TYE SOON LIMITED

Task Force for Climate-related Financial Disclosures ("TCFD") Report

TCFD Report for FY2023

Contents

About this Report

The Task Force on Climate-related Financial Disclosures ("TCFD") report pertains to Tye Soon Limited (referred to as "Tye Soon" or the "Company") and its subsidiaries (collectively known as the "Group"). This report is aligned to recommendations provided by the TCFD, an organization that has developed a framework to help public companies and other organizations disclose climate-related risks and opportunities.

This report contains data from 1 January to 31 December 2023 ("FY2023"), which aligns with the company's financial period. Therefore, it should be read in tandem with the FY2023 Annual Report and the Sustainability Report contained therein, available at: https://www.tyesoon.com/investor-relations/.

Reporting Framework

The TCFD recommendations, introduced in 2017, aim to promote uniform and comparable reporting of climate-related risks and opportunities to stakeholders by companies. These recommendations are organized into four key pillars: Governance, Strategy, Risk Management, and Metrics & Targets. The four pillars comprise 11 recommendations.

Reporting Scope

The policies and practices referred to in this Report, unless otherwise noted, are adopted by Tye Soon Limited on a group-wide basis.

Reporting on Other Sustainability-related Topics

While this Report is focused on climate-related risks and opportunities, Tye Soon Limited has also published corporate sustainability disclosure on other environmental, social, and governance ("ESG") topics in its 2023 Annual Report.

Climate-related Disclosures

The Group recognizes climate change potentially affects its business. This report details our assessment of climate-related risks and opportunities, along with our strategies for managing them.

	TCFD Recommended Disclosures	FY 2023 Status	Summary and Next Steps
Governance	Describe the Board's oversight of climate-related risks and opportunities.	Met	The Board recognises climate change to be a major challenge confronting the world and that this challenge presents risks and possible opportunities to the Group. The Board aims to make decisions relating to the Group's business strategy and operational matters to be consistent with the Group's efforts to mitigate climate-related risks and the pursuit of climate-related opportunities. The Board maintains oversight of climate-related issues pertaining to the Group and has designated a Sustainability Committee, currently comprising two executive directors and a key executive officer, to assist in carrying out its duties. The Board including members of the Sustainability Committee has identified an initial set of climate-related risks and opportunities with the help from an external consultant. The Board intends to discuss these risks and opportunities with the Sustainability Committee regularly as part of the agenda in designated Board meetings during the year.
	Describe management's role in assessing and managing climate-related risks and opportunities.	Met	As the Group recognises that climate-related risks and opportunities can evolve over time, part of the Sustainability Committee's role is to assess the continuing relevance of the identified risks and opportunities as the Group's business develops and evolves. The Sustainability Committee with help from other executives and members of staff will continue to develop and maintain policies/procedures to both mitigate climate-related risks as well as to pursue identified opportunities.

TCFD Recommended Disclosures		FY 2023 Status	Summary and Next Steps
			The Sustainability Committee has worked on the preparation of this inaugural TCFD Report with help from an external consultant. The Sustainability Committee reports to the Board.
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Met	Please refer to the “Climate-related Risks and Opportunities” section in this TCFD Report.
	Describe the impact of climate-related risks and opportunities on the organisation’s business, strategy and financial planning.	Met	Please refer to the “Climate-related Risks and Opportunities” section in this TCFD Report.
	Describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2℃ or lower scenario.	In Progress	The Group will provide an update on this in line with SGX’s phased implementation approach for TCFD adoption.
Risk Management	Describe the organisation’s processes for identifying and assessing climate-related risks.	Met	The Sustainability Committee has approached this with the help of an external consultant by considering factors such as physical, transition, and reputational risks. Once identified, climate-related risks are assessed for their likelihood of occurrence and potential financial impact across short, medium, and long-time horizons.
	Describe the organisation’s processes for managing climate-related risks.	Met	Climate-related risks have been identified based on their potential impact on the Group’s business. Risk mitigation responses and strategies are tailored to the specific nature of each risk. The risk register is periodically reviewed and updated to reflect changes in environmental conditions, regulatory landscapes, and market dynamics. This process ensures that climate-related risks are continuously monitored and managed in line with evolving circumstances.

TCFD Recommended Disclosures		FY 2023 Status	Summary and Next Steps
	Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Met	The Board will be updated on climate-related risks as part of the Enterprise Risk Management (ERM) process. These updates will provide assessments of potential climate-related risks, mitigation responses and strategies, and resilience measures. This process ensures that climate-related risks receive the same attention as other business risks.
Metrics and Targets	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Met	GHG Emissions Metrics The Group has incorporated these metrics: • Absolute GHG emissions in Kg CO_2e • GHG Emissions intensity per unit of production
	Disclose Scope 1[1], Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	In Progress	Scope 1 Data relating to emission levels for the period is unavailable. Efforts are underway to compile this data and an update will be provided in the upcoming year. Scope 2 • Absolute emission: 413.90 TCO2 • Emission intensity: 0.011 TCO2/ m2 Scope 3 Following SGX's phased implementation approach for TCFD adoption, the Group will assess the need for quantifying Scope 3 emission in the upcoming year.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	In Progress	The Group is currently developing appropriate metrics and targets. At this stage, our priority is to establish procedures before setting specific targets.

