立德集团有限公司
KTMG LIMITED

SUSTAINABILITY REPORT **2023**

Evolving
Our Way Forward

EVOLVING

OUR WAY

FORWARD

KTMG recognises the importance of constantly evolving to stay ahead of the competition in a dynamic market environment. Embracing a progressive mindset will differentiate us from competitors as we uncover new avenues of growth through innovative products and new technologies to expand our revenue and market presence. We stay updated with the changes in consumer preferences and fashion trends to adapt to market demands and seize new opportunities.

Our efforts have resulted in the Group expanding our customer base beyond the traditional customer segment, which primarily focused on casual wear, loungewear, and pyjamas, entering the flourishing athleisure market. This strategic expansion represents a significant accomplishment for the Group, with our first international athleisure customer secured during the year, marking the beginning of a promising journey toward growing our presence in this segment.

KTMG will continue to ride the waves of change, guided by visionary leadership and long-term strategies. We are ready to capture new opportunities and chart a course for sustained growth.

OUR MISSION :: 我们的使命

We are dedicated to creating exceptional apparel, weaving a better future for all, globally.

独衣无二，造服全球

OUR VISION :: 我们的愿景

To be a world-class vertically integrated athleisure wear manufacturer.

成为世界级的运动服饰企业

OUR CORE VALUES :: 我们的核心价值观

Customer's interests is our top priority 客户价值第一	Change is the only constant 唯一不变的是变化	Simplicity 化繁为简
No excuses, no mistake & no wastage 不找借口，不出错，不浪费	Attitude determines altitude 态度决定高度	The best performance of today is the minimum requirement of tomorrow 今天最好的表现是明天最低的要求
Be consistent 执行一致性	TEAM. Together everyone achieves more 团队合作，才能得到更多	

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MESSAGE FROM THE EXECUTIVE CHAIRMAN

Dear stakeholders,

I am pleased to present the Sustainability Report of KTMG Limited ("**KTMG**" or the "**Company**", and together with its subsidiaries, the "**Group**") for the financial year ended 31 December 2023 ("**FY2023**").

As we strive to create value for our shareholders, we remain mindful of our responsibilities as a corporate citizen. We recognise that our actions may impact the environment and local communities. With this in mind, we are committed to operating responsibly, seeking a balance between our economic objectives and our commitment to environmental, social, and governance ("**ESG**") principles.

The Group is continuously improving the integration of ESG into our business strategies, achieving steady progress each year. Our sustainability strategy will undergo ongoing review and adjustments to align with the evolving needs of our businesses and changes in external conditions. Our sustainability goals are at the core of our operations, enabling us to create lasting value for our stakeholders.

At KTMG, we recognise that strong corporate governance is the cornerstone of our success. Our Board and management are committed to maintaining the high standards of governance and accountability that our stakeholders expect from us.

As a group committed to a sustainable future, we continuously work to lower our environmental impact by refining our business operations. We adopt sustainable manufacturing practices that minimise waste and environmental harm while conserving energy and natural resources. So far, we have installed solar panels to reduce carbon emissions and set up an in-house water treatment facility to remove contaminants from our wastewater.

We aim to cultivate a safe, supportive, and inclusive workplace for our people, who are our most valuable asset. We are committed to treating all employees with respect and professionalism while providing equal opportunities based on merit. To promote ongoing talent development and maintain a sustainable learning environment, the KTMG Institute of Management organises year-round training programmes to enhance employees' skills and knowledge.

Going forward, we will keep sustainability at the forefront of our planning and operational decisions across the entire Group. We are committed to providing greater value to all our stakeholders in the coming year.

On behalf of the Board,

Mr. Lim Siau Hing,
Executive Chairman

2.0 ABOUT KTMG

KTMG Limited ("**KTMG**" and together with its subsidiaries, the "**Group**") is an integrated textile and apparel manufacturer.

KTMG is a contract manufacturer of apparel specialising in athleisure wear, casual wear, loungewear, and pyjamas for various ages, with facilities in Malaysia and Cambodia. The Group manufactures apparel for retailers in the United Kingdom, United States, European Union, and Canada, who then sell apparel products under their own brands. The Group has a co-creation business model through which it collaborates closely with its customers during the product initiation process, thereby offering customers a one-stop value-added platform.

KTMG also expanded upstream into the knitting, dyeing, and finishing of fabric, with its own textile manufacturing facility in Johor, Malaysia.

Group Structure
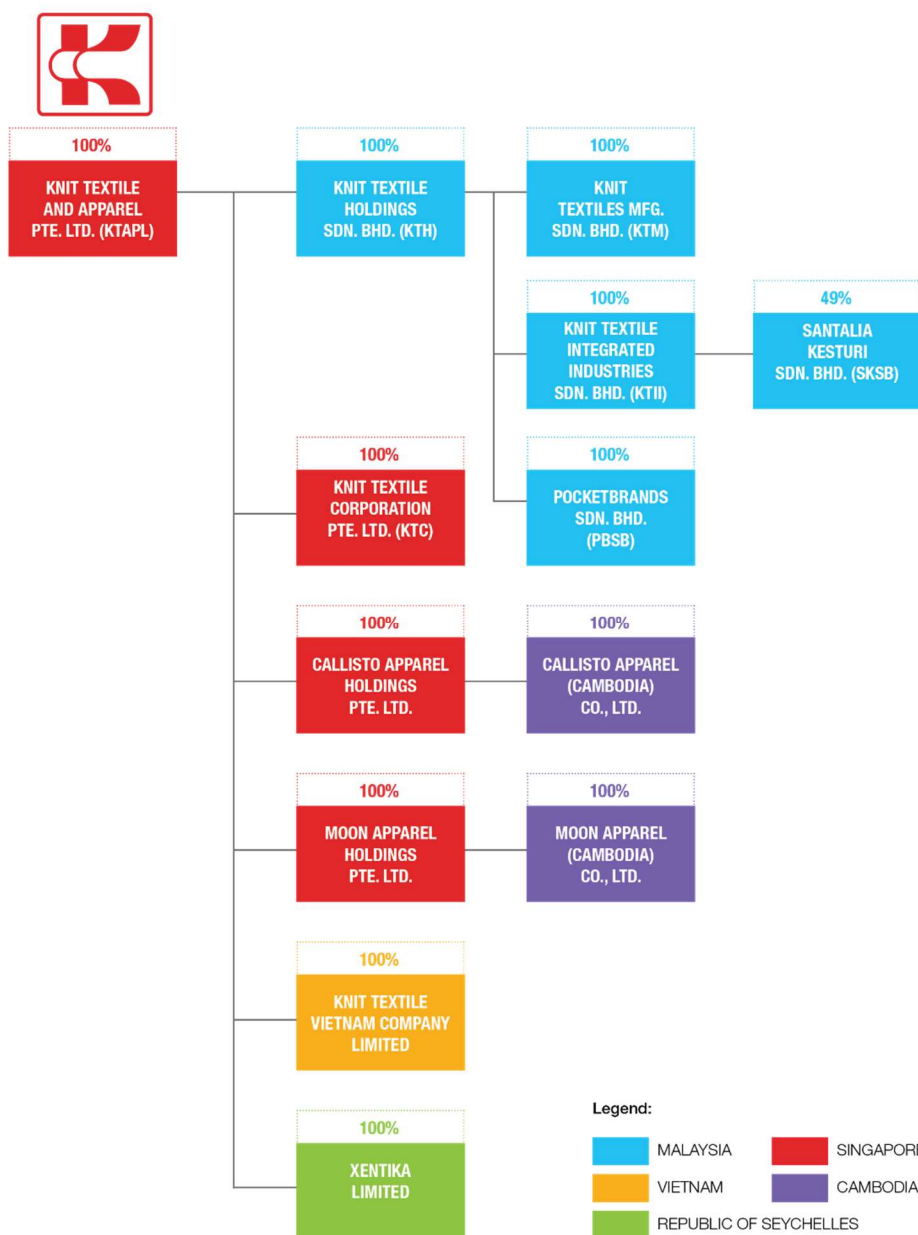
Note: All subsidiaries are wholly owned by KTMG Limited, except for Santalia Kesturi Sdn. Bhd., where KTMG owns 49% of the entity.

Operating Locations and Principal Activities

The Group is a vertically integrated textile and apparel manufacturer. It is headquartered in Malaysia, has operations in Singapore, Malaysia, Cambodia, Vietnam and Republic of Seychelles, and serves global markets.

The Group is classified as part of the Textiles and Apparel sector, with reference to GRI Sector Standards.

Following are the Group's operating locations and principal activities:

WE ARE GROWING BEYOND **BORDERS**

VIETNAM
• Sourcing Office

CAMBODIA
• Manufacturing Facilities

MALAYSIA
• Manufacturing Facilities   • Operations Headquarter

SINGAPORE
• Corporate Office

Apparel manufacturing facility, Knit Textiles Mfg. Sdn. Bhd. ("**KTM**"), Batu Pahat, Johor, Malaysia

