' initiatives

MATERIALITY ASSESSMENT

As the Company continues its sustainability journey, the Management, together with the Board conducted a formal materiality assessment exercise in FY2019. A list of ESG matters relevant to the Group's activities were identified, evaluated and ranked according to their importance from both internal and external stakeholders' perspectives. Five ESG matters were identified as material and in line with the Management's assessment on their relevance and potential impact to the Group's business and its relationship with various stakeholders. These are similar to the factors reported on last year.

- i) Corporate Governance
- ii) Economic Performance
- iii) Employment
- iv) Training and Education
- v) Environment

The material factors will be reviewed on an annual basis. A materiality assessment exercise will be conducted in accordance to the process described above.

MATERIAL ESG FACTORS

CORPORATE GOVERNANCE

The Group recognises the importance of good corporate governance, accountability and transparency and believes that conducting business in a responsible and ethical manner is vital to the sustainability of the Group's business and safeguarding stakeholders' interests. The Group's corporate governance practices are found in the Annual Report for FY2019. This report outlines the role of the Board in relation to key governance practices.

The Board takes an active role in establishing the highest possible standards of ethical, moral, and legal conduct. Members of staff are regularly reminded of the need to act with utmost honesty and integrity. Consistent with this commitment, the Group has in place a whistleblowing policy with the objective of providing an avenue for the staff of the Group to, in confidence, raise concerns about possible improprieties in matters of financial reporting or other business matters which they become aware. Details of the whistleblowing policy and arrangements have been made available to the staff of the Group. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action and provides assurance to the whistle blowers that all actions in good faith will not affect them in their work and staff appraisal. No such whistleblowing letter was received in FY2019 (FY2018: nil).

Target:

The Group will continue to comply with the Code of Corporate Governance and target to meet all requirements that are expected by stakeholders.

ECONOMIC PERFORMANCE

The Group is committed to delivering long-term value to stakeholders in a sustainable manner. The Group places a strong emphasis on consistent and growth-oriented financial performance and adopts a disciplined and prudent financial management approach while upholding good corporate governance.

FY2019 was a challenging year for the Group as lower revenue contributions were reported by the Residential Projects and Distribution and Retail segments. The Group recorded revenue and loss before tax of S\$11.0 million and S\$3.8 million respectively for FY2019. The Group was in a negative working capital position and a net liability position of S\$3.4 million and S\$5.3 million respectively as at 30 June 2019.

The Group will continue to strengthen these core business segments for future development and expansion, exercise prudence in its pursuit of opportunities and maintain investment discipline at all times. For further details of the Group's financial performance, please refer to the following sections in our Annual Report for FY2019: Financial Highlights, page 13; Chairman and CEO Statement, pages 14 to 15; Operations and Financial Review, pages 16 to 17; and Financial Statements, pages 55 to 122.

Target:

The Group is continuously seeking to enhance its economic performance. The Group is determined to strengthen its fundamentals and establish enduring partnerships to ensure sustainability. So far, in the first half of FY2020, this has been evidenced by an order book amounting to S\$34.3 million and S\$4.2 million for the Residential Projects and Retail and Distribution segments respectively.

