LAFE CORPORATION LIMITED-SUSTAINABILITY REPORT

INTRODUCTION

To comply with the requirements of the Singapore Exchange on mandated sustainability reporting ("SR"), the Group hereby presents its second report that is required to be issued for the financial year ended 31 December 2018(the "Year") by 29th April 2019. This Sustainability Report covers the Group's overall performance for the Group's operations in investment holding, fund management, trademarks holding, real estate agency services, property management and agency services, property development, property appraisal services, building consultancy services, consultancy and corporate administration services, security guard and close protection services.

The Board is responsible for the SR strategy and reporting including evaluating and determining the SR-related risks and ensuring that appropriate and effective SR risk management and internal control systems are in place.

The CFO is in charge of the SR reporting directly to the Chairman.

The Group has used the SR as a base to engage with stakeholders, who are a vital component in our business strategy, in order to take into consideration, the impact of our activities on them and their expectations of the Group. The following stakeholder groups have been identified as key to the Group. 1) Investors and Shareholders, 2) Directors, 3) Employees, 4) Management, 5) Supply Chain Management, 6) Occupational Health and Safety, 7) Industry Associations, 8) Regulatory Bodies and 9) Media.

This report outlines the Group's sustainability initiatives and selected Key Performance Indicators ("KPI") that are material to the Group and its stakeholders on SR issues for the Year.

SUSTAINABILITY REPORT

Within the scope of sustainability, the below are the list of issues that are considered to be material and relevant to the Group. The priorities are set based on management's view as well as conclusions from stakeholders' engagement. The Group reviews the targets for each ESG from time to time as deemed necessary.

A. ENVIRONMENTAL

The Board's view on sustainability encompasses our general approach towards environmental issues. We endeavor to:

- Observe relevant laws and regulations and aim to comply with all requirements;
- Prevent air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste;
- Make efficient use of resources, including energy, water and other raw materials;
- Minimize the impact of the Group's activities on the environment and natural resources; and
- Engage our staff, customers and suppliers to promote environmentally sustainable business practices and constantly re-assess our process to minimize environmental impact.

This report does not include the disclosure of all the environmental Key Performance Indicators as they are not considered material or relevant as a conclusion of our stakeholder engagement as well as management's view. Instead, we have discussed our general approach and effort to reduce the Group's environmental footprint in various aspects.

A1 Emissions

Due to the nature of the Group's operations we do not have significant air emissions, greenhouse gas emissions, discharges into water and generation of hazardous waste, besides the non-hazardous solid wastes generated in our offices during our operations.

The Group upholds the principles of waste management and is committed to the proper handling and disposal of all wastes from our business activities. We strive to reduce, reuse and recycle

throughout our operations to minimize the disposal of waste to the landfill. All of our waste management practices comply with relevant laws and regulations.

The Group was not aware of any incidents of non-compliance in relation to the relevant environmental laws and regulations for the Year.

A2 Use of Resources

The Group conserves resources for environmental and operating efficiency purposes. To pursue our environmental commitment, we implement various initiatives throughout our operations such as controlling the air-conditioners to a temperature that is recommended by the relevant governmental authority, minimizing the use of paper and reducing water consumption. Through actively monitoring and managing the use of resources, we aim to reduce our operating costs as well as our carbon footprint.

A3. The Environment and Natural Resources

Although the core businesses of our Group have remote impacts on the environment and natural resources, as an ongoing commitment to good corporate citizenship, we recognize the responsibility in minimizing the negative environmental impact of our business operations, in order to achieve a sustainable development for generating long term values to our stakeholders and the community as a whole.

During the Year, electronic Board papers have been encouraged to save on printing of Board papers and use of i-pad or portable computers to attend Board meetings. Our copier's meter count is over 20% below the comparative twelve-month period.

We regularly assess the environmental risks of our business, and adopt preventive measures as necessary to reduce the risks and ensure the compliance of relevant laws and regulations.