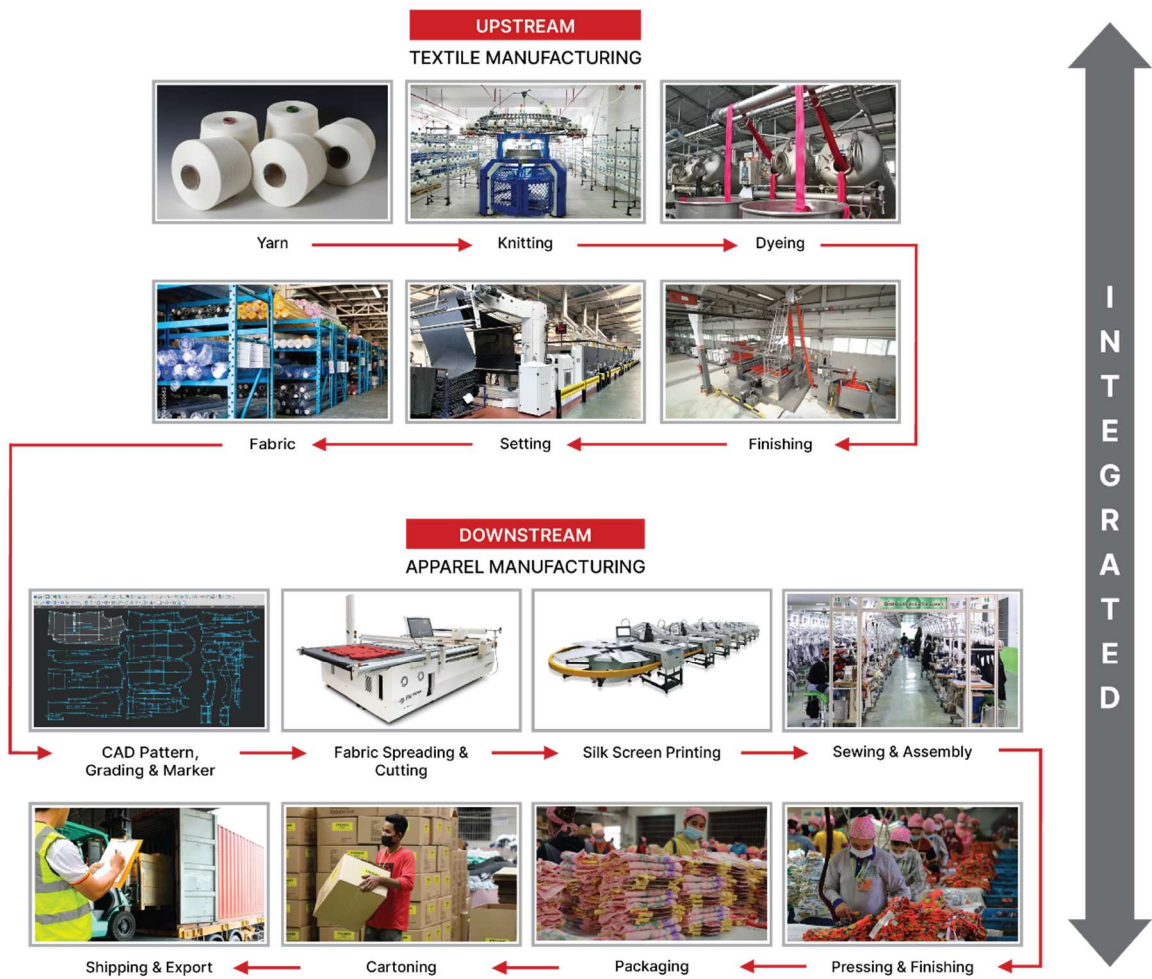Textile manufacturing facility, Knit Textile Integrated Industries Sdn. Bhd. ("**KTII**"), Batu Pahat, Johor, Malaysia

Apparel manufacturing facility, Callisto Apparel Co., Ltd ("**CA**"), Phnom Penh, Cambodia

Apparel manufacturing facility, Moon Apparel Co., Ltd ("**MA**"), Phnom Penh, Cambodia

Our Value Chain

At KTMG, our production chain is fully integrated from fabric manufacturing to the making of apparels. We control every aspect of production, from the sourcing of raw materials to the delivery of finished goods to our customers. By having a fully integrated production chain, the Group can improve its efficiency and supply chain management, as well as to provide high quality products to our customers.

Certifications and Memberships

The Group's manufacturing facilities are fully compliant to the above standards and certifications. We are committed to operating ethically and responsibly, complying with legal requirements, protecting our workers' rights, and meeting our customers' requirements. We strive to promote sustainability within the industry. As at the date of this report, the Group's manufacturing subsidiaries, KTM, together with KTII are also a member of Johor Sustainability Centre ("**JSC**"), a dedicated organisation established in 2023 for sustainability and climate change adaptation and mitigation in Johor, Malaysia.

3.0 SCOPE OF REPORT

This report details the sustainability efforts and performance of the Group's consolidated entities for the financial year ended 31 December 2023 ("**FY2023**"). The reporting entities comprised of the Group's headquarter in Malaysia and manufacturing operations in both Malaysia and Cambodia. The content of this report will focus on the combined sustainability performance, activities, and initiatives undertaken by the reporting entities. Material issues described in this report have been selected according to their level of significance within the Group's boundaries, the sustainability context and materiality are reflective of the Group's core business operations.

The annual sustainability report shall utilise FY2020's data as baseline for reporting as we continue our sustainability journey. The data presented in this report applies to the Group as a whole unless otherwise stated in the report. We hope to expand the indicators presented on the material issues in this report in the near future.

This sustainability report was published on 29 June 2024.

Reporting Methodology

This report is prepared with reference to the requirements of the Global Reporting Initiative's ("**GRI**") Standards 2021, an internationally recognised reporting framework that covers a comprehensive range of sustainability disclosures. This report is also prepared in compliance with Rules 711A and 711B of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**") and is referenced to the guidance set out in SGX-ST's Sustainability Reporting Guide under Practice Note 7F of the Catalist Rules. The Group adopts the precautionary principle to minimise the negative effects of conducting its business whenever feasible (GRI 2-23). The primary components of SGX's sustainability reporting requirements that we have sought to include in this report include the following:

1. **Material environmental, social, and governance ("ESG") factors**

    Material ESG factors are elaborated in Section 3 of this report. The Group conducted a materiality assessment on its internal and external stakeholders to identify material issues that are important to both the Group and its stakeholders.

2. **Policies, practices, and performance**

    The policies, practices, and performance for each material matter shall be discussed in their individual sections below. The Group understands the need to improve on the performance of ESG-related matters and shall be reporting the performance, which is built upon FY2020's baseline data.

3. **Targets**

    The Group continues to incorporate ESG factors into daily operations and set out strategies for improvement and targets to be attained as our sustainability reporting matures.

4. **Sustainability reporting framework**

    This report is prepared with reference to the Global Reporting Initiative (GRI) Standards and Sustainability Reporting Guidelines published by SGX-ST.

5. **Board Statement**

    The statement from our Executive Chairman highlights how the Board views sustainability issues as a component of the Group's strategic growth. In Section 4 on Sustainability Governance, we have further elaborated on how the Board inspects and resolves ESG issues.

This report shall disclose ESG factors related to the course of the Group's business operations. This will allow stakeholders to have a clear view of the Group's business practices and our commitment to deliver values to them.

Contact Information

The Group values stakeholders' feedback on sustainability reporting to assist us in improving our sustainability performance and processes. For comments and feedback, please contact us through email at info@ktmg.sg.
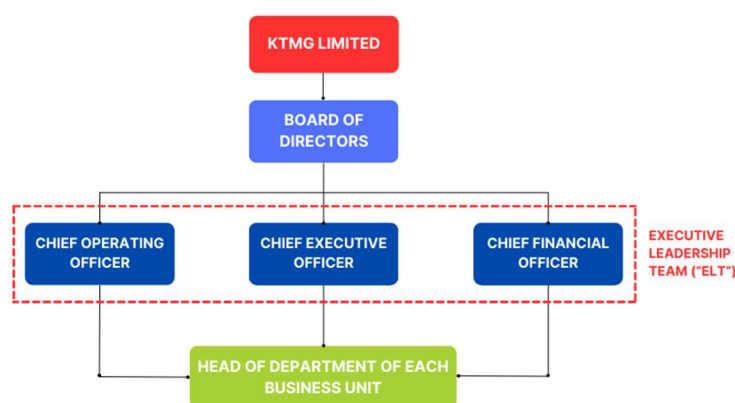
4.0 SUSTAINABILITY APPROACH

The Group's approach to sustainability is guided by our vision of "creating exceptional apparel, weaving a better future for all, globally". We are committed to the efforts of integrating sustainability considerations into our business operations and corporate strategy, and this has shaped our approach in determining the material matters that are outlined within this report.

Sustainability Governance

Sustainability governance includes the systems and controls in place to manage the Group's sustainability activities. This includes policies, processes and people, which are necessary to meet the expectations of all stakeholders with integrity, respect, transparency, and in a responsible manner.

While the Board of Directors ("**BOD**") oversees the strategy of all sustainability initiatives of the Group, the Executive Leadership Team ("**ELT**"), led by Chief Executive Officer provides the necessary oversight for implementation, including developing, approving, and updating the Group's business strategies, policies, and goals in sustainable development. Head of departments of all business units are responsible for implementation and reporting of the Group's sustainability performance, practices and initiatives to the ELT.

Our sustainability governance structure is as follows:

The ELT reports to BOD on matters relating to the Group's impact on the environment and its people on an annual basis. The BOD reviews and approves all sustainability matters or concerns and action plans proposed by the ELT, as well as assessing the performance of each sustainability initiatives and providing recommendations. In FY2023, there were no identified and communicated critical concerns to the Board of Directors.

Furthermore, the Group's internal audit function for ESG, led by the Chief Operating Officer, performs regular review of sustainability performances of our business operations. The data and information provided within this report are mainly extracted from internal information systems and original records to ensure accuracy. The Group have not sought external assurance for this sustainability report but have relied on internal review of the sustainability processes.

For matters on corporate governance, remuneration, and compensation, please refer to the Group's Annual Report 2023 published on 9 June 2024.

Stakeholder Engagement

The Group focuses on value creation for its stakeholders and is always keen to understand their needs and expectations by facilitating two-way communications. The close interactions between the Group and its stakeholders create a trusting relationship. These engagement programs aim to identify and address stakeholders' concerns or grievances and provide a way for stakeholders to seek advice and raise concerns about the Group's business conduct.

The Group has a whistleblowing policy. For further information, please refer to section "Anti-corruption and Whistleblowing Policy" in this report.

To ensure the voices of the stakeholders are heard, the Group has adopted the following engagement methods:

Stakeholders and Focus Areas	Engagement Methods	Frequency
Shareholders and Financial Investors: ● Investor relations ● Legal compliance ● Privacy and data protection	Annual general meeting	Annually
	Media releases	On going
	Corporate website	On going
	Regular updates via SGXNet	On going
Employees: ● Code of Conduct ● Training and development ● Occupational Health and Safety (OHS) ● Anti-bribery and corruption	Health and safety briefing	On going
	Corporate/staff memos	On going
	Performance evaluations and career development	Annually
	Regular meetings and open-door policy	On going
	Anti-bribery and corruption briefings	On going
Customers: ● Quality and timeliness of product and service ● Anti-corruption and whistleblowing ● Privacy and data protection	Feedback survey	On going
	Live interactions	On going
	Regular meetings	On going
	Customer site visits	On going
Management: ● Sustainability governance ● Business ethics	Monthly operation reviews	Monthly
	Semi-annual operation review	Semi-annually
	Budget preparation	Annually
Business Partners: (Suppliers, vendors etc.) ● Assessments ● Anti-bribery, corruption and whistleblowing	Evaluation of business partners	On going
	Live interactions	On going
	Anti-bribery and corruption briefings	On going
Local Communities: ● Giving back to the community ● Helping the less privileged	Donation to charitable organisation	On going
	Volunteering initiatives	On going
Government and Regulators: ● Legal compliance on, amongst others, listing regulations, environmental and social matters	Inspections and audits	On going
	Regular tax review, filing and payments	Monthly
	Participation of government or regulator organised events	On going
	Regular updates via SGXNet	On going

Identification of Material Topics

The Group conducted a materiality assessment in 2021 for its FY2020 Sustainability Report. For the purpose of this report, the Group considered whether the material issues defined in the materiality analysis remained relevant and concluded that the material issues remain the same considering there were no material changes in the business of the Group. This report covers the Group's efforts in addressing the material issues identified in the analysis and which the Group considers material to its business, stakeholders, and operations.

