



Emerging Stronger Together

SUSTAINABILITY REPORT 2021



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Corporate Profile

Kimly Limited (the "Company" or "Kimly", and together with its subsidiaries, the "Group") is one of the largest traditional coffeeshop operators in Singapore with more than 30 years of experience. The Group operates and manages an extensive network of 85 food outlets under "Kimly", "foodclique" and a third-party brand, 139 food stalls comprising Mixed Vegetable Rice, Teochew Porridge, Dim Sum, Seafood "Zi Char", Kanaaji Japanese Tonkatsu, two Tonkichi restaurants and seven Rive Gauche confectionery shops.

Kimly was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited on 20 March 2017.

Board's Statement



FY2021 was a resilient year for Kimly despite the economic impact and uncertainty arising from the long-drawn COVID-19 situation in Singapore. With revenue recovery coupled with the Singapore Government's COVID-19 assistance schemes, our financial performance exceeded expectations, we expanded our network of coffeeshops and food stalls, and the completion of acquisition of Tenderfresh Business on 1 October 2021 would significantly expand our food offerings and market presence in the years ahead.

The pandemic which started in early 2020 had gone on into its second year, and our business had adapted to the impacts, risks and opportunities. We saw significant growth in food deliveries and adoption of cashless payments, while our network of eateries and operations had to be nimble in adjusting to changes in dine-in regulations and health check requirements. The Board stood firmly behind the management team and staff in terms of providing the mandate, guidance and resources to ensure business continuity throughout this challenging pandemic period.

Our people had been the key pillar in ensuring the ongoing sustainability and prosperity of the business, particularly in delivering customer satisfaction and adopting safe and innovative practices in the workplace. The Board worked closely with the management to ensure that our people were well taken care of, including our foreign staff who had not been able to return to their home countries since the travel restrictions were implemented in 2020. We improved the remuneration package and provided long service awards to our frontliners, so as to encourage and reward them for their commitment and hard work.






The Board believes in adopting a comprehensive approach in human resource ("HR") management. Beyond the core responsibility of paying competitive wages, we have continually invested in staff welfare, training, engagement, as well as health and safety. Talent development and succession planning are critical to ensure that we have promising individuals at all levels who have the right skills, acumen and exposure to step up to bigger roles as the business grows. Following the reconstitution of the Board in November 2021, Kimly also appointed a Financial Controller and included two members of its current management team as Executive Officers. This was part of ongoing efforts to beef up the leadership team, advance succession planning and build bench strength.

Sustainability is a long journey for Kimly. Nurturing our people, supporting our business partners, responding to our customers' needs, doing our part to help the disadvantaged in the community, reducing environmental impact, and operating our business in an honest and transparent manner are all things the Board will continually spearhead and pay close attention to.

COVID-19 in FY2021 had been a trial by fire in testing our people's mettle and the organisation's resilience. With high vaccination rates and green shoots of economic recovery, coupled with a resilient business model and timely investments, we are optimistic that the crisis has made the Kimly Group stronger and will help us to thrive and tap on new opportunities in the months and years ahead.

Sustainability Performance

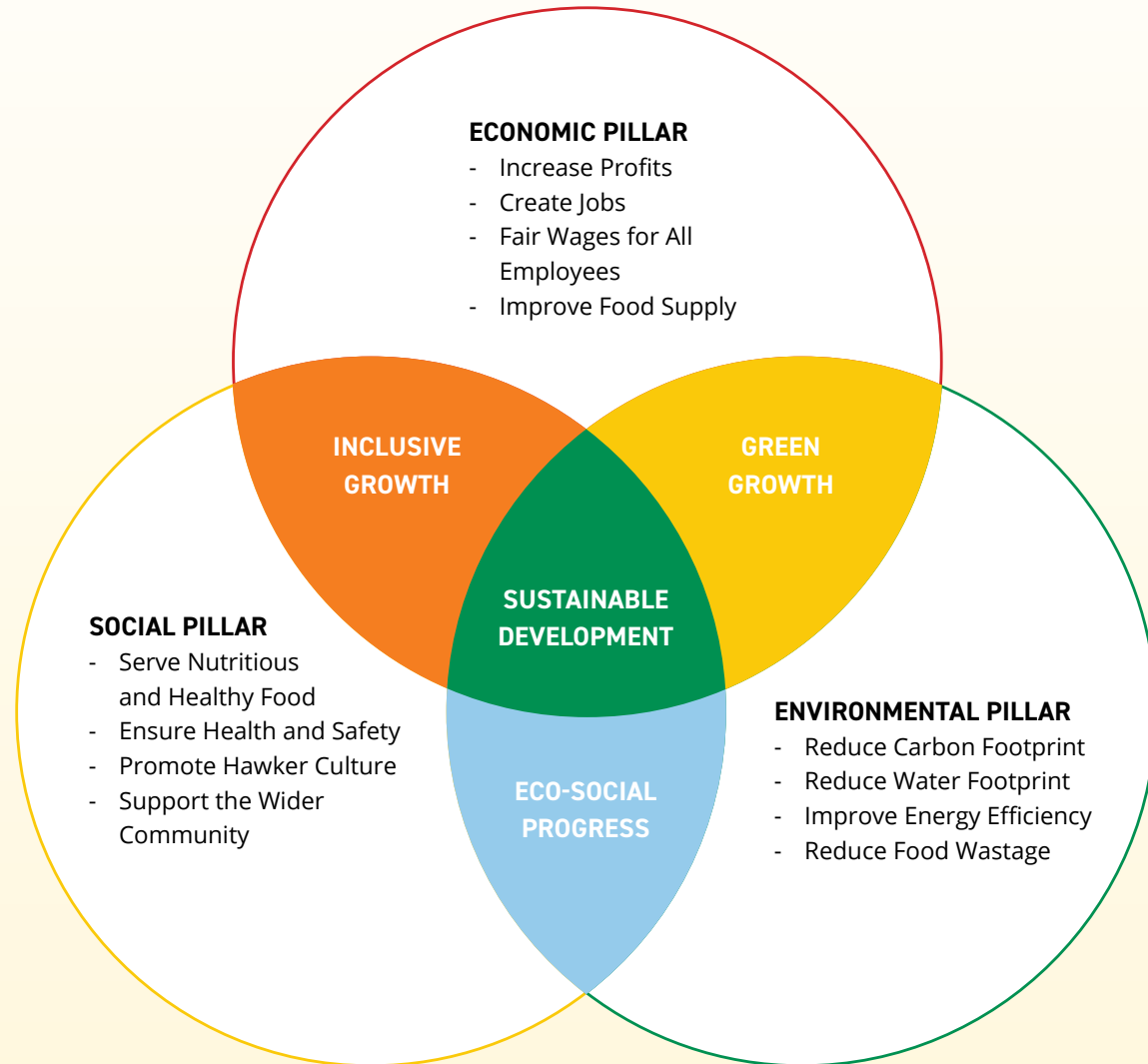
The table below summarises our sustainability performance on key indicators in FY2021 and the forward-looking targets for FY2022:

