



LORENZO

LIVING STARTS HERE ...

Sustainability Report 2018

CONTENT

	Page
Board Statement	3
Organisational Profile	4
About This Report	8
Stakeholders Engagement	9
Material Topics	10
Governance	11
Social	13
Environmental	14
GRI Content Index	15

BOARD STATEMENT

We are pleased to publish and share with you our inaugural Sustainability Report (the “Report”) of Lorenzo International Limited (“Lorenzo” and together with our subsidiaries, our “Group” for the financial year ended 31 March 2018 (“FY2018”).

This is our first Sustainability Report which outlines the sustainability efforts and initiatives adopted by our Group in caring for our employees, the community and the other stakeholders that we have identified in this Report. Our Group truly believes that being sustainable in today’s world is an extremely important aspect in ensuring continuous growth and success for our business. We consider sustainability as part of our strategy formulation and continuously make the efforts to incorporate sustainability efforts into our business operations.

While we have incorporated sustainability within our business, we understand the additional need to articulate and convey our efforts to our stakeholders and the public. Hence, we aim to communicate to our stakeholders on our sustainability highlights and performances in an accountable and transparent manner through this Sustainability Report.

In this Report, we have identified a total of three Environmental, Social and Governance (“ESG”) factors to focus on. Through constant and quality engagements with our valued internal and external stakeholders, we have reached a conclusion that these factors will leave the greatest impact on our key stakeholders.

We cordially invite you to join us on board our sustainability journey towards achieving our goals and we look forward to continuing the widespread integration of sustainability throughout our Group.