The Process

The assessment comprised of the following three main stages. Further review, evaluation and approval were executed in consultation with the Group's Board of Directors.

Materiality Matrix

Materiality assessment was performed in alignment with the GRI Standards. The two main criteria used when assessing the materiality of a topic was, 1) the significance of economic, environmental, and social impacts, and 2) the influence on stakeholders' assessments and decisions. The material topics identified for FY2023 remained relevant after further consultation with the Board of Directors.

The results of the materiality analysis are used as a basis for current and future activities, as well as procedures that are put in place. We will continue to evaluate our material issues and while taking into consideration global developments.
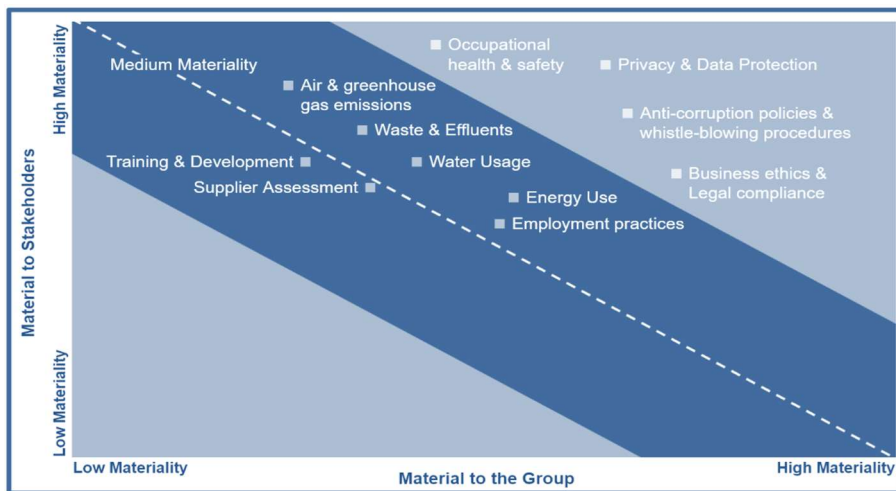
Material Issues

With these material issues identified, we categorised our ESG disclosures into three sustainability pillars:

- Governance – Ethical and Responsible Business
- Environmental – Caring for our Environment
- Social – Caring for our People and Community

Governance
- Business ethics
- Anti-corruption and whistleblowing procedures
- Supplier assessments

Environmental
- Air and greenhouse gas ("**GHG**") emissions
- Waste and effluents
- Water usage
- Energy usage

Social
- Employment practices
- Occupational health and safety ("**OHS**")
- Training and development
- Privacy and data protection

Alignment with International Initiatives

United Nations Sustainable Development Goals

The United Nations ("**UN**") Sustainable Development Goals ("**SDGs**") are a set of 17 goals established by the UN in 2015 as part of the 2030 Agenda for Sustainable Development. The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

The Group understand that alignment to the SDGs is becoming increasingly important as stakeholders are placing greater emphasis on social and environmental responsibility. Aligning to the SDGs can also create business value by identifying new opportunities for innovation and reducing risks. We acknowledge that our participation in reaching the SDGs has room for improvement and as we progress on our sustainability journey, we will continue to assess our alignment with the SDGs and whenever possible, redirect our sustainability strategy to address the goals more effectively and comprehensively.

SDG Goals	Our Participation	Sustainability Pillar
8 DECENT WORK AND ECONOMIC GROWTH	• Adhere to labour law and regulations, honor labour rights and promote safe and secure working environment.	Governance
	• We recruit persons with disabilities with equal pay for work of equal value.	Social
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	• Strive to achieve sustainable management and efficient use of natural resources in our procurement and manufacturing practices.	Governance
	• Improving our waste and recycling practices to substantially reduce waste generation through prevention, reduction, recycling, and reuse.	Environmental
	• Adopting sustainable practices and integrating sustainability information into our reporting cycle.	Governance
13 CLIMATE ACTION	• Strengthening our resilience and adaptive capacity to climate-related hazards and natural disasters by preparing for emergencies and adhering to regulations related to environmental protection.	Environmental
	• Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning	Social
16 PEACE, JUSTICE AND STRONG INSTITUTION	• With the Group's zero-tolerance policy on child labour and forced labour, we strive to end abuse, exploitation, trafficking and all forms of violence against and torture of children.	Social
	• Substantially reduce corruption and bribery in all their forms by enhancing our corporate governance practices and company policies.	Governance

Other than the above areas of importance which are key focus of the Group, we have also identified and recognised additional SDGs that are relevant to our business operations and value chain. These goals are addressed in our various policies and are also embedded in various initiatives carried out across the Group.

SDG Goals	Sustainability Pillar	
	Environmental	**Social**
Other relevant SDG Goals	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY 14 LIFE BELOW WATER 15 LIFE ON LAND	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 5 GENDER EQUALITY 10 REDUCED INEQUALITIES

5.0 GOVERNANCE

Corporate Governance

At KTMG Limited, robust corporate governance is the cornerstone of our commitment to ethical business practices and long-term sustainability. The Group has substantively complied with the recommendations of the Code of Corporate Governance 2018 ("**Code**"), through effective self-regulatory corporate practices to protect and enhance the interests of its stakeholders.

For detailed disclosure on the application of our corporate governance practices with reference to the Code, please refer to "Statement of Corporate Governance" section on the Group's Annual Report 2023.

Policy Commitments

The Group has in place the Code of Conduct and Ethics and Whistle-Blowing Policy to ensure ethical business practices across all its activities, including business relationships. These policies undergo periodic review and approval by the Executive Leadership Team ("**ELT**") and the Board of Directors ("**BOD**").

The Group communicates policies and procedures to its employees during onboarding training and regular training sessions to ensure all employees understand and adhere to the policies. The ELT and Head of Departments have the responsibility of ensuring that strategies, operational policies and procedures are properly implemented and communicated with all employees.

Compliance with Laws and Regulations

Adherence to laws and regulations is critical for the Group's business operations. The Group conducts regular compliance monitoring in accordance with its Code of Conduct and Ethics, policies, and existing applicable laws, rules, and regulations in all locations where it operates.

Non-compliance could have significant consequences for the Group's reputation, including civil and/or criminal actions, damages, fines, and criminal sanctions against the Group and/or its employees. The Group requires all employees to familiarise themselves with the laws relating to their job responsibilities and Group policies.

In FY2023 and FY2022, the Group met all compliance requirements without any offence, and no penalties or fines were incurred.

	FY2023 Target	FY2023 Performance
Incidents of non-compliance with company Code of Conduct and Ethics, policies, and existing applicable laws, rules, and regulations in all locations where the Group operates.	Zero incident	Zero incident

Tax Compliance

The Group ensures tax compliance and fully supports the local and national government by filing the appropriate taxes. The ELT and BOD monitors tax compliance. The Group regularly files tax returns, assesses and identifies tax complexities and risks. The Group complies with applicable tax regulations as part of its sustainability commitments. It engages third-party tax consultants to assist in tax management and external auditors to ensure that its financial statements comply with reporting and disclosure requirements.

Economic Performance

For detailed financial results, please refer to the following sections of the Group's Annual Report 2023:

- Financial Highlights, page 16;
- Financial Review, pages 17 to 18;
- Financial Statements, pages 56 to 59; and
- Notes to the Financial Statements, pages 61 to 106.

Anti-Corruption and Whistleblowing Policy

We pride ourselves in maintaining the highest standards of corporate governance and aligned ourselves to international best practices through our Anti-Corruption Policy and Whistleblowing Policy. These policies outline the Group's commitment to ethical behavior and provides guidelines and procedures for preventing and responding to corrupt practices.

Anti-Corruption Policy

This policy applies and is communicated to all employees of the Group, including any associated business partners, agents, contractors, and consultants acting on behalf of the Group. We define corruption as an abuse of entrusted power for personal financial gain and we define bribery as the giving, offering, or agreeing to provide benefits to others in order to improperly influence an outcome to obtain or retain an unfair advantage.

The Group ensures that records and accounts are, in reasonable detail, accurately reflecting all transactions and dispositions and requires all individuals associated with the Group to maintain complete and accurate records with respect to all transactions on behalf of the Group. These requirements apply to transactions of any amount, not limited to sums that would be "material" financially.

With a zero-tolerance policy to bribery and corruptions, the Group ensures that its monitoring and management control systems are effective in detecting any bribery, fraud or other malpractice. The Group has a designated officer who records issues on ethics and compliance and escalates to the top management where appropriate.

To ensure all employees are informed and comply with the anti-corruption and anti-bribery policies, awareness training was conducted at all regions to all new and existing employees as part of the annual training program on Code of Conduct and Ethics.

In FY2023 and FY2022, there were no incidents of corruption and bribery noted within the Group. Furthermore, no public legal cases were brought against the Group or its employees within the reporting year on matters involving corruption or bribery. The Group aims to maintain a target of no such incidents in the long term.

	FY2023 Target	FY2023 Performance
Incidents of corruptions and bribery reported and noted within the Group.	Zero incident	Zero incident

Whistleblowing Policy

The Group is committed to the highest standards of integrity, openness, and accountability in business conduct and operations. We will continue to ensure that all business affairs are conducted in an ethical, responsible, and transparent manner. The Whistleblowing Policy provides an avenue for employees or members of the public to disclose any improper conduct (misconduct or criminal offense) through internal channels and direct to the Chairman of the Audit Committee. The Group encourage the reporting of any misconduct through the direct whistleblowing channel prescribed below.

All whistleblowers will be accorded the protection of confidentiality of their identity. However, any employee or member of the public who wishes to report improper conduct will be required to disclose his/her identity to the Group so that we are able to accord any necessary protection of identity.

All disclosures can be submitted via whistleblow@ktmg.sg. Upon completion of the whistleblowing process and procedures, the whistle-blower will be accorded the privilege of being notified of the outcome of the disclosure.

Please visit https://www.ktmg.sg/whistle-blowing-policy for further information.

Supplier Assessments

As part of our objectives to achieve greater integration of sustainability throughout our value chain, we extend the application of responsible business practices to our business partners and suppliers through our supplier selection and management process.

All new suppliers are required to undergo our supplier selection process and we assess all our key suppliers on multiple parameters, namely product or service quality, price, delivery, and service or support. Our key suppliers are assessed annually on a scale of 1 to 3, with a score of 1 being unsatisfactory and a score of 3 being exceeding expectations. In FY2023, the average scores of the Group's textile and garment accessories suppliers across all operating locations scored 2 and above, (FY2022 – 2 and above), where they achieved satisfactory expectations. In FY2023 and FY2022, we have not noted significant actual negative environmental and social impact on our suppliers. As a production facility certified by the Worldwide Responsible Accredited Production ("**WRAP**"), we ensure all our existing and new onboarding suppliers abide by the principles of prohibition of forced labour and child labour, as well as compliance with the Group's policy on anti-bribery and anti-corruption. We will continue to assess all our suppliers for any actual or potential negative impacts.