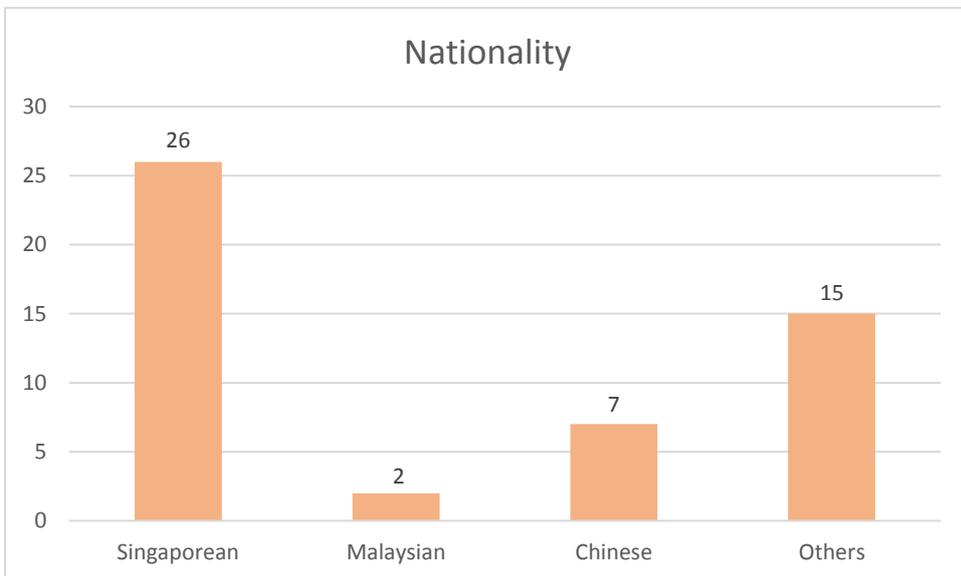
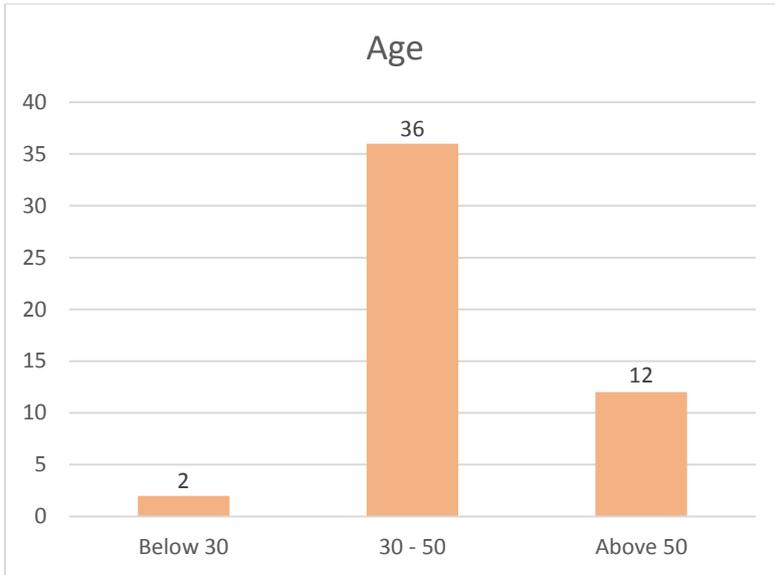
EMPLOYMENT

Customer Service is key to the Company’s business policy of offering quality products and services. The Group’s employees are a central component to the achievement of a high standard of customer service that in turn drives revenue and ultimately result in a great impact on the Group’s success.

Enduring efforts are made to build a successful team of people with the right mix of professional skills, and to provide a conducive work environment that drives employees with motivation for a highly productive team to achieve success in the long run.

As at 30 June 2019, the Group’s Singapore operations had 50 full-time and permanent employees (30 June 2018: 50), comprising a diverse workforce with wide-ranging backgrounds and qualities. As at 30 June 2019, there is no contract or part-time employee under the Group’s Singapore operations (30 June 2018: nil).





Target:

The Group is committed to provide equal opportunities for existing and new employees to maintain a diverse and robust workforce. The Group targets to provide at least 3 activities in FY2020 for the Group's Singapore operations employees to foster camaraderie and teamwork.

TRAINING AND EDUCATION

Regular in-house training is conducted to update all employees on the latest developments in industry best practices and product offerings.

In FY2019, an average of 18.5 hours of training per employee (FY2018: 19.8 hours) were clocked by the Group's Singapore operations employees. The lower hours of training per employee in FY2019 was due to scheduling of training programmes in the latter half of the fiscal year.

New employees are briefed on the Group's core values and policies. A tailored orientation programme helps new employees to a smooth and efficient induction to their work. On-the-job training is a continuous process through close supervision of employees by their immediate managers and management team.