Sincerely,
Board of Directors
Lorenzo International Limited

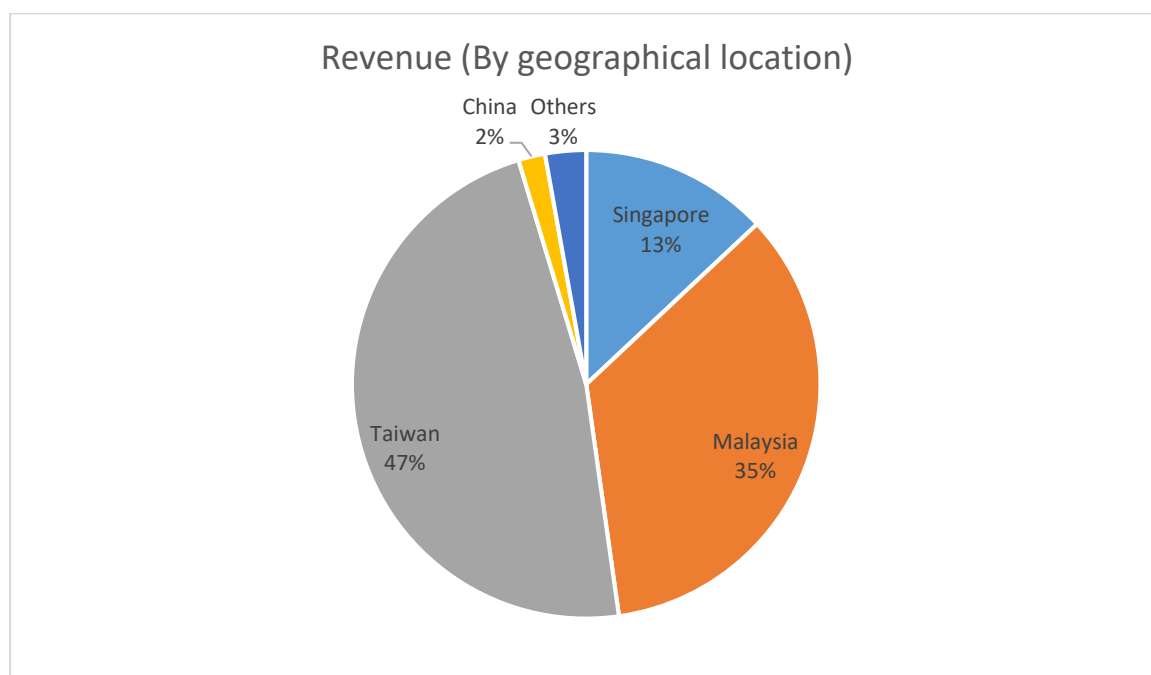
ORGANISATIONAL PROFILE

We were incorporated in 16 June 2005 in Singapore under the name of Lorenzo International Pte Ltd. Lorenzo is listed on the Mainboard of SGX-ST from January 2008. Our registered office, also our principal place of business, is located at 23 Neythal Road Blk B #04-03 Singapore 628588. As at 31 March 2018, our staff strength totals to more than 100 individuals of full time permanent employees.

We are an integrated furniture company. We design, manufacture, assemble and distribute our conceptualised lifestyle furniture. To date, we have more than 30 wholly-owned stores and Licensed Retailing System (“LRS”) stores spanning across countries such as Singapore, Malaysia and Taiwan. In addition, we own manufacturing operations in Malaysia (we have ceased our manufacturing operations in People’s Republic of China during FY2018).

In addition to selling our own manufactured products, we also act as an Original Design Manufacturer to design and manufacture furniture under customers’ designs, as well as an Original Equipment Manufacturer who helps to manufacture based on customers’ brands.

Other than furniture business, we also engage in trading of building materials. Based on our Group’s Annual Report in 2018, the revenue derived from each of these operating segments amounted to SGD 31,085,000 and SGD 761,000, which equates to 97.6% and 2.39% of our total revenue respectively. In terms of revenue derived by each geographical location, Taiwan’s revenue contribution was the highest, amounting to 47% of our total revenue. Please refer to the chart below for details of revenue by geographical location.



ORGANISATIONAL PROFILE

Under our furniture business, we developed the Lorenzo brand from the initial thought of offering our customers a lifestyle concept through the creation of a range of furniture that meets their lifestyle requirements. We believe that this would aid in value-creation for our customers and would distinctly differentiate us from our competitors.

The Lorenzo brand consist of 2 main collections – Dante, which offers contemporary lifestyle furniture with strong European influence such as classic leather sofas and Enzo, which offers stylish and sophisticated wood-based furniture for the living room, dining room and bedroom. Most of our products are sold under the Lorenzo brand name.

FY2018 had been a challenging year for us as our business restructuring is expected to persist for another one to two years. Despite this, we will not compromise on our product quality and will constantly strive to deliver the best for our customers in this ever competitive landscape.

Our Vision, Mission and Values

We envision ourselves to be the leading lifestyle furniture provider enhancing living concepts for every home through delivering the ultimate living experience by offering exquisite, high quality building materials to accompany well-designed furniture to each and every of our customers.

From choosing our customers' desired furniture to the after sale experience, we aim to provide our customers with the ultimate retail experience at every single stage, designed to provide the best in value, service and price.