We also aim to discover new areas of collaboration with our suppliers to gradually increase transparency and continue to build shared capacity to minimise our indirect environmental and social impacts. As such, we continuously work with our suppliers through additional assessments and constant communication to encourage the adoption of compliance certifications such as Business Social Compliance Initiative (BSCI), Customs Trade Partnership Against Terrorism (C-TPAT), as well as WRAP. As a leading manufacturer in the region, we believe it is our responsibility and duty to promote an ecosystem that adopts sustainability principles through positive reinforcement and encouragement.

6.0 ENVIRONMENT

The Group has identified the following environmental material topics to our business based on the materiality assessment conducted for FY2023:

- Air and Greenhouse gas emissions (Fuel Consumption - Scope 1 and Energy Use - Scope 2)
- Water Usage
- Waste Management

We ensure legal compliance with environmental-related matters through relevant local laws from all local jurisdictions in which we operate. The legal compliance of environmental matters is managed internally through internal compliance and audit committees, supervised by Head of Departments, and reported to Executive Leadership Team ("**ELT**") who is accountable to the Board of Directors.

The data presented in the following sections focuses on manufacturing centers in Malaysia and Cambodia, as we believe these operating centers generates the largest impact on the environment.

In FY2023 and FY2022, there was no incident of non-compliance with environmental matters within the organisation, and the Group will continuously strive to maintain this status.

	FY2023 Target	FY2023 Performance
Incidents of non-compliance with environmental laws and regulations in all locations where the Group operates.	Zero incident	Zero incident

Energy and Emissions

Greenhouse Gas ("GHG") Emission

At KTMG, we strive to reduce the impact of our business operations on the environment and to mitigate the risks of climate change. The Group supports the global initiatives stipulated in the Paris Agreement and Malaysia-owned Nationally Determined Contribution[1]. The Group adheres to the requirements of the 2006 Intergovernmental Panel Climate Council ("**IPCC**") Guidelines for National Greenhouse Gas Inventories and the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard and applies the following approach to GHG emissions accounting:

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[1] Rajakumar and Sieh dated 18 December 2020, Climate and Environmental Governance: Five years on from the Paris Accord, where are we?

- Evaluating direct emissions of all seven GHG stated in Kyoto Protocol (Scope 1).
- Assessing indirect emissions linked to the purchased electricity (Scope 2)

The Group reports GHG emissions in t/CO2, calculated using the IPCC 2006 global warming potentials.

Scope 1 - Fuel Consumption

The fuel consumption of our operations in both Malaysia and Cambodia is stated below:

Factory, Location	Annual Petrol Consumption (Liters)		Annual Diesel Consumption (Liters)		Annual GHG Emissions (tCO2)[2]	
	FY2023	FY2022	FY2023	FY2022	FY2023	FY2022
Batu Pahat, Johor, Malaysia						
Apparel manufacturing	7,541	13,726	4,659	8,854	27.52	52.32
Textile manufacturing	2,031	1,772	17,820	17,460	49.03	48.49
Phnom Penh, Cambodia						
Apparel manufacturing	4,462	4,457	8,681	10,455	176.04	210.28
Total	14,034	19,955	31,160	36,769	252.29	311.09
Intensity ratio*	**158.20**	**187.72**	**351.22**	**345.90**	**2.84**	**2.93**
Baseline Intensity ratio* (FY2020)	157.80		411.13		3.31	
Change in energy consumption intensity*	**↑0.40**	**↑29.92**	**↓59.91**	**↓65.23**	**↓0.47**	**↓ 0.38**

***Per million S$ of revenue*
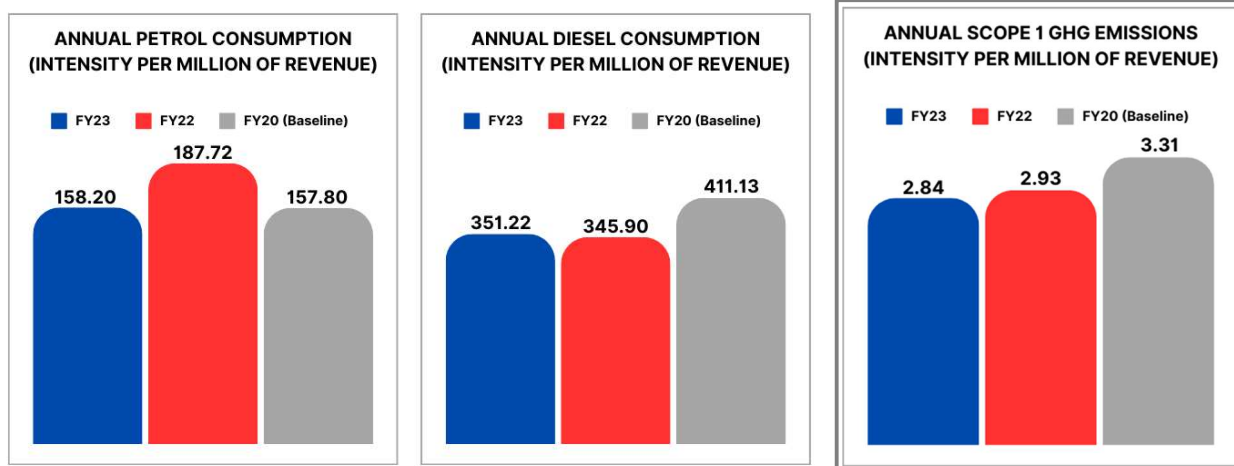
In FY2023, we noted an overall decrease in petrol usage across our operations in Malaysia and Cambodia as compared to FY2022. The diesel usage in Malaysia is mainly for forklifts while in Cambodia, diesel is mainly used for power generators due to unstable power supply in the country.

Overall, the Group has recorded a decrease in its Scope 1 GHG emission, at intensity per million of revenue of 2.84 in FY2023, as compared to base year performance of 3.31 in FY2020. This is mainly attributable to the Group's efforts in implementing cost rationalisation measures, which involve improving logistics planning and more efficient routing for transportation, as well as conducting awareness programs to educate employees on fuel-efficient driving practices.

	FY2023 Target	FY2023 Performance
Intensity of Scope 1 GHG emissions.	To maintain or achieve lower intensity of Scope 1 GHG emissions against FY2020 base year performance.	On target

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[2] The carbon emissions from fuel (petrol and diesel) presented for Malaysia were calculated through https://www.carbonfootprint.com. The carbon emissions from fuel (diesel) presented for Cambodia was calculated with an emissions factor of 1.6tCO2/1000kWh and an assumption of a diesel generator that produces 12kWh/liter of diesel, which is aligned to UNDP's assessment of Cambodia's emissions factors, available here https://www.undp.org/publications/energy-efficiency-nama-garment-industry-cambodia.

Scope 2 - Energy Consumption

Scope 2 reflects GHG emissions produced from the generation of purchased or acquired electricity. The Group uses a substantial amount of energy for the operation of machineries in its textile and apparel manufacturing facilities. In our effort to reduce carbon emissions, we have completed the installation of rooftop solar photovoltaic ("**PV**") systems for our Malaysia operations in KTM, which is our apparel manufacturing facility and KTII, our textile manufacturing facility.

The solar photovoltaic ("**PV**") systems for KTM started its operation in November 2022 and generated a total of 342,049 kWh in FY2023, as compared to 10,417 kWh in FY2022. Meanwhile, the solar panel for KTII started its operation in September 2022 and generated a total of 655,653 kWh in FY2023 and 37,692 kWh in FY2022. The Group is expecting a further reduction in the usage of non-renewable energy in the coming years with the utilisation of solar PV system.

Factory, Location	Annual Energy Consumption (kWh)		Annual GHG Emissions (tCO2)[3]	
	FY2023	**FY2022**	**FY2023**	**FY2022**
Batu Pahat, Johor, Malaysia				
Apparel manufacturing	173,734	587,884	93.52	442.81
Textile manufacturing	2,924,000	2,997,121	1,573.99	2,155.53
Phnom Penh, Cambodia				
Apparel manufacturing	1,597,155	1,327,469	1,054.12	876.13
Total	**4,694,889**	**4,912,474**	**2,721.63**	**3,474.47**
Intensity ratio*	52,918.05	46,213.30	30.68	32.69
Baseline Intensity ratio* (FY2020)	60,591.11		41.66	
Energy consumption reduction*	**↓7,673.06**	**↓14,377.81**	**↓10.98**	**↓8.97**

**Per million S$ of revenue*
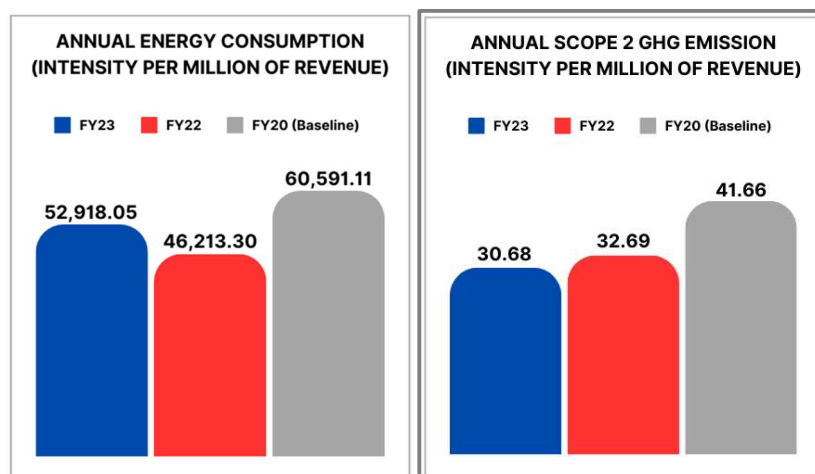
The Group's annual Scope 2 GHG emission in FY2023 recorded a decrease, at intensity per million of revenue of 30.68, as compared to 32.69 in FY2022 and base year performance of 41.66 in FY2020. However, as the Group's revenue in FY2023 fell by 16.5% as compared to revenue in FY2022, it has led to an increase in the intensity per million of revenue in the Group's FY2023 electricity consumption. We remain dedicated to reducing our energy consumption and bolstering our energy efficiency through continued efforts in identifying and implementing energy conservation measures to reduce our environmental footprint.

	FY2023 Target	FY2023 Performance
Intensity of Scope 2 GHG emissions.	To maintain or achieve lower intensity of Scope 1 GHG emissions against FY2020 base year performance.	On target

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[3] The carbon emissions from energy sources presented for Malaysia were calculated through http://greentechmalaysia.my/. The carbon emissions from energy sources presented for Cambodia was calculated with an emissions factor of 0.66tCO2/1000kWh, which is aligned to UNDP's assessment of Cambodia's emissions factors, available here https://www.undp.org/publications/energy-efficiency-nama-garment-industry-cambodia.