INDICATORS	FY2021 PERFORMANCE	FY2022 TARGETS
Sustainable, Committed and Competent Workforce 	<ul style="list-style-type: none"> • 2,272 employees (including part-timers, as of 30 September 2021). • Gender ratio of 54% female to 46% male. • 57% of the workforce were aged 50 and above. • 1,882.5 hours of food hygiene training for frontliners. • 161 employees (7% of staff strength) were promoted. 	<ul style="list-style-type: none"> • Sustain and improve on the FY2021 performance.
Food Health and Safety 	<ul style="list-style-type: none"> • Zero food safety and hygiene incidents at all outlets. • 44 and 154 drink/food stalls achieved "A" and "B" grading respectively under the Singapore Food Agency ("SFA")'s assessment programme. • 38 recorded offences, arising from onsite inspections at our food establishments. • 22 incidents of work injuries that resulted in work injury insurance claims 	<ul style="list-style-type: none"> • Maintain zero food safety and hygiene incidents at all outlets. • Maintain and improve upon the grading scores. • Strengthen our internal hygiene, cleanliness and housekeeping policies and procedures to minimise the recurrence of such offences. • Reduce the risk of workplace safety incidents.
Customer Satisfaction 	<ul style="list-style-type: none"> • Active monitoring of customer feedback. There were no serious complaints that warranted immediate handling and escalation. • 3 customer-related safety incidents at our outlets. • Reached 1.5 million users through social media engagement. 	<ul style="list-style-type: none"> • Achieve a positive trend in feedback on product quality, service and cleanliness. • Minimise customer-related safety incidents at our outlets. • Improve on our social media engagement performance.
Minimising Environmental Impact 	<ul style="list-style-type: none"> • Zero incidence of environmental non-compliance. • 28,266,000 kWh of energy was consumed on a group-wide level with energy intensity of 0.118 kWh per S\$ of revenue. • 1,022,000 m³ of water was used on a group-wide basis with a usage intensity of 0.004 m³ per S\$ of revenue. 	<ul style="list-style-type: none"> • Maintain zero incidence of environmental non-compliance. • Improve on energy and water usage and intensity.
Supporting the Local Community 	<ul style="list-style-type: none"> • Monthly promotions and bundled pricing to provide affordable meals to the community • S\$48,750 in donations to social and charitable programmes. 	<ul style="list-style-type: none"> • Ensure that our prices remain affordable and competitive. • Continue to support worthy community organisations and causes.

Kimly's Sustainability Strategy

SUSTAINABILITY PHILOSOPHY IN FOOD SERVICE

Our sustainability philosophy is anchored by Economic, Social and Environment pillars. We adopt a value chain perspective so that for every stage of the production and service processes, we carefully consider how we create economic value, provide broad-based benefits to the community and minimise the environmental impact. For instance, in view of the health and safety guidelines on limiting social gatherings and dining-in, we had been progressively expanding our food options such as offering more quick meals and smaller portions for easy take-out and delivery. This was a growing business opportunity that met a clear social need. We made operational adjustments to produce the new menu items quickly and efficiently while reducing food waste.



Kimly's Sustainability Strategy

ECONOMIC PILLAR

We aim to be financially sustainable over the long-term so that we have resources and reserves to invest for the future and prepare for rainy days. Kimly had been consistently profitable for the past years. Net profit attributable to owners of the Group was S\$39.3 million for FY2021, an increase of 55.7% from S\$25.2 million in FY2020. The strong financial performance reflects our ability to run our operations effectively and expand our revenue streams and network of food outlets through organic growth, joint ventures and acquisitions.

Beyond doing well for our shareholders, we generate economic value-add and contribute to societal well-being. While the Singapore economy was recovering gradually in 2021 from the worst impacts of the COVID-19 situation, we provided steady employment for more than 2,000 employees on our payroll.

SOCIAL PILLAR

The Kimly Group started as a single coffee shop in 1990. One main driver for our growth and success has been the relentless focus on understanding our customers' preferences and satisfying their needs. For more than three decades, our mission has remained constant in serving nutritious, tasty and affordable meals throughout Singapore, providing a safe and conducive environment for our employees and customers, engaging the grassroots organisations and residents to ensure that Singapore's hawker culture continues to thrive, and doing our part in charitable giving and supporting those in need.

By increasing our presence across Singapore such as the entry into two joint venture agreements with third parties to operate and manage the short-term HDB leases at Block 134 Lorong Ah Soo, Block 233 Bukit Batok East Avenue 5 and Block 153A Serangoon North Avenue 1, members of the public across the social spectrum can continue to patronise our food and beverage outlets, and recommend our food options to their families and friends.



In December 2020, we partnered TheSmartLocal, Singapore's leading lifestyle portal, on a heartwarming video feature that showed a Generation Z youth, a Millennial and a Generation X mother taking orders for drinks at a Kimly Coffeeshop. This was a light-hearted way to publicise and pay tribute to the work of frontliners.

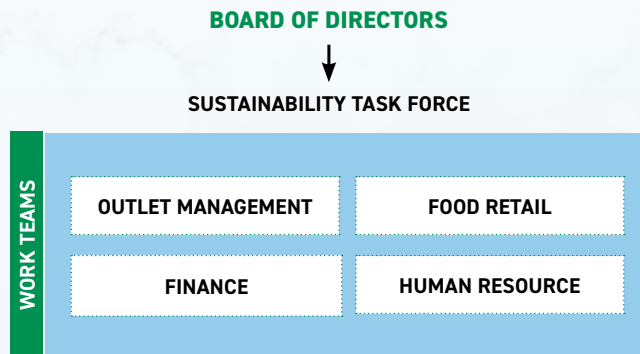
ENVIRONMENTAL PILLAR

As our business grows, we closely monitor the use of raw materials, water, electricity and natural gas. This not only makes good business sense in reducing our operating expenses, it is also the environmentally responsible thing to do in reducing our ecological footprint and amount of waste generated. We continually look at innovation and implementing new technologies in various aspects of our business that can improve efficiency and customer experience. We also source for new ways to reduce waste at various stages of the production and consumption value chain – this includes supporting the National Zero Waste Masterplan by offering complimentary reusable cutlery sets to our food delivery customers and developing an attractive and durable mooncake container that can be upcycled and reused.

Sustainability Governance

OVERSIGHT AND STRUCTURE

Kimly's Board of Directors provides oversight for our sustainability strategy and implementation. This includes overseeing the engagement of stakeholders, identification of sustainability-related material issues and prioritisation of the various programmes. Our Board Members walk the ground and have regular interactions with staff, customers and partners. This way, they have a direct feel of ground sentiments and can respond quickly to changing market conditions.