The Group has a program for employee skills development to achieve a high standard of customer service. One component of the programme is product training conducted by visiting Brand Principals. This program enhances employees' product knowledge, technical expertise and problem-solving skills.

The management team regularly engages with employees of the Group. Through team meetings, employee concerns are shared and management endeavours to address them on a timely basis. This practice creates a better working environment, and with employee feedback, helps to lay the groundwork for a highly productive team that can communicate, cooperate and innovate in an atmosphere of mutual trust and respect.

Target:

We target to continue providing similar number hours of training (20 training hours per employee) to the Singapore operations employees and ensuring all new employees go through orientation programme.

ENVIRONMENT

The Company is conscious of the need to protect the environment and the Group strives to find resource and energy-efficient solutions that help the Group, its business partners and its customers to reduce our climate and environmental impact.

The business of the Group is supply and installation of imported kitchen systems and appliances. The Group does not have any manufacturing operations, direct environmental impact is therefore limited. However, the Group actively seeks to introduce new products that are environmentally friendly – products that are manufactured from sustainably sourced materials, and products with innovative features requiring less energy/fuel consumption and reduced emissions.

Target:

The Group is committed to continue introducing new products that are environmentally friendly.

GRI CONTENT INDEX

GRI Standard/Disclosure	Page Reference and Reasons for Omission, if applicable
102-1 Name of the organisation	1
102-2 Activities, brands, products, and services	1 Annual Report for FY2019: 4 – 6
102-3 Location of headquarters	1
102-4 Location of operations	1 Annual Report for FY2019: 8 – 11
102-5 Ownership and legal form	1
102-6 Markets served	1 Annual Report for FY2019: 8 – 11
102-7 Scale of the organisation	7 – 9 Annual Report for FY2019: 7 – 12
102-8 Information on employees and other workers	8 – 9
102-9 Supply chain	3 & 10 Annual Report for FY2019: 2 – 7
102-10 Significant changes to the organisation and its supply chain	Not applicable as there was no significant change during FY2018 except as disclosed in the Annual Report for FY2019. Annual Report for FY2019: 2
102-11 Precautionary principle or approach	3
102-12 External initiatives	Not applicable as there is no externally-developed economic, environmental and social charters, principles, or other initiatives to which the Group subscribes, or which it endorses within the scope of this report.
102-13 Membership of associations	Not applicable as there is no major memberships of industry or other associations, and national or international advocacy organisations maintained by the Group within the scope of this report.
102-14 Statement from senior decision maker	3
102-16 Values, principles, standards, and norms of behaviour	Annual Report for FY2019: 1
102-18 Governance structure	4 Annual Report for FY2019: 21 to 45
102-40 List of stakeholder groups	5
102-41 Collective bargaining agreements	Not applicable as all employees within the scope of this report are not covered by any collective bargaining agreements.
102-42 Identifying and selecting stakeholders	5 – 6
102-43 Approach to stakeholder engagement	5
102-44 Key topics and concerns raised	5 – 6
102-45 Entities included in the consolidated financial statements	Annual Report for FY2019: 90 – 94
102-46 Defining report content and topic boundaries	3
102-47 List of material topics	6

GRI Standard/Disclosure	Page Reference and Reasons for Omission, if applicable
102-48 Restatements of information	Not applicable as there are no changes.
102-49 Changes in reporting	Not applicable as there are no changes.
102-50 Reporting period	3
102-51 Date of most recent report	28 June 2019
102-52 Reporting cycle	3
102-53 Contact point for questions regarding the report	3
102-54 Claims of reporting in accordance with the GRI Standards	4
102-55 GRI content index	11 – 12
102-56 External assurance	3
103-1 Explanation of the material topic and its boundary	7 – 10
Material topic 1: Corporate governance	7 Annual Report for FY2019: 21 – 45
Material topic 2: Economic performance	7
Material topic 3: Employment	8 – 9
Material topic 4: Training and education	10
Material topic 5: Environment	10