YHI
Since 1948

友发国际有限公司

YHI INTERNATIONAL LIMITED

Listed on the mainboard of the Singapore Exchange
Company Registration Number 200007455H

Sustainability Report 2023

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BOARD STATEMENT

Dear Stakeholders,

On behalf of the Board of Directors (the "**Board**"), I am pleased to present the seventh annual sustainability report by YHI International Limited ("**YHI**" or the "**Company**", and together with its subsidiaries, the "**Group**"), covering our environmental, social and governance ("**ESG**") performance during the financial year ended 31 December 2023 ("**2023**").

As the Board of Directors of YHI International, we are deeply committed to steering our company towards a sustainable future that aligns with our values of integrity, responsibility, and innovation. In 2023, we took substantial steps forward in our sustainability journey, strengthening our environmental performance, enhancing our governance, and intensifying our focus on climate-related disclosures. Our governance structure has been pivotal in overseeing our strategic response to climate change. The Audit Committee, supported by the Executive Management, has diligently supervised our climate reporting programme, ensuring transparency and accountability.

In the past year, we expanded our scope of GHG emissions reporting across our subsidiaries, detailing both Scope 1 and Scope 2 emissions, demonstrating our unwavering commitment to environmental stewardship. The information has provided valuable insights, prompting us to adjust our strategies and invest further in energy efficiency and renewable energy sources. Furthermore, we have begun developing a baseline inventory for our Scope 1 and Scope 2 emissions and are in the process of formulating a net-zero ambition. We recognise the importance of aligning with global standards and are proactively working to integrate the GHG Protocol and associated standards into our reporting processes.

As we continue to adapt and evolve, the Board is fully supportive of YHI's strategic initiatives aimed at reducing our environmental impact. We are not only focused on compliance but also on seizing opportunities that the transition to a low-carbon economy presents. We pledge to maintain this momentum and strive towards setting science-based targets that will guide our path to sustainability.

We would like to extend our gratitude to our stakeholders for their ongoing support and trust. Together, we are confident in building a resilient and sustainable future.

Richard Tay
Executive Chairman & Group Managing Director

ABOUT THIS REPORT

Demonstrating our dedication to delivering prompt and transparent ESG performance insights to our stakeholders, we are delighted to share the seventh annual Sustainability Report for the financial year 1 January 2023 till 31 December 2023 ("**2023**" or the "**reporting period**"). This report marks our continued commitment during the reporting period.

REPORTING SCOPE

This Report covers the Group's sustainability policies, practices, and performance in relation to our material ESG topics, with a specific focus on our four major distribution subsidiaries in Singapore, Australia, and New Zealand and all three factories in Malaysia, China, and Taiwan. Representing the Group's key operational scope, the seven major subsidiaries outlined below establish the main scope of this report:

DISTRIBUTION

ASEAN

YHI Corporation (Singapore) Pte Ltd ("YHI Singapore")

OCEANIA

YHI (Australia) Pty Ltd ("YHI Australia")

YHI Power Pty Ltd ("YHI Power Australia")

YHI (New Zealand) Ltd ("YHI New Zealand")

MANUFACTURING

ASEAN

YHI Manufacturing (Malaysia) Sdn Bhd ("Malacca factory")

NORTH ASIA

YHI Advanti Manufacturing (Suzhou) Co., Ltd ("Suzhou factory")

YHI International Taiwan Co., Ltd ("Taiwan factory")

Additionally, we have incorporated data related to the "**Energy Consumption and Emissions**" material topic as recorded by the YHI distribution subsidiaries controlled by us previously not included in the sustainability reports. As smaller in business scale, the newly included entities are collectively known as the "non-major distribution subsidiaries" in this report. With the inclusion of them, the "**Energy Consumption and Emissions**" section of this report shows the energy consumption and emissions levels of the entire YHI distribution segment in 2023. We do not consider the distribution subsidiary newly acquired by us until the business integration is completed, and we also do not consider subsidiaries which have no meaningful data for reporting.

SUSTAINABILITY REPORTING FRAMEWORK

This Report has been prepared with reference to the Global Reporting Initiative ("**GRI**") 2021 Standards. The GRI Standards was chosen for its comprehensive approach for measuring, monitoring, and reporting on the Group's impact on the economy, society, and the environment. Where the GRI Standards also required a breakdown of the relevant ESG performance data by geographical region, we have segmented the seven subsidiaries into three regions, namely 'ASEAN' (comprising Singapore and Malaysia), 'Oceania' (Australia and New Zealand) and 'North Asia' (China and Taiwan).

Following the enhanced sustainability reporting guidelines stipulated by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Rules 711A and 711B, this Report incorporates climate-related disclosures in alignment with the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"). Our approach to sustainability reporting is phased, aiming for continuous improvement. Over the coming years, we will gradually expand our disclosures to offer more detailed information on the Group's climate governance, strategy, risk management, and metrics and targets.

ASSURANCE

Independent external assurance has not been sought for the data and information presented in this Report. Rather, our internal audit team has reviewed our sustainability reporting process and performed relevant data verification work to increase stakeholder confidence in the accuracy and reliability of the sustainability information disclosed.

AVAILABILITY AND FEEDBACK

A soft copy of this Report can be found on our website on www.yhigroup.com. We welcome any queries or feedback in relation to this Report, at yhigroup@yhi.com.sg.

ABOUT YHI

YHI International Limited is a leading global distributor of high-quality automotive and industrial products, and a trusted brand name in alloy wheels manufacturing as an Original Design Manufacturer (**ODM**).

Listed on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST) on 3 July 2003, YHI has successfully diversified its business and carved a niche for itself in the global automotive arena since its humble beginnings as a sole proprietorship established in 1948. Today, YHI's international presence spans across over 100 countries through its 33 subsidiaries and 3 associated companies located across Asia Pacific, North America and Europe.

YHI distributes a diverse range of premium automotive products, which includes tyres, alloy wheels, energy solutions, buggy & utilities vehicles and other industrial products to more than 5,000 customers globally. YHI currently has three alloy wheels manufacturing plants located in Suzhou in China, Taoyuan in Taiwan and Malacca in Malaysia, with a current total production capacity of 2.3 million units per annum. As an integrated ODM solutions provider, it provides services from the design and development to the manufacturing, marketing and distribution of alloy wheels.

OUR MISSION STATEMENT

1. To be a recognised global distributor of high-quality automotive and industrial products, and a familiar and trusted brand name in alloy wheels manufacturer as an Original Design Manufacturer.
2. To position YHI Group effectively by continuously providing customers with quality products and distinctive customer services to build strong customer relationships.
3. To provide growth and opportunities for our employees and to consistently generate stable returns to shareholders.
4. To be committed to quality, professional and personnel management, sound business practices and teamwork.

OUR LOGO

YHI's logo serves to symbolise the strength and cohesiveness of our diversified Group. The four wings represent our key stakeholders – customers, principals, employees, and shareholders – coming together in a tradition of trust and responsibility, and growing through hard work, dedication and commitment. The oval shape signifies the globalisation of our operations, while the blue accentuates our philosophy of upholding fairness and integrity in all our business relationships.

OUR CORE VALUES

To succeed within a challenging business climate, it is key that we build a corporate culture that brings out the best in our employees. YHI's core values serve as the foundation for building such a culture.

- Teamwork
- Mutual respect
- Integrity & honesty
- Quality of work
- Commitment
- Customer focus
- Innovation
- Continuous improvement

OUR DISTRIBUTION SEGMENT

YHI offers a wide array of products sourced from leading global brands across various product categories. Our key product offerings include:

TYRES

We have an extensive range of tyres from passenger cars to commercial and off-the-road vehicles, to cater for different market needs. The key tyre brands we represent are Yokohama, Nankang, Pirelli and Toyo Tires.

- YOKOHAMA — JAPAN
- PIRELLI — ITALY
- Continental — GERMANY
- NITTO — JAPAN
- TOYO TIRES — JAPAN
- NANKANG — TAIWAN
- ROADSTONE TYRE — KOREA
- GENERAL TIRE — USA
- MARSHAL TYRE — KOREA
- accelera — INDONESIA
- COOPER TIRES — USA
- MICKEY THOMPSON — USA
- CARLISLE — USA
- RADAR TYRES — SINGAPORE
- OTANI — THAILAND
- CEAT SPECIALTY — INDIA
- GRECKSTER — INDIA
- DELINTE — CHINA
- HILO — CHINA
- AMBERSTONE — CHINA
- FARROAD — CHINA
- AUSTONE TIRES — CHINA
- TRAZANO — CHINA
- TRISTAR — CHINA

ALLOY WHEELS

Our alloy wheels brand portfolio includes renowned brands like Enkei, OZ, Konig and our own proprietary brand, Advanti Racing.

- Advanti Racing — SINGAPORE
- ENKEI — JAPAN
- KÖNIG — USA
- OZ Racing — ITALY
- sparco wheels — ITALY
- GERMANY
- MOMBA — USA
- 2DRV — GERMANY
- AXXION — GERMANY

BUGGY & UTILITY VEHICLES

Our range of environmentally friendly buggies and utility vehicles are used in golf coures, resorts, private and commercial areas and also for special events. It can be used for work, personal transportation or any general purpose mobility. We represent brands such as E-Z-GO and Cushman and our own proprietary brand, Neuton Power Electric.

- NPE — SINGAPORE
- EZGO — USA
- CUSHMAN — USA

ENERGY SOLUTIONS

We carry an extensive range of rechargeable batteries suitable for commercial and industrial use. These batteries are used in different industries for different applications including renewable energy. The leading brands that we represent include Trojan, CSB, Vision and our own proprietary brand, Neuton Power.

- Neuton Power — SINGAPORE
- TROJAN — USA
- VISION — CHINA
- CSB — TAIWAN
- U.S. Battery — USA
- AMARON — INDIA
- ROCKET — KOREA
- FIAMM — ITALY
- C&D TECHNOLOGIES — USA
- EXIDE — INDIA
- Panasonic — JAPAN
- CHINA
- shoto — CHINA
- SUPREME — KOREA

OTHER INDUSTRIAL PRODUCTS

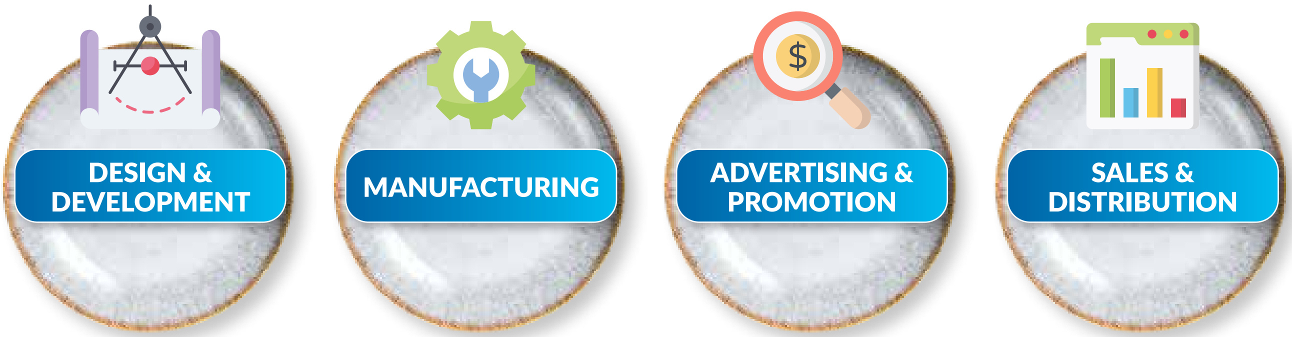
We have lubricants and a wide range of industrial products such as solar panels, chargers, invertors and UPS.