The Board provides ongoing guidance to Management on effective implementation and monitoring of the relevant sustainability-related initiatives and indicators. For FY2021, a key issue of concern for the Board was ensuring that our staff could keep up their morale and energy level in view of the long-drawn COVID-19 situation. The Board discussed with Management and approved several measures to take care of our staff, especially the frontliners. This will be elaborated upon in a subsequent section of the report.

Kimly has a Group-wide Sustainability Task Force chaired by the Director of Operations, Outlet Management Division, which reports its progress to the Board of Directors regularly. This Task Force, which includes management personnel and representatives from the key functional units, is responsible for formulating sustainability plans, implementing the specific initiatives and monitoring the sustainability performance. The Task Force also serves as a platform for coordination, such as in developing the workflow for conducting the weekly COVID-19 swab tests for about 4,000 operations staff, from both third party food stall operators and our own employees operating out of Kimly's coffeeshops from June 2021 onwards.

RISK MANAGEMENT AND SOCIOECONOMIC COMPLIANCE

Risk management is a critical pillar of good corporate governance. The Group has established and implemented a risk management framework for the identification, assessment, treatment, monitoring and reporting of significant risks. The Board oversees the Management in the formulation, update and maintenance of an adequate and effective risk management framework. Concurrently, the Board-level Audit Committee reviews the adequacy and effectiveness of the risk management and internal control systems, including financial, operational, compliance and information technology controls, on an annual basis.

The Group maintains a risk register which identifies the material risks faced by the Group and the internal controls in place to manage and mitigate those risks. The risk register is updated by the business heads for review by the Audit Committee on a half-yearly basis. Our Internal Audit team takes into consideration the risks identified and assessed in the risk register and prepares the audit plan for the ensuing financial year. Our Internal

Auditor reports their findings and recommendations to the Audit Committee on a quarterly basis and tracks the timely remediation of audit issues.

Sustainability-related risks along environmental, social and governance ("ESG") dimensions are part of the overall risk universe covered in the risk management framework and processes. Examples of ESG risks include compliance with waste disposal regulations and minimising the occurrence of safety incidents.

The Group complies strictly with all applicable national and local laws and regulations, including those related to labour and employment, child labour, non-discrimination, occupational health and safety, and the environment. Furthermore, Kimly does not procure or use any prohibited chemicals or ingredients.

In FY2021, because of the dynamic COVID-19 situation in Singapore, we closely monitored the Government's regulations and advisories to ensure the safety and well-being of our workforce and customers patronising our eateries. One of the new measures mandated by the government was frequent and pervasive testing as a core strategy to detect and ring-fence infections in the community. We deployed the mandatory weekly Fast and Easy Testing ("FET") Rostered Routine Testing ("RRT") regime amongst our staff, including both part-timers and full-timers, working in the food and beverage ("F&B") establishments. Our Outlet Operations adhered strictly to the prevailing regulations, such as restrictions on the number of dine-in customers per table. Furthermore, our frontline staff reminded customers to don on their masks when they were not consuming food and beverages at our outlets, and disseminated timely information to the more than 85 coffeeshops and more than 680 food stalls both self-operated and operated by third party food stall tenants in our network.

Sustainability Governance

The National Environment Agency (“NEA”) required all diners at public dining places to clear tables of used trays, crockery and litter after their meals from 1 June 2021 onwards. A grace advisory period with no enforcement action was given until 31 August 2021. Kimly worked closely with our partners to design, fabricate and deploy custom-made tray return stainless steel racks and related equipment. We also facilitated grant applications to the relevant authorities to support this national initiative.

In FY2021, there were no reported cases of socioeconomic or regulatory non-compliance in the Group, maintaining our achievement of zero non-compliance incidents since FY2018.

ANTI-CORRUPTION

Kimly’s corporate policy is to have zero tolerance for any form of corrupt behaviour or practices, in line with our operating principles of integrity, responsibility and accountability, as well as full compliance with all anti-corruption laws and regulations.

Our Employee Code of Conduct provides clear guidelines for all staff’s adherence in their dealings with customers, business partners and other colleagues. Our stand against corruption and bribery is also clearly communicated to all our business partners and suppliers before and during their dealings with our Group.

In FY2021, there were no reported cases of corruption.

REPORTING SCOPE

This report covers all of the Group’s operations in Singapore – namely Outlet Management, Food Retail and Outlet Investment Business – for the period 1 October 2020 to 30 September 2021 (i.e. FY2021). Data from the previous financial year (i.e. FY2020) has been included where appropriate for meaningful comparisons.

This report has adopted the current Global Reporting Initiative (“GRI”) Reporting Standards (2016-2020) as the GRI is globally recognised and it allows Kimly to identify and report topics relevant to our industry and context. This report has been prepared in accordance with the GRI Standards: Core option. We are aware of the introduction of GRI’s revised Universal Standards in October 2021 and will adopt the new standard for future reporting.

The report covers all 5 primary components of report content as set out by the SGX’s requirements on sustainability reporting. The report components are mapped against specific sections in this report:

PRIMARY COMPONENT	SECTION REFERENCE IN THIS REPORT
1. Material Topics	<ul style="list-style-type: none"> • Sustainable, Committed and Competent Workforce • Food Health and Safety • Customer Satisfaction • Pioneering Innovation • Minimising Environmental Impact • Supplier Social Management • Supporting the Local Community
2. Policies, Practices and Performance	<ul style="list-style-type: none"> • Kimly’s Sustainability Strategy • Sustainability Governance • Stakeholder Engagement and Materiality Assessment • Sustainability Performance
3. Board Statement	<ul style="list-style-type: none"> • Board Statement
4. Targets	<ul style="list-style-type: none"> • Sustainability Performance
5. Framework	<ul style="list-style-type: none"> • Reporting Scope

Kimly had not sought external assurance for this year’s report, as FY2021 continued to be a challenging period for all levels of the organization in dealing with the COVID-19 situation and changing market conditions. We would consider seeking external assurance of our sustainability report in the near future.

We welcome feedback on our sustainability reporting. Comments and enquiries can be emailed to: marcomm@kimlygroup.sg.

Stakeholder Engagement and Materiality Assessment

STAKEHOLDER ENGAGEMENT

Stakeholder engagement and responding to their feedback and needs are part and parcel of Kimly's way of doing business and ensuring long-term success. There are several groups of stakeholders with whom we engage regularly through formal and informal platforms. Their feedback and suggestions will help Kimly to adjust our business strategy and operate in a transparent and accountable manner. The following table summarises our key stakeholders, engagement platforms and areas of concern.