B. SOCIAL

B1. Employment

Employees are our valuable assets. The Group strives to attract and retain talent and reconciles economical imperatives with well-beings, aiming at reinforcing satisfaction, loyalty and commitment of human capital. The Human Resources Department manages and communicates on the recruitment, promotion, discipline, working hours, leave and other benefits of our employees, in accordance with the relevant laws and regulations.

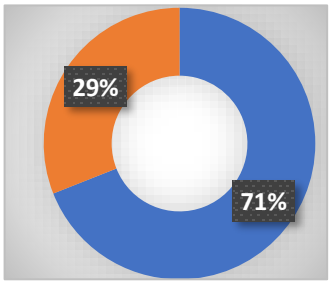
The level of compensation of our employees is reviewed annually on a performance basis with reference to the market standard. A wide range of benefits including comprehensive medical and life insurance, and retirement schemes are also provided to employees.

The Company respects cultural and individual diversity. We believe that no one should be treated less favorably on his/her personal characteristics (i.e. gender, pregnancy, marital status, disability, family status, and race, etc.). Opportunities for employment, training and career development are equally open to all qualified employees.

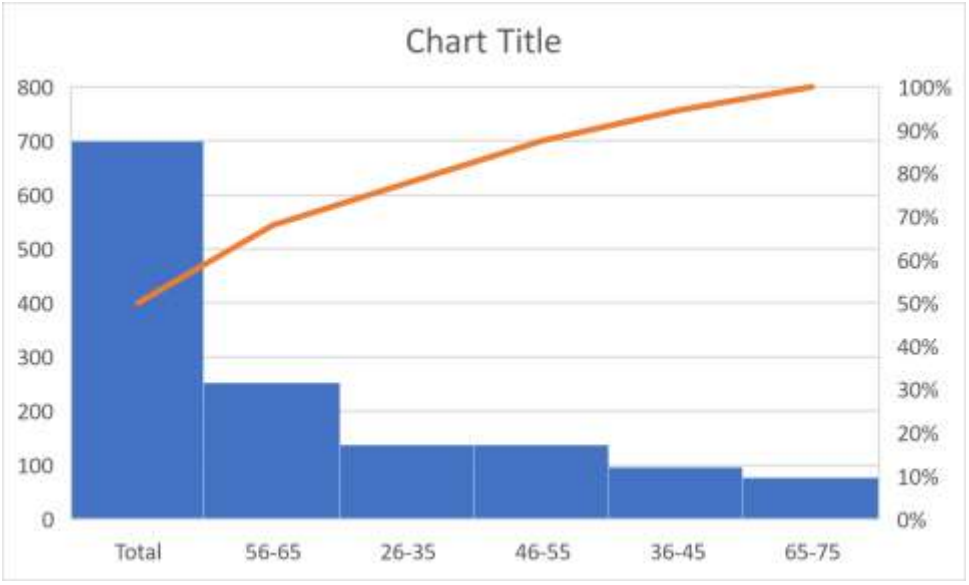
As at 31 December 2018, the Group employed a total of 699 staff and the breakdowns of the staff are as follows:

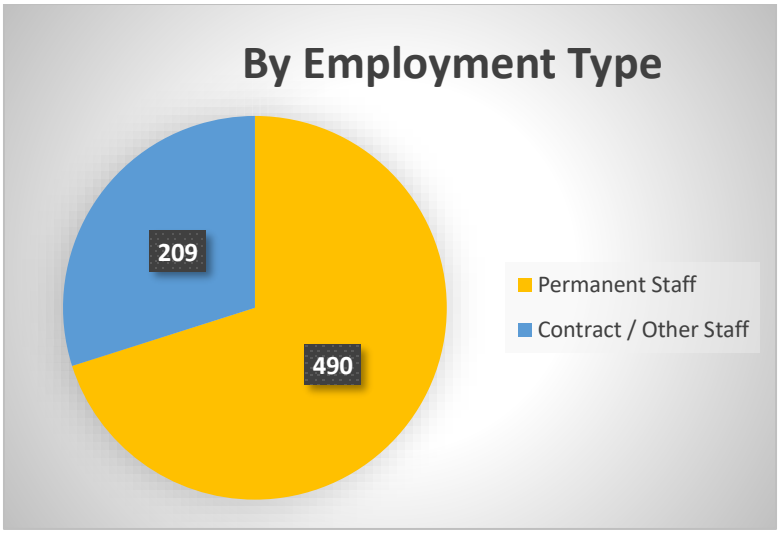
By Gender

29%
Female



71%
Male





There were no non-compliance cases noted in relation to the relevant employment laws and regulations for the Year.