- Neuton Power — SINGAPORE
- elf — FRANCE
- SMA — GERMANY
- delta-q — CANADA
- EATON — USA
- DASOLAR — CHINA
- Polarium — SWEDEN
- PYLONTECH — CHINA
- eo — UK
- SIEMENS — GERMANY
- ZEROVA — TAIWAN

OUR MANUFACTURING SEGMENT

As an Original Design Manufacturer (ODM), we offer our customers a comprehensive value proposition that encompasses the entire supply chain for alloy wheels. This includes design and development, manufacturing, advertising, and promotion, as well as distribution and sales, all facilitated through our extensive global network.

OUR VALUE PROPOSITION



Our manufacturing plants are equipped with world-class quality control facilities which have been approved by international organizations administering the highest test standards for quality control facilities and equipment used in the production of alloy wheels. This includes the Vehicle Inspection Association of Japan ("**VIA**"), SFI Foundation, Inc. ("**SFI**") in the United States of America, as well as T Ü V CERT ("**T Ü V**") in Germany.

YHI ADVANTI MANUFACTURING (SUZHOU) CO., LTD

Products:
Alloy Wheels & Precision Moulding Sets

Annual Production Capacity:
1.2 million wheels + 850 set moulds

YHI INTERNATIONAL TAIWAN CO., LTD

Products:
Alloy Wheels

Annual Production Capacity:
0.2 million

YHI MANUFACTURING (MALAYSIA) SDN BHD

Products:
Alloy Wheels

Annual Production Capacity:
0.9 million

AWARDS AND ACCREDITATIONS

Our commitment to our stringent quality management systems is further validated by our attainment of the following accreditations: International Standardisation Organisation ("**ISO**") 9001:2015 and International Automotive Task Force ("**IATF**") 16949:2016. Reflecting our continuous commitment to reducing our environmental impact, we have been recognised with Clean Production Audit Certificate which was issued by Suzhou New District.

The health and safety of our workers also remain a priority for the Group. We are awarded with the BizSAFE certificate issued by Singapore's Workplace Safety & Health Council ("**WSHC**"), as well as the Work Safety Standardisation Certificate issued by China's State Administration of Work Safety.

We also hold corporate memberships with trade associations such as motor tyre dealers association in various countries.

SUSTAINABILITY AT YHI

OUR COMMITMENT TO SUSTAINABLE DEVELOPMENT

At YHI, we acknowledge the fundamental connection between our business's success and the health of the environment and communities where we are based. Through the years, our aim has been to incorporate sustainability into both our strategic planning and day-to-day operations, understanding its vital role in maintaining the Group's robustness and capacity to adapt. Our commitment involves not only pursuing long-term economic benefits for our stakeholders but also carefully overseeing the resources we consume and produce in our business endeavours.

SUSTAINABILITY GOVERNANCE

The Board of Directors holds the responsibility for integrating sustainability considerations into the strategic planning of the Group. This involves overseeing the management and supervision of critical ESG elements, as well as reviewing and endorsing the contents of this Report. In compliance with Rule 720(7) of the SGX-ST Listing Rules, all Company Directors have participated in sustainability training courses, ensuring they are well-informed on sustainability issues.

The Board's efforts in sustainability are complemented by the support from YHI's Enterprise Risk Management Executive Committee (the "**Committee**", or "**RMEC**"), led by the Executive Chairman and Chief Financial Officer and consisting of our senior management team. The RMEC's role includes staying informed about the latest trends and requirements in sustainability reporting, ensuring the Group's sustainability policy remains relevant and effective. The Executive Chairman and Chief Financial Officer, representing the Committee, regularly brief the Board of Directors on developments related to sustainability and climate-related risks and opportunities facing the Group.

The RMEC is supported by the Sustainability Working Group ("**SWG**"), composed of subsidiary leaders and designated staff, to foster a culture focused on sustainability and lead sustainability initiatives across the Group. The SWG is charged with the oversight and implementation of our sustainability action plans and the monitoring of each business unit's performance against the established targets.

STAKEHOLDER ENGAGEMENT

Cultivating a robust working relationship with our stakeholders is crucial for securing the Group's long-term success.

Using various communication channels to engage our key stakeholders, we enhance our ability to address their needs, expectations, and concerns effectively. Additionally, the insights we gain from stakeholder feedback play a vital role in our materiality assessment and risk evaluations, aiding us in identifying our material factors and setting strategic priorities.

Our key stakeholders as symbolised in our company logo comprise our customers, principals, employees, and shareholders, and while we are not operating in regulated industries, we also consider regulators as our stakeholder. Our approach towards stakeholder engagement is summarised as follows:

KEY STAKEHOLDERS	ENGAGEMENT METHODS	FREQUENCY	KEY ISSUES OR CONCERNS
Customers	– Official get-together events, such as "Dealers' Night" – Trade fairs and exhibitions – Customer visits – Customer satisfaction surveys	Regularly throughout the year	– Product quality – Product pricing – Customer service
Principals/ Suppliers	– Regular meetings and visits	Quarterly	– Sales growth – Market share
Employees	– Meetings or talks held by management	Quarterly	– Competitive remuneration – Career growth
	– Appraisals and discussions – Employee surveys	Annually	
Shareholders	– Corporate website	Continuously	– Business performance – Financial results – Return on investment
	– Financial announcements	Half-yearly	
	– Annual Report – Annual General Meeting	Annually	
Regulators	– Regulatory notices and updates – Industry dialogues and site visits	Ad-hoc	– Regulatory compliance – Investment in societal well-being

MATERIAL ESG FACTORS

In FY2017, with the support of external consultants, the Group carried out its inaugural formal materiality assessment. This process unfolded in four key stages, allowing us to pinpoint and define the Group's key material ESG factors by thoroughly examining our value chain and the operational processes within our distribution and manufacturing operations.

We convened key internal stakeholders for a combined workshop and online questionnaire aimed at uncovering sustainability issues deemed significant to YHI. Following this, we curated a preliminary list of potential critical ESG factors by gathering and analysing feedback from the survey and stakeholders. This led to more thorough assessments to rank and finalise the material ESG factors. Subsequently, we defined our reporting limits by assessing the importance and preparedness of YHI's distribution subsidiaries and manufacturing sites.

Annually, we revisit the material ESG factors previously identified to ensure they remain relevant, while also considering the importance of additional potential ESG factors. Furthermore, we re-evaluate our reporting boundaries to decide if it is necessary to expand the scope of our Sustainability Report to include other distribution and manufacturing subsidiaries, and in 2023 we included our non-major distribution subsidiaries in our reporting of "**Energy Consumptions and Emissions**" related data. The list of material ESG factors remains unchanged for 2023.

MATERIAL ESG TOPICS	PERFORMANCE TARGETS	PROGRESS UPDATE
Environmental Pillar		
Energy Consumption and Emissions	To increase efficiency and minimise energy consumption	In Progress
Water and Effluents	To maintain zero incidents of non-compliance with local regulations pertaining to water discharge	Achieved
Waste Management	To maintain zero incidents of non-compliance with applicable regulations on the handling of hazardous waste	Achieved
Social Pillar		
Employee Management	To roll out an employee satisfaction survey across all subsidiaries by 2025	In Progress
Employee Training and Education	To increase the annual average hours of training for each employee by at least 20% by 2025, with 2018 as base year	Achieved
Occupational Health and Safety	To achieve zero work-related fatalities	Achieved
Governance Pillar		
Economic Performance	To deliver stable, sustainable economic growth for the business and financial returns for our shareholders	Achieved
Anti-Corruption and Anti-Competitive Behaviour	To maintain zero incidents of anti-corruption, anti-competitive behaviour, anti-trust or monopoly practices	Achieved

ENVIRONMENTAL PILLAR

ENERGY CONSUMPTION AND EMISSIONS

Why is it Material?

Our activities in manufacturing and distributing automotive and industrial products necessitate significant daily energy use. Committed to sustainability, we emphasise the necessity to curtail our energy consumption and embrace eco-friendly practices, aiming to mitigate our impact on the environment. This approach not only aids in reducing our operational costs but also supports our contribution towards ensuring a sustainable future for the Earth.

Our Management Approach

Our distribution subsidiaries' offices and warehouses primarily utilise electricity, while our factories depend on both electricity and natural gas. The level of energy we consume is closely linked to the fluctuations in our operational activities, including changes in warehouse space, goods storage or shipping, and production volumes. These factors significantly influence the energy usage within our distribution and manufacturing divisions. Additionally, shifts in the Group's operational requirements and business landscape can alter our energy consumption patterns.

To address this, we have instituted a range of energy efficiency and conservation measures across both sectors over time.

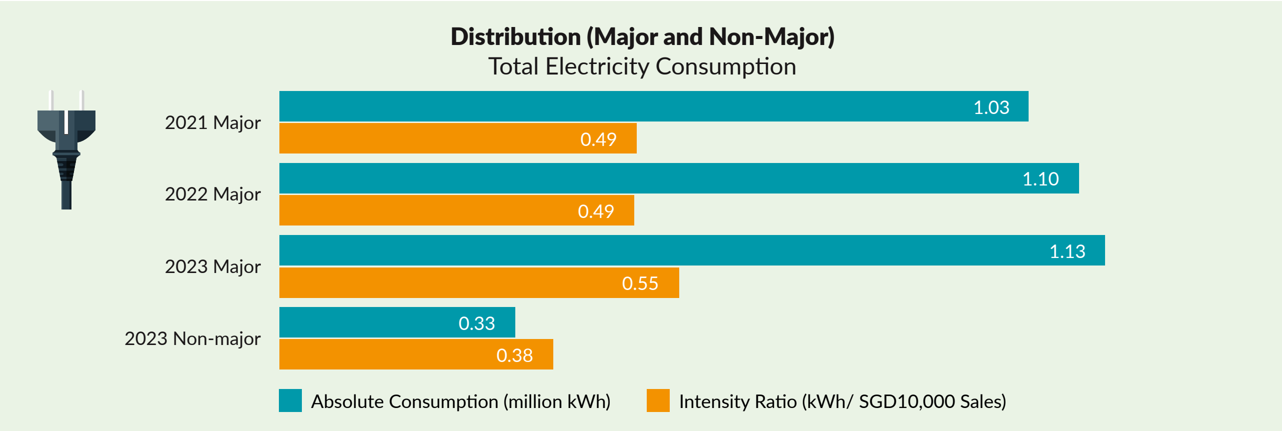
- In our factories, the responsibility for ongoing energy consumption monitoring falls on the production team. They identify any irregularities and the necessary corrective measures, and keep senior management informed about opportunities for energy savings. For example, at our Suzhou factory, we have innovated by rerouting waste heat from air compressors used in casting machinery to warm water for washing and painting alloy wheels. This initiative significantly cut down on natural gas use and its related emissions.