STAKEHOLDERS	ENGAGEMENT PLATFORMS	AREAS OF CONCERN	SECTION REFERENCE IN THIS REPORT
Employees	<ul style="list-style-type: none"> Regular dialogues Team bonding events Service appraisal & staff recognition 	<ul style="list-style-type: none"> Remuneration and benefits Training and development Health and safety Career development opportunities Customer relationship management skills Job security and health 	<ul style="list-style-type: none"> Employee Diversity Employee Benefits Enhanced Employment Terms for Frontline Staff Training and Development Managing Human Resource Impact of COVID-19 Occupational Health and Safety Mandatory COVID19 Testing
Customers	<ul style="list-style-type: none"> Customer surveys/ reviews Advertisements and media campaigns Online channels 	<ul style="list-style-type: none"> Food safety and hygiene Variety of food Customer service and food quality 	<ul style="list-style-type: none"> Food Health and Safety New Products and Services Customer Engagement and Feedback Customer Safety
Stallholders	<ul style="list-style-type: none"> Daily interactions Regular feedback sessions 	<ul style="list-style-type: none"> Physical environment and maintenance Health and safety Sustaining customer brand loyalty 	<ul style="list-style-type: none"> Food Health and Safety

STAKEHOLDERS	ENGAGEMENT PLATFORMS	AREAS OF CONCERN	SECTION REFERENCE IN THIS REPORT
Suppliers	<ul style="list-style-type: none"> Regular interactions Supplier evaluation Supplier management 	<ul style="list-style-type: none"> Positive supplier relationship management 	<ul style="list-style-type: none"> Food Health and Safety Supplier Selection Suppliers' Employment Practices
Community	<ul style="list-style-type: none"> Corporate social responsibility programmes Sponsorships Corporate donations 	<ul style="list-style-type: none"> Community engagement services Supporting the community economically 	<ul style="list-style-type: none"> Providing Affordable Meals for All Paying It Forward Creating Employment Opportunities
Government and Regulators	<ul style="list-style-type: none"> Industry seminars and feedback sessions Focus group discussions 	<ul style="list-style-type: none"> Food safety compliance Economic performance 	<ul style="list-style-type: none"> Food Health and Safety Risk Management and Socioeconomic Compliance Minimising Environmental Impact
Shareholders and Investors	<ul style="list-style-type: none"> SGX announcements Annual reports Half yearly reports and updates Annual General Meetings 	<ul style="list-style-type: none"> Economic performance Anti-corruption policy Business performance plans Capital management strategy 	<ul style="list-style-type: none"> Risk Management and Socioeconomic Compliance Pioneering Innovation

Stakeholder Engagement and Materiality Assessment

MATERIALITY ASSESSMENT

The Group takes the view that sustainable growth is contingent on meeting and exceeding the expectations of our key stakeholders. Our material sustainability factors are those with significant economic, environmental, social and governance impacts, and which would influence the assessment and decision making of the stakeholders.

We go through a comprehensive process in identifying the material factors:

- We used our Sustainable Food Value Chain as the broader canvas to identify specific economic, social and environmental issues.
- We consulted our stakeholders and took into consideration their areas of concern, such as changing customers' preferences. We considered current developments and trends, such as the need to support the local community in response to the COVID-19 crisis.

The Management reviewed and shortlisted the material factors for the Board's inputs and approval. The 7 material factors for FY2021 were as follows:

- Sustainable, Committed and Competent Workforce
- Food Health and Safety
- Customer Satisfaction
- Pioneering Innovation
- Minimising Environmental Impact
- Supplier Social Management
- Supporting the Local Community

In FY2021, the Board and Management paid close attention to managing and motivating our staff so as to have smooth and effective operations throughout the organisation. They recognised the ongoing contributions of all staff and the strategic importance of a committed and competent workforce towards sustained corporate performance. Hence "Sustainable, Committed and Competent Workforce" was identified as a critical sustainability factor. We retained the other 6 material factors from FY2020, as they continued to be relevant and key drivers in our Sustainable Food Value Chain framework.



Sustainable, Committed and Competent Workforce

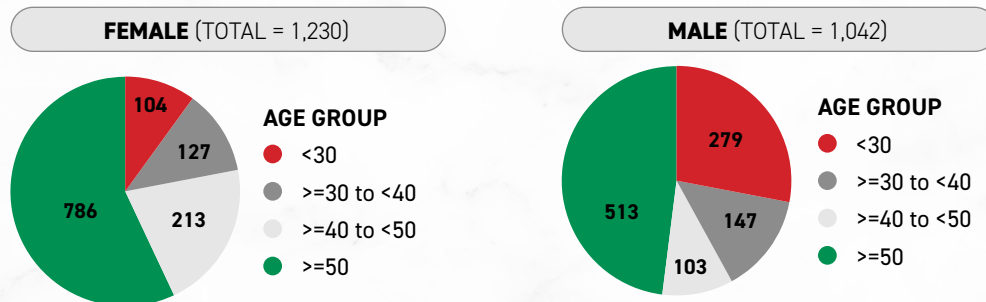
As a business in the service sector, we need good people at all levels to manage and run the various aspects of our round-the-clock operations in Singapore, be it at the corporate headquarters central kitchens or island-wide food outlets. We adopt a comprehensive approach towards recruiting, motivating, rewarding and retaining a diverse workforce in terms of gender, age, nationality, skills and educational qualifications.

FY2021 was a busy year for our people because of the strong demand for our food offerings and services, the tight labour market arising from the year-on-year recovery in the service sectors and stepping up of health and safety measures such as the introduction of the weekly COVID-19 swab tests for frontline workers at our coffeeshops.

EMPLOYEE DIVERSITY

We have a diverse workforce. As of 30 September 2021, Kimly had a total of 2,272 employees inclusive of part-timers, an increase of 6.3% as compared to 2,136 employees a year ago.

The gender ratio was 54% female to 46% male in FY2021, comparable to 53% female to 47% male in FY2020. 57% of our workforce were 50 and above years of age, compared to 55% in the previous year. We value our mature workers as they are experienced, reliable and able to mentor their younger peers. 67% of our workforce comprised of local Singapore residents, with the rest coming from regional countries such as Malaysia, China, Vietnam and Indonesia. A breakdown of our workforce by gender and age groups is shown in the charts below.



Kimly is an equal-opportunity employer and treats all staff fairly regardless of age, race or gender. We have a group-wide Non-Discrimination Policy, and any staff that feels unfairly treated against can approach our HR Department for assistance. In FY2021, we did not receive any staff complaint on discriminatory practices in the workplace.

We have a transparent system to recognise and reward all employees based on demonstrated performance, competence and experience. Staff remuneration is determined based on employees' performance, roles and responsibilities, as well as the Group's financial performance. We conduct annual appraisals for employees using measurable factors and qualitative criteria such as team spirit, interpersonal skills and creativity.

