



LYL CORPORATION LIMITED



SUSTAINABILITY REPORT 2018

Sponsor's Statement

LY Corporation Limited (the "Company") was listed on Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 31 January 2018. The initial public offering of the Company was sponsored by UOB Kay Hian Private Limited (the "Sponsor").

This sustainability report has been prepared by the Company and its contents have been reviewed by the Sponsor for compliance with the relevant rules of SGX-ST Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this sustainability report.

This sustainability report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this sustainability report, including the accuracy, completeness or correctness of any of the information, statements or opinions made, or reports contained in this sustainability report.

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Board Statement

LY Corporation Limited is pleased to present our Sustainability Report for the financial year ended 31 December 2018 (“FY2018”). The Board of Directors (“Board”) recognises that long-term success of our business is intimately tied to the prosperity of the communities we operate in. As such, we emphasise on incorporating sustainability matters into our business strategy as well as our daily operations. The Board sets the tone for all sustainability efforts, supported by the Sustainability Steering Committee. Together, we continually identify, manage and address Economic, Environment, Social and Governance (“EESG”) material matters that are relevant to the business.

As our businesses continue to expand, we will continue to interact with our stakeholders in a transparent and sustainable manner. We look forward to their continued support in our sustainability journey.

Introduction

About LY Corporation Limited

LY Corporation Limited and its subsidiaries (collectively known as our “Group” or “LY Corporation Group”) is one of Malaysia’s leading manufacturers and exporters of wooden bedroom furniture. With an established track record of more than 40 years in the furniture industry, our Group is an established original design manufacturer (“ODM”) principally engaged in the design and manufacturing of custom wooden bedroom furniture, and the manufacturing of custom wooden bedroom furniture which may be tailored to customers’ specifications and requirements on an original equipment manufacturer (“OEM”) basis.

In January 2019, our Group entered into original brand manufacturing via the acquisition of the assets of Cubo Sdn Bhd, which manufactures and markets furniture under the EZBO and CUBO brands.

Our Group currently operates from 15 factories and warehouses, occupying a combined built-up area of approximately 1.4 million sq ft. Our products are sold mainly to overseas dealers such as furniture wholesalers and retailers who generally resell our products to end-users through their respective retail networks and domestic customers who are primarily third party agents who typically export and resell our products outside Malaysia, such as to the U.S.

LY Corporation Limited was listed on Catalist of Singapore Exchange Securities Trading Limited on 31 January 2018. There were no significant changes in the operations and location of operations during FY2018.









Highlights

FY2018 Financial Highlights (in RM'000)

Revenue	Gross Profit	Dividend Paid
263,136	43,893	11,304

FY2018 Non-Financial Highlights

Our Customers	Our People	Our Governance
<p>ISO 9001:2015 certified </p> <p>Achieve scoring of above 4.00 out of maximum 5.00 for two criteria in FY 2017/18's customer satisfaction survey </p>	<p>Reduction of 6.07% in injury rate </p> <p>Competent Safety and Health Officer at LY Corporation </p>	<p>Zero significant fines and reportable cases of non-compliance with all applicable laws and regulations </p> <p>Zero confirmed cases which are unethical, fraudulent or corrupt in nature </p>



About the Report

LY Corporation Limited is pleased to present you our sustainability report for FY2018. This report will include our non-financial performance for FY2018, from 1 January 2018 to 31 December 2018, with financial year ended 31 December 2017 (“FY2017”), from 1 January 2017 to 31 December 2017, as the year of comparison where appropriate. This report has been prepared in accordance with the SGX-ST Listing Rules 711(A) and 711(B) and the Global Reporting Initiatives (“GRI”) Standards – “Core” option.

This report covers information on all of LY Corporation Limited’s entities in Malaysia, unless stated otherwise. We have not sought external assurance for this reporting period, but will reconsider as our reporting matures over time.

We welcome feedback to this report and any matters related to our sustainability policies, practices and performance. Please send your feedback to our Chief Executive Officer (“CEO”), Mr. Tan Yong Chuan at tanyc@lyfurniture.com and/or our Chief Financial Officer (“CFO”), Ms. Teo Gin Lian at teogl@lyfurniture.com.

Sustainability @ LY Corporation Group

LY Corporation Group is named after the essence of “uniting friends”, hence wise our Group cherish this close-knit partnership that was forged with our various stakeholders within the past 40 years within the industry. Through our commitment and responsibility to our stakeholders, we endeavour to create long-term value for them and ensure that our business operations run smoothly yet sustainably. We hope to continue and uphold our high levels of corporate governance and incorporate more sustainable practices into our business operations, not forgetting health and safety standards and the obligation to conserve natural resources.

Our Sustainability Steering Committee (“SSC”) oversees the implementation of sustainability strategy and evaluates the progress made with regards to the Group’s sustainability commitments. The SSC comprises of the Heads of Departments (“HODs”) from Finance, Sales and Marketing, Administration, Purchasing and Procurement and Operations department. The Sustainability Working Committee, comprising representatives from relevant departments, will implement any strategies and actions on behalf of the SSC. The SSC is also responsible for reporting to the Board on sustainability matters on an annual basis.

Responsible Supply Chain Management

Our Group engages over 100 suppliers and approximately 20 subcontractors. They provide a range of products and services, ranging from supplying timber to packaging services from both within and outside of Malaysia. No significant changes were made to our supply chain in FY2018.

Before business contracts are offered or relationships with clients are established, we make sure to pre-evaluate the suppliers and subcontractors. These evaluations are based on their price and quality of their products and services, and capacity of their operations.



Stakeholder Engagement

At LY Corporation Group, communication with our stakeholders is a top priority and we believe they are instrumental to the success of our organisation. We believe that a strong, lasting relationships with effective two-way communication will help us gain a deeper understanding of their expectations and concerns with regards to our operations. Figure 1 below will show a summary of our stakeholder engagement.

FIGURE 1. STAKEHOLDER ENGAGEMENT TABLE

Stakeholder Group	Mode	Frequency	Stakeholder's Key Concerns	Our Responses
Shareholders	▪ Annual General Meeting	▪ Annually	<ul style="list-style-type: none"> ▪ Sustainable returns ▪ Business performance ▪ Accuracy and timely disclosure of information ▪ High standards of corporate governance 	<ul style="list-style-type: none"> ▪ Ensure that all pertinent information will be disseminated in a timely manner ▪ Ensure good corporate governance are in place in accordance to principles and guidelines of the Code of Corporate Governance 2012 by SGX-ST (Refer to our Corporate Governance report in our 2018 Annual Report)
	▪ Corporate website	▪ Ongoing		
Employees and Workers	▪ Regular performance review with Heads of Department (“HODs”)	▪ Quarterly	<ul style="list-style-type: none"> ▪ Job security ▪ Safe working environment ▪ Prompt payment of salary ▪ Yearly increment and bonus 	<ul style="list-style-type: none"> ▪ Provide talks and trainings on safety (Refer to Workplace Health and Safety section of this report) ▪ Ensure prompt payment of salaries ▪ Seek to ensure the job security of employees when making business decisions ▪ Share profits made by the organisation with our people through increments and bonuses
Customers	▪ Email	▪ Ongoing	<ul style="list-style-type: none"> ▪ Quality of finished goods ▪ Timely delivery of finished goods ▪ After-sales service ▪ Competitive pricing 	<ul style="list-style-type: none"> ▪ Team of people focused on quality of both raw materials and finished goods (Refer to Quality of Products and Services and Material Use sections of this report) ▪ Ensure that shipment is on time ▪ Prompt to provide after-sales service when the needs arises (Refer to Customer Satisfaction section of this report) ▪ Negotiation with clients to ensure comparable pricing with our peers.
	▪ Tele-conversations	▪ Ongoing		
	▪ Meetups with customers	▪ Ongoing		
Suppliers/ Contractors	▪ Email	▪ Ongoing	<ul style="list-style-type: none"> ▪ Receiving consistent orders 	<ul style="list-style-type: none"> ▪ Ensure that samples from suppliers/contractors are approved before manufacturing
	▪ Tele-conversations	▪ Ongoing		