- Within our offices and warehouses, it is compulsory to switch off lights and air conditioning outside of business hours. Where possible, we have preferred individual workspace lighting over centralised systems to minimise energy waste. Further, we have upgraded to energy-efficient LED lighting and installed light control switches and motion detectors to conserve electricity. We also encourage our subsidiaries to install solar panels to reduce electricity consumption and YHI Singapore completed the installations of solar panels at the end of 2023.

Moreover, the Group operates a fleet comprising delivery vehicles, forklifts, and company cars that support our everyday operations. These vehicles are predominantly diesel or petrol-fuelled, although a portion is electrically powered. There are also a handful of motor vehicles which are powered by biodiesel, propane and compressed natural gas.

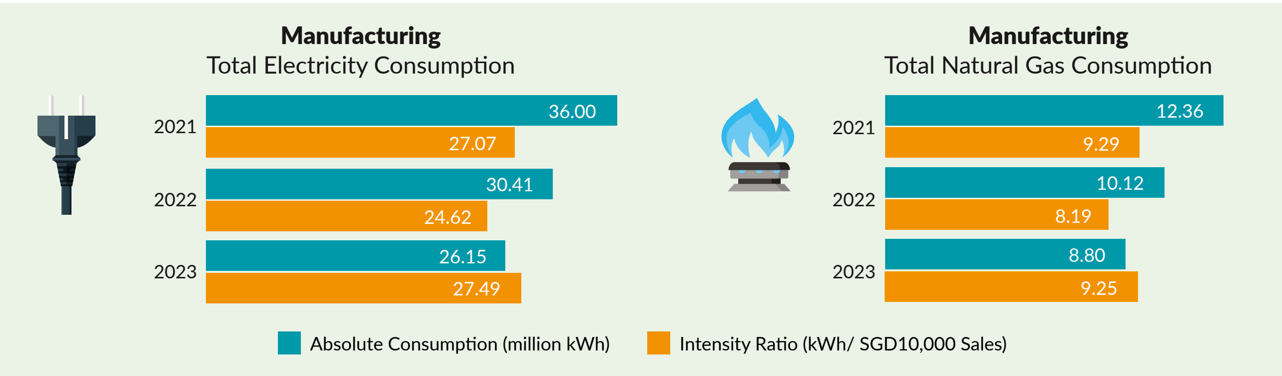
Our Performance

The total amount of electricity consumed by the four major distribution subsidiaries between 2021 and 2023 together with respective energy intensity ratios[1], and the amount of electricity consumed by the non-major distribution subsidiaries which we began to track in 2023, are as follows:



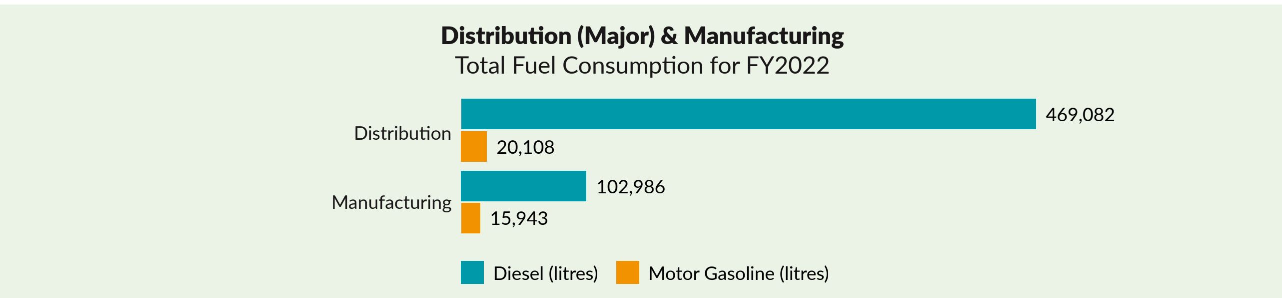
Considering both the major distribution subsidiaries and the non-major distribution subsidiaries, in 2023 the YHI distribution segment as a whole recorded total electricity consumption of 1.46 million kWh and the electricity intensity ratio was 0.50 kWh per SGD10,000 sales.

Whereas the total amount of electricity and natural gas consumed by the three factories between 2021 and 2023, as well as their respective energy intensity ratios, are as follows:

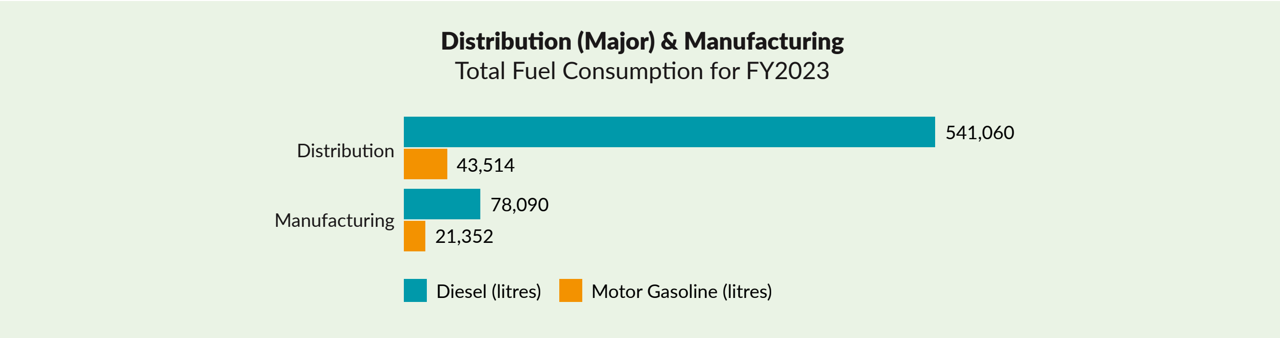


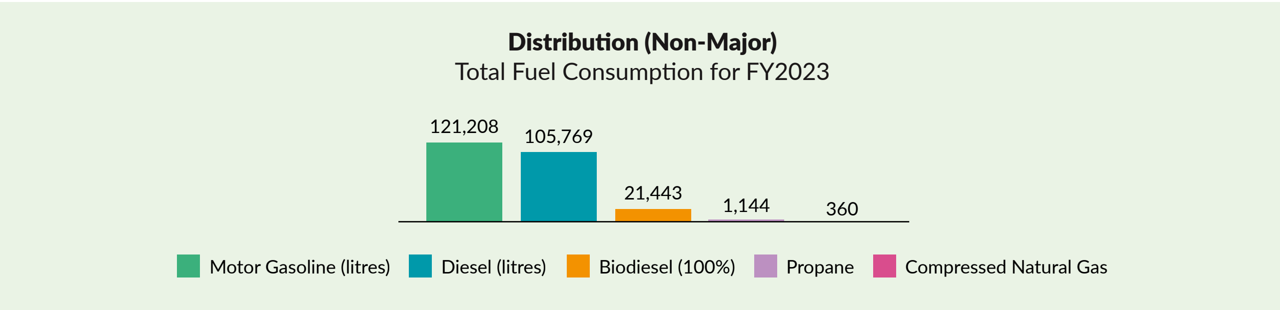
In 2022, we began to track the fuel consumption by motor vehicles owned or leased by the major subsidiaries, and in 2023 we widened the tracking effort to the non-major distribution subsidiaries, and we also considered the amounts of fuel consumed by our employees' motor vehicles for YHI business operation and borne by us. The figures below show the following:

- The amount of diesel and motor gasoline consumed by the major distribution subsidiaries and the three factories in 2022;
- The amount of diesel and motor gasoline consumed by major distribution subsidiaries and the three factories in 2023; and
- The amount of diesel, motor gasoline and all other energy source consumed by non-major distribution subsidiaries in 2023:

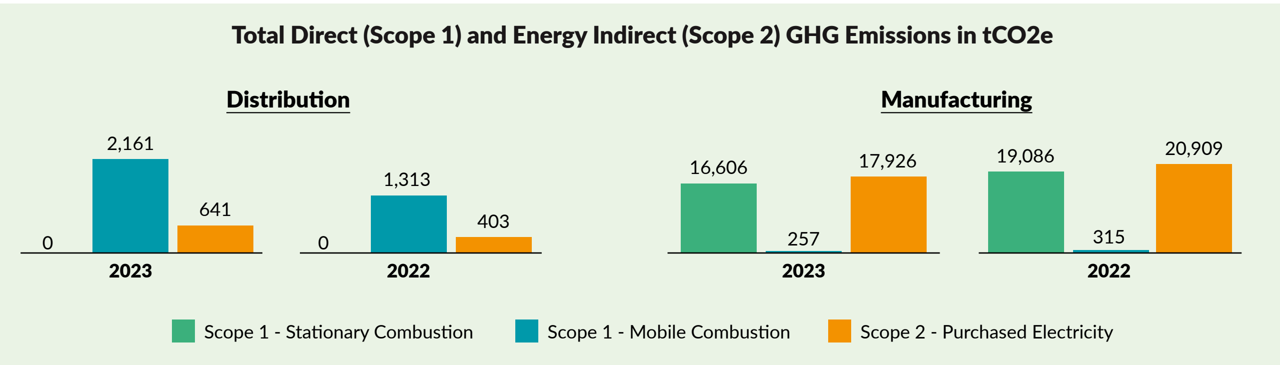


[1] The energy intensity ratio was computed with the distribution and manufacturing segment's sales (SGD10,000) as the weightage factor.





Using the electricity and fuel consumption level we determine the total greenhouse gas ("**GHG**") emissions[2] generated by all YHI subsidiaries in 2023, and by YHI major subsidiaries in 2022 as follows:



For 2023, as compared with previous years, we observed the four major distribution subsidiaries consumed slightly more electricity than 2022 but recorded comparatively higher electricity intensity ratios, as although all of them recorded a decline in their 2023 sales levels amidst the challenging macroeconomic environment they still need to incur certain levels of electricity energy for business operation, making the electricity intensity ratios higher than 2022. From 2024 onwards we will make the annual comparisons across the entire distribution segment.