EMPLOYEE BENEFITS

Kimly provides a comprehensive and attractive suite of employee benefits based on statutory requirements and industry norms. This includes medical insurance, annual and parental leave, as well as monthly transport and meal allowances for eligible employees. Our employee benefits have helped us to attract and retain good people, and positioned Kimly as a caring employee with a family-centric corporate culture.

304 staff were awarded the School Textbook subsidy amounting to S\$208 or S\$308, depending on various assessment criteria to defray their children's education expenses in FY2021.

The Company first adopted the Kimly Performance Share Plan ("Kimly PSP") on 15 February 2017. The objective is to share the Group's success with more of our employees and strengthen the link between performance and compensation. Since its inception, the Kimly PSP has been progressively expanded to cover more staff working in the different business units. In FY2021, we extended the incentive scheme to our people in the Seafood and Mixed Vegetable Rice departments under the Food Retail Division. 719,212 share awards were granted to staff under the Kimly PSP in FY2021, compared to 750,493 shares in FY2020. A total of 885,889 shares were released via the transfer of treasury shares (FY2020: 224,280).

Sustainable, Committed and Competent Workforce

ENHANCED EMPLOYMENT TERMS FOR FRONTLINE STAFF

In FY2021, the Management approved the enhanced employment terms for our frontline and operational staff, which included a significant number of elderly and lower income workers. In July 2021, we introduced a Long Service Award of S\$800 for those who had served more than 10 years and S\$500 for those who had served for more than 5 years. 132 eligible staff received the award, with a total disbursement of S\$75,000.

We improved the overall remuneration package for frontline and operational positions from September 2021. This would cost the Group approximately S\$1.0 million in incremental wage costs annually and represented a long-term investment to retain existing staff and attract more locals to fill existing and future vacancies.



TRAINING AND DEVELOPMENT

As a service-based business, the Group recognises that our employees are our most important assets. We do not target a fixed number of hours of training per employee, given the heterogeneous workforce and operational nature of our business. Instead, we provide our people with appropriate training and development opportunities to sharpen their skills at work, upgrade their lifelong employability, and build pride and loyalty.

In FY2021, our frontliners attended 1,882.5 hours of food hygiene training by external trainers. The frontliners also attended on-job training to use the combi ovens that were progressively deployed in more of our food stalls to increase productivity. We also trained the frontliners to use the Point of Sale ("POS") with NETS Unified Payments terminals.

To support corporate-wide digitalisation efforts in FY2021, we adopted a "train the trainers" approach in engaging external professionals to train the managerial executives, who in turn train the supervisors under their care, and this cascaded down to staff at the store fronts. Topics covered in this training included the use of the various delivery platforms' devices, time management systems and the in-house software for ordering from the central kitchen.

In FY2021, 161 or 7% of our total strength of 2,272 were promoted to take on additional responsibilities, in recognition of their consistent good performance and potential to shoulder additional responsibilities.



SUSTAINABLE, COMMITTED AND COMPETENT WORKFORCE

MANAGING HUMAN RESOURCE IMPACT OF COVID-19

We strongly encouraged all staff to follow the government's guidelines and get vaccinated for their own safety and the safety of colleagues and customers. Staff who tested positive for COVID-19 in FY2021 had to adhere strictly to the prevailing health protocols. The staff's immediate supervisors would work closely with HR to step up communications and provide necessary assistance and support to the staff during their quarantine and recovery periods.

The introduction of Malaysia's Movement Control Order ("MCO") and border closure in March 2020 meant that our staff who used to commute daily from Malaysia to Singapore could no longer do so. Since the MCO, 22 staff who used to commute to work from Malaysia had relocated to Singapore and were given accommodation allowances. A small number of staff were working remotely from Malaysia and given the necessary financial and technical support.

We did not retrench any staff arising from the impact of COVID-19 in FY2021 as our business in consumer staples proved to be resilient. In fact, our business has been classified by the government as an essential service in this pandemic period, and we have had to increase our overall headcount to fulfil our duties across Singapore while keeping in close and regular communications with the relevant government agencies. Our staff provided feedback that they viewed employment with Kimly as a steady rice bowl in very uncertain times.

We monitored and enhanced our leave provisions and allowances where necessary to help our staff cope with COVID-19. Elderly and other staff who needed assistance, such as those in the high-risk category, were granted additional paid leave. We also provided additional hospitalisation leave for staff who needed to fulfil Stay Home Notice ("SHN") requirements, quarantine orders and other COVID-19 related absences from work. We introduced a COVID-19 Positive Care Fund programme in FY2021 whereby any staff who tested positive for the virus would be given a S\$80 special allowance to defray their daily expenses during the quarantine and recovery period.



Food Health and Safety

As a reputable food service provider, maintaining high standards in food health and safety remains our topmost priority. The Group is extremely stringent in our food safety standards and practices, and we comply with all applicable food safety regulations. We strive to have a zero-incident rate by prioritising cleanliness and food hygiene in our daily operations. Achieving and maintaining high quality and safety standards along our food value chain is essential in delivering quality cooked food that is nutritious and safe for consumption.

PROCUREMENT PROCESS

Food health and safety starts with what and how we buy our food ingredients. The procurement process covers the following areas:

- Inventory control
- Storage of goods
- Vendors' feedback
- Receipt of goods
- Products purchased from approved suppliers' list
- Month-end inventory report

For FY2021, the Group procured only from approved suppliers that produce, package, store and deliver products in accordance with good manufacturing practices prevailing in their respective industries. To ensure freshness of our food, we prioritise local suppliers with at least a "B" Grade from the Singapore Food Agency ("SFA"). Suppliers are expected to provide goods and services that consistently meet our required specifications, especially for product quality and timeliness of product delivery.

In order to offer our customers healthier food choices, we had been procuring primarily from suppliers of healthier ingredients. Our main supplier for vegetable oil and rice participated in the Health Promotion Board ("HPB")'s Healthier Ingredient Development Scheme ("HIDS"). Customers could select a balanced meal of less than 500 calories at our Mixed Vegetable Rice stalls. Health-conscious customers could request for less oil at our Zi Char outlets and as well as hot drinks with less or no sugar at our coffee shops and food courts.

In FY2021, we continued to offer the affordable "Skinny Me" and "Healthy Me" lower calorie Combo options at our Kimly Mixed Vegetable Rice outlets, available for dining-in and delivery through our online delivery partners.



FOOD STORAGE

The Group implemented comprehensive food storage policies to keep our food products fresh and wholesome. Our central kitchens adopted a minimum inventory policy, and most of the semi-finished food products were prepared and sent to our food stalls daily via chilled delivery trucks to maximise freshness of the food products.

