

# DESIGN CAPITAL LIMITED

設計都會有限公司

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

STOCK CODE 1545



**Environmental, Social and  
Governance Report**

**2022**

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT 2022

## 1. About the Report

This