Supply Chain

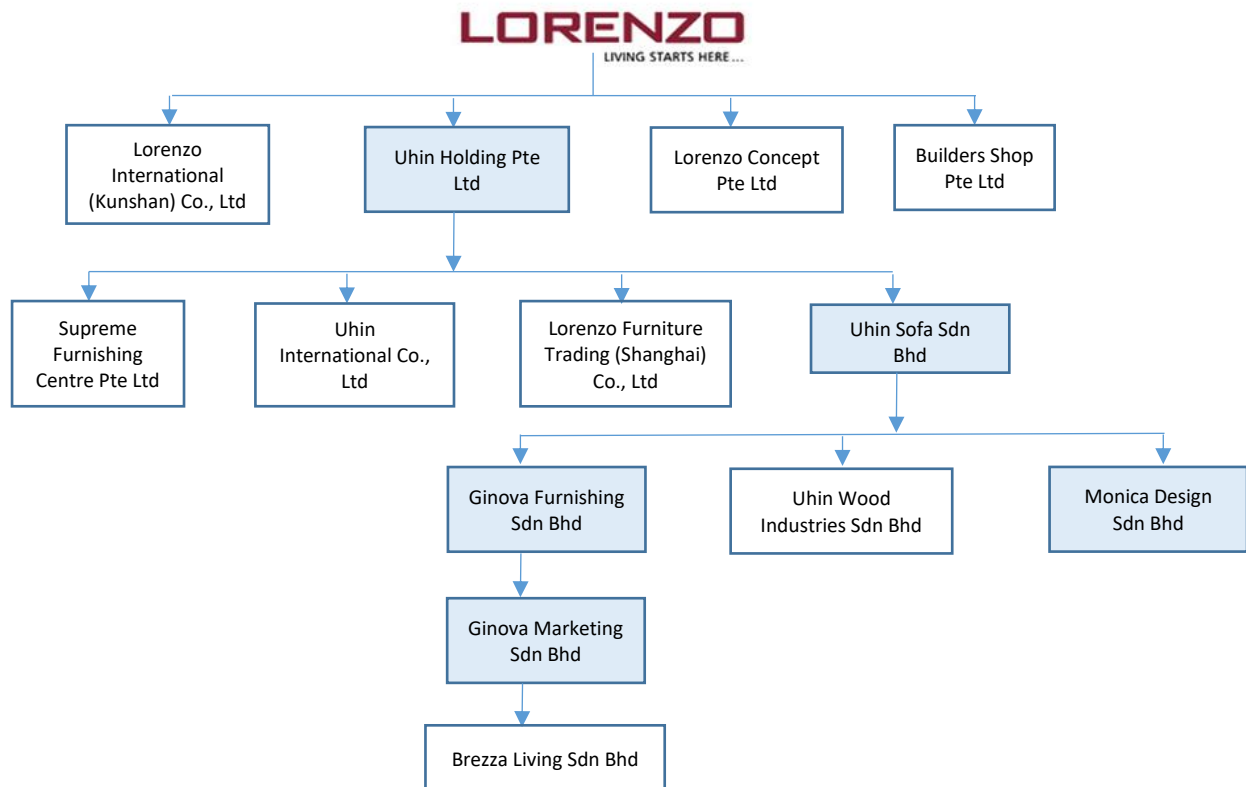
Our Group owns manufacturing operations in Malaysia, which allows us to streamline our manufacturing costs as compared to manufacturers based in Europe and Asia Pacific.

We have made substantial efforts to source for the best materials and never compromise on the quality of our furniture. The bulk of raw materials we purchase are leather, PVC, fabric, wood and foam. Finishes such as varnishes, lacquers and solvents are some of the major purchases as well. Before the start of production phase, there will be stringent quality control inspections of the raw materials and components. We strive to uphold strict requirements for quality sourcing throughout the entire supply chain. For instance, all new suppliers have to be pre-qualified by our quality control team before purchases can be made from them.

ORGANISATIONAL PROFILE

Our corporate structure

Our Group has 100% shareholdings in all of our subsidiaries.



ORGANISATIONAL PROFILE

Our Governance structure (adopted from FY2018 Annual Report)¹



External Initiatives

Currently, we do not engage in any external initiatives but we do not rule out the possibility to engage in such activities in the future. We understand the need to carry out these initiatives and will consider doing so in the future.

¹ Yeow See Onn – retired as a Director as of 31 December 2018, and is no longer a member of the Remuneration, Nominating Committee and Chairman of Audit Committee. He is replaced with Mr Jimmy Soh King Bin.

From 18 January 2019, Mr Jimmy Soh King Bin has been appointed as the Lead Independent Director of the Company, the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee

From 18 January 2019, Mr Soh Chun Bin has been appointed as an Independent Director of the Company, the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee

As of 18 January 2019, Mr Lim Pang Hern has ceased to be a member of the Audit Committee and Remuneration Committee. Mr Lim Pang Hern has also stepped down from his position as Deputy Chairman of the Board.