In addition, ingredients at our food stalls were kept in chillers and freezers and the temperatures monitored daily. Expiry dates on the food and ingredient packaging were checked before use. This ensured that the storage conditions were optimised to maintain the freshness of the ingredients.

FOOD PREPARATION

Kimly adopted very stringent food hygiene practices and guidelines during food preparation. Daily inspections were conducted on all food handlers to monitor their health and personal hygiene. The food manufacturing division, food delivery vehicles and food storage areas were inspected daily for cleanliness and orderliness.

Food handlers who returned from medical leave were checked by the supervisor to ensure that all symptoms were cleared before they commenced work. All employees involved in food preparation had to comply with these practices. Employees involved in handling food were required to pass the accredited Basic Food Hygiene Course.

FOOD HEALTH AND SAFETY

OUTLET MANAGEMENT

Kimly would procedurally inform all food stall owners of the importance of health and safety compliance before leasing a stall to them. This ensured consistent food safety awareness and practices. Each food stall was monitored by Assistant Executive Chefs who ensured that the food products sent from our central kitchens were properly handled according to the Standard Operating Procedures (“SOPs”).

We had a quality and compliance assurance team (“QC Team”) comprising executive chefs of each food division and headed by the Director of Operations, Outlet Management Division. The QC Team periodically conducted surprise visits at each outlet and food stall. Photographs of non-compliance with regulations were taken with supporting notes recorded by our administration team. Immediate rectification actions would have to be taken and these actions were monitored, recorded and verified by the Director of Operations, Outlet Management Division before closing the case. This ensured food vendors' compliance with the SOPs in areas of food storage and supplier management.

Retail food establishments in Singapore are given a grade by the SFA based on the overall hygiene, cleanliness and housekeeping standards of the premises. In FY2021, out of the 198 Kimly drink/food stalls that were inspected by the SFA, 44 stalls achieved the “A” grading under the SFA's grading system while 154 stalls achieved the “B” grading. None of the food outlets received lower than a “B” grading.

To ensure good public hygiene and adherence to the COVID-19 Safe Management Measures, the SFA and other government agencies conducted regular checks on food establishments across Singapore. In FY2021, there were 38 recorded offences in our retail food outlets resulting in fines, demerit points and warnings (FY2020: 37 recorded offences). We had taken necessary actions and strengthened the enforcement of proper hygiene and safety checks and practices in our outlets to prevent recurrence of such incidents.

We supported the Government's “SG Clean” movement by stepping up the frequency of cleaning routines in all the outlets. We put in place stringent directives for all staff to ensure safety, such as mandating that staff should return home to rest if they were unwell.

In April 2021, Kimly acquired a 60% stake in Klovex Holdings Pte Ltd (“Klovex”), which through its management team has 10 years of industry experience and knowledge. We integrated Klovex's expertise with Kimly's operations, which resulted in enhanced set of cleaning capabilities, where we are able to deliver elevated standards of cleanliness and hygiene at our operating premises, for our customers.



Food Health and Safety

OCCUPATIONAL HEALTH AND SAFETY

The Group has detailed operating procedures in place to ensure the safety and health of its employees. These guidelines are reviewed periodically to safeguard their relevance and effectiveness.

We have a policy that our staff should take personal responsibility in protecting their own health and safety. The Group has a Stay Healthy Award programme whereby we offer dining vouchers valued at S\$208 to each staff who has not taken any medical leave or claimed any medical expenses. In FY2021, we distributed S\$137,280 of these vouchers to 660 staff, as compared to 682 staff and 599 staff in FY2020 and FY2019 respectively. The slight decrease in number of awards in FY2021 compared to FY2020 could be due to abundance of caution in advising our staff to visit the clinic if they were unwell.

Safety is a top priority, and we spare no efforts to mitigate workplace and occupational safety risks. The Group provides guidelines to all employees on how to respond to various workplace incidents. In the event that an employee suffers an injury, he or she will receive immediate medical attention and the incident will be reported to the Executive Director. The head of the department will then raise a Corrective Preventive Action Report which details the nature of the incident and mitigating measures to reduce the risk of future recurrence.

To ensure that uniforms and protective equipment are in good condition, Kimly provides replacement attire and gear for our central kitchen staff every 6 months. Daily checks are conducted at the premises, and key areas such as ventilation, lighting, storage space and kitchen space are inspected. The Group provides workmen's compensation insurance to cover work-related injuries sustained by employees during their working hours. There is also medical insurance for our foreign employees to cover their non-work-related medical treatment outside working hours. In FY2021, there were 22 incidents of work injuries that resulted in claims made against work injury compensation insurance. We had thoroughly investigated each incident, reviewed and improved our safety procedures to guard against preventable risks such as slips and trips, and reminded our staff to place safety first.

MANDATORY COVID-19 TESTING

In June 2021, the Singapore government announced the introduction of mandatory COVID-19 tests for all staff who work in settings with unmasked clients/patrons and/or have prolonged and close contact with clients when performing services. This regulation covered Kimly full-time and part-time staff working in all our F&B establishments from September 2021 onwards. The staff had to be tested once every week or more frequently using the Antigen Rapid Test ("ART") kit, depending on their vaccination status.

We developed a detailed workflow to ensure that all staff at the outlets were tested and the test results relayed to HR Department for checking and onward submission to the Ministry of Health. In addition, some of our staff could be household or close contacts of COVID-19 cases and placed on the Health Risk Warning regime whereby they had to self-administer an ART and submit the results online on their own. We developed instructional materials to brief all our frontliners so that they were aware of and would comply with the COVID-19 testing requirements.



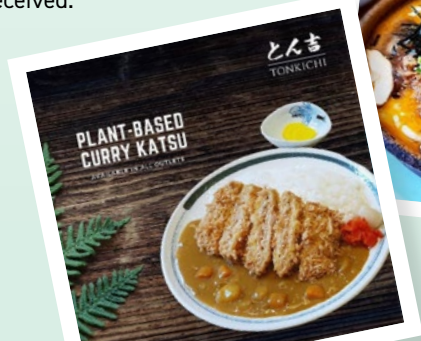
Customer Satisfaction

At Kimly, customer satisfaction is one of our top priorities as it is the key driver to our growth and success. We are committed to providing our customers with a comfortable, safe and satisfying dining experience, and we continually seek to improve our service standards through their feedback.

NEW PRODUCTS AND SERVICES

We constantly improve existing products and services and develop new offerings to cater to customers' changing preferences and palates. In December 2020, Kimly partnered the Tenderfresh Fried & BBQ Chicken Pte Ltd to operate "Kedai Kopi" (which means coffee shop in Malay) in Clementi town, a new concept to offer diverse halal dining options at a 5,000 sq-ft space with a 204-person seating capacity. A second Kedai Kopi outlet opened in July 2021 at Haig Road, located in the heart of Singapore's very own Malay Village, Geylang Serai.