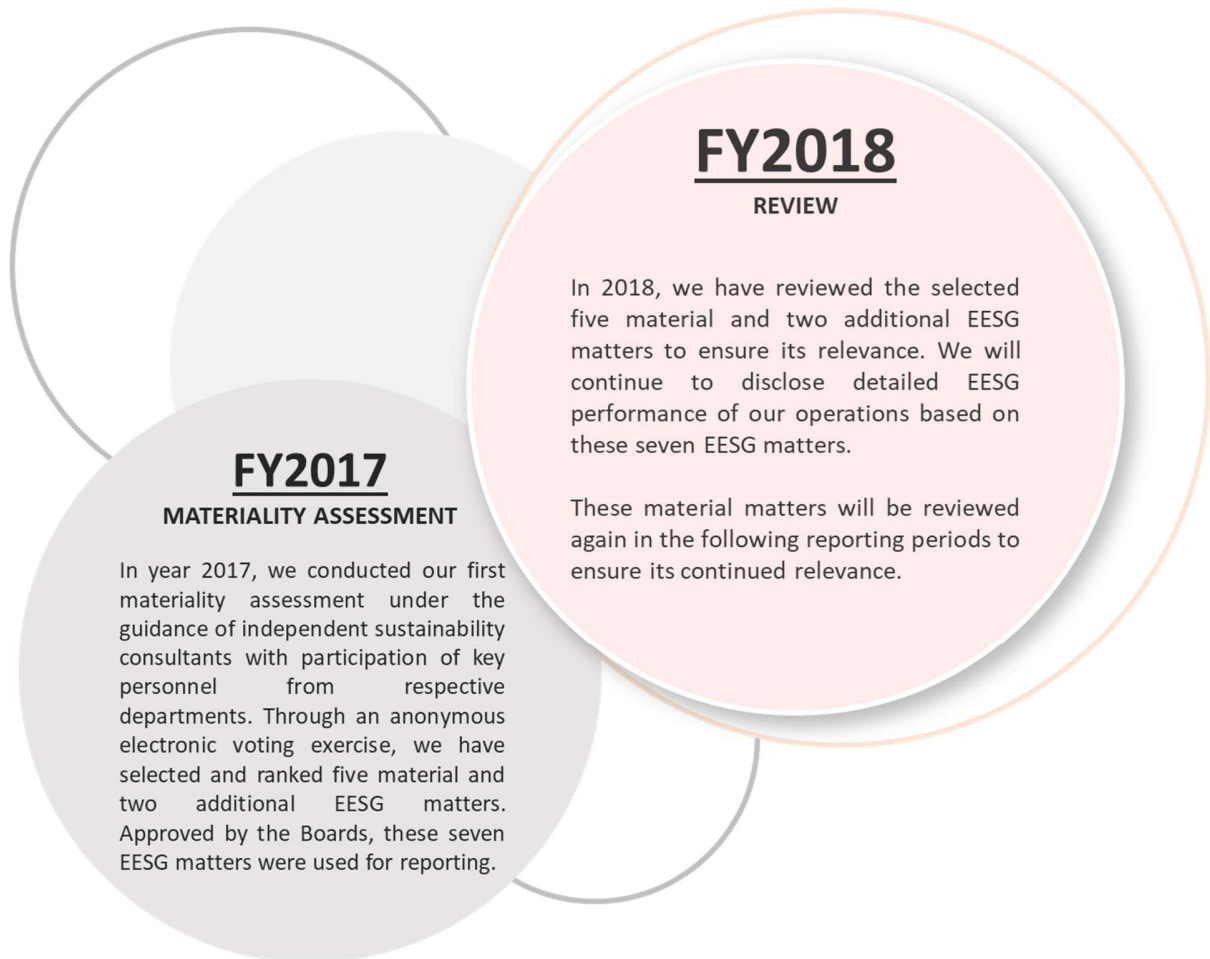
Stakeholder Group	Mode	Frequency	Stakeholder's Key Concerns	Our Responses
	<ul style="list-style-type: none"> Meetups with suppliers/contractors 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Meeting the Group's quality requirement 	
Regulators	<ul style="list-style-type: none"> Email 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Compliance with laws and regulations 	<ul style="list-style-type: none"> Send employees for the relevant trainings and seminars to keep themselves updated
	<ul style="list-style-type: none"> Tele-conversations 	<ul style="list-style-type: none"> Ongoing 		
	<ul style="list-style-type: none"> Meetups with regulators 	<ul style="list-style-type: none"> As appropriate 		
Local Communities	<ul style="list-style-type: none"> Engagement with the local people in the area 	<ul style="list-style-type: none"> As appropriate 	<ul style="list-style-type: none"> Pollution caused by nearby factories 	<ul style="list-style-type: none"> Proper waste management and disposal system is in place



Materiality Assessment

LY Corporation Group conducted our first materiality assessment workshop in FY2017, and determined material ESG matters to be reported in our inaugural Sustainability Report. Five material matters and two additional matters were chosen from an extensive list of ESG topics through the process. In FY2018, the matters were assessed for their continued relevance.