The three factories also registered an increase in the energy intensity ratios in 2023 even though they consumed less electricity and natural gas energy due to the decline in their sales and production volume. Because of the production machine setup and aging, and the design and size of the alloy wheels to be produced, the factories' energy consumption levels will reduce at a slower pace than the sales and production outputs.

We will not compare the fuel consumptions and GHG emissions reported in 2023 against the numbers reported in 2022 because the 2023 data is derived from a wider base covering the entire distribution segment. We will begin to make the comparison in 2024 as both 2024 and 2023 data will be derived from the same base.

[2] Emission factors used are from Singapore's Energy Market Authority, GHG Protocol, Taiwan's Bureau of Energy, the Institute for Global Environmental Strategies' List of Grid Emission Factors (version 11.1), the Australian Government's National Greenhouse Accounts Factors, New Zealand Government's Measuring Emissions: A Guide for Organisation (2020 Detailed Guide), U.S. Environmental Protection Agency's Emission Factors for Greenhouse Gas Inventories, Carbon Footprint Ltd's Country Specific Electricity Grid Greenhouse Gas Emission Factors.

YHI consistently strives to increase efficiency and minimize energy consumption. We acknowledge the importance of establishing quantitative reduction targets for energy-saving, and our subsidiaries are rigorously monitoring their energy consumption levels as part of their business costs. However, we recognise that it is challenging to establish a quantitative target for each business segment and for the Group as a whole to commit, and it is more so in the last few years and for the years to come, because:

- Internally, our distribution subsidiaries comprise both matured and growing entities. Whilst the matured entities' energy consumptions are relatively stable, the growing entities are expected to consume increasing amounts of electricity as they scale their operations. For our alloy wheel factories, the aging of machineries, as well as the wheel size and design, will have direct impact on the energy intensity ratio; and
- Externally, over the past few years we have witnessed trade disputes and the imposition of import tariffs against certain countries' goods, as well as the outbreak of coronavirus pandemic, and we believe that the ongoing war in Ukraine, the global high interest rate and inflationary environment as well as the escalation of conflicts in the Middle East since end 2023 involving Israel, Hamas-Palestinian and Iran will have tremendous impacts to the world trade and supply chain, thereby affecting our business and production activities.

These concerns were vividly in display in 2023 as our major subsidiaries operating in different geographical locations all recorded a decline in the sales due to the challenging global environment, and yet the energy consumption levels did not reduce at the same rate.

WATER AND EFFLUENTS

Why is it Material?

Environmental pollution and altered precipitation patterns driven by climate change are causing severe water shortages globally. This situation underscores the importance of responsible water use and effluent management to ensure sustainable resource stewardship. Water is an essential component in the production processes of our manufacturing plants, highlighting the need for effective water management practices in these areas.

In contrast, the consumption and discharge of water in our distribution business are not significant. As a result, water and effluents have been identified as a material issue exclusively for our manufacturing sector. This distinction emphasises our commitment to addressing water-related challenges where they are most impactful.

Our Management Approach

Following the principles of reduction, reuse, and recycling, we are committed to lowering our water usage and reducing the volume of effluents generated at our three factories located in Malacca, Suzhou, and Taiwan.

Each factory has designated individuals tasked with monitoring and reporting their water usage monthly to the senior management team. Should there be significant variations in water consumption, it is their duty to pinpoint the main reasons for these changes, aiding in the development of potential action plans. Moreover, they must keep the senior management informed about any updates in environmental regulations and laws related to water quality standards for effluent discharge, ensuring our operations remain in full compliance.

In our Malacca and Suzhou factories, we have adopted the following water conservation practices:

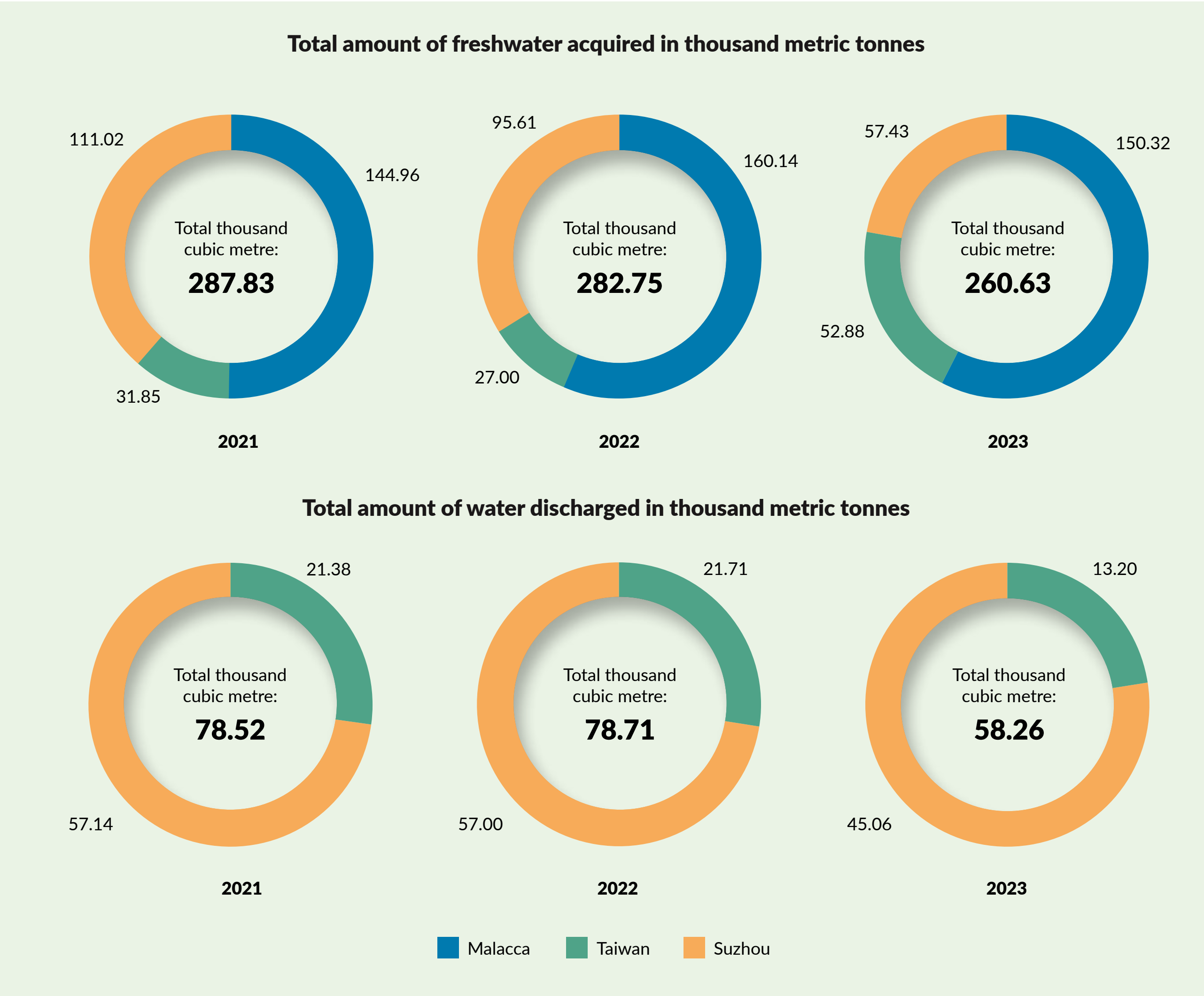
- At the Malacca factory, all wastewater produced undergoes chemical treatment for recycling and reuse.
- At the Suzhou factory, local authority has imposed a quota on the amount of wastewater permitted for discharge, making it necessary for us to maximise the recycling and reuse of wastewater through our wastewater treatment processes.
- Our Taiwan factory also extracts groundwater for use to reduce the amount of water acquired from the local water company. The factory's groundwater extraction and treatment facility are subjected to periodic checks by the local regulator.

Furthermore, we limit the direct discharge of wastewater into local waterways, ensuring compliance with all relevant local regulations:

- The Suzhou factory adheres to the discharge quota and pollution limits (such as the level of chemical oxygen demand contained in the wastewater) mandated by the authorities. All wastewater discharge will be directed to a designated external wastewater treatment plant.
- At the Taiwan factory, all wastewater generated is chemically treated prior to being discharged into the public sewer.

Our Performance

The following figures[3] depict the total amount of freshwater acquired and the amount of water discharged by our three factories in Malacca, Suzhou, and Taiwan.



Our three factories primarily acquired freshwater from local water companies while during the year the Taiwan factory also extracted 38.82 cubic metre of groundwater. The amount of water extracted from the ground is included in the freshwater acquisition computation.

For freshwater acquisition:

- The three sites experienced a significant reduction in freshwater consumption, dropping to 260.63 thousand cubic metres for the year. This represents a 8% decrease from the previous year's figures due to the decline in the production levels in 2023.

For wastewater discharge:

- The total wastewater discharge from the Suzhou and Taiwan factories has seen a notable reduction, totalling 58.26 thousand cubic metres for the year, marking a 26% decrease due to the decline in the production levels. There is no wastewater discharge reported for Malacca factory.

In FY2023, we successfully recorded no instances of non-compliance with relevant environmental regulations pertaining to the quantity and quality of effluent discharge, and we are dedicated to upholding this record in the coming years.

[3] The total amount of freshwater acquired in thousand metric tonnes for 2021 in FY2022's report is being restated. The corrected value is 287.83.

WASTE MANAGEMENT

Why is it Material?

Waste management emerges as a critical GRI material topic for our operations, particularly given the substantial amounts of waste and waste materials our factories produce as by-products of the manufacturing process. This waste generation is directly linked to the scale of our production activities but is also influenced by various factors such as differing product design requirements and disposal limits set by regulatory bodies. The types of waste we commonly deal with include aluminium dross, sludge, paint waste, coolant waste, and non-reusable packaging materials.

While our distribution operations contribute less to overall waste production, and the disposal of products purchased for sale is minimal, our distribution subsidiaries occasionally assist customers with the disposal of worn tyres and scrap batteries upon request. This highlights the importance of implementing robust waste management practices not only to comply with regulatory standards but also to mitigate environmental impact and maintain sustainable operations.

Our Management Approach

Within our factories, we strive to minimise the waste produced in our daily operations through the implementation of specific reuse and recycling initiatives aimed at specific waste streams:

- Our approach includes rigorous monitoring of aluminium usage and the production of scrap materials. Aluminium remnants from the alloy wheel moulding and refining processes are collected and evaluated for potential reuse.

- To reduce packaging waste, such as wood or plastic pallets used for storage in factories and warehouses, we purchase only what is necessary based on usage forecasts and budget allocations. These pallets are reused as much as possible until they can no longer be repaired.

- Additionally, several of our factories engage in recycling scrap metals by supplying them to external welding contractors. These contractors then create storage racks and shelves, which we subsequently reuse.