Water and Effluents

The Group has made a commitment to practice responsible water-sourcing and usage, acknowledging the significance of reducing its water consumption and taking proactive steps to accomplish this objective. Despite not operating in regions facing water stress or concerns, the Group remains attentive to its water consumption and endeavors to diminish its water consumption footprint by continuously implementing water-saving measures. These measures include identifying and repairing leaks to reduce water waste, encourage our employees to adopt water-efficient practices, as well as educating all employees on the importance of water conservation.

Water is supplied through local municipalities from local fresh water sources. There are no other water sources we drew our water from. Water consumption for the Group's textile and apparel operations is presented below.

	Annual Water Consumption	
	FY2023	**FY2022**
Total for all activities and locations (m³)	**494,255**	**759,207**
Intensity ratio*	5,570.95	7,142.12
Baseline Intensity ratio* (FY2020)	7,942.28	
Intensity change*	**↓ 2,371.33**	**↓ 800.17**

*Per million S$ of revenue

In FY2023, water usage at our textile manufacturing facility comprised 94.7% (FY2022 – 96.2%) of the Group's total water consumption, a decrease of 1.5% from FY2022). Water usage within the textile industry is generally higher than apparel industry as the fabric dyeing process requires high volume of water.

ANNUAL WATER CONSUMPTION (INTENSITY PER MILLION OF REVENUE)

Industrial wastewater and effluents are mainly discharged from the operations of our textile manufacturing facility. The Group ensures that all industrial wastewater is treated through the on-site wastewater treatment plant before its final discharge to the sewage system. The Group also ensures that its textile manufacturing facility conducts a weekly analysis of the quality of wastewater, which is then reported to the Department of Environment (Malaysia) on a weekly basis. Across our apparel operations, water usage is predominantly for employee consumption and facility maintenance.
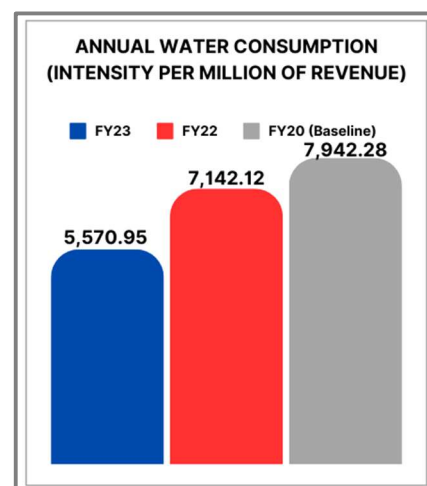
In FY2023, the Group's overall water consumption decreased by 34% as compared to FY2022 (FY2022 – an increase of 13% in comparison with FY2021), and this is in tandem with the Group's production capacity utilisation of the fabric dyeing process during the year. The intensity per million of revenue decreased by 22.0% in FY2023 as compared to FY2022, and a decrease of 29.9% as compared to base year performance in FY2020.

Starting FY2022, the Group invested in a water storage facility for rainwater harvesting and we are able to store approximately 8,000 m³ of water at maximum capacity for textile production use in FY2023. We hope to further optimise and reduce our water consumption as we explore the possibility of investing in other harvesting technologies in the future.

	FY2023 Target	FY2023 Performance
Intensity of water consumption	To maintain or achieve lower intensity of water consumption against FY2020 base year performance.	On target

Waste

The Group aims to reduce, reuse and recycle its waste where possible to reduce our input to landfills and to minimise the impact of our business operations to the environment. We ensure that all non-hazardous and hazardous wastes are properly labeled, stored, and disposed of according to local council regulations and by licensed contractors.

We encourage all our employees to exercise prudent waste practices, and our in-house environmental committee will conduct regular awareness programs. We strive to adopt the best practices in waste management, which is essential in reducing our environmental footprint.
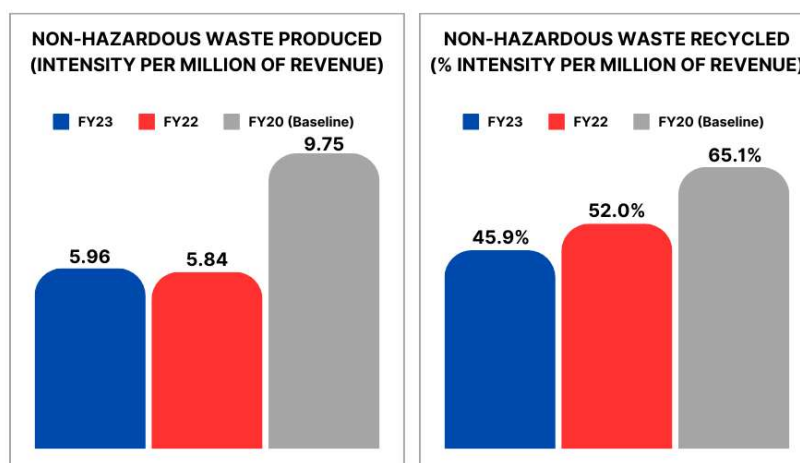
Non-Hazardous Waste

As part of the manufacturing process, the Group generally generates fabric waste, paper waste, and plastic waste. All non-recycled waste generated will be disposed of through the local municipal councils on a weekly basis. We captured the data of non-hazardous waste through real-time weighbridge measurement provided during disposal of those waste.

Factory, Location	Amount of non-hazardous waste produced (tonnes)		Amount of non-hazardous waste recycled (tonnes)		Percentage of non-hazardous waste recycled	
	FY2023	**FY2022**	**FY2023**	**FY2022**	**FY2023**	**FY2022**
Batu Pahat, Johor, Malaysia						
Apparel manufacturing	28	53	9	48	32.1%	90.6%
Textile manufacturing	73	38	8	6	11.0%	15.3%
Phnom Penh, Cambodia						
Apparel manufacturing	428	530**	226	269	52.9%	50.8%**
Total	**529**	**621****	**243**	**323**	**45.9%**	**52.0%****
Intensity ratio*	5.96	5.84**	2.74	3.04	45.9%	52.0%**
Baseline Intensity ratio* (FY2020)	9.75		6.35		65.1%	
Change in non-hazardous waste*	**↓3.79**	**↓3.91****	**↓3.61**	**↓3.31**	**↓19.2%**	**↓13.1%****

***** *Per million S$ of revenue*
*** Re-stated*

In FY2023, we observed an overall decrease of 6.1% in the amount of non-hazardous waste recycled as compared to FY2022, particularly at our operations in Malaysia. As it is the Group's practice to accumulate recyclable materials to a set quantity before sending to certified recycling facilities, this has resulted in a lesser percentage of non-hazardous waste being recycled during FY2023.

The Group is committed to increasing the recycling percentage of its non-hazardous waste and is exploring alternatives such as 'repurpose' instead of 'recycle'. Going forward, the Group may seek the collaboration of potential agencies that are able to 'repurpose' non-hazardous wastes.

	FY2023 Target	**FY2023 Performance**
Intensity of non-hazardous waste produced and recycled.	To maintain or achieve lower intensity of non-hazardous waste produced and recycled against FY2020 base year performance.	On target

Hazardous Waste

Hazardous waste production is limited to our textile manufacturing facility, KTII. The factory produced scheduled waste as detailed below:

1) SW204 – Sludge that contains metals such as chromium, copper, nickel, zinc, lead, and cadmium; and
2) SW309 – Oil-water mixture such as ballast water

In FY2023, the Group reported 24.5 metric tonnes (FY2022 – 9 metric tonnes) of SW204 hazardous waste disposed of and 3.8 metric tonnes of SW309. In terms of managing, storing, and disposing of waste, we ensure compliance with Malaysia's Environmental Quality (Scheduled Waste) Regulations 2005 and Environmental Quality (Industrial Effluent) Regulations 2009.

The sludge produced is a by-product of wastewater as a result of our textile manufacturing activities. For the disposal of scheduled waste, companies in Malaysia may only engage contractors approved by the Department of Environment to ensure that all scheduled waste is being disposed of in an appropriate manner. All hazardous waste produced onsite will be held in on-site wastewater storage tanks prior to further treatment and/or disposal by our contractors. These wastes can be processed in a licensed facility to recover metals such as chromium, copper, nickel, zinc, lead, and cadmium for reuse as raw materials in other industries.

7.0 SOCIAL

At KTMG, we recognise that the achievement and success, which we take pride in, would not be possible without the considerable efforts and contribution of our employees. For this reason, we work continuously to ensure the effectiveness of our personnel management practices, including those relating to recruitment, retention, and training; increasing employee engagement; and developing internal social programs. We are committed to provide equal rights and opportunities to all our employees.

The Group's employment practices are embodied in the formal Code of Conduct and Ethics, whereby acceptable requirements of fair treatment of legitimate employees are specified for strict compliance.

The Group has identified the following social sustainability matters as material to our business operation based on the materiality assessment conducted for FY2022 and FY2023:

● Employment practices
● Occupational health and safety
● Training and development
● Privacy and data protection

We ensure legal compliance with social matters through local employment acts from all locations where we operate in. The legal compliance of social matters is managed internally through internal compliance and audit committees, supervised by senior management and reported to Chief Executive Officer, who is accountable to the Board of Directors.

In FY2023 and FY2022, there were no issues of non-compliance with social matters reported within the organisation, and the Group will continuously strive to maintain this status.

	FY2023 Target	FY2023 Performance
Incidents of non-compliance with employment laws and regulations in all locations where the Group operates.	Zero incident	Zero incident

Our Employees

Policies

Our employment practices focus on providing equal opportunities for all, and we uphold standards that are strictly based on merit and performance. While our Board of Directors have set the direction of our stance on our employee policies, our internal compliance departments ensure that our standards are upheld throughout the Group, and any incidents of non-compliance are investigated and resolved.

Anti-Discrimination, Anti-Child Labour, and Anti-Forced Labour

The Group takes strict measures so that no discrimination, child labor, or forced labor occurs within our operations. In Malaysia, this is aligned with local regulations, such as the Malaysian Employment Act 1955, which has set statutory requirements for the minimum age for workers. In our Cambodia operations, we have strict anti-human trafficking, anti-forced labor, and anti-child labour policies to uphold our commitment to human rights.

In FY2023 and FY2022, there are no reported instances of discrimination, child labor, nor forced labor within the Group and within our value chain. The Group aims to maintain a target of no such incidents in the long term.

Human Rights

The Group is committed to prioritising human rights and promoting a workplace culture built with mutual respect, and eliminating all forms of harassment, threats, intimidation, violence, or misconduct against all employees.

In FY2023 and FY2022, there are no reported instances of human rights violations within the Group and our value chain. The Group aims to maintain a target of no such incidents in the long term.