[1] *Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions originate from different sources. Scope 1 emissions stem from sources owned or directly controlled by the organization. Scope 2 emissions result from the generation of purchased electricity consumed by the organization. Scope 3 emissions, on the other hand, arise from sources not owned or controlled by the organization but within its value chain.*

Climate-related Risks

The following two risk categories have been set out following TCFD Recommendations:

- Transition Risks: These risks stem from changes in policy and legal obligations, technological advancements, shifts in market demand for products, and evolving stakeholder expectations.
- Physical Risks: This category includes both acute and chronic risks arising from the physical impacts of climate change. Acute risks are event-driven, such as intensified extreme weather events like cyclones, hurricanes, or floods. Chronic risks involve longer-term shifts in climate patterns, leading to phenomena like sea-level rise or sustained heat waves.

<table>
<tr><th>Risk</th><th>Description</th><th>Risk Mitigation</th></tr>
<tr><td colspan="3">Transition Risk</td></tr>
<tr><td rowspan="4">Policy and Legal</td><td>CARBON TAXES CAN HAVE AN IMPACT ON COSTS
The Group with help from the external consultant looked into the carbon tax policies for the countries in which the Group has major operations and believe there will be some indirect impact on costs, which is passed down by energy producers.
• Singapore: The carbon tax is set to increase from $5 to $25 per tonne of emission in 2024 and then to $45 per tonne between 2026 and 2027.
• Australia: The country does not levy an explicit carbon price. Instead, fuel excise taxes, serving as an implicit form of carbon pricing, cover 14.9% of emissions in 2021.
• South Korea: Like Australia, South Korea does not impose an explicit carbon price. Instead, emissions are priced through fuel excise taxes and Korea's national emissions trading system (ETS). Approximately 99% of Korea's carbon emissions from energy use are priced, with around 16% having effective carbon rates (ECR) above EUR 60 per tonne of CO2.
• Malaysia: Malaysia does not have a carbon tax in place and may consider similar measures to drive climate change objectives.</td><td rowspan="4">Evolving solutions to work smart:

This involves a continuous review in the way how workspaces are arranged and tasks are conducted such that utility expenses and transportation costs are minimised. For instance, comparing open-plan configurations with more partitioned layouts can help reduce utility expenses. Additionally, consolidating incoming and outgoing goods from suppliers and to customers can decrease the number of separate shipments and deliveries, thus lowering transportation costs.

Use of technology:

Over time, this approach can develop into a comprehensive strategy. Initially, it begins with choosing more energy-efficient options for any device or process utilizing electricity, such as LED lighting and energy-efficient HVAC systems. Another avenue involves considering hybrid-electric or battery-electric vehicles and material handling equipment.

Pricing policy:

The Group has for a long time followed a policy of passing on price increases from suppliers to the demand channel. The Group will continue to do so as competitive peers, who also source brands from the same factory suppliers, largely operate under similar terms and conditions.</td></tr>
<tr><td>Time Period:
Singapore, Australia, South Korea: Short, Medium, Long
Malaysia: Medium, Long</td></tr>
<tr><td>Likelihood:
Singapore, Australia, South Korea: Certain
Malaysia: Possible</td></tr>
<tr><td>Financial Impact:
Increase in utility expenses: The price of electricity charged by utility service providers will likely increase over time to reflect the introduction and increase in carbon</td></tr>
</table>