While not widely practiced in the tyre and battery distribution sector, several of our distribution subsidiaries assist customers with the disposal of old tyres and scrap batteries. We have assigned staff members in these subsidiaries to monitor the quantity of scrap tyres and batteries collected from customers and ensure compliance with all regulatory guidelines for scrap management.

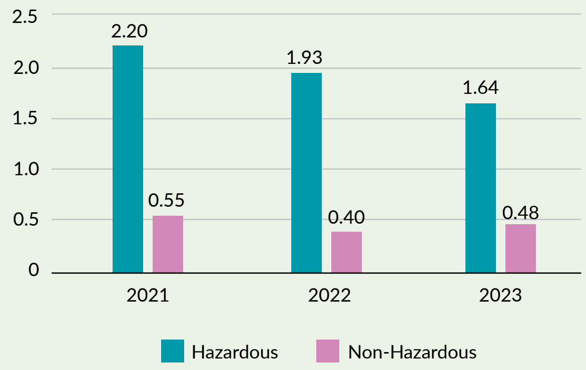
YHI Singapore, our distribution arm, is the main contributor to the collection and disposal of scrap tyres and batteries, as it also provides vehicle repair services for commercial trucks and passenger cars. Following tyre or battery replacement services, we organise the removal of scrap tyres, whether from customer locations or our own.

In compliance with local regulations, all non-recyclable waste generated by our factories and distribution subsidiaries must be disposed of through certified external waste collection services, which are authorised by local regulators.

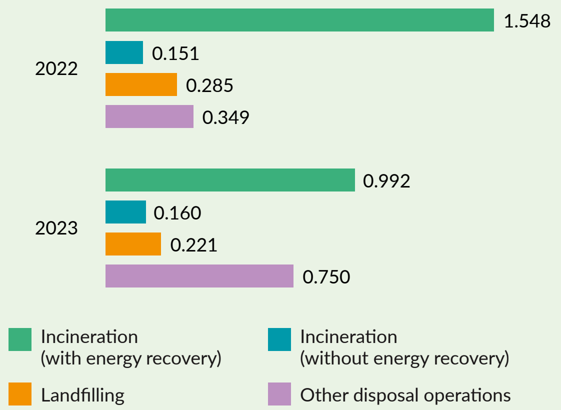
OUR PERFORMANCE

The total hazardous and non-hazardous waste disposed of by the three factories, managed by external waste disposal services, along with more information on our waste disposal practices, is detailed below:

Total waste disposal, in thousand metric tonnes

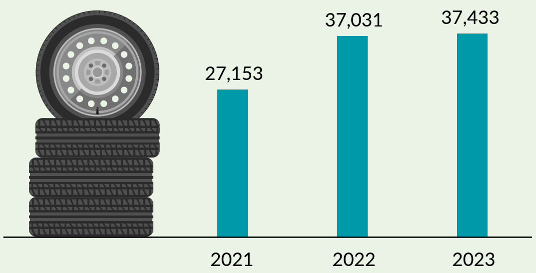


Breakdown by method of disposal for hazardous and non-hazardous waste, in thousand metric tonnes

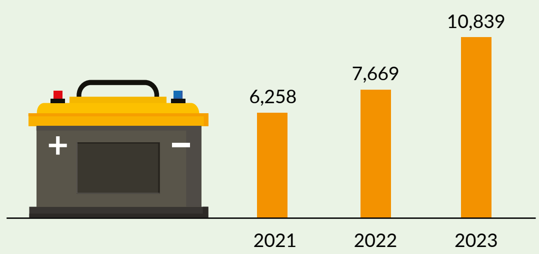


The total number of scrap tyres and batteries disposed of by our major distribution subsidiaries from 2021 to 2023 is as follows.

Total pieces of disposed scrap tyres



Total pieces of disposed car batteries



For the major distribution subsidiaries which track the disposed tyres and batteries by weight following relevant country practices, we will need to estimate and convert the disposed quantity originally measured in kilogram to the equivalent pieces of batteries.

For 2023, as compared to 2022:

- We observed a minor reduction in the generation of less hazardous and non-hazardous waste compared to the previous year, primarily attributed to decreased production levels.

- There was an increase in the aggregate number of batteries disposed of by our four major subsidiaries. However, as the amount of scrap tyres and batteries in need of disposal every year is the direct result of our customer needs, our distribution business focuses on ensuring compliance with all relevant waste disposal regulations instead.

In 2023, we successfully adhered to all environmental regulations concerning the management of hazardous waste, without any incidents of non-compliance. Our goal is to uphold this compliance record in the years ahead.

SOCIAL PILLAR

EMPLOYEE MANAGEMENT

Why is it Material?

Our employees are pivotal to the success of our business. Without them, our ability to realise economic achievements, business expansion, and sustainability aims would not be possible. Thus, we are dedicated to fostering a work culture that encourages creativity, cooperation, and forward-thinking, providing an environment where our employees can flourish both personally and professionally. We treat our employees with compassion, care, and dignity, and we are devoted to supplying them with the essential tools and resources needed for their professional advancement.

Our Management Approach

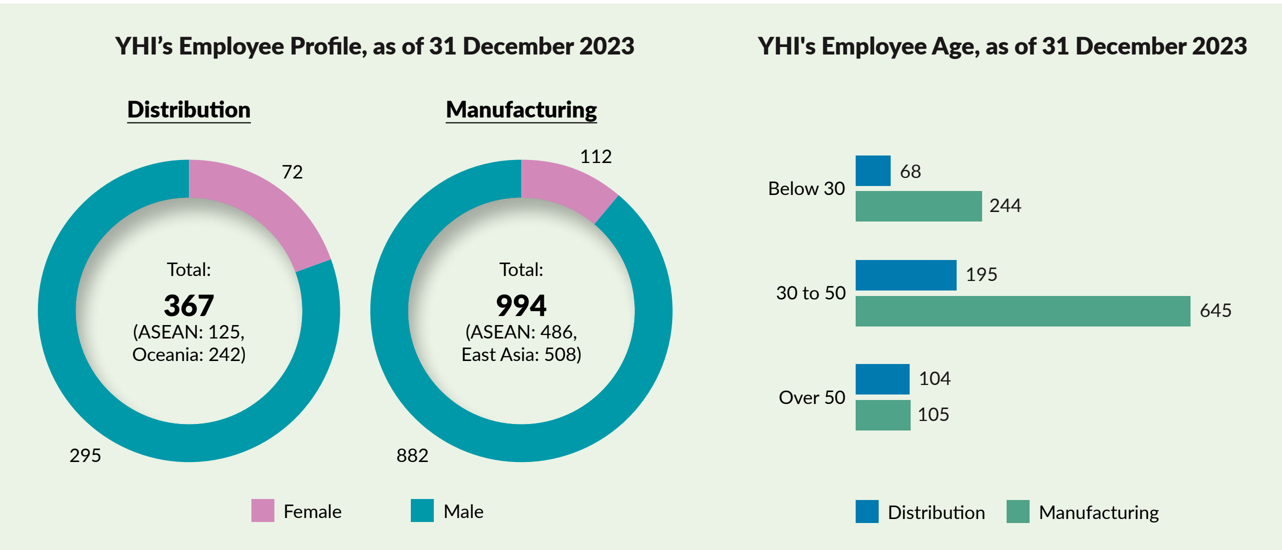
The Group pledges to ensure equal employment opportunities for everyone, irrespective of their gender, age, ethnicity, cultural heritage, or religious beliefs. We see significant value in hiring local talent who possess an in-depth understanding of the local market conditions. It is with pride that we report almost all management positions in our international subsidiaries are filled by members of the local communities.

In recent years, it has become clear that offering competitive salaries and benefits is crucial for attracting and retaining dedicated employees. Accordingly, we regularly compare our compensation policies with those of our industry counterparts to ensure they are competitive and fair, aiming to continuously enhance our remuneration strategies.

Furthermore, we understand the necessity of a balanced work-life environment. We motivate our staff to engage in team-building activities, including holiday excursions and celebratory events, which YHI supports financially. We are convinced these initiatives strengthen our team's sense of unity and belonging, ultimately boosting their satisfaction at work and their productivity. We have also established grievance policies and procedures to provide a safe channel for employees to raise their grievances without fear of negative repercussions.

Our Performance

At the close of the reporting period, the four distribution subsidiaries collectively employed 367 individuals, while the three manufacturing plants had a workforce of 994 employees. The number of temporary, part-time employees is relatively insignificant, and thus considered immaterial for disclosure in this Report.

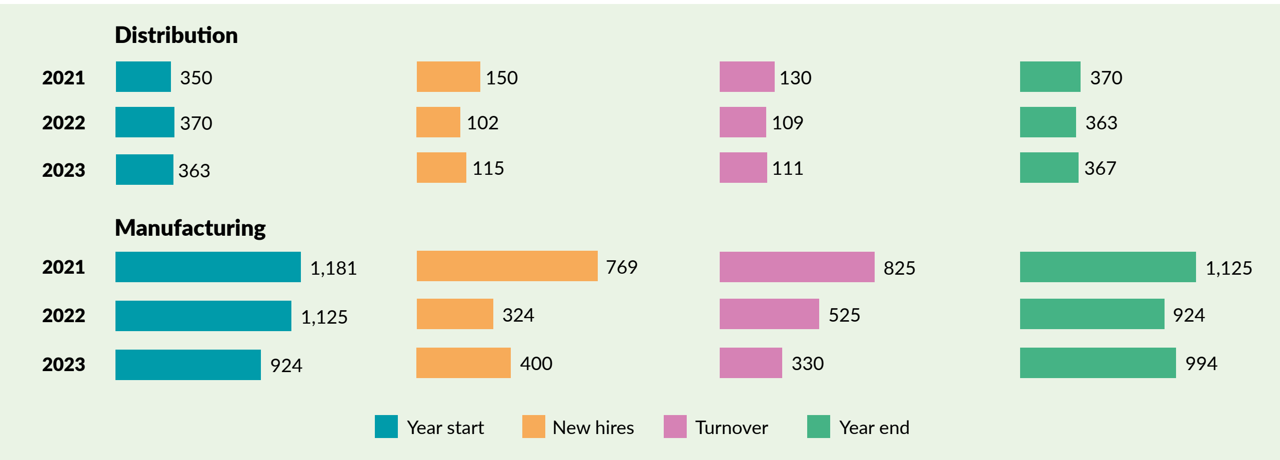


In 2023, we welcomed a total of 115 and 400 new hires at YHI's major distribution subsidiaries and manufacturing factories, representing a new hire rate of 31% (FY2022: 28%) and 40% (FY2022: 35%). Meanwhile, our major distribution subsidiaries and factories recorded a total of 111 and 330 employees who left the Group, marking an employee turnover rate of 30% (FY2022: 30%) and 33% (FY2022: 57%).