KTMG Workforce Profile

People are our most valuable asset, and also the key to the Group's long-term growth and success. We have a diverse workforce comprising employees across different regions. In FY2023, our total headcount increased by 11% to 2310 as compared to 2085 in FY2022. We also welcomed 898 new employees, which comprised 97% or 870 textile and apparel manufacturing workers and 3% or 28 at our operations headquarter.
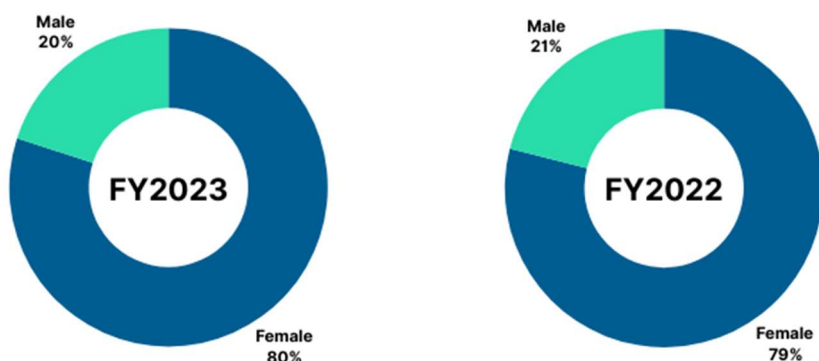
In FY2023, 100% of the Group's employees are full-time permanent and worked in accordance with the standard full-time hours as defined by the labour law of each region where the Group operates. This is consistent with FY2022 and FY2021. Out of the Group's total workforce, 85% or 1974 employees are employed in Cambodia, where the majority of our apparel manufacturing is based in, and 15% or 336 employees are employed in Malaysia.

Diversity and Inclusion

At 31 December 2023, the Group has the following workforce diversity statistics:

● Total employees: 1,855 (80%) female employees and 455 (20%) male employees

● Employees categorised by age:
   ○ Below 30 years old : 1078 (46%) employees
   ○ Between 31 to 50 years old : 1,149 (50%) employees
   ○ Above 51 years old : 83 (4%) employees

● Employees categorised by work function:
   ○ Senior managerial function : 8 (38%) female employees and 13 (62%) male employees
   ○ Managerial or supervisory function : 98 (72%) female employees and 39 (28%) male employees
   ○ Non-managerial function : 1,749 (81%) female employees and 403 (19%) male employees

GENDER DIVERSITY PER TOTAL EMPLOYEES

Male 20%
FY2023
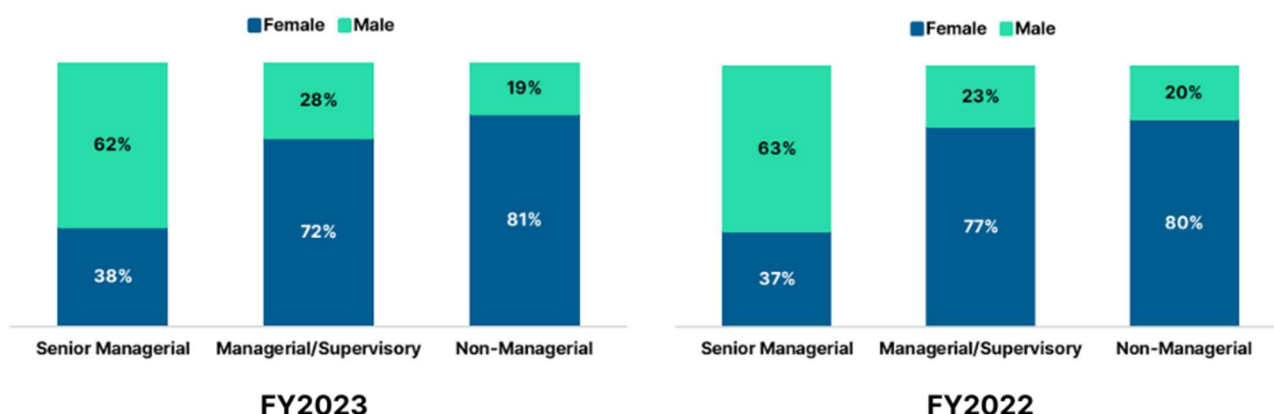Female 80%

Male 21%
FY2022
Female 79%

AGE DIVERSITY PER TOTAL EMPLOYEES

Above 51 4%
FY2023
Below 30 46%
Between 31-50 50%

Above 51 4%
FY2022
Below 30 48%
Between 31-50 48%
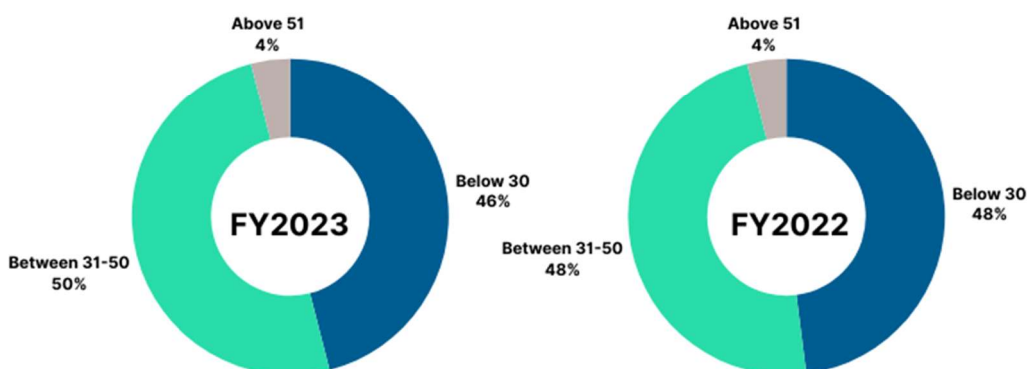
GENDER DIVERSITY BY WORK FUNCTION

■Female ■Male

FY2023

	Senior Managerial	Managerial/Supervisory	Non-Managerial
Male	62%	28%	19%
Female	38%	72%	81%

FY2022

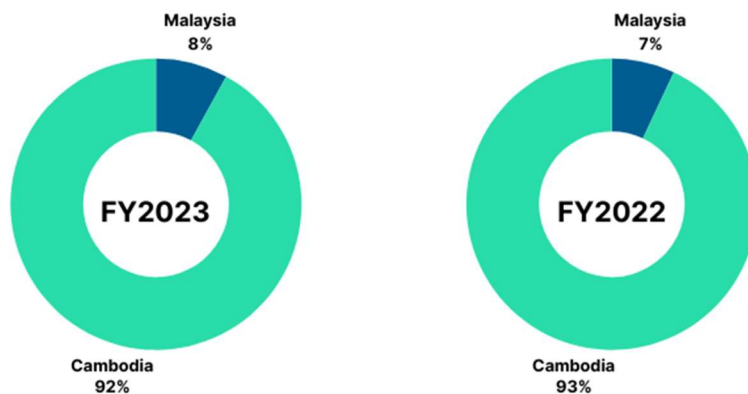|	Senior Managerial	Managerial/Supervisory	Non-Managerial
Male	63%	23%	20%
Female	37%	77%	80%

Overall, the Group continued to maintain high levels of female representation throughout its workforce. In FY2023, our female employees in Cambodia contributed approximately 73% (1,687 employees) of the Group's total workforce as compared to 70% in FY2022, which is an increase of 15% or 219 employees. While the lack of female representation at senior managerial function has been a pervasive issue worldwide, the Group strives to ensure that female employees are given opportunities to take on managerial positions across the organisation. All head of departments at operations headquarter in Malaysia are Malaysians, recruited from the local community. As for our operations in Cambodia, majority of our employees are Cambodians, also recruited from the local community.

In terms of age diversity across all our operating units, most of the Group's employees are 31-50 years old, which indicates that we have an experienced workforce to support the continuity of our business operations across all locations.
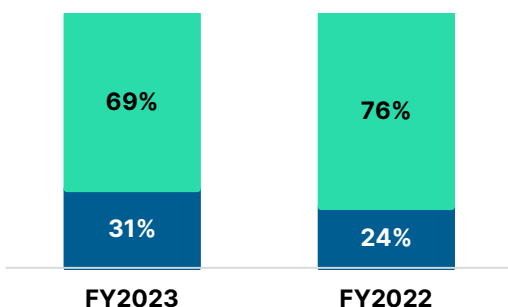
New Hires

In FY2023, there are 1165 new hires that joined the Group (FY2022 – 548) to facilitate the continuous growth of our manufacturing operations. Out of the total new hires in FY2023, 1072 or 92% (FY2022 – 507) are from our apparel manufacturing facilities in Cambodia. This is consistent with FY2022 as the Group is constantly seeking talents and skilled workers to join our manufacturing workforce. The demographic of our new employees is presented below by region:
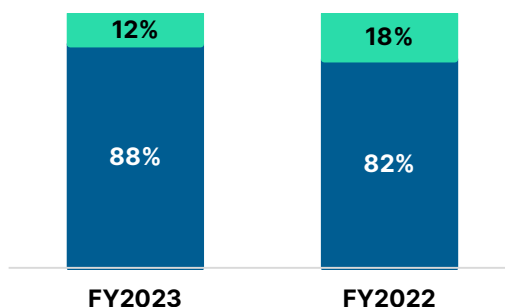
NEW HIRES BY REGION

FY2023
Malaysia 8%
Cambodia 92%

FY2022
Malaysia 7%
Cambodia 93%

NEW HIRES BY GENDER (MALAYSIA)

■Female ■Male

	FY2023	FY2022
Male	69%	76%
Female	31%	24%

NEW HIRES BY GENDER (CAMBODIA)

■Female ■Male

	FY2023	FY2022
Male	12%	18%
Female	88%	82%

NEW HIRES BY AGE CATEGORY (MALAYSIA)

■Below 30 ■Between 31-50 ■Above 51

	FY2023	FY2022
Above 51	6%	5%
Between 31-50	39%	32%
Below 30	55%	63%
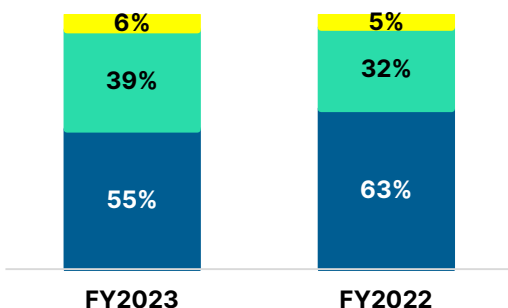
NEW HIRES BY AGE CATEGORY (CAMBODIA)

■Below 30 ■Between 31-50 ■Above 51

	FY2023	FY2022
Above 51	1%	1%
Between 31-50	37%	35%
Below 30	62%	64%
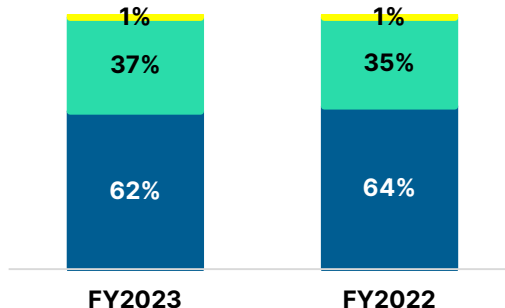
In FY2023, the trend in our new hires remain consistent with FY2022. Overall, we have seen a decrease of new male employees across our business operations, and this is mainly due to apparel manufacturing is traditionally a female-oriented industry with significant portion of the workforce being women.