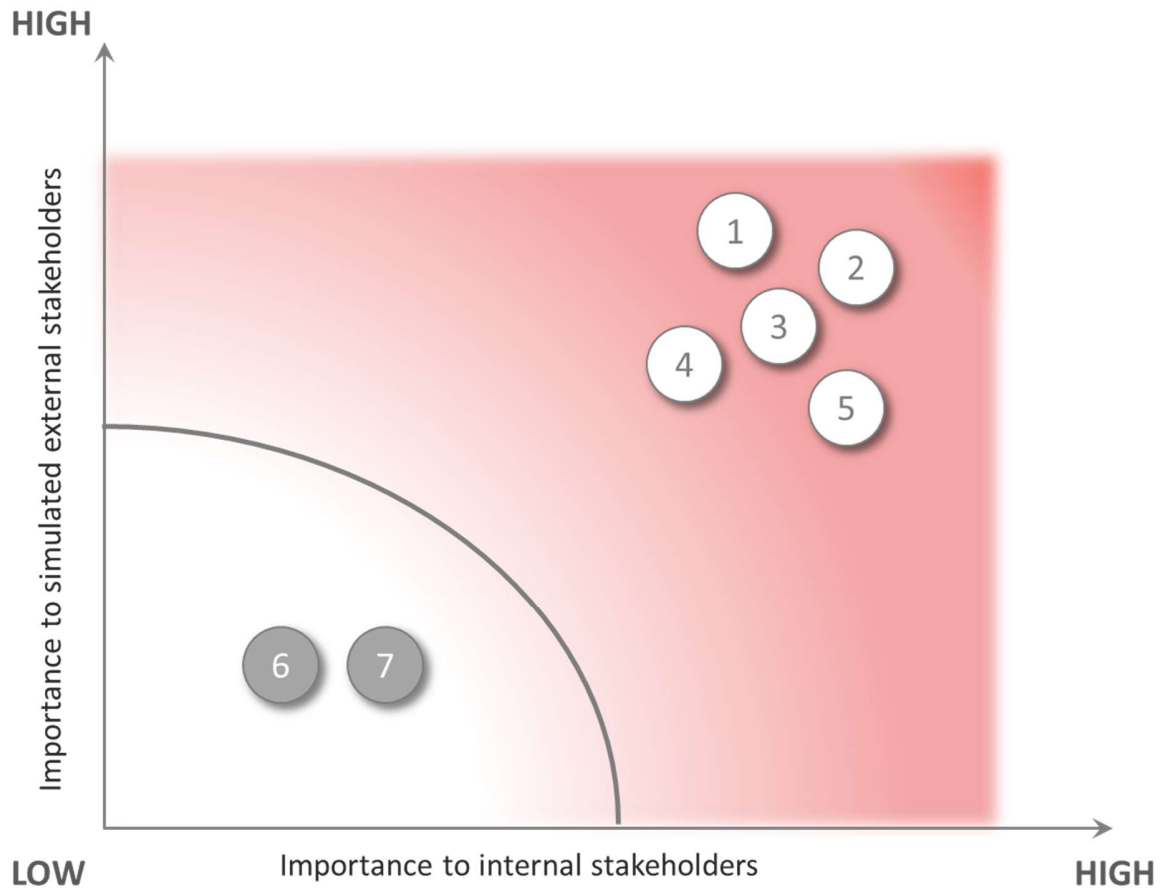
FIGURE 2. MATERIALITY ASSESSMENT



After the review and obtaining approval from the Board, we concluded that the existing seven ESG matters selected for reporting remain relevant to our business and stakeholders in FY2018.



FIGURE 3. MATERIALITY MATRIX ¹



¹ GRI 301-2 and GRI 301-3 have not been disclosed in this reporting period due to the lack of data availability, LY Corporation Limited will work towards reporting them in future years.



FIGURE 4: MATERIAL AND REPORTING MATTERS

MATERIAL MATTERS		
1	Quality Of Products and Services Not covered in GRI Topic – specific standards	Reference Pg. 11-12
2	Customer Satisfaction Not covered in GRI Topic – specific standards	Reference Pg. 13-15
3	Economic Agility GRI 201-1: Direct economic value generated and distributed	Reference Pg. 16-17
4	Regulatory Compliance GRI 307-1: Non-compliance with environmental laws and regulations GRI 419-1: Non-compliance with laws and regulations in the social and economic area	Reference Pg. 26
5	Ethics, Bribery and Corruption GRI 205-3: Confirmed incidents of corruption and actions taken	Reference Pg. 27
REPORTING MATTERS		
6	Workplace Health and Safety GRI 403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Reference Pg. 19-24
7	Material Use Not reporting any GRI Topic – specific disclosures	Reference Pg. 25



Our Customers
Quality of Products and Services

LY Corporation Group recognises the importance of quality in our products and services, as it forms a large part of our branding. We are committed to providing our customers with high quality furnitures and services, while seeking to maintain this business relationship in the long run.

As such, our Quality Policy ensures our continual improvement as a Group and increase customer satisfaction through our work step of Plan-Do-Check-Act (“PDCA”) in all our business processes. Figure 5 outlines our Group’s Quality Policy.

FIGURE 5. QUALITY POLICY



In FY2018, we were officially ISO 9001:2015 certified. This re-certification covers all factories which valid for 3 years. Due to the increase in scope of coverage, we invested more than RM17,000 in FY2017 in the engagement of an external consultant to achieve this certification. To obtain this certification, 35 of our employees, mostly managerial level or top management, underwent two trainings - ISO 9001:2015 Understanding Training and ISO 9001:2015 Internal Audit Understanding Training to be trained on how to conduct an internal audit. In order to ensure most of our factories adhere to the new ISO 9001:2015, internal audits are carried out on all factories under the Group, before every external audit. Our Group strives to upkeep the quality of products and services that we offer to our customers.

Additionally, our quality control team will conduct quality checks at different stages of the value chain as well. Our quality checks are carried out on random samples, based on a certain level of Acceptance Quality Limit (“AQL”) for minor defects. For special cases, our quality checks may also include the use of AQL for rejection of major defects, custom sampling or full inspection. Upon completion of manufactured products, selective new product’s material and colour panel will be sent for lab testing, and rectifications will be carried out if necessary. Our customers are given the option to request for other testing as well. An improved checklist has also been implemented to enhance traceability of products and services. In FY2017 and FY2018, we had invested more than RM 19,000 and RM 27,000 in these quality checks respectively.





In the evaluation of our product quality, annual product audits will be done through random sampling across all factories to maintain the quality of our production. Previously with the assistance of an external auditor, we have rectified and addressed our non-conformities and reached an official closure in 2017. Moving forward, we aim to certify all our products with ISO 9001, and are currently exploring new materials to expand our production list.

Performance in FY2018	Target for FY2019
Invested more than RM27,000 in quality checks	To invest more than RM30,000 for quality check purposes

CASE STUDY 1: Taking part in the China International Furniture Fair (“CIFF”)

In September 2018, our Group took part in the CIFF exhibition in Shanghai, China to promote our business and products, as well as to expand our network. At the exhibition, we featured some of our specially designed furnitures, and helped potential clients in making informed decisions before their purchase.





Customer Satisfaction

At LY Corporation Group, we believe that our consumers are the heart of our business. In order to provide the best quality, pricing and services, we emphasise on meeting or exceeding our customers' expectations on all our products and services. We take into account every customer's feedback seriously and are committed to address all valid feedback as their concerns and satisfaction are our priority.

In dealing with customers' complaints, our sales and marketing team will receive the feedback and assure the customer that his or her feedback will be looked into. Then, a thorough investigation will be carried out and issues will be raised to the respective departments for their necessary actions. Should there be any findings, our sales and marketing team will provide a detailed explanation to our customer.

Besides regular face-to-face meetings, tele-conversations and e-mail correspondences, our Group also upkeeps our customer satisfaction level with annual surveys.

Overseen by the Executive Director of Sales and Marketing, the Marketing department is responsible for conducting the annual surveys. Categorised into three main criteria as shown in Figure 6, our customers are required to grade us on these criteria based on 5 different levels of satisfaction, from 1 (Not Satisfied) to 5 (Fully Satisfied). From the surveys, we will be able to pinpoint the areas that require improvement and implement corrective actions from there. Adhering to ISO 9001, surveys will be carried out annually from July to June in the subsequent year. In obtaining an accurate representation of our customers in the survey, we ensure that our data population consist of customers whose sales derived exceeds 70% of our total sales volume (by quantity). The survey results in FY2017 and FY2018 are shown in Figure 7.