The breakdown of new hires and employee turnover by gender, age group and region is as follows:

Year	2023				2022			
Category	New Hires		Employee Turnover		New Hires		Employee Turnover	
D: Distribution **M: Manufacturing**	**D**	**M**	**D**	**M**	**D**	**M**	**D**	**M**
By Gender								
Male	101	373	94	314	78	306	90	493
Female	14	27	17	16	24	18	19	32
By Age Group								
Below 30	42	136	40	139	30	106	45	190
30 to 50	52	232	57	187	50	195	43	298
Over 50	21	32	14	4	22	23	21	37
By Region								
ASEAN	36	151	39	83	35	96	31	163
North Asia	N.A.	249	N.A.	247	N.A.	228	N.A.	362
Oceania	79	N.A.	72	N.A.	67	N.A.	78	N.A.
Total	**115**	**400**	**111**	**330**	**102**	**324**	**109**	**525**

The total headcount of the four distribution subsidiaries and three factories at the start and end of each year between 2021 and 2023, and the annual total number of new hires and turnovers are as follows:



For 2023, as compared with previous years,

- We observed a consistent employee count within our key distribution subsidiaries from 2022 to 2023, with the number of new hires closely matching the number of departures from the subsidiaries.
- Our factories recorded a net increase in the number of employees for FY2023 as compared to FY2022 as Malacca factory increased headcounts towards end 2023 anticipating a recovery in the production activities in the coming year.

We advocate for all our subsidiaries to engage in an annual survey to assess employee satisfaction and pinpoint areas for enhancement, and we gradually resumed the survey exercise across the Group after the Covid pandemic subsides. Our objective is to establish the employee satisfaction survey and its ensuing analysis as an annual practice across all subsidiaries by the year 2025.

EMPLOYEE TRAINING AND EDUCATION

Why is it Material?

We are continually striving to offer our employees opportunities for ongoing development, enabling them to acquire new skills and progress in their careers. To maintain a competitive edge in the market, it is crucial that we equip our employees with the skills required to meet their job specifications. By investing in our employees, we are also constructing a sustainable future for our business.

Our Management Approach

Our subsidiaries' management teams bear the responsibility for identifying the training and development needs of employees and formulating an effective training plan that matches the operational and business growth requirements.

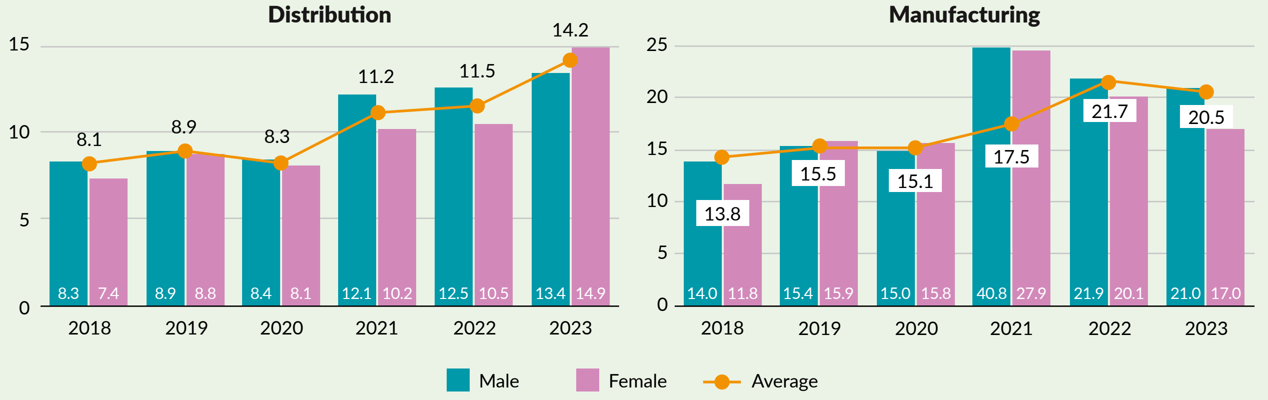
Beyond offering supervised on-the-job training for specific roles, we also provide training sessions covering a wide range of topics. These include product and quality knowledge, machine operation, relevant ISO standards, workplace health and safety policies, sales and management techniques, personal development skills, information technology, data analytics, applicable financial reporting standards, and tax regulations within both the distribution and manufacturing sectors. These training sessions are conducted by either our internal staff or external experts.

Our Performance

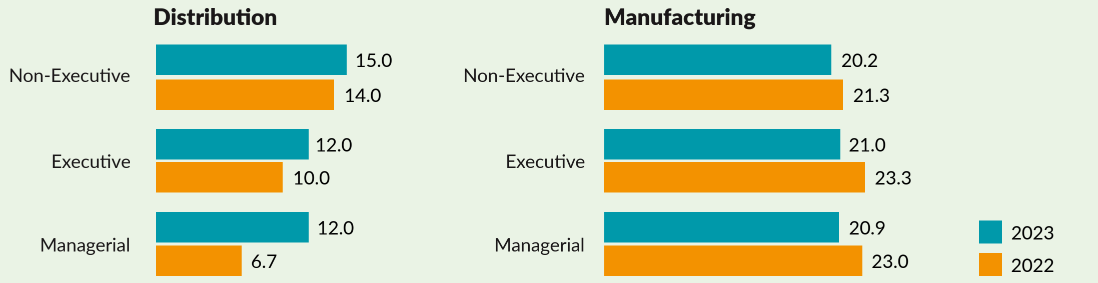
We have set target that in 2025 the annual average hours of training provided to each employee in our major subsidiaries to be least 20% more than the average hours recorded in 2018, and over the years we have steadily achieved the target. However, as the macroeconomic environment is challenging, we opt to keep the target and will work towards sustaining the momentum in our employee training and education program. We will perform a review when the 2025 timeline approaches and work out a more ambitious target.

The accompanying chart illustrates the average training hours per employee, categorised by gender and employee sector, from 2018 to 2023.

Average hours of training per employee from 2018 to 2023, with a breakdown by gender



Average hours of training for each employee category in 2022 and 2023



OCCUPATIONAL HEALTH AND SAFETY

Why is it Material?

Ensuring a safe and healthy workplace is a fundamental part of our approach to sustainability. We are deeply committed to occupational health and safety ("**OH&S**") across every facet of our operations, placing the health and safety of our employees as our top priority.

Our Management Approach

Considering YHI's subsidiaries operate across various locations, each subject to distinct legislative mandates, we have laid down a unified set of principles. These principles constitute the foundation of the Group's OH&S management system, as follows:

1. To be proactive in identifying and mitigating the safety hazards and health risks associated with our operations;
2. To provide our employees with adequate training and resources to perform their work safely and effectively;
3. To monitor our OH&S performance by tracking, analysing, and reporting all safety-related incidents to the relevant authorities.

Furthermore, dedicated safety officers are appointed at each site to oversee health and safety issues, with first-aid kits being easily accessible and visibly placed. The Group ensures that all employees are equipped with the required personal protective equipment.

The management teams at each of YHI's subsidiaries bear the responsibility for adhering to all relevant local workplace health and safety laws, while crafting and executing OH&S policies that are tailored to their specific local environments. In the event of work-related accidents, a thorough investigation to identify the root cause is undertaken, appropriate corrective measures are taken, and insights gained are disseminated throughout YHI's various business units to mitigate the risk of future incidents.

Our Performance

In 2023, our dedication to health and safety was demonstrated by a marked reduction in recordable injury cases in our major distribution subsidiaries as well as factories. While there was a single report of a high-consequence work injury in one major distribution subsidiary, the incident and root cause had been properly reviewed and preventative actions were promptly taken. The overall statistics affirm our proactive stance on safety and our continuous efforts to reduce workplace hazards. We will persistently strive to lower the incidence of workplace accidents while aiming to sustain our record of zero work-related fatalities.

	Distribution			Manufacturing		
	2021	2022	2023	2021	2022	2023
Number of recordable injury cases	4	13	5	18	21	15
Number of high-consequence work injury	0	1	1	0	0	0
Number of work-related fatalities	1	0	0	0	0	0
Total man-hours worked (x 100,000 hours)	7.47	7.59	7.75	34.93	29.88	27.74
Injury rate per 200,000 man-hours	1.1	3.7	1.3	1.0	1.4	1.1
Total number of lost days	21	316	55	969	947	470
Lost day rate per 200,000 man-hours	5.6	83.3	23.1	55.5	63.4	33.9

GOVERNANCE PILLAR

ECONOMIC PERFORMANCE

Why is it material?

As a corporation listed on SGX-ST, we bear the significant responsibility of maintaining financial stability and continually enhancing shareholder value. We believe that our business operations will also bring considerable benefits to our other key stakeholders, including our customers, employees, and suppliers. Furthermore, we meticulously monitor the impact of our business activities on the wider economy, people, and the environment.

Our management approach

Throughout the Group, we implement a '3R' strategy aimed at reducing our inventory levels, accounts receivable, and operational expenses. This approach has consistently proven effective, enabling the Group to maintain a robust financial standing. Such stability grants us enhanced resilience and flexibility in navigating through periods of uncertainty and challenging market conditions.

In the distribution arm of YHI, there has been a continuous effort to expand our range of products over the years, aligning with the '3M' strategy focused on 'Multi-product', 'Multi-brand', and 'Multi-category'. Through careful management and a keen eye on global economic trends and local market dynamics, we have successfully identified and introduced the most appropriate products to the market.

On the manufacturing side, YHI benefits from diversified ODM operations that take advantage of the unique competitive strengths across different production locations to meet varying market demands in terms of quality, price, and size. Further strengthening our market position, we have developed proprietary manufacturing technologies via research and development, establishing ourselves as a leading manufacturer of premium aftermarket alloy wheels.

Our performance

Despite the challenging business environment, through vigilance and unfaltering commitment to stakeholders, YHI continued to deliver a resilient performance in FY2023 as outlined below:

Key Economic Performance Indicators	2023	2022	2021
Group revenue (in SGD' million)	376.9	430.9	444.7
– Revenue from distribution (in SGD' million)	297.7	323.7	329.5
– Revenue from manufacturing (in SGD' million)	79.2	107.2	115.2
Operating costs (in SGD' million)	86.1	88.0	88.1
Employee costs (in SGD' million)	51.8	54.8	58.6
Tax paid (in SGD' million)	4.9	6.6	6.6
Payments to providers of capital			
– Interest expense (in SGD' million)	3.3	3.3	2.8
– Dividends per share (in SGD' cents)	3.15	3.60	3.60

For more details on the direct economic value generated and distributed by YHI in 2023, please refer to our Annual Report ("**AR**") 2023, which can be found at our website on www.yhigroup.com.

ANTI-CORRUPTION AND ANTI-COMPETITIVE BEHAVIOUR

Why is it material?