Employee Turnover

Employee turnover rates are an indication of employee satisfaction, and the Group continuously strive to ensure that we remain an attractive organisation to current and future employees. Measuring and monitoring employee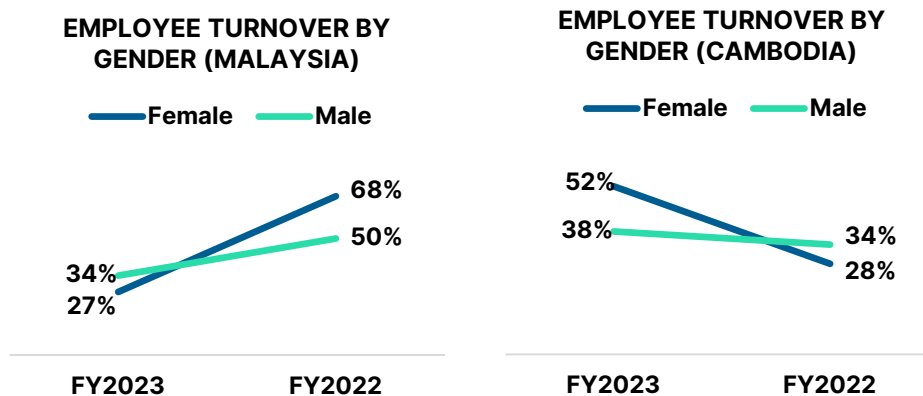 turnover rates will enable us to assess and prioritise changes or adjustments to our culture or practices to decrease attrition and to ensure the retention of talents in the future.

The Group's employee turnover rate for FY2023 is presented below by region and gender:

EMPLOYEE TURNOVER BY GENDER (MALAYSIA)

── Female ── Male

	68%
	50%
34%	
27%	
FY2023	FY2022

EMPLOYEE TURNOVER BY GENDER (CAMBODIA)

── Female ── Male

52%	
38%	34%
	28%
FY2023	FY2022

In FY2023, the employee turnover rate at the Group's operations in Malaysia decreased as compared to FY2022, following an internal restructuring exercise. However, in Cambodia, the turnover rate increased in FY2023 due to the implementation of a new performance evaluation system aimed at retaining employees who meet the Group's performance standards and to bring in updated skills and knowledge to the production workforce.

Occupational Health and Safety

The Group is committed to ensuring the health and safety of all employees, contractors, visitors, as well as the community who are impacted by our activities. We believe that injuries, incidents and infectious diseases are preventable through effective health and safety management.

We remain guided by our Health and Safety Policy ("**Policy**"), which covers all employees, activities, and workplaces. The Policy is distributed across the organisation and is translated into multiple local languages for ease of understanding. To enforce the Policy, each operating location is overseen by the Group Health and Safety Committee that comprises individuals from across different departments. The responsibilities of the Group Health and Safety Committee include:

● To ensure and maintain safe and healthy working conditions in accordance with industry compliance standards and applicable law and legislations across all offices and factories at regions where we operate.
● To communicate the importance of complying with all relevant laws and legislations regarding occupational health and safety in regions where we operate.
● To identify and eliminate workplace hazards to reduce health and safety risks.
● To continuously improve our health and safety management system.
● To provide health and safety consultation and promote awareness within the organisation.

The Group's Health and Safety Policy is established to ensure its operational activities are carried out in a manner that complies with legal requirements and to minimise the occurrence of industrial accidents. Our policies ensure compliance with Malaysia's Act 154 - *Occupational Safety and Health Act 1994*, and Cambodia's Labour Law of 1997, *Chapter VIII - Health and Safety of Workers.* Included in the Policy are procedures in the event of any emergencies, such as fire and hazardous leaks, or the standard procedures for work accidents or other life-threatening situations.

We ensure that all our factories and offices carry out regular service and maintenance of safety equipment, such as emergency lighting and fire extinguishers. Scheduled maintenance is carried out on all machinery, and operators are trained with relevant safety procedures to minimise accidents.

In FY2023 and FY2022, we have no reported incidents of work-related accidents and injuries resulting in lost workdays. Moving forward, we aim to continuously improve and maintain a high standard of health and safety across all our operations.

	FY2023 Target	FY2023 Performance
Incidents of work-related accidents and injuries in all locations where the Group operates.	Zero incident	Zero incident

Training and Development

The Group focuses on two main training categories: 1) Health and Safety and 2) Skills Development. Through regular and relevant training programs, we can build a workforce that is highly skilled, motivated, competitive, and productive. These are the core competencies that we require to achieve our goals and objectives.

The Human Resources ("**HR**") department is mainly responsible for all the training needs of our employees. We have an on-boarding training for every new employee on Health and Safety, Code of Conducts and Ethics, etc. This is to ensure every new employee in the Group is aware and familiarise with high standards of safety acumen and professionalism when dealing with our internal and external stakeholders.

The HR department also work together with the Head of Departments of each business unit to identify training needs and will collaborate with external service providers to conduct training to equip our employees with the necessary skills and knowledge.

In line with our commitment to continuously identify and develop leadership potentials, we have launched the KTMG Institute of Management in March 2022 to support our human capital development. To further enhance our efforts to nurture and retain talent, we also launched a mentorship programme to help guide high potential talents through their career progression.

In FY2023, regular trainings in health and safety were conducted for an accumulated of 8,062 hours (FY2022: 9,365 hours) to an average of 2198 employees, which is equivalent to 3.67 hours (FY2022: 4.85 hours) per employee. As the Group focused its labour hours on fulfilling a substantial maiden order from a new customer, only regular and/or mandatory health and safety trainings, including trainings on WRAP Principles are conducted for the employees in FY2023. The Group will strive to continue providing upskill trainings for its employees in the long term.

The table below indicates the total and average training hours for FY2023 and FY2022.

	FY2023			FY2022		
	Male	Female	Total	Male	Female	Total
Total training hours	2,655	5,407	8,062	2,482	6,883	9,365
Average training hours per employee	5.99	3.08	3.67	5.73	3.89	4.85

	FY2023 Target	FY2023 Performance
Internal and external training opportunities	To continue providing internal and external training courses to our employees.	On target

Employee Feedback and Communication

We understand that employee feedback and communication are essential for creating a positive work environment, improving performance and fostering innovation. We ensure that our employees are engaged and motivated by organising communication sessions and social events such as team building, Employee Appreciation Day, and holiday parties. All our employees are also updated regularly and timely for operational changes through internal memo and a messaging application, accessible for all employees regardless of their location. Any significant changes on policies are communicated at least one month prior to the implementation of such changes.

Employee Appraisal and Recognition

The Group ensures that all employees are provided with the right platform to progress their career. We carry out annual performance appraisal reviews where head of departments will provide their team members with constructive feedback based on their performance and goals which they have set at previous performance appraisals. The Group has a Mentorship Programme for employees in the non-managerial category where experienced mentors guide and support mentees in their professional and personal development within the organisation.

Privacy and Data Protection

Ensuring the safety and privacy of any data related to our stakeholders are of great importance to the Group. We remain guided by our internal Data Protection Policy, which outlines the procedures and standards for all staff to adhere to in terms of protecting the privacy of our suppliers, customers, shareholders, employees, etc. The Data Protection Policy is distributed to all employees from onboarding training. The Group constantly monitors any responses which may arise from concerns about data privacy by our key stakeholders or the general public.

In FY2023 and FY2022, we are pleased to report no substantiated complaints regarding breaches of privacy and loss of data or incidents of cyber-attacks during the reporting period. The Group aims to maintain a target of no such incidents in the long term.

Communities

The Group recognise the importance of supporting local communities to make a positive impact on the lives of those who live and work in the area around our business operations. We remain committed towards giving back to the community through various community development initiatives.

In Cambodia, we continued our annual tradition of donating school uniform and various clothing to students at Don Bosco Technical School in Teuk Thla, Phnom Penh, Cambodia.

We believe that engaging in such an initiative allows us to give back to society while providing our employees with meaningful opportunities to connect with the communities around them.

Customers

One of the Group's core values is "Customer's Interest is Our Top Priority" and we are committed to delivering products that are worthy of our customer's trust and loyalty.

The Group acknowledges the significance of establishing a robust customer relationship management system as a key factor for its prosperity and expansion. The Group places a strong emphasis on actively listening to its customers, comprehending their requirements, and providing relevant responses. By adopting this approach, the Group aims to deliver products that surpass customers' expectations and ensures customers' health and safety.

The Group rigorously evaluates all its products to ensure they meet our customers' expectations and guarantee their well-being and safety. In FY2023 and FY2022, the Group has not encountered any safety issues concerning its products. Additionally, the Group has not faced any non-compliance with product health and safety regulations.

CLIMATE CHANGE RISKS AND OPPORTUNITIES

The current climate crisis has become more apparent, and the repercussions of climate change pose a significant threat to individuals, business operations, and economies worldwide. Climate change presents financial implications, risks, and business opportunities. As extreme weather events became more frequent, businesses may experience increased costs due to property damage and supply chain disruptions.

As the Group looks to the future, we are aware of the potential risks. Uncontrolled global warming could adversely affect our business operations, limiting our ability to function effectively. To further strengthen our awareness and understanding on the impacts of climate change, we have adopted a phased approach in FY2023 for climate-related disclosures in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosure ("**TCFD**").

In managing climate-related risks and opportunities, the Group have identified the relevant physical and transition risks with its associated financial impact. We have also identified our responses to these risks and opportunities. Going forward, we will continue to refine our climate-related risk analysis, and to enhance our response actions.

Risk Category	Location	Period	Description	Potential Financial or Operational Impacts
Physical	Malaysia and Cambodia	Medium to long term	Rising global temperatures and/or heatwaves. ● Increased health and safety risks for workers at our manufacturing facilities.	● Increase in operating costs on facility upgrade (i.e. cooling system) and medical compensation. ● Decrease in revenue due to decreased efficiency from negative impacts on the well-being of our workforce.
Physical	Malaysia and Cambodia	Medium to long term	Extreme weather events i.e. flood, drought, cyclone and etc. ● Impact the availability and cost of raw material (e.g. cotton yarn). ● Disruptions in global logistics and supply chain causing delivery delays from suppliers and to customers.	● Decrease in revenue due to rising cost of raw material. ● Increase in operating costs due to global supply chain disruptions.
Transition (Policy and Legal)	Malaysia	Long term	New regulations or tightening of regulations on reducing carbon footprint.	● Increase in operational costs or capital expenditure as may require significant investment on new technologies, infrastructures and energy efficiency measures.
Transition (Market)	Malaysia	Medium to long term	Shift in customer preference ● Rising awareness on reducing carbon footprint increases the demand for sustainable clothing options. ● Failure to meet the needs and demand of changing customers' preferences in the sustainable fashion market.	● Decrease in revenue and profitability due to inability to keep up with customers' preferences.