ABOUT THIS REPORT

Description	Notes and reference
Reporting period	1 April 2017 to 31 March 2018
Date of most recent previous report	This is the first Sustainability Report
Reporting cycle	Annual
Contact point	corporate@lorenzo-international.com
Reporting framework and source of reference	<p>This Report is prepared with reference to the Global Reporting Initiative (“GRI”) Standards: Core option and its reporting principles. This Report covers all primary components as stipulated in SGX-ST Mainboard Listing Rule 711B.</p> <p>GRI reporting framework is adopted by our Group for its robust regime and detailed guidance which offers an internationally-recognised benchmark for the disclosure of governance approaches and of the environmental, social and economic performance and impacts of organisations.</p>
Report boundary	Unless otherwise stated, the information provided in this Report focuses on the sustainability performance of the Company and our subsidiaries in FY2018.
External assurance	We have not sought external assurance for FY2018, but may consider doing so in the future.

STAKEHOLDERS ENGAGEMENT

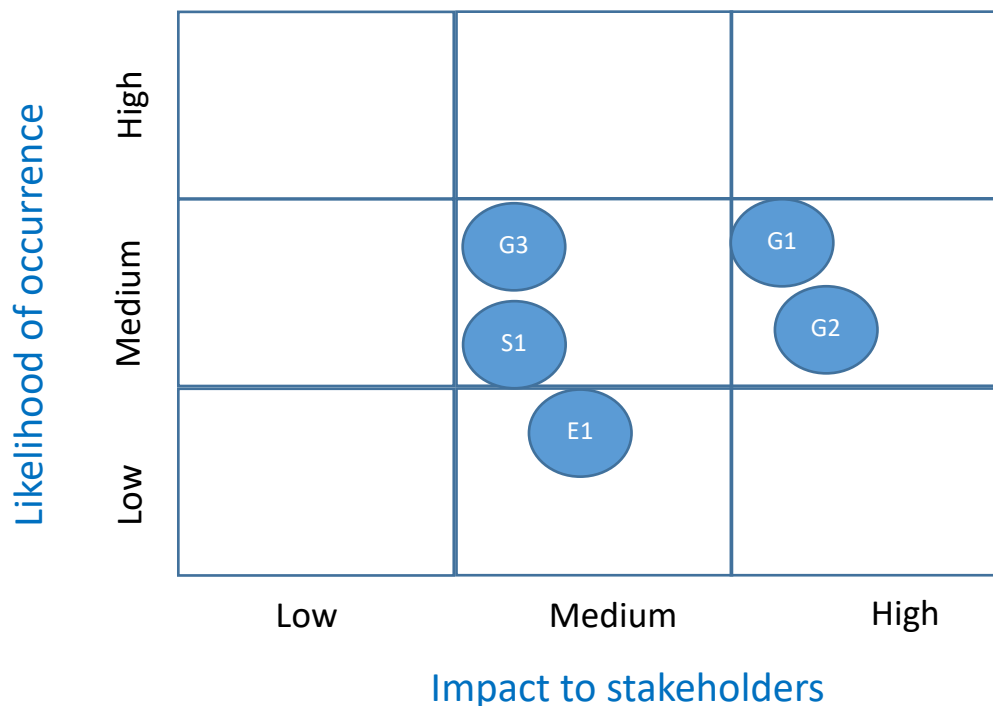
Our Group understands the importance of having constant engagements with our stakeholders, as by doing so, we can identify potential new risks and opportunities, which will in turn result in further value creation for our stakeholders and business.

Committed to achieving a mutually beneficial relationship with our stakeholders, we adopt both the formal and informal channels of communication to comprehend the needs of our valued stakeholders in details, and to incorporate these into our corporate strategies. Our key stakeholders include, but are not limited to, customers, suppliers, employees, investors, suppliers, government and regulators.