Anti-corruption stands as a crucial material topic for us at YHI, aligning seamlessly with our fundamental corporate values of integrity and honesty that underpin every business decision and aspect of our operations. Our unwavering dedication to compliance has bolstered our status as a trustworthy and esteemed organisation, earning the loyalty of our clientele. Furthermore, we firmly believe that engaging in fair and ethical competition is vital for achieving improved economic efficiency and ensuring sustainable growth. This commitment to anti-corruption not only upholds our ethical standards but also contributes to our long-term success and stability in the market.

Our management approach

As specified in YHI's Code of Conduct, we expect every employee to adhere to the highest ethical standards in all their professional activities. This expectation is communicated to both new and existing employees via the Employee Handbook, a copy of which is provided to each employee.

Due to the potential risks of corruption and anti-competitive practices in the purchasing and procurement processes, we have implemented a Group Management Policy. This policy outlines explicit guidelines for engaging in dealings that are fair, transparent, and free from corruption with our principals or suppliers. It further underscores the importance of conducting thorough due diligence on potential business partners and suppliers to verify their adherence to all relevant government regulations.

Furthermore, a Whistle-Blowing Policy is in place, enabling employees to voice any concerns regarding potential breaches of the Group's Code of Conduct or suspicions of financial reporting irregularities directly to the Audit Committee via the Internal Audit function. Reports of corruption, anti-competitive behaviour, breaches of anti-trust laws, and monopolistic practices are escalated to the senior management team for appropriate action.

Our performance

In 2023, there were no reported incidents of anti-corruption, anti-competitive behaviour, or violations of anti-trust/ monopoly regulations. Our goal is to continue this record of zero incidents into 2024.

TCFD REPORT

The World Economic Forum's Global Risk Report 2023 highlights the failure to act on climate change as a critical threat over both medium (2-5 years) and long (5-10 years) terms, with profound implications for societies, economies, and the environment worldwide. This underlines the significant challenge climate change presents to our operations, workforce, local communities, and the natural world that sustains us.

Acknowledging the pivotal role corporations must play in addressing climate change, we are dedicated to reducing our environmental impact and proactively enhancing our resilience against climate-related risks and opportunities. Our commitment is aimed at safeguarding our operations and contributing positively to the global fight against climate change.

IMPLEMENTATION ROADMAP

YHI recognises that climate change poses significant risks and opportunities to its business and is committed to addressing them. In line with SGX-ST's Sustainability Reporting Guide Practice Note 7.6, the Group will be adopting a phased approach towards including climate-related disclosures in our sustainability report.

Outlined below is our roadmap for climate reporting, structured around the four primarily pillars of the TCFD. We will continue to review and update the roadmap to ensure it is in line with the external business environments and regulatory changes.

	PHASE 1 (2023 – 2024)	PHASE 2 (2024 – 2025)	PHASE 3 (2026)
Governance	Integrated climate risks into existing board governance structures	Internally reviewed climate change management processes	Ongoing Board and management oversight
Strategy	Identifed key climate-related risks and opportunities, assess their impact and formulate appropriate action plans.	Continually identify key risks and opportunities and to conduct scenario analysis to determine the materiality levels.	Assess the resilience of the Group's climate strategy, in alignment with desired climate outcomes
Risk Management	Defined the process for identifying, prioritising, and managing climate-related risks	Develop policies for managing climate-related risks and opportunities	Effectively embed climate considerations into relevant business processes
Metrics and Targets	Computed and disclose YHI major subsidiaries' operational carbon footprint (Scope 1 and Scope 2 emissions)	Included all other subsidiaries in the computation and disclosure of carbon footprint, and define metrics to assess the impact of climate-related risks on the Group's activities	Improve data systems, and consider appropriate science-based emissions reduction targets

Currently we are at the Phase 2 stage as we have begun to include all non-major subsidiaries in the reporting of carbon footprint and the key action plans are to perform a formal scenario analysis and to determine the materiality levels and define a set of metrics.

GOVERNANCE

Board oversight:

The Board ensures strategic guidance and leadership on climate change and environmental matters, tasking the Audit Committee with primary oversight of the YHI Group's climate reporting programme. This oversight includes evaluating management's identification of climate-related risks and opportunities, the development of strategic business plans, and the implementation of effective risk management and internal controls.

The Chief Financial Officer ("**CFO**"), on behalf of the RMEC, is responsible for formally reporting significant and emerging climate-related issues to the Audit Committee at least annually, detailing the principal measures taken in response. Management personnel also provide timely updates to the Audit Committee or the Board on any new climate-related issues and action plans. Periodically, requests for clarification from management on specific climate-related subjects ensure comprehensive oversight and integration of these issues into the broader sustainability framework.

Management's roles and responsibilities:

The management of climate-related risks and the pursuit of related opportunities are meticulously overseen by RMEC at YHI. This committee, embodying senior management personnel including the Executive Chairman and the CFO, holds the primary charge for guiding the Group through the complexities of climate-related matters. The CFO, acting on behalf of the RMEC, is tasked with the formal reporting of climate-related developments to the Audit Committee.

YHI employs a comprehensive two-way strategy for the effective monitoring, assessment, and management of climate-related issues. From a bottom-up perspective, frontline management is vigorously involved in tracking pertinent concerns from both business and compliance standpoints, with a mandate to escalate significant matters to the RMEC as necessary. Concurrently, adopting a top-down approach enables the RMEC not only to address the issues reported by frontline staff but also to proactively oversee climate-related subjects from strategic and operational lenses. This dual approach ensures that potential impacts are assessed diligently and that appropriate actions are taken directly at the frontline.

Notably, the organisation does not have an in-house expert on sustainability or climate change. Responsibility for the vigilant monitoring of these critical topics falls to frontline management within each country or jurisdiction. They are to manage these issues from a business and compliance perspective and seek advice from external consultants as required. Similarly, senior management is prepared to consult external experts on matters pertaining to business management or governance when necessary.

In the years ahead, the management team is committed to continuing its collaboration with external consultants, leveraging their expertise to navigate the Group's climate-related risks and opportunities adeptly. This ongoing partnership exemplifies YHI's proactive and strategic approach to climate governance, ensuring that the organisation remains at the forefront of managing and capitalising on the evolving landscape of climate-related challenges and opportunities.

RISK MANAGEMENT

Identifying and assessing climate-related risks

YHI employs a dual approach in managing climate-related issues, blending "bottom-up" and "top-down" methods for effective oversight. This strategy involves frontline management monitoring and escalating issues to the RMEC, which also proactively assesses these matters from strategic and operational viewpoints. In developing YHI's TCFD report, a Group-wide climate risk assessment was undertaken to comprehend the risks and opportunities posed by climate change across YHI's global operations and assets. This comprehensive evaluation aimed to identify and prioritise the climate-related risks and opportunities integral to YHI's value chain, showcasing a strategic commitment to mitigating climate impact.

1. Existing and emerging regulatory requirements to climate change

In light of the escalating challenge posed by climate change to the economy, humanity, and the environment, nations are increasingly establishing ambitious net-zero targets to accelerate the shift to a low-carbon future. YHI is keenly aware of the latest regulatory developments in the countries where it operates, aiming to harmonize its business operations with these national goals and specific regulatory mandates. The company is committed to integrating energy-efficient and low-emission technologies and practices into its operations as much as possible, reflecting Singapore's national climate objectives and transition plans. Additionally, YHI remains vigilant in identifying and seizing emerging business opportunities that arise from the global journey towards net-zero emissions, thus adapting to existing and emerging regulatory requirements related to climate change.

2. Actual or potential physical climate risks

Physical climate risks are weather event driven or due to longer-term shifts in climate patterns, and the risks will become increasingly severe in years to come if there are no extensive and effective measures taken to transit to a lower-carbon economy. YHI actively tracks and evaluates actual or potential acute and chronic physical climate risks within its enterprise risk management framework, recognising the operational challenges and emerging trends these risks may pose. This vigilant approach includes identifying areas prone to more frequent rainfall and the resultant inland flooding, assessing their potential impact on business operations, such as supply chain continuity. Based on initial risk assessments, YHI commits to formulating and implementing targeted action plans, whilst continuously monitoring their effectiveness, to mitigate future risks. This proactive stance underlines YHI's dedication to adapting its operations in anticipation of and in response to evolving climate-related challenges.

3. Actual or potential transition risks

Whereas, transition risks will arise when climate policies and regulations are taken to address the physical climate risks, or when there are associated changes to the technology in market and consumer preferences. We anticipate that transition risks associated with climate change will increasingly affect YHI's strategic and operational framework. Recognising this, such risks are already an integral part of our business strategy planning process. We are continuously refining our business models to capitalise on emerging green technologies. For instance, with the rise in electric vehicle adoption and the rapid evolution of technology, our senior management meticulously evaluates business plans concerning automotive product part distributions. This ensures operational support systems are robust and that YHI maintains a pioneering position in the market. We are committed to evolving our strategies and operations to not only adapt to but also anticipate and lead in the transition towards a greener economy.

Managing climate-related risks

The RMEC is responsible for analysing and dissecting all identified climate-related risks to arrive at a better understanding of the risk drivers and potential financial impacts, before and after risk mitigation measures are taken. The RMEC are to monitor the Group's sustainability context and to periodically review the likelihood and impact of each risk.

In determining the relative significance of climate-related risks within its overall risk landscape, the organisation meticulously analyses and dissects such risks by considering potential events, driving factors, and financial impacts, both pre- and post-mitigation efforts. This detailed analysis is integrated into the Enterprise Risk Management framework, enabling the RMEC to continually evaluate these risks in comparison to other identified risks.

STRATEGY

Our analysis of climate-related risks and opportunities spans three distinct timeframes: short-term (now till 2025), medium-term (2025-2030) and long-term (2030-2050 and onwards). The results of our inaugural risk assessment, performed in FY2022 and updated in 2023 are presented in the following tables.

Climate-Related Risks Faced by YHI

Distribution Manufacturing

TYPE		DESCRIPTION OF RISK	SCOPE	TIME FRAME	POTENTIAL FINANCIAL IMPACT	RISK MITIGATION STRATEGY
Physical	Acute	Disruptions to the supply chains and delays in product deliveries, due to frequent and severe torrential rain, inland flooding and bushfires		Short- to long-term	• Increase in logistic costs and insurance premiums	• To set up warehouses in regions that are less vulnerable to flooding and bushfires • To vigilantly monitor the weather forecast when arranging delivery routes and provide timely updates to customers about any delays.
Physical	Chronic	Significant fluctuation in the demand for winter wheels, resulting from global warming and unpredictable snowfall patterns		Short- to long-term	• Significant year-on-year fluctuations in the sales of winter wheels, as unsold inventories age and impair in value.	• To diversify the revenue streams of our manufacturing segment and minimise any potential financial impacts arising from the fluctuation in demand for winter wheels.
Physical	Chronic	Reduced productivity and increased absenteeism rates at the production floor and our warehouses, due to rising temperature and heatwaves		Medium- to long-term	• Increase in capital expenditure, operating expenditures and staff costs	• To retrofit the air ventilation and cooling system within our facilities. • To provide additional monetary incentives, on par with or above market rates, to workers manning certain functions (e.g., furnaces for aluminium ingot smelting), especially during hot spells and the summer.