In March 2021, in response to the growing consumer awareness and demand for meat substitute dishes, our Japanese restaurant Tonkichi introduced a plant-based katsu menu, which was well-received.



Customer Satisfaction

In June 2021, our Kanaaji Katsu chain, which offers authentic Japanese katsu at affordable prices, opened its second outlet in Hougang Avenue 8.



CUSTOMER ENGAGEMENT AND FEEDBACK

In FY2021, to build a virtuous cycle between increasing online orders and our marketing efforts, we ramped up our social media posts and customer engagement. Our Facebook campaigns generated close to 8 million impressions, reaching out to more than 1.5 million users.

We regularly received customer feedback through various channels such as our Facebook page (<https://www.facebook.com/kimlycoffeeshop>) and website. Our goal is to achieve a positive trend in customer feedback on product quality, service and cleanliness at all outlets. We actively monitor the feedback and respond to serious complaints in a timely manner. We take onboard suggestions from customers in our service planning, such as healthier food options and new locations to open our outlets. Below are several pieces of positive feedback from our customers in FY2021.

“ Your dim sum outlet in Joo Seng has brightened the neighbourhood. Really happy about it. I live there.”

“ The staff [at Kimly Zi Char at Upper Serangoon View] are very happy to serve you and will give u real good recommendations!”

“ I want to compliment you on the revamped extended seating area [for the Kimly Coffeeshop at Bishan Street 24]. I noticed that smoking is now prohibited. This is really a good move on your part. I am happy now that my family and I can dine at this coffeeshop without having to inhale second-hand smoke that inevitably gets blown in all directions. The clean and fresh air is refreshing for patrons. I can see that even with this change, business is not compromised. I hope that more coffeeshops will adopt the same practice.”

CUSTOMER SAFETY

Kimly is committed to providing a safe environment for our customers when they dine at our outlets. We implemented measures to ensure the protection of our customers from safety hazards, which included social distancing practices in accordance with the government guidelines to minimise community transmission of COVID-19.

Slippery floor warning signs were placed prominently at areas where floors were more susceptible to water spillage and when floors were mopped. We took extra care in the selection of non-slip floor tiles in all our outlets. A dedicated team of general washers was scheduled to visit each of our outlets at least once a month to scrub the floors and remove excessive dirt and oil. Daily checks were conducted to ensure that there was no pest breeding or contamination in food storage, preparation and consumption areas.

In FY2021, there were 3 customer-related public liability claims due to minor injuries sustained by our customers, as compared to 5 incidents in FY2020. All 3 incidents were expeditiously handled by our insurance company.

Pioneering Innovation

In FY2021, the Group continued to invest in new technology, equipment and processes to improve efficiency of our operations and productivity of our manpower. We also empowered our people to develop innovative products and services so as to delight the customers.

TECHNOLOGY AND EQUIPMENT

We developed an in-house proprietary web application to facilitate the weekly submission and compilation of the COVID-19 FET results for approximately 4,000 operations staff, from both third-party operators and our own employees. The application was developed within 2 weeks and boosted productivity by reducing manual data entries and errors. The Antigen Rapid Test ("ART") results were summarised and displayed immediately, thus improving efficiency in terms of faster reaction and handling time.



In FY2020, we had piloted the deployment of unified payment terminal at three food stall locations. The adoption rate was very encouraging. In FY2021, we completed the deployment of NETS Unified Payment terminals in our island-wide network of more than 220 point-of-sale ("POS") terminals. With cashless payment options provided, the e-payment volume have risen sharply across our operations. Going cashless has resulted in quicker service for customers including reduced waiting times and faster transactions being done. In the ongoing fight against Covid-19, the cashless options have also reduced human interactions and helped to ensure safety of both our staff and customers.



We continued to promote the use of combi ovens at our Mixed Vegetable Rice stalls to reduce time and labour costs without compromising the food quality and taste. Combi ovens are equipped with three functions, namely convection, steam and combination cooking, and they allow multiple food items to be cooked at the same time without the risk of flavour transfer and inconsistent cooking results. The use of combi ovens significantly increases the energy efficiency of food preparation processes at our outlets.

PRODUCT AND SERVICE INNOVATION

With the intermittent dining restrictions throughout FY2021, much thought was placed into providing what consumers wanted and working through occasional supply shortages on certain food items such as fish and vegetables.

We offered affordable and popular monthly set meals, promotional sets for special occasions such as Father's Day and meals for two through online channels. Complimentary drinks were included for a complete meal.



At the Kimly Seafood "Zi Char" outlets, we offered a flexible "Phase 2" menu to cater to different group sizes, so as to accommodate the prevailing allowable dining-in requirements. There were also special dine-in menus for festive occasions.

Minimising Environmental Impact

Kimly regularly monitors the environmental impacts of our various operations and implements measures and policies to minimise energy and water consumption, as well as ensure proper management of effluents and waste. We actively look out for opportunities to test new green concepts and technologies – one such initiative in FY2021 was building a green roof above the Kimly Coffeeshop at Hougang Avenue 8. This was a nature-based solution to lower the ambient temperature and improve customers' thermal comfort.

In FY2021, we adhered strictly to the Singapore Civil Defence Force (“SCDF”)’s requirements for the cleaning and maintenance of Kitchen Exhaust Ducts in our outlets. We engaged a qualified specialist to do thorough cleaning and keep proper records, so as to reduce fire risk and air pollution. There were no reported cases of environmental non-compliance in the Group and among our suppliers, maintaining our achievement of zero environmental non-compliance since FY2018.

ENERGY AND EMISSIONS MANAGEMENT

The Group endeavours to maximise our energy conservation efforts to reduce our carbon footprint and improve the environmental sustainability of our business. We aim to achieve significant results in energy conservation by maximising the use of equipment capacity whenever possible.

In FY2021, we continued efforts to reduce energy consumption at all outlets, such as replacing fluorescent lamps with energy-efficient LED lights. We serviced existing equipment regularly to improve energy efficiency and maximise the effective lifespan. Older equipment would be progressively replaced with new and energy-efficient equipment.

ENVIRONMENTAL COMPLIANCE

The Group strictly complies with local environmental laws and regulations where we operate. We require our new and existing suppliers to comply strictly with environmental laws and practices as well, such as those pertaining to waste disposal, air emissions and pollution.



Rive Gauche, our confectionery business, sold handcrafted mooncakes this year in a unique and limited edition metal presentation box that was attractive and sturdy enough to be “upcycled” for other uses. The design won a Singapore Packaging Star Award given out jointly by the Singapore Manufacturing Federation and the Packaging Council of Singapore.