Stakeholder Group	Engagement activities	Key interests
Customers	<ul style="list-style-type: none"> ▪ Daily interactions ▪ Enquiry and feedback channels ▪ Customer survey 	<ul style="list-style-type: none"> ▪ Good product quality ▪ Timely delivery of goods ▪ Top notch customer service ▪ Additional after sales services
Employees	<ul style="list-style-type: none"> ▪ Annual employee performance appraisal ▪ Regular team meeting ▪ Staff communication sessions ▪ Internal newsletters 	<ul style="list-style-type: none"> ▪ Staff rights and welfare ▪ Good working environment ▪ Personal development
Investors	<ul style="list-style-type: none"> ▪ Regular investor meetings, board meetings ▪ Annual and interim reports ▪ Circulars to shareholders 	<ul style="list-style-type: none"> ▪ Profitability ▪ Transparency ▪ Timely reporting
Business Partners	<ul style="list-style-type: none"> ▪ Frequent discussions and meetings 	<ul style="list-style-type: none"> ▪ Partnership for opportunities and growth
Suppliers	<ul style="list-style-type: none"> ▪ Periodic supplier evaluation ▪ Comparison of quotes ▪ Periodic discussions 	<ul style="list-style-type: none"> ▪ Compliance with terms and conditions of purchasing policies and procedures ▪ Maintenance of ethical standards
Government and Regulations	<ul style="list-style-type: none"> ▪ Discussions with government agencies and departments 	<ul style="list-style-type: none"> ▪ Compliance with regulations ▪ Timely reporting and resolution of issues

MATERIAL TOPICS

The materiality matrix below is used to identify all the sustainability topics and priorities for reporting. We assessed the potential impact on the environment, social and governance aspect and influence on our stakeholders, with an on-going research, discussions and interactions together with our stakeholders.



Based on the matrix and priority illustrated above, we have identified the following material topics for FY2018:

Governance

G1 - Corporate governance
G2 - Anti-corruption and anti-bribery
G3 - Socioeconomic compliance

Social

S1 - Diversity and equal opportunity

Environment

E1 - Environmental compliance

GOVERNANCE

Corporate Governance

Our corporate governance practices are in line with the principles set out in the Code of Corporate Governance 2012 (the “Code”) issued by the Monetary Authority of Singapore (the “MAS”) and the disclosure guide established by SGX-ST. As disclosed in page 9 to 30 of our FY2018 Annual Report, a corporate governance report detailing the compliance to each of the 16 principles in the Code is being set out. Having a sound and responsible corporate governance is the key to generating long-term value for our stakeholders.

Anti-corruption and Anti-bribery

Acts of corruption and bribery are stringently debarred in our Group. We have adopted the Code of Ethics (the “Ethics”) which sets out a series of guidelines to our employees on the ways to act to ensure that our reputation is maintained at all times, and to prevent our Group and employees from being exposed to harm.

A whistle-blowing policy is in place where our employees may report any potential and actual acts of corruption and bribery (on an anonymous basis) to the Chairman of the Audit Committee or any officer designated by the Audit Committee, who will proceed to investigate the complaint. In addition to providing the detailed steps of reporting suspected cases of corruption, bribery and frauds, our whistle-blowing policy also states out the types of complaints which are reportable. Our whistle-blowing policy will be reviewed by the Audit Committee from time to time and any amendments on the policy will have to be approved by the Board of Directors.

A copy of our ethics and whistle-blowing policy and procedures can be found in our corporate website (<http://www.lorenzointernational.com/Lorenzo%20Policies.pdf>), as well as in the Employees Handbook, which is made known to all employees of our Group.

In FY2018, there were no reported cases in relation to breaches of code of corporate governance, corruption and bribery. Moving forward, our Group targets to continue to maintain our good track record of having zero reported case in similar areas.

GOVERNANCE

Socioeconomic Compliance

As our Group conducts businesses in countries such as Singapore, Taiwan, China and Malaysia, we are subject to local laws and regulations on social and economic aspects, including employment laws and tax regulations.

To ensure that our employees are fully aware of any changes in the relevant laws and regulations concerning our business, our respective business unit management is responsible to attend trainings or conduct trainings for relevant employees to keep them updated on any substantial new or revised laws and regulations, so as to achieve our target of having zero reported breaches of compliance with the laws and regulations.

In addition, we have to obtain various licences and permits to operate in these countries. Conditions are stipulated in the licences and permits and failure to comply with these conditions may lead to a revocation of licence and permit, which may impede us from continuing our operations in that country. Hence, we place a very strong emphasis on complying with both the local and overseas laws and regulations and have zero tolerance towards any non-compliance issues.