FIGURE 6: CUSTOMER SATISFACTION CRITERIA

Criteria for customer survey:

1. **Timeliness and reliability of delivery**
2. **Quality of products and services**
3. **Responsiveness to customer needs**

In addition, our employees often visit our buyers to obtain feedback and input on our product quality, as well as ensuring that they don't face any major issues on our products and services.

Target for FY2018	Performance in FY2018	Target for FY2019
To achieve an average of above 4.0 across all three aspects for the customer satisfaction survey for FY2017/18	Achieved above 4.0 average across two of three aspects for the customer satisfaction survey for FY2017/18	To achieve an average of above 4.0 across all three aspects for the customer satisfaction survey for FY2018/19





The actions steps to achieve our target are detailed in Table 1 as follows.

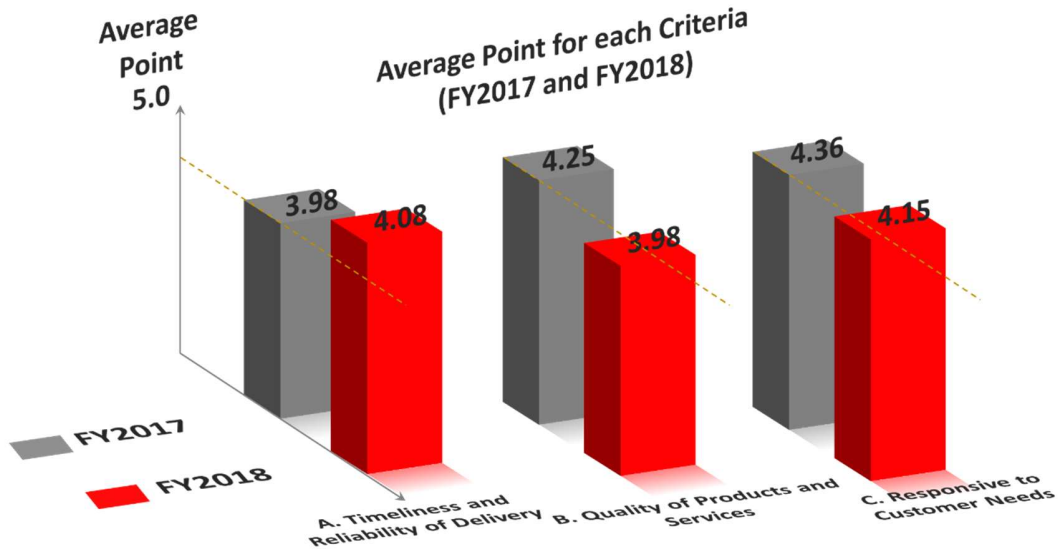
TABLE 1: ACTION STEPS TO IMPROVE CUSTOMER SATISFACTION

Criteria	Action Steps
Timeliness and Reliability of Delivery	<ul style="list-style-type: none"> ▪ To ensure on-time delivery of finished goods to our customers. We will ensure that our shipments to customers are planned at least four to seven days prior to the expected delivery date set by our customers. ▪ To provide accurate information/ part/services as requested by our customers. ▪ Ensure short lead time whereby we will honour our deliveries to our customers between 30 to 90 days, depending on the models and availability of our capacities.
Quality of Products and Services	<ul style="list-style-type: none"> ▪ To ensure that the quality of our finished goods meet the expectation of our customers. Our Quality Control (“QC”) and Production team will work together with the customers’ QC team to ensure that our finished goods can pass the final inspection by the customers’ QC team. ▪ We will accept the responsibility of quality works. We will work closely with customers’ QC team to improve the quality of our finished goods if there is any rejection from them to ensure that there is no repeated quality issue in the future. ▪ We will work closely with our customers on their comments of our finished goods in terms of the quality of the materials used, hardware used (for e.g. handles) and the construction of the finished goods in order to improve the quality and usage of our finished goods. ▪ We will ensure that the finished goods that we produced can meet the requirements/usage of our customers (e.g. bed is comfortable to sleep on, dresser is with drawers for storage purposes.)
Responsiveness to Customer Needs	<ul style="list-style-type: none"> ▪ To ensure prompt response to our customers’ needs by responding to all customer queries and complaints within three working days. ▪ To ensure that we offer prices that are competitive with our competitors’ prices. ▪ To provide clear and regular communication with our customers. We will keep in touch via emails with our regular and existing customers on a daily basis if the need arises. For less regular and potential customers, we will follow-up with them from time to time and aim to secure consistent orders from them.






FIGURE 7. RESULTS OF CUSTOMER SATISFACTION SURVEY CONDUCTED IN FY2017 and FY2018



One of the comments received from our customers via the customer satisfaction survey conducted in FY2017/18:

 Overall maintaining a good business relationship. Willing to co-operate and improve. Good business partner.





Our Business

Economic Agility

The Group recognises that the ever-changing business environment and consumer patterns are the cause of business volatility in the furniture industry. In order to prosper in this industry, it is undeniable that our business strategy should incorporate the idea of adaptability. As an exporter, the stability of export markets and exchange rate fluctuations are factors that directly affect our sales demand and revenue, two key variables that determine our financial health and business outlook. Since our relationship with stakeholders is highly dependent on the success of our organisation, it is imperative that we take extra precaution and measures to safeguard their interests.

In FY2018, our Group has formally rolled out our hedging policy. As most of our sales are in US dollars, our Group is exposed to the US dollar fluctuation risks vis-à-vis the Malaysian Ringgit. As such, this policy aims to manage foreign exchange fluctuations and safeguard our pricing strategy. We have also entered the e-commerce market through a virtual store on Taobao, an expansion of our sales network. In order to remain economically resilient, we strive to maintain healthy capital ratios, and being cost competitive without compromising on the quality of our products and services.

Our Group's economic agility is overseen by the Board as well as management. Both Malaysian External Trade Development Organisation ("MATRADE") and Malaysian Timber Council ("MTC") have been organising buying and/or sourcing mission trips to different countries on a yearly basis. In FY2018, we joined MATRADE for trips to South America (Columbia and Chile) to source for potential business partners. Currently, our plan to outsource the more labour intensive work to subcontractors are still on-going. This new initiative aims to allow our human capital to focus more on the strategic aspects such as business development, building client relationships, research and development, and design and marketing. Moving forward, we plan to expand our presence into new markets and strengthen our product offerings.

Our lower revenue in FY2018 is attributable to a decrease in number of laden containers ("40-ft containers") sold from 6,525 in FY2017 to 5,232 in FY2018 as a result of lower demand mainly from the US, and a drop in average selling price per container from RM53,000 in FY2017 to RM50,000 in FY2018 due to the strengthening of the RM against the USD by approximately 6.2% in FY2018.