Risk	Description	Risk Mitigation
	taxes. As such prices go up, the Group's utility expenses relating to lighting, air conditioning, cooling, heating, and other usage of electricity will increase. **Increase in transportation costs:** Fuel costs will continue to be affected by supply and demand factors but will likely face upward pressures to increase over time to reflect the introduction and increase in carbon taxes. Higher fuel costs will likely result in higher transportation-related costs including those incurred for incoming/outgoing shipping and trucking, local delivery costs (whether operated or outsourced) and the running of the Group's vehicles. **Increase in purchase price of parts:** Factory suppliers will face the same risks of higher utility expenses and transportation costs. As production and transportation costs increase (see above), the total costs incurred by these suppliers will increase and hence their prices to our Group will become higher.	
	Impact Area : Singapore, Australia, South Korea, and Malaysia (the Group's major operations)	
Physical Risk		
Acute and Chronic	**EXTREME WEATHER-RELATED EVENTS CAN DISRUPT THE BUSINESS** Acute risks are event-driven. These events include extreme weather-related events such as typhoons, cyclones and hurricanes which can cause destruction by very strong winds and often followed through with floods. Such events can disrupt the production of automotive parts at suppliers' factory plants, as well as shipping and transportation of these parts. It can also cause the destruction of warehousing infrastructure storing the parts and the parts themselves.	**Site location selection and business continuity procedures:** The Group's major business units primarily operate in geographical areas where very severe storms are uncommon. South Korea stands out as an exception, experiencing several typhoons annually. Floods, on the other hand, are more prevalent in other areas where the Group's locations are situated. To mitigate flood risks, the Group has carefully selected business sites with relatively better drainage and, where possible, positioned them on higher ground. Relevant procedures have been put in place to mitigate any potential impact of severe storms, including floods, on daily business operations. **Supply Risk Management:** The Group has over time built up a large portfolio of brands and suppliers. This helps to mitigate the risk of supply delays from any one supplier. The
	Time Period: Short, Medium, Long	
	Likelihood: Possible	
	Financial Impact: **Loss of revenue:** Disruption in production at suppliers' factory plants contribute to extend lead times before the Group receives ordered goods. If the quantity of saleable stocks already held by the Group is insufficient to meet customer demand due to supply delays, the Group experiences a revenue loss through loss of sales over time. Damaged goods caused by severe storms and/or floods are unsalable and can also potentially lead to a	

Risk	Description	Risk Mitigation
	revenue loss if there is insufficient quantity of undamaged stocks available. **Increase in transportation costs:** Apart from local supplies, sea-freight is the primary method for transporting goods from supplier plants to the Group's business locations. In the event of supply disruptions leading to prolonged lead times, air-freight can be utilized to expedite the shipping process. However, it comes with significantly higher costs. **Increase in repair costs and asset write-offs:** Damage to the warehousing infrastructure caused by severe storms and/or floods will require repair. Similarly, damaged stocks and other assets will need either restoration or write-off. **Impact Area(s):** Across the business	Group has also maintained good stock levels, providing a degree of buffer against the effects of unexpected prolongation in supply lead times. **Safeguarding inventory and assets:** The Group's business model, which involves placing stocks in nearly 80 locations across the Asia Pacific region (mainly in South Korea, Australia and Malaysia in terms of the number of physical sites), significantly mitigates the risk of stocks being damaged by severe storms or floods. The Group maintains appropriate insurance coverage to mitigate financial losses arising from inventory and asset damage or loss.

Climate-related Opportunities

Although climate change poses risks to the Group, there are also opportunities.

<table>
<tr><th>Opportunities</th><th>Description</th><th>Management Response</th></tr>
<tr><td rowspan="5">Products/ Services</td><td>CAPITALISE ON GROWING DEMAND FOR NEW-ENERGY VEHICLES

New-energy vehicles (NEV) currently include hybrid electric vehicles (HEV), battery electric vehicles (BEV) and others (such as those using fuel cell technology).

As consumers become more conscious of the environment, demand consideration for NEVs is expected to rise. Governments in many countries around the world have played varying roles, from very little to highly engaged, in setting emission standards and the timelines to achieve those standards. Actual demand from consumers for NEVs, however, has varied depending on regulations and the availability or extent of government-driven subsidies.</td><td rowspan="5">Continue to work with top tier manufacturers:

The Group has for many years worked with top-tier automotive parts manufacturers to distribute their brands in the region and beyond. Many of these top-tier parts manufacturers are also the ones working closely with vehicle manufacturers, both those that are historically established as well as the newer vehicle-makers which have become more well-known in recent years (e.g. Tesla). The Group considers the long-standing relationships with the above-mentioned top-tier parts manufacturers to be an advantage and intends to extend the range of parts purchased from them to include parts for NEVs. The mentioned advantage will become more pronounced if some of the Group's current competitive peers are unable to access the same parts for NEVs due to their lack of relationships with top-tier parts manufacturers.

Market positioning:

If the above-mentioned competitive peers assess that they will not be in a position to access as broad a range of parts as the Group, they may re-invest less in their businesses over time in anticipation that they would be less competitive in the future. This assessment could also deter new entrants. If these scenarios eventuate, the Group's efforts to enhance its business presence and relative market positioning will be made easier.</td></tr>
<tr><td>Time Period: Short, Medium, Long</td></tr>
<tr><td>Likelihood: Certain</td></tr>
<tr><td>Financial Impact:

Revenue: The Group intends to extend its procurement program to include automotive parts for NEVs and include these as part of the Group's offerings to customers. However, at present, the Group lacks adequate data on the durability of the majority of these parts, such as how often they need replacement. Hence, it is premature to offer any clear visibility on revenue related to this.

Increase in cost: Certain principals and suppliers have flagged out the need for more structured training in the handling of certain electrical parts for NEVs. The Group will have to allocate more man-hours and incur costs for staff training.</td></tr>
<tr><td>Impact Area(s): Across the business</td></tr>
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