MINIMISING ENVIRONMENTAL IMPACT

A total of 28,266,000 kWh of energy was consumed on a group-wide level with energy intensity of 0.118 kWh per S\$ of revenue for FY2021, compared with 20,737,000 kWh overall consumption and energy intensity of 0.119 kWh per S\$ of revenue for FY2020. We would look for ways to improve our energy efficiency in FY2022.

Our energy consumption generated an estimated 11,532,528 kgCO₂ emissions¹ with intensity of 0.048 kgCO₂ per S\$ of revenue in FY2021, compared to estimated emissions of 8,471,065 kgCO₂ with intensity of 0.049 kgCO₂ per S\$ of revenue in FY2020.

WATER CONSERVATION

The Group endeavours to reduce water wastage in our business. This not makes our operations more efficient, it is our contribution to Singapore's national water conservation drive.

More than 80 dishwashing machines were installed in our outlets to wash glasses and cups more efficiently. These machines use a collection tank and filtration system to cleanse and reuse the water, thus lowering the water usage. The Group continued to have these dishwashing machines installed in all the refurbished, revitalised and upgraded coffeeshops.

Our total water consumption in FY2021 stood at 1,022,000 m³ on a group-wide basis with water usage intensity of 0.004 m³ per S\$ of revenue, compared to water consumption of 673,000 m³ and usage intensity of 0.004 m³ per S\$ of revenue in FY2020. We would work on improving our water usage practices in FY2022

OPTIMISING USE OF RESOURCES

Our approach is to look across all facets of our business to identify opportunities to optimise the use of resources and minimise wastage. Not only does this reduce costs, it is better for the environment in terms of reducing the amount of downstream waste. In FY2021, we minimised wastage of food ingredients and raw materials by using a real-time e-ordering system throughout our network. This also ensured that ingredients would be fresh when delivered to the outlets.

The Group segregated paper cartons and aluminium from the rest of the waste generated for recycling and explored new uses for these materials. Empty aluminium drink cans were recycled, and empty bottles were reused to store various sauces.

Recyclable food grade delivery boxes were used to deliver semi-finished food products from the central kitchens to our food stalls throughout Singapore. These boxes could be used multiple times, thus reducing the total amount of packaging materials needed.

We encouraged our food stalls to store used cooking oils in separate containers. These were collected by licensed collectors to recycle the oil into industrial soaps and detergents.

We implemented various recycling programmes at the outlets and encouraged vendors and customers to use fewer single-use plastic bags, containers and utensils. One initiative was offering a discount for customers who used their own containers for takeaway orders from Kimly Seafood "Zi Char". To discourage the use of disposable cutlery, we partnered Foodpanda to provide a free stainless steel cutlery set to customers with a minimum spend of S\$25 per order.



¹ The carbon emissions were computed using Singapore's national Average Operating Margin Grid Emission Factor of 0.4080 kg CO₂/kWh for 2020, as published by the Energy Market Authority ("EMA").

Supplier Social Management

Kimly has built up a strong network of reliable, quality and cost-effective suppliers over the years. In FY2021, we worked closely with our suppliers to minimise supply chain disruptions arising from COVID-19 and other seasonal and weather-related factors.

SUPPLIER SELECTION

The Group adopts a holistic approach in our selection of suppliers and food vendors. Because of the COVID-19 situation in FY2021, we needed to ensure that our suppliers could reliably and safely deliver our raw produce and other materials on time and according to our requirements. Product quality and reliability of suppliers' services such as timeliness of delivery are essential in our supplier selection to ensure the freshness, quality and safety of our ingredients.

The Head of Department of each business unit will actively search and assess at least 2 suppliers for each of the supplies needed, and through price, quality and service assessment, selects the right supplier partner. A key supplier assessment criterion is the total pricing which includes unit price, payment terms and rebates offered to ensure the economic sustainability of our food value chain.

SUPPLIERS' EMPLOYMENT PRACTICES

To develop the social aspects of our sustainable food value chain, we requested our suppliers to implement fair employment practices and policies to protect their employees.

In line with the social pillar of our sustainability philosophy and adopting a sustainable food value chain perspective, the Group requires our suppliers to provide a safe and healthy working environment for their employees. Our suppliers have to provide assurance that they comply with all employment-related and applicable laws and regulations. They are encouraged to implement policies that promote the general health of employees and prevent work-related injuries and illnesses.

In FY2021, there were no reported negative social impacts along the supply chain. Because of the close relationships built up over the years between Kimly and our suppliers, our supply chain continued to function smoothly. In the past 18 months since Malaysia introduced land border restrictions in March 2020, we had been working closely with our suppliers to prioritise our materials and make operational adjustments, such as scheduling deliveries at night. We built up our stocks and procured in bulk. Our practice of using a group of suppliers rather than depending on a single supplier helped as well. We continued our longstanding practice of paying our suppliers on time so as not to have any adverse impact on their cashflow.



Supporting The Local Community

PROVIDING AFFORDABLE MEALS TO ALL

The strong market demand throughout the pandemic was an affirmation of Kimly's ability to cater to the mass market's essential needs in good and tough times. We regularly reviewed our pricing to ensure that our meals were affordable and offered good value for money. In FY2021, we saw an opportunity to provide dim sum "comfort food" to satisfy the hunger pangs of substantial numbers of "Work From Home" consumers. We rolled out a range of "Home Ranger", "Double Meal" and "King's Meal" sets in June 2021 to cater to different group and appetite sizes. The take up exceeded expectations given the tasty variety, free canned drinks and bundled discounts ranging from 10% to 21%.

We offered generous discounts on the monthly seafood bundles in conjunction with our food delivery platform partners.



PAYING IT FORWARD

We supported various community initiatives and charities in FY2021. This included a donation of S\$48,150 to Community Foundation of Singapore's SayangFrontliners@Work fund, which was used to purchase, pack and distribute care packs to different frontline workers working round the clock to keep Singapore safe during the COVID-19 crisis.

We also sponsored S\$600 worth of Kimly F&B vouchers for SportSG's Team Nila outreach activities in July to August 2021 to encourage seniors to maintain an active lifestyle.



CREATING EMPLOYMENT OPPORTUNITIES

In FY2021, we expanded our operations in various localities, which allowed us to provide additional employment opportunities. Our policy is to actively hire locals to take up the various job positions that come with the opening of a coffee shop. We employed 1,518 Singaporean Citizens and Permanent Residents, who comprised 67% of our total workforce. Most of these locals were deployed in our various food outlets near their homes, including more than 200 part-timers who required flexible schedules for their personal and other commitments.

Some of the self-operated food stall owners in our coffee shops and food courts had encountered cashflow issues because of COVID-19. We assisted by offering rental concessions and referring them to various Government assistance schemes.

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

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SUSTAINABILITY REPORT 2021

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