The Group strives to respond timely and appropriately to the above findings. Since our manufacturing facilities require a significant amount of energy, managing greenhouse gas emissions in our business operation is important to address these climate-related risks. We started to invest in renewable energy, which was through installing solar panels at our textile and apparel manufacturing facilities in Batu Pahat, Johor, Malaysia. Our textile manufacturing facility is also equipped with an in-house water treatment plant to remove contaminants in our wastewater before they are safely discharged into the environment.

TCFD DISCLOSURES

Code	TCFD Recommendations	Actions
Governance		
1)(a)	Describe the board's oversight of climate-related risks and opportunities.	Refer to "Sustainability Governance" section
1)(b)	Describe management's role in assessing and managing climate-related risks and opportunities.	Refer to "Sustainability Governance" section
Strategy		
2(a)	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Refer to "Climate Change Risks and Opportunities" section
2(b)	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Refer to "Climate Change Risks and Opportunities" section
Risk Management		
3(a)	Describe the organisation's processes for identifying and assessing climate related risks.	The Group maintains a sound system of risk management structure which governs the risk management process in the Group and enables the identification, prioritisation, assessment, management, and monitoring of key risks to the Group's business. The Group's risk management and internal control system in place is adequate and effective in addressing the material risks in the Group's current business environment including climate-related risks. The Group performs risk assessment annually to ensure its compliance with disclosures in accordance with the requirements of Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

As the Group looks to the future, we have adopted a phased approach in incorporating sustainability issues, including climate-related risks and opportunities, into our risk management framework so that relevant risks and opportunities are identified, strategically assessed, and effectively managed through a comprehensive risk management process. |
3(b)	Describe the organisation's processes for managing climate-related risks.	
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		
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.	Metrics
The Group keeps track of its climate performance by adopting the performance metrics below:
• Electricity consumption (kilowatt hour)
• Diesel consumption (litres)
• GHG emissions Scope 1 and Scope 2 (tCO2)
• Water consumption (cubic meters)
4(b)	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	
4(c)	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Targets
Accordingly, the Group has established climate-related objectives as below:
• Energy: To maintain or lower our energy consumption.
• Water: To maintain or lower our water consumption.
• GHG Emissions: To identify the intensity of our emissions and strive to maintain or reduce the GHG emissions arising from our operations.

For further details, please refer "6.0 Environment" section |

GRI CONTENT INDEX

Statement of Use	KTMG Limited reported the information cited in this GRI content index for the period from January 1 to December 31, 2023 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Disclosures		Section Reference
2 – General Disclosures		
2-1	Organizational details	About KTMG
2-2	Entities included in the organization's sustainability reporting	Group Structure Scope of Report
2-3	Reporting period, frequency and contact point	Scope of Report Contact Information
2-4	Restatements of information	Non-Hazardous Waste for FY2022 under Waste is restated due to calculation error
2-5	External assurance	This report was not externally assured.
2-6	Activities, value chain and other business relationships	Operating Locations and Principal Activities Our Value Chain
2-7	Employees	Employees Diversity and Inclusion
2-8	Workers who are not employees	Employees Diversity and Inclusion
2-9	Governance structure and composition	Sustainability Governance Refer to the Corporate Governance section of the 2023 Annual Report.
2-10	Nomination and selection of the highest governance body	Refer to the Corporate Governance section of the 2023 Annual Report.
2-11	Chair of the highest governance body	Refer to the Corporate Governance section of the 2023 Annual Report.
2-12	Role of the highest governance body in overseeing the management of impacts	Sustainability Governance Stakeholder Engagement Refer to the Corporate Governance section of the 2023 Annual Report.
2-13	Delegation of responsibility for managing impacts	Sustainability Governance Refer to the Corporate Governance section of the 2023 Annual Report.
2-14	Role of the highest governance body in sustainability reporting	Sustainability Governance Refer to the Corporate Governance section of the 2023 Annual Report.
2-15	Conflicts of interest	Refer to the Corporate Governance section of the 2023 Annual Report.
2-16	Communication of critical concerns	Sustainability Governance Refer to the Corporate Governance section of the 2023 Annual Report.
2-17	Collective knowledge of the highest governance body	Refer to the Corporate Governance section of the 2023 Annual Report.
2-18	Evaluation of the performance of the highest governance body	Refer to the Corporate Governance section of the 2023 Annual Report.
2-19	Remuneration policies	Refer to the Corporate Governance section of the 2023 Annual Report.
2-20	Process to determine remuneration	Refer to the Corporate Governance section of the 2023 Annual Report.
2-21	Annual total compensation ratio	Refer to the Corporate Governance section of the 2023 Annual Report.
2-22	Statement on sustainable development strategy	Statement from the Executive Chairman
2-23	Policy commitments	Refer to the Corporate Governance section of the 2023 Annual Report. Policy Commitments Anti-Corruption and Whistleblowing Policy Supplier Assessments Human Rights
2-24	Embedding policy commitments	Refer to the Corporate Governance and other sections of the 2023 Annual Report.

GRI Disclosures		Section Reference
2-25	Processes to remediate negative impacts	Stakeholder Engagement
2-26	Mechanisms for seeking advice and raising concerns	Stakeholder Engagement
2-27	Compliance with laws and regulations	Compliance with Laws and Regulations
2-28	Membership associations	Our Value Chain
2-29	Approach to stakeholder engagement	Stakeholder Engagement
2-30	Collective bargaining agreements	Not applicable. No collective bargaining agreements are in place.
3 – Material Topics		
3-1	Process to determine material topics	Identification of Material Topics
3-2	List of material topics	Identification of Material Topics
201 – Economic Performance		
201-1	Direct economic value generated and distributed	Refer to the Notes to the Financial Statements and other sections of the 2023 Annual Report.
201-2	Financial implications and other risks and opportunities due to climate change	Climate Change Risks and Opportunities
205 – Anti-corruption		
3-3	Management of material topics	Anti-Corruption, and Whistleblowing Policy
205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption, and Whistleblowing Policy
205-3	Confirmed incidents of corruption and actions taken	Anti-Corruption, and Whistleblowing Policy
207 – Tax		
3-3	Management of material topics	Identification of Material Topics
207-1	Approach to tax	Compliance with Laws and Regulations
207-2	Tax governance, control, and risk management	Compliance with Laws and Regulations
207-3	Stakeholder engagement and management of concerns related to tax	Stakeholder Engagement
207-4	Country-by-country reporting	Refer to the Notes to the Financial Statements and other sections of the 2023 Annual Report Compliance with Laws and Regulations Operating Locations and Principal Activities Our Employees
302 – Energy		
3-1	Management of material topics	Environment
302-1	Energy consumption within the organization	Energy and Emissions
302-3	Energy intensity	Energy and Emissions
303 – Water and Effluents		
3-3	Management of material topics	Water and Effluents
303-5	Water consumption	Water and Effluents
305 – Emissions		
3-3	Management of material topics	Energy and Emissions
305-1	Direct (Scope 1) GHG emissions	Energy and Emissions
305-2	Energy indirect (Scope 2) GHG emissions	Energy and Emissions
305-4	GHG emissions intensity	Energy and Emissions
306 – Waste		
3-3	Management of material topics	Waste
306-3	Waste generated	Waste
308 – Supplier Environmental Assessment		
3-3	Management of material topics	Supplier Assessments
308-1	New suppliers that were screened using environmental criteria	Supplier Assessments
401 – Employment		
3-3	Management of material topics	Our Employees
401-1	New employee hires and employee turnover	Diversity and Inclusion
402 – Labor/Management relations		
3-3	Management of material topics	Our Employees
402-1	Minimum notice periods regarding operational changes	Employee Feedback and Communication
403 – Occupational health and safety		
3-3	Management of material topics	Occupational Health and Safety
403-1	Occupational health and safety management system	Occupational Health and Safety
403-5	Worker training on occupational health and safety	Training and Development

GRI Disclosures		Section Reference
403-9	Work-related injuries	Occupational Health and Safety
404 – Training and Education		
3-3	Management of material topics	Training and Development
404-1	Average hours of training per year per employee	Training and Development
404-3	Percentage of employees receiving regular performance and career development reviews	Employee Feedback and Communication
405 – Diversity and Equal Opportunity		
3-3	Management of material topics	Diversity and Inclusion
405-1	Diversity of governance bodies and employees	Diversity and Inclusion
413 – Local Communities		
3-3	Management of material topics	Communities
413-1	Operations with local community engagement, impact assessments, and development programs	Communities
418 – Customer privacy		
3-3	Management of material topics	Customers
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Privacy and Data Protection

LEGAL DISCLAIMER

This Report contains forward-looking statements concerning the financial condition, results of operations and businesses of the Group. All statements other than statements of historical fact are or may be deemed to be forward-looking statements. Forward-looking statements are statements of future expectations based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those expressed or implied in these statements. Forward-looking statements include statements typically containing words such as "will", "may", "should", "believe", "intends", "expects", "anticipates", "targets", "estimates," and words of similar import.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. They are based on numerous assumptions regarding the Group's current and future business strategies and the environment in which it will operate. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including a number of factors outside the Group's control. These include changes in the political, social, and regulatory framework in which the Group will operate or in economic, technological trends or conditions; the success of the business and operating initiatives; the actions of regulators; legislative, fiscal, and regulatory developments, including regulatory measures addressing climate change; the behavior of other market participants; competitive product and pricing pressures; changes in consumer habits and preferences; foreign exchange rate fluctuations and interest rate fluctuations; changes in the level of capital investment; the impact of any acquisitions, disposals or similar transactions; the outcome of any litigation; the risk of doing business in countries subject to international sanctions; environmental and physical risks; risks associated with the impact of pandemics. Other unknown or unpredictable factors could cause actual results and developments to differ materially from those in forward-looking statements.

Neither the Group nor any of its subsidiaries provide any representation, assurance, or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Report will occur. Neither the Group nor its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or other information. Each forward-looking statement speaks only as of the date of this report, i.e., 29 June 2024.

In light of these risks, results could differ materially from those stated, implied, or inferred from the forward-looking statements contained in this report. No materials in this Report constitute an offer, solicitation, or recommendation to purchase or sell securities or make investments. Readers should not place undue reliance on forward-looking statements.