B2 Health and Occupational Safety

We are committed to providing and maintaining a safe, healthy, and hygienic workplace for all employees, and all other persons likely to be affected by our operations and activities.

Health and safety standards are given prime consideration in our operations, and regulatory compliance is strongly supported. Employees at every level are committed to, and accountable for, the delivery of the safety initiatives communicated by the HR Department, with a view of maintaining a vigorous and injury-free culture. Appropriate measures are taken to continuously improve the safety and health aspects in the workplace. Electrical installations will be checked by a licensed vendor annually to ensure they are working safely. A fire drill is conducted annually to enable employees to evacuate safely.

There were no non-compliance cases noted in relation to the relevant health and safety laws and regulations during the Year.

B3 Training and Development

We acknowledge the importance of training for the development of our employees. We encourage and support our employees in personal and professional training, through sponsoring training programs, seminars, conferences, peer learning and on-the-job coaching, as well as reimbursement for external training courses to enhance their competencies in performing their jobs effectively and efficiently. We believe this is a mutually beneficial practice for achieving both personal and corporate goals as a whole.

Staff attend external training courses where required.

B4 Labour Standards

We prohibit any child and forced labour in any of our operations and services. Labour who is forced to work by means of physical punishment, abuse, involuntary servitude, peonage or trafficking is strictly forbidden. A child who is below the age as set by the local Labour Law should not be employed. We also avoid engaging vendors of administrative supplies and services and contractors that are known to employ children or forced labour in their operations. There were no non-compliance cases noted in relation to the labour standards laws and regulations during the Year.

B5 Supply Chain Management

We encourage suppliers to maintain a high standard of business ethics and conduct, with satisfactory environmental and social performance. During the selection and evaluation processes of suppliers for our houseware products and audio products, we adopt a fair basis with defined assessment criteria to ensure that only qualified suppliers are engaged with no conflict of interest.

To support sustainability, we apply strict environmental, social and ethical criteria to the suppliers of our business and we place basic standards on suppliers with basic principles as below:

- Operating as an equal opportunity employer and recognizing the right to collective bargaining as well as minimum and prevailing wages and benefits;
- Maintaining probity and accountability standards;
- Minimizing discrimination against small and medium-sized enterprises or local vendors;
- Providing a healthy and safe working environment, not employing forced or child labour, and refraining from harassment or abuse of employees; and
- Supporting sustainable development, acting responsibly with regard to the environment, observing environmental criteria to conserve resources, minimizing the negative environmental effects of the production, application and disposal of products, and reducing the use of hazardous products as much as possible.

In the assessment process, we communicate with suppliers on their environmental and social responsibilities. The environmental friendliness of suppliers' practices and products are examined. Selected suppliers' performance is monitored through onsite factory assessments, quality reviews of products and customer feedback. Areas that do not adhere to the standards

are evaluated with the suppliers to identify opportunities to improve their current environmental and social practices.

B6 Responsibility for the supply of services including customer satisfaction

The Company's goal is to maximize shareholders' value in the medium to long term. We believe that SR factors have an influence on the overall performance of individual companies, in both positive and negative ways. Hence, in the process of creating services, SR is integrated into not only our operations but also our selection of supplier's process for long term value creation. As a responsible service provider, we aim to incorporate SR aspects in our analysis and selection decisions, and continue to monitor the SR performance of our suppliers and encourage them to make improvements on SR issues. In addition, we have also issued a code of conduct to our licensees of our Trademarks asking them to pay attention to the code of conduct.