Target for FY2018	Performance in FY2018	Target for FY2019
To have in place a formal hedging policy in FY2018 to manage foreign exchange fluctuations	✓ Achieved	To expand our presence into new markets and strengthen our product offerings





FIGURE 8: ECONOMIC VALUE GENERATED AND DISTRIBUTED

Financial Year		FY2017 ² RM'000	FY2018 RM'000
Economic Value Generated (Revenue)		353,074	268,322
Economic Value Distributed to Others	Operating Costs	196,007	198,632
	Employee Wages and Benefits	39,277	33,842
	Capital Providers	55,208	11,549
	Government	13,333	9,205
	Communities	86	173
Economic Value Retained		49,163	14,921

CASE STUDY 2: Trip to South America (Columbia and Chile), by MATRADE

In October 2018, our Group joined MATRADE to Columbia and Chile to source for potential business opportunities. Through this trip, we have found a potential business partner to work with in the near future.



² Restatement of economic value generated and distributed due to the adoption of the International Financial Reporting Standard (“IFRS”) 9 (Financial Instruments) and 15 (Revenue from Contracts with Customers).





Our People

Profile of Our Workforce

At LY Corporation Group, we recognise that our employees are our most valuable asset.

As at the end of FY2018, we experienced a decrease of 6.2% in our total employee headcount from FY2017 due to a decrease in production as a result of a decrease in sales. Although all of our employees based in Malaysia are working on a full-time basis, a significant portion of them are males due to the nature of our operations. On the other hand, our interns and self-employed workers headcount are not part of this employee data as they do not account for a significant amount of our employee profile.

FIGURE 9. EMPLOYEE DATA BY EMPLOYMENT CONTRACT AND GENDER³

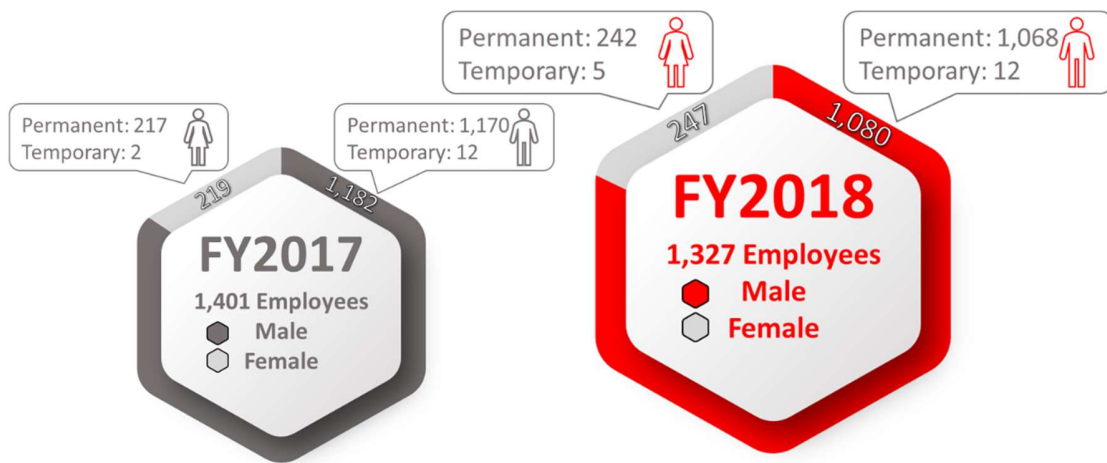
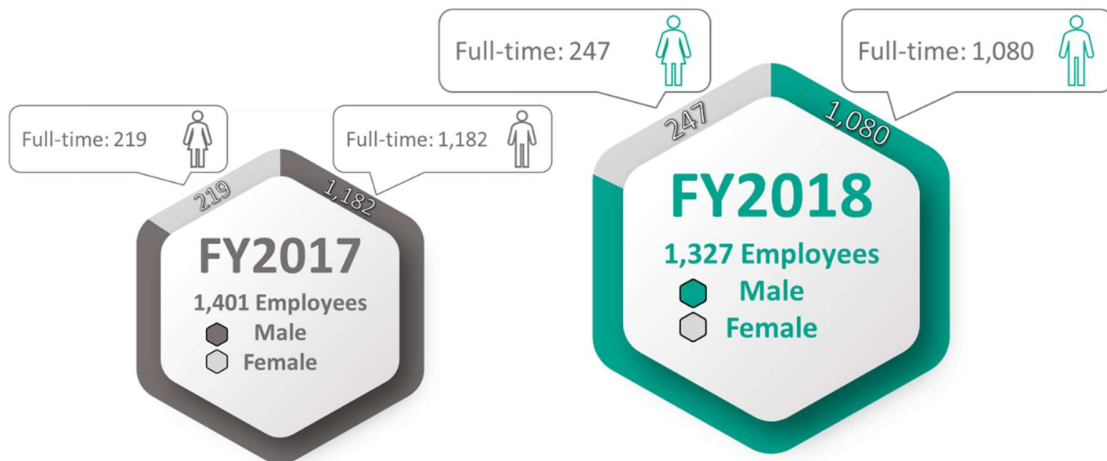


FIGURE 10. EMPLOYEE DATA BY EMPLOYMENT TYPE AND GENDER³



³ Employee data figures has been revised from LY Corporation Limited's 2017 sustainability report in accordance with GRI Standards.





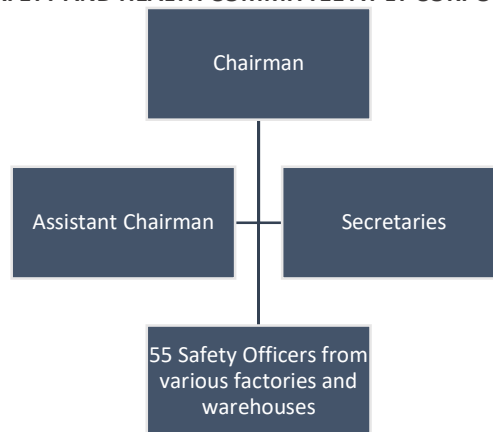
Workplace Health and Safety

LY Corporation Group strongly emphasises on the health and safety of all our employees. We are committed to provide a safe and healthy working environment for all employees.

As such, the Group's Safety, Health and Environment ("SHE") policy provides a guideline on safety and health for all employees to uphold. Our SHE Policy states that safety and health is a joint responsibility between the management and workers within our Group. Our management is responsible in ensuring that all laws and procedures relating to safety, health and environment are adhered to. Workers are to be properly trained and no activities organised by our Group should endanger our employees. Our employees are also given the liberty to report any sign of danger sighted within our premises.

In our Safety and Health Committee ("SHE Committee") as shown in Figure 11, we have 59 members to oversee SHE. A Chairman is in command of the committee, assisted by an assistant Chairman, two secretaries and 55 committee members from various factories and warehouses. To date, our SHE group chats on WhatsApp are still up and running, providing employees and safety officers a platform for feedbacks on SHE matters.

FIGURE 11. SAFETY AND HEALTH COMMITTEE AT LY CORPORATION GROUP



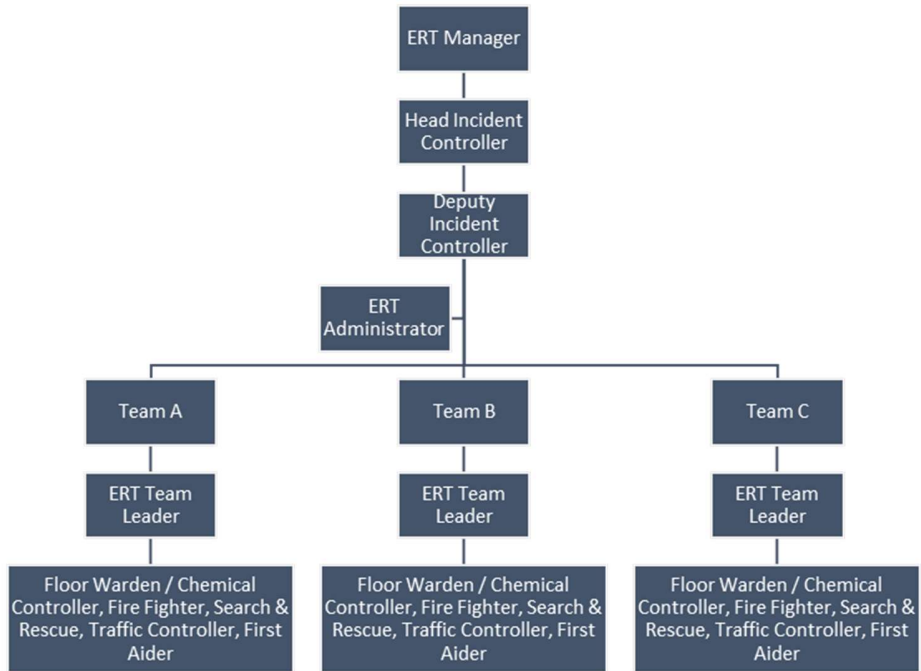
First aid and Cardiopulmonary Resuscitation ("CPR") trainings are also provided for the first aiders. As our production process are exposed to hearing impairment risks, we have sent relevant committee members to the Hearing Conservation training, provided by competent external trainers. Our employees who deals with spray painting are also required to attend the Respiratory Equipment (Personal Protective Equipment) training provided by supplier.

In addition, we have an Emergency Response Team ("ERT") in LY Corporation Group, as shown in Figure 12 below. As we have many factories and warehouses, it is necessary to manage any emergency that could occur within our premises with proper measures and in an orderly manner. Every factory under our Group has a fire protection system managed by our own ERT, which consists of sprinklers, alarm bells, FM 200 Fire Suppression System and fire extinguishers. In order to ensure that our fire protection system is well-maintained, we conduct weekly inspections on pump houses. As it is essential that our ERT members clearly understand their roles and procedures to take during an emergency, LY Corporation Group has sent all our ERT Team members to the Emergency Response training organised by the Fire and Rescue Department of Malaysia ("BOMBA"). For more details, please refer to Case Study 4.





FIGURE 12. EMERGENCY RESPONSE TEAM (“ERT”) ORGANISATIONAL CHART



In FY2018, LY Corporation Group set up a new department, Safety, Health and Environment Department (“SHE Department”), to audit and review and enforce the Group’s workplace health and safety at the group level. Our SHE department consists a total of 4 employees from the SHE Committee, where an internal evaluation is held once every 3 months, to round up the results of the internal audit performed on all factories.

Besides internal audits, the SHE department maintains facilities like fire protection system and pumphouse, in preparation for the Group’s annual fire inspection for all factories. They will report any abnormal environmental findings to the management, while keeping track of waste level through an online system.

We strive to uphold the workplace health and safety standards. In August 2018, one of our SHE Department members has fulfilled the Occupational Safety and Health Act (“OSHA”) requirement and registered as a competent green book holder, Safety & Health Officer in LY Corporation Group, certified by the state’s Department of Occupational Safety and Health (“DOSH”).

Moving forward, we will be engaging a third-party consultant to develop and customise policies for the Group to work towards the full implementation and obtaining the certification on ISO 45001:2018 Occupational Health and Safety Management System.





TABLE 2. PRACTICES RELATING TO WORKPLACE SAFETY AND HEALTH

Type of Injury	Workplace Safety and Health Measures to Prevent Such Injuries
Caused while using tools and machineries	<ul style="list-style-type: none"> • Provide compulsory in-house training and yearly refresher course for existing workers • Regular review and revisions to the Work Instruction (“WI”) • Installation of anti-slip mats on staircases • Using clamps to ensure that wood is in place during cutting • Having a standard operating procedure (“SOP”) for use of machinery

Perpetual ⁴ Target	Performance in FY2018
<ul style="list-style-type: none"> ▪ To achieve zero cases of workplace injuries and fatalities 	<p>In FY2018, there were 22 cases of injuries, of which most were due to mishandling of machineries, and one case of fatality.</p> <p>We will continue to ensure that we strictly adhere to our WHS measures (detailed in Table 2) in place and work towards achieving zero cases of workplace injury and fatality in FY2019.</p>

Despite all the efforts to provide our employees a safe and healthy working environment, it is with deep regret that there was one work-related fatality at one of our Group’s factories in November 2018. Thorough investigations were conducted and it was concluded that the mezzanine floor that collapsed, resulting in the fatality, was a result of the lack of load test on the floor as well as lack of communication between production workers and the SHE Department. Due to the overloading of the mezzanine floor, we deeply regret that it has led to a fatality and has put other employees surrounding the area at risk.

LY Corporation Group takes this incident seriously and emphasise strongly on the importance of workplace safety. Promptly after the incident, we dismantled the mezzanine floors in the factory, while the rest of the factories are in process of obtaining proper certification and approval from the relevant authorities. Lessons learnt from this incident has been shared to all employees in our Group. We are committed to strengthen our safety standards and prevent any reoccurrence of such incidents.

All of our Workplace Health and Safety (“WHS”) measures are subjected to external audit by DOSH annually. In FY2018, there were no findings from the external audit. Our WHS performance data are presented in Table 3 below. Our overall injury rate has decreased from 7.08 to 6.65 injuries per 1,000,000 manhours worked.

⁴ Perpetual target is defined as a target that will not change year-on-year.





TABLE 3. WORKPLACE HEALTH AND SAFETY PERFORMANCE

LY CORPORATION GROUP'S EMPLOYEES	FY2017		FY2018	
	MALAYSIA			
Work-related fatalities	0		1	
Injury rate ⁵	7.08		6.65	
	Male	Female	Male	Female
	7.65	3.98	6.89	5.47
Occupational disease rate ⁶	0		0	
Lost day rate ⁷	60.65		54.72	
	Male	Female	Male	Female
	66.31	25.87	60.88	23.71
Absentee rate ⁸ (in %)	5.95		5.75	
	Male	Female	Male	Female
	5.87	6.42	5.56	6.63

⁵ Injury rate is calculated as the frequency of injuries per 1,000,000 manhours worked, in accordance with the International Labour Organisation standards. Injury rate for 2017 has been revised due to a revision in manhours worked.

⁶ Occupational disease rate is calculated as the frequency of occupational diseases per 1,000,000 manhours worked, in accordance with the International Labour Organisation standards.

⁷ Lost day rate is calculated by comparing the total lost days to the total number of hours scheduled to be worked by workers in the reporting period, per 1,000,000 manhours worked. Lost day rate for 2017 has been revised due to a revision in manhours worked.

⁸ Absentee rate is the measure of actual absentee days lost, expressed as a percentage of total days scheduled to be worked by employees in the reporting period, as defined by GRI Standards. Absentee rate for 2017 has been revised due to a revision in manhours worked.





CASE STUDY 3: Personal Protective Equipment (“PPE”) training on Respiratory Safety (5 May 2018)

On 5 May 2018, LY Corporation Group invited external trainers (suppliers) to give a full-day training on Respiratory PPE. This training will familiarise our SHE members on the proper usage and maintenance of Respiratory PPE.

This training will also protect our employees who are exposed to hazardous paint vapour from spray painting operations and fine wood dusts.



CASE STUDY 4: Emergency Response Training with BOMBA (25, 29, 30 October 2018)

LY Corporation Group recognises the importance of fire protection system within our production factories. As such, we sought professional trainings for our Emergency Response Team, organised by BOMBA.

The training objectives are as follows:

1. To understand personal duties and responsibilities in safety and fire prevention;
2. To learn to operate firefighting system and equipment; and
3. To refresh and improve on fire rescue process knowledge.





CASE STUDY 5: Hearing conservation programme (24 November 2018)

LY Corporation Group recognises that some of our employees are exposed to high noise levels at the workplace. As such, we have identified these employees who are exposed to high noise levels at work to attend this programme. During the programme, employees are taught to identify hearing impairment prevention methods and are guided to use the hearing protection devices.





Our Environment

Material Use

The materials we use are the essence of our products. LY Corporation Group believes in providing the best but not on the expense of the environment.

Overseen by the Board and management, our procurement team handpicks our materials, adhering to our Quality Policy. The materials we use are cost efficient, enabling us to produce high quality goods at a reasonable price.

Our nature of business deals a lot with wood. Moving forward as green business, we are in the midst of attaining the Programme for the Endorsement of Forest Certification (“PEFC”). We hope to obtain the certification of PEFC within the next three years.

Our sustainability movements do not cease after achieving recognised certifications, instead we move beyond getting recognition. We are gradually shifting our material source to a more sustainable alternative, Pine Wood. Recycling smaller wood scraps, wood dust and stretch film in packaging are some of our environmental initiatives. As we progress, we hope to incorporate more reclaimed products and recycle them as part of our materials instead of solely relying on raw materials for production.

Target for FY2018	Performance in FY2018	Target for FY2021
To attain Programme for the Endorsement of Forest Certification (“PEFC”) in FY2018	In Progress	To attain Programme for the Endorsement of Forest Certification (“PEFC”)





Our Governance

Regulatory Compliance

The Board sets high expectation for LY Corporation Group to ensure that we uphold the standards of our Company. Any slightest breach of laws and regulations might permanently impair our line of business and reputation within the industry, which could substantially affect our operations and economic performances.

LY Corporation Group has zero tolerance towards any infractions of stated rules, regulations and policies. The Group will not hesitate to impose any pre-determined punishment regardless of individual culpability or history. It is compulsory for our Board to be oriented on our Group's governance practices as well as the responsibility of a director within a listed company. Head of Departments ("HODs") are expected to uphold regulatory compliances within their respective purview. During induction training, we ensure that all employees understand the importance of regulatory compliance in LY Corporation Group and it is part of their individual responsibility to upkeep these regulatory compliances. The Group will send employees for external trainings held by recognised authorities to ensure our regulations are kept up to date.

This year, our employees are updated on the transition to Sales and Service Tax ("SST") conducted by an external party, as well as a 3-day course on emergency response conducted by BOMBA in Case Study 4 above. Figure 13 shows some of the key regulations that the Group adheres to.

FIGURE 13. KEY REGULATORS AND REGULATIONS FOR THE GROUP

Regulators	Regulations
Ministry of International Trade and Industry	Industrial Co-ordination Act, 1975
Department of Occupational Safety and Health ("DOSH")	Factories and Machinery Act, 1967
Ministry of Human Resource ("MOHR")	Employment Act, 1955
Department of Environment ("DOE")	Environmental Quality Act, 1974
Personal Data Protection Department ("PDPA")	Personal Data Protection Act, 2010
Singapore Exchange Limited ("SGX")	SGX-ST Catalist Listing Requirements
Malaysia Timber Industry Board	Malaysian Timber Industry Board (Incorporation) Act, 1973 and Timber Industrialisation Methods (Registration), 1991

Perpetual Target	Performance in FY2018
To achieve zero significant fines ⁹ and reportable cases of non-compliance with all applicable laws and regulations	✓ Achieved

⁹ LY Corporation Limited defines significant fines as RM50,000 and above.



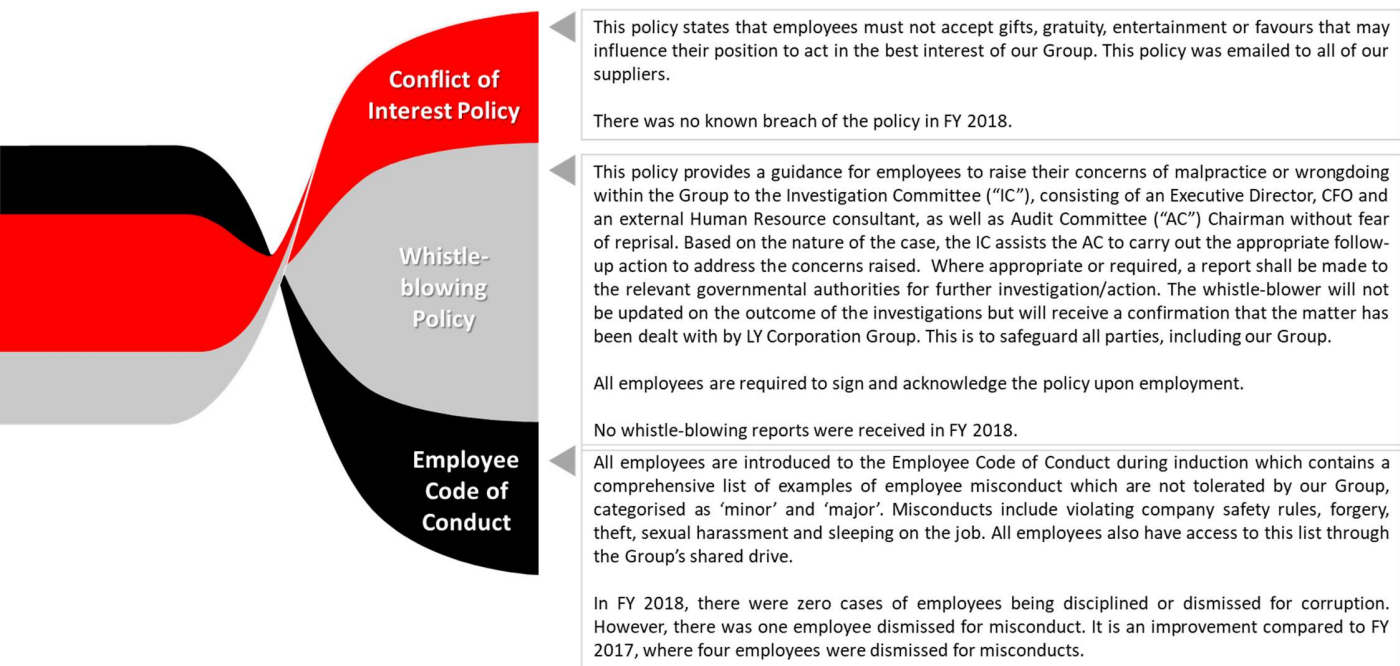


Ethics, Bribery and Corruption

At LY Corporation Group, we take responsibility in our stakeholders trust for us and we promise to deliver our promises ethically and responsibly.

In order to maintain the existing trust, we have several policies on Ethics, Bribery & Corruption in place, such as Conflict of Interest Policy, Whistle-blowing Policy and Employee Code of Conduct. On top of these, we comply to the SGX and Malaysia Anti-Corruption Commission (“MACC”) regulations as well. These policies are formally made known to every new employee during their induction. Details on these policies, practices, and performances are shown respectively in Figure 14.

FIGURE 14. POLICIES, PRACTICES AND PERFORMANCE ON ETHICS, BRIBERY AND CORRUPTION



Perpetual Target	Performance in FY2018
To achieve zero confirmed cases which are unethical, fraudulent or corrupt in nature	✓ Achieved





GRI Content Index

GRI Standard	Disclosure	Section of Report	Page Reference	
General Disclosures				
GRI 102: General Disclosures 2016	Organisational profile			
	102-1	Name of the organisation	Introduction: About LY Corporation Limited	Pg 3
	102-2	Activities, brands, products, and services	Introduction: About LY Corporation Limited	Pg 3
	102-3	Location of headquarters	Introduction: About LY Corporation Limited	Pg 3
	102-4	Location of operations	Introduction: About LY Corporation Limited	Pg 3
	102-5	Ownership and legal form	Introduction: About LY Corporation Limited	Pg 3
	102-6	Markets served	Introduction: About LY Corporation Limited	Pg 3
	102-7	Scale of the organisation	Introduction: About LY Corporation Limited; Our People: Profile of Our Workforce; Annual Report 2018	Pg 3 Pg 18 Pages 57-58, 117 and 120 of Annual Report for FY2018
	102-8	Information on employees and other workers	Our People: Profile of Our Workforce	Pg 18
	102-9	Supply chain	Introduction: Responsible Supply Chain Management	Pg 5
	102-10	Significant changes to the organisation and its supply chain	Introduction: About LY Corporation Limited;	Pg 3
			Introduction: Responsible Supply Chain Management	Pg 5
	102-11	Precautionary Principle or approach	LY Corporation Group is in the process of creating the organisation's Enterprise Risk Management.	
	102-12	External initiatives	LY Corporation Group does not currently subscribe to or endorse any external initiatives.	
	102-13	Membership of associations	Introduction: About LY Corporation Limited	Pg 3
Strategy				
102-14	Statement from senior decision-maker	Board Statement	Pg 3	
Ethics and integrity				
102-16	Values, principles, standards, and norms of behavior	Our Governance: Ethics, Bribery & Corruption	Pg 27	
Governance				



GRI Standard	Disclosure	Section of Report	Page Reference
102-18	Governance structure	Sustainability @ LY Corporation Group Corporate Governance Report	Pg 5 Pg 13-42 of Annual Report for FY2018
Stakeholder engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	Pg 6-7
102-41	Collective bargaining agreements	Our People: Profile of Our Workforce	Pg 18
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	Pg 6-7
102-43	Approach to stakeholder engagement	Stakeholder Engagement	Pg 6-7
102-44	Key topics and concerns raised	Stakeholder Engagement	Pg 6-7
Reporting practice			
102-45	Entities included in the consolidated financial statements	Introduction: About the Report	Pg 5
102-46	Defining report content and topic Boundaries	Introduction: About the Report	Pg 5
102-47	List of material topics	Materiality Assessment	Pg 8-10
102-48	Restatements of information	Restatement in 2017 employee's data; and Restatement in Workplace Safety and Health data	Pg 18 Pg 22
102-49	Changes in reporting	Introduction: About the Report	Pg 5
102-50	Reporting period	Introduction: About the Report	Pg 5
102-51	Date of most recent report	LY Corporation Limited Sustainability Report 2017	N.A.
102-52	Reporting cycle	Introduction: About the Report	Pg 5
102-53	Contact point for questions regarding the report	Introduction: About the Report	Pg 5
102-54	Claims of reporting in accordance with the GRI Standards	Introduction: About the Report	Pg 5
102-55	GRI content index	GRI Content Index	Pg 28-32
102-56	External assurance	Introduction: About the Report	Pg 5
Topic-specific GRI Standard Disclosures			



GRI Standard	Disclosure	Section of Report	Page Reference	
Quality of Products and Services				
GRI 103: General Disclosures 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 8-10
	103-2	The management approach and its components	Our Customers: Quality of Products and Services	Pg 11-12
	103-3	Evaluation of the management approach	Our Customers: Quality of Products and Services	Pg 11-12
Customer Satisfaction				
GRI 103: General Disclosures 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 8-10
	103-2	The management approach and its components	Our Customers: Customer Satisfaction	Pg 13-15
	103-3	Evaluation of the management approach	Our Customers: Customer Satisfaction	Pg 13-15
Economic Agility				
GRI 103: General Disclosures 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 8-10
	103-2	The management approach and its components	Our Business: Economic Agility	Pg 16-17
	103-3	Evaluation of the management approach	Our Business: Economic Agility	Pg 16-17
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	Our Business: Economic Agility	Pg 17
Workplace Health and Safety				
GRI 103: General Disclosures 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 8-10
	103-2	The management approach and its components	Our People: Workplace Health and Safety	Pg 19-24
	103-3	Evaluation of the management approach	Our People: Workplace Health and Safety	Pg 19-24
GRI 403: Occupational Health and Safety 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism,	Our People: Workplace Health and Safety	Pg 22



GRI Standard	Disclosure	Section of Report	Page Reference	
	and number of work-related fatalities			
Material Use				
GRI 103: General Disclosures 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 8-10
	103-2	The management approach and its components	Our Environment: Material Use	Pg 25
	103-3	Evaluation of the management approach	Our Environment: Material Use	Pg 25
Regulatory Compliance				
GRI 103: General Disclosures 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 8-10
	103-2	The management approach and its components	Our Governance: Regulatory Compliance	Pg 26
	103-3	Evaluation of the management approach	Our Governance: Regulatory Compliance	Pg 26
GRI 307: Environmental Compliance 2016	307-1	Non-compliance with environmental laws and regulations	Our Governance: Regulatory Compliance	Pg 26
GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area	Our Governance: Regulatory Compliance	Pg 26
Ethics, Bribery & Corruption				
GRI 103: General Disclosures 2016	103-1	Explanation of the material topic and its Boundary	Materiality Assessment	Pg 8-10
	103-2	The management approach and its components	Our Governance: Ethics, Bribery & Corruption	Pg 27
	103-3	Evaluation of the management approach	Our Governance: Ethics, Bribery & Corruption	Pg 27
GRI 205: Anti-corruption 2016	205-3	Confirmed incidents of corruption and actions taken	Our Governance: Ethics, Bribery & Corruption	Pg 27