In FY2018, there were no reported cases of non-compliance with the laws and regulations on social and economic aspects. Moving forward, our Group aims to continue to have full compliance with the relevant laws and regulations.

Diversity and Equal Opportunity

Human capital is our most valuable asset and the essence to the success of any enterprise. Our Group hires a diversity of employees across various countries. We are strong advocates that each and every individual should be given equal opportunities and fair treatment in employment. We value the knowledge and experience of our senior employees together with the flexibility and innovative mind-set of our younger employees.

Our hiring policy governs the procedures from sourcing of potential suitable candidates to recruitment and confirmation of employees. This policy is being communicated to our employees and reviewed internally on a periodic basis. Our Group strictly abides by the set of policy and procedures put in place and would ensure that there will be fair and equal recruitment opportunities, remuneration and compensation practices, career progression and training opportunities made available for all employees. By doing so, we strive to be well-positioned to attract, retain and develop exceptional talents.

We aim to continuously create a working environment that can afford equal opportunities and benefits to each employee regardless of gender or age.

ENVIRONMENTAL

Environmental Compliance

Our Group registers the importance of environmental issues in the course of our business operations. Our internal policies and practices are designed to optimise the management of energy, water and waste during the conduct of our business activities. For instance, we promote to reduce usage of printing papers, electricity and water in our office premises and stores, reuse envelopes, carton boxes and printed papers whenever possible, and to place different bins for the purpose of recycling wastes. We place great emphasis to maintain a clean environment and commit towards building a cleaner future for the society.

We are pleased to report that there were no reported non-compliance cases with environmental laws and regulations for FY2018. Our Group strives to continue our commitment in building a clean environment and to comply with environmental laws and regulations in coming years.

GRI Content Index

GRI Standard and Disclosure		Page Reference and Reasons for Omission, if applicable
GENERAL DISCLOSURE		
Organisational Profile		
102-1 Name of the organisation		4
102-2 Activities, brands, products, and services		4
102-3 Location of headquarters		4
102-4 Location of operations		4
102-5 Ownership and legal form		4
102-6 Markets served		4
102-7 Scale of the organisation		4,5 Annual Report 2018 – Consolidated Statement of Comprehensive Income
102-8 Information on employees and other workers		4
102-9 Supply chain		5
102-10 Significant changes to the organisation and its supply chain		Nil
102-11 Precautionary principle or approach		4, 5
102-12 External initiatives		7
102-13 Membership of associations		Not applicable
Strategy		
102-14 Statement from senior decision maker		3
Ethics and Integrity		
102-16 Values, principles, standards, and norms of behaviour		5
Governance		
102-18 Governance structure		7
Stakeholder Engagement		
102-40 List of stakeholder groups		9
102-41 Collective bargaining agreements		Not applicable
102-42 Identifying and selecting stakeholders		9
102-43 Approach to stakeholder engagement		9
102-44 Key topics and concerns raised		9
Reporting Practice		
102-45 Entities included in the consolidated financial statements		6 Page 77 of Annual Report 2018– Subsidiaries
102-46 Defining report content and topic boundaries		8
102-47 List of material topics		10
102-48 Restatements of information		Not applicable
102-49 Changes in reporting		Not applicable
102-50 Reporting period		8
102-51 Date of most recent report		Not applicable
102-52 Reporting cycle		8
102-53 Contact point for questions regarding the report		8
102-54 Claims of reporting in accordance with the GRI Standards		8
102-55 GRI content index		15,16
102-56 External assurance		8

GRI Content Index

GRI Standard and Disclosure	Page Reference and Reasons for Omission, if applicable
103-1 Explanation of the material topic and its boundaries	11-14
103-2 The management approach and its components	11-14
103-3 Evaluation of the management approach	11-14
205-3 Confirmed incidents of corruption and actions taken	11
307-1 Non-compliance with environmental laws and regulations	14
419-1 Non-compliance with laws and regulations in the social and economic area	12