The Group's business operations and licensees are asked to carry on business with the following principles in mind:

Environmental

1. To control air emissions, greenhouse gas emissions, discharges into water and generation of hazardous waste in order to support a precautionary approach to environmental challenges;

2. To implement various initiatives throughout the operations, such as controlling air-conditioners to a temperature that is feasible to the working environment, minimizing the use of paper and reducing water consumption; in order to promote greater environmental responsibility;

3. To recognize the responsibility in minimizing the negative environmental impact of business operations in order to achieve a sustainable development for generating long term values to stakeholders and the community as a whole. Moreover, we also encourage the development and diffusion of environmental friendly technologies;

Social

4. To ensure the level of compensation of employees is reviewed periodically on a performance basis with reference to the market standard and to ensure a wide range of benefits are also provided to employees in order to support and respect the protection of internationally proclaimed human rights;

5. To ensure employees are not complicit in human rights abuses;

6. To uphold the freedom of forming labor union and the effective recognition of the right to collective bargaining;

7. To prohibit any forced labour in any operations and services in order to eliminate all forms of forced and compulsory labour;

8. To prohibit any child labour in any operations and services in order to ensure effective abolition of child labour;

9. Respect cultural and individual diversity in order to eliminate any discrimination in respect of employment and occupation, and opportunities for employment, training and career development are equally open to all qualified employees;

10. To work against corruption in all its forms, including extortion and bribery.

We have sent out this code of conduct to all our businesses and licensees.
During the Year, there was no material non-compliance issues relating to health and safety, advertising, labelling and privacy matters relating to services provided by the Group.

Data Privacy

We ensure strict compliance with the statutory requirements to fully meet a high standard of security and confidentiality of personal data privacy protection. We highly respect personal data privacy and are firmly committed to preserving the data protection principles as follows:

- We only collect personal data that we believe to be relevant and required to conduct our business;
- We will use personal data only for the purpose for which data is collected or for a directly related purpose unless consent with a new purpose is obtained;
- We will not transfer or disclose personal data to any entity that is not a member of our Group without consent unless it is required by law or it was previously notified; and
- We maintain appropriate security systems and measures designed to prevent unauthorized access to personal data.

There were no non-compliance cases noted in relation to our supplier selection process and data privacy during the Year.

B7 Anti-corruption

We aim to maintain the highest standards of openness, uprightness and accountability and all our staff are expected to observe the highest standards of ethical, personal and professional conduct. We do not tolerate corruption, bribery, extortion, money laundering and other fraudulent activities in connection with any of our business operations.

The Group has adopted an internal control procedure with an annual review in order to setup guidelines for staff's behavior and activities standards. Ongoing review of the effectiveness of the internal control systems is conducted on a regular basis in preventing the occurrence of corruption activities.

There were no non-compliance cases noted in relation to either corruption and/or the relevant laws and regulations during the Year.

B8 Community Investment

As a corporate citizen, we promote social contributions throughout members of the Group to the local communities in which we operate. We place great emphasis on cultivating social responsibility awareness amongst our staff and encourage them to better serve our community at work and during their personal time. We will try to maximize our social investment as much as possible in order to create a more favorable environment for our community and our business.

C. GOVERNANCE

The Group reports on the following governance factors in the Annual Report:- 1)Economic performance, 2) Regulatory compliance and 3) Risk management.

Succession planning and Business ethics are covered below:-

C1 Succession Planning

The Group's Nominating Committee together with the Remuneration Committee undertakes a review of succession planning on a regular bases to ensure the Group is adequately covered.

C2 Business Ethics

Business ethics is applying general ethics to the business environment, as corporate social responsibility, fiduciary responsibilities, corporate governance, bribery, insider trading and discrimination. The Group addresses business ethics through its Corporate Social Responsibility ("CSR") statements & policies. The Group considers that it is its responsibility to more fully engage with Society than just CSR and philanthropy, by being meaningful corporate citizens. Hence, ethical theories which incorporate fiduciary duties and moral responsibility in doing the right thing are embedded into the companies' frameworks.

END