Climate-Related Risks Faced by YHI (cont'd)

TYPE		DESCRIPTION OF RISK	SCOPE	TIME FRAME	POTENTIAL FINANCIAL IMPACTS	RISK MITIGATION STRATEGIES
Transition	Policy and Legal	Governments' impositions of carbon tax or carbon credits to the manufacturing and distribution of products		Medium- to long-term	• Increase in cost of purchase and cost of production	• To optimise the production levels to minimise the carbon tax incurred • To work with product principals and customers to determine the transferability of increased costs.
	Policy and Legal	Stringent regulatory requirements and taxes may be imposed on the disposal or recycling of production waste and used products		Medium- to long-term	• Increase in waste handling and disposal costs	• To work with product principals and customers to determine the transferability of increased costs. • To conduct a rigorous evaluation when appointing scrap collectors
	Technology	High-emitting assets, such as diesel-powered delivery vehicles and forklifts may be banned by governments or phased out within the asset supply market		Medium- to long-term	• Increase in capital expenditures, as repair and maintenance costs increase, and high-emitting operational assets are replaced	• To formulate an asset replacement plan to comply with regulatory requirements within the stipulated timeline, especially for countries or jurisdictions that have imposed restrictions on the use of high-emitting operational assets
	Market and Reputation	Stigmatisation of businesses - business is perceived by stakeholders as being high-emitting or laggard in the adoption of eco-friendly practices		Medium- to long-term	• Decreased sales due to lower consumer demand • Increase in purchase costs arising from less favourable purchase rebates and distribution terms • Ineligibility for “green loans” that offer lower interest charges to businesses	• To align our business practices with industry best practices and regulatory requirements by implementing climate- and sustainability-related measures • To present our key climate- and sustainability-related achievements with our stakeholders in a timely and transparent manner

Climate-Related Opportunities for YHI

TYPE	DESCRIPTION OF OPPORTUNITY	SCOPE	TIME FRAME	POTENTIAL FINANCIAL IMPACT	MANAGEMENT APPROACH
Resource Efficiency	Minimisation of operating costs through efficient utilisation of resources		Short- to long-term	• Minimise operating costs and increase profitability	• To assess resource efficiency opportunities arising from water, electricity, and fuel consumption in factories, warehouses and across our distribution channels • To monitor the use of raw materials and encourage wider adoption of recycling practices
Energy Source	Widespread availability of innovative clean energy options, coupled with attractive government subsidies and incentives		Short- to long-term	• Reduction in operating costs	• To install energy-efficient LED lighting in YHI buildings and warehouses • To adopt renewable energy sources, such as solar power, if suitable and to apply for relevant government subsidies • To assess alternatives to diesel-powered vehicles, equipment and machinery
Products and Services	Diversification of product offerings to include eco-friendly automotive parts and industrial products		Short- to long-term	• Diversification of revenue streams, following the constant renewal of product offerings at reasonable rates	• To closely monitor recent market developments and the advent of new product ideas, designs, and technologies • To regularly review our product portfolio and keep up with the latest market trends and consumer preferences.
Markets and Resilience	Equal market opportunities for business players involved in the distribution of automotive parts and industrial products		Short- to long-term	• Reduction in operating and financing costs	• To be a first mover in bringing innovative products to the market by negotiating for and obtaining product distributorships, alongside favourable trade credits, discounts, and rebates

Climate scenarios analysis

We have not conducted a formal scenario analysis pertaining to climate-related risks, however, we recognise scenario analysis is pivotal to the proper identification and determination of our climate risk profile and the demonstration of how YHI business is positioning in the face of the emerging climate-related risks, and the trade-offs among various risk factors and opportunities. We also recognise scenario analysis as important input for the strategic planning and risk management efforts allowing us to formulate appropriate contingency plans.

While we will conduct a formal climate scenario analysis to be incorporated in the sustainability reports in due course following relevant reporting standards, we have constantly performed vigorous business analysis and evaluations, with reference to the available scenario guidance, to assess the climate-related risks and opportunities under different scenarios and estimate the potential implications to our financial results and strategic plans. Although we assess the risks as properly contained in view of our risk mitigation strategies, we will proceed to conduct a formal scenario analysis in due course. This analysis will be published in our FY2024 report.

METRICS AND TARGETS

Climate-related metrics

YHI has been consistent in our efforts to identify, measure, monitor and report on quantitative metrics under each material topic, some of which include:

Electricity consumption	Natural gas consumption	Greenhouse gas emissions
Freshwater usage	Wastewater discharge	Waste disposal

By including historical and present-year data on the above metrics, we have been able to provide our stakeholders with insights into our environmental performance over time. In anticipation of potential future risks, we have implemented a range of risk mitigation strategies, as outlined in the above sections on "**Energy Consumption and Emissions**", "**Water and Effluents**", and "**Waste Management**".

Greenhouse gas emissions

As part of our commitment to sustainability and transparency, YHI has embarked on a critical initiative since 2022 to establish a baseline inventory for our Scope 1 and 2 emissions. This effort spans our distribution and manufacturing operations as detailed in this report. With a forward-looking approach, we are dedicated to refining our carbon accounting methods, aiming to encompass all entities within YHI's sphere of operational control. This process is in strict adherence to the rigorous methodology of the GHG Protocol and its standards.

Our greenhouse gas emissions serve as a key metric for us to measure and mitigate our climate-related risks, and we are constantly looking at ways to leverage on the climate-related opportunities we have identified. For a more in-depth understanding of YHI's carbon footprint, please refer to the "**Energy Consumption and Emissions**" section of this report.

Climate-related targets

While we have established performance targets for each material topic in this Report, we are still in the process of formulating a net-zero ambition for the Group and establishing the necessary mid-term reduction targets necessary to achieve this. We will continually assess the feasibility of establishing science-based targets for the Group, in support of a global transition towards a low-carbon economy.

GRI CONTENT INDEX

STATEMENT OF USE	YHI International Limited has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards
GRI 1 USED	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE		PAGE
GRI 2: General Disclosures 2021	**The Organisation and its Reporting Practices**		
	2-1	Organisational details	4 – 6
	2-2	Entities included in the organisation's sustainability reporting	2
	2-3	Reporting period, frequency and contact point	2 – 3
	2-4	Restatements of information	14
	2-5	External assurance	3
	Activities and Workers		
	2-6	Activities, value chain and other business relationships	4 – 6
	2-7	Employees	17 – 18
	2-8	Workers who are not employees	N.A.[4]
	Governance		
	2-9	Governance structure and composition	AR: 42
	2-10	Nomination and selection of the highest governance body	AR: 44 – 46
	2-11	Chair of the highest governance body	AR: 46
	2-12	Role of the highest governance body in overseeing the management of impacts	7
	2-13	Delegation of responsibility for managing impacts	7
	2-14	Role of the highest governance body in sustainability reporting	7
	2-15	Conflicts of interest	AR: 41, 60
	2-16	Communication of critical concerns	22
	2-17	Collective knowledge of the highest governance body	7
	2-18	Evaluation of the performance of the highest governance body	AR: 47 – 49
	2-19	Remuneration policies	AR: 50 – 52
	2-20	Process to determine remuneration	AR: 50 – 52
	2-21	Annual total compensation ratio	AR: 50 – 52
	Strategy, Policies and Practices		
	2-22	Statement on sustainable development strategy	7
	2-23	Policy commitments	10 – 22
	2-24	Embedding policy commitments	10 – 22
	2-25	Processes to remediate negative impacts	10 – 22
	2-26	Mechanisms for seeking advice and raising concerns	3, 8, 22
	2-27	Compliance with laws and regulations	22
	2-28	Membership of associations	6
	Stakeholder Engagement		
	2-29	Approach to stakeholder engagement	8
	2-30	Collective bargaining agreements	N.A.[5]

4 Not applicable, as YHI does not have any workers who are not employees.
5 Not applicable, as YHI's employees have not entered into any collective bargaining agreements.

GRI STANDARD	DISCLOSURE		PAGE
GRI 3: Material Topics 2021	**Materiality Assessment**		
	3-1	Process to determine material topics	8 – 9
	3-2	List of material topics	9
	3-3	Management of material topics	10 – 22
GRI 201: Economic Performance 2016	**Economic Performance**		
	201-1	Direct economic value generated and distributed	21
	Anti-Corruption and Anti-Competitive Behaviour		
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	22
GRI 206: Anti-competitive Behaviour 2016	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	22
GRI 302: Energy 2016	**Energy Consumption**		
	302-1	Energy consumption within the organisation	10
	302-4	Energy intensity ratio	11
GRI 303: Water and Effluents 2018	**Water and Effluents**		
	303-2	Management of water discharge-related impacts	13
	303-3	Water withdrawal	14
	303-4	Water discharge	14
GRI 305: Emissions 2016	**Emissions Reduction**		
	305-1	Direct (Scope 1) GHG emissions	16
	305-2	Energy indirect (Scope 2) GHG emissions	16
GRI 306: Waste 2020	**Waste**		
	306-1	Waste generation and significant waste-related impacts	15
	306-2	Management of significant waste-related impacts	15
	306-3	Waste generated	16
	306-5	Waste directed to disposal	16
GRI 401: Employment 2016	**Employee Management**		
	401-1	New employee hires and employee turnover	17 – 18
GRI 403: Occupational Health and Safety 2018	**Occupational Health and Safety**		
	403-1	Occupational health and safety management system	20
	403-2	Hazard identification, risk assessment, and incident investigation	20
	403-5	Worker training on occupational health and safety	20
	403-9	Work-related injuries	20
GRI 404: Training and Education 2016	**Employee Training and Education**		
	404-1	Average hours of training per year per employee	19
	404-2	Programs for upgrading employee skills and transition assistance programs	19

TCFD INDEX

TCFD PILLARS	RECOMMENDED DISCLOSURES	PAGE
Governance		
Disclose the organisation's governance around climate-related risks and opportunities	a) Describe the board's oversight of climate-related risks and opportunities.	23 – 24
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	23 – 24
Strategy		
Disclose the organisation's governance around climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	25 – 27
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	25 – 27
	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	25 – 27
Risk Management		
Disclose how the organisation identifies, assesses, and manages climate-related risks	a) Describe the organisation's processes for identifying and assessing climate-related risks.	24 – 25
	b) Describe the organisation's processes for managing climate-related risks.	24 – 25
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	24 – 25
Metrics and Targets		
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	a) Disclose the metrics used the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	28
	b) Disclose Scope 1, Scope 2 and if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	28
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	28

YHI
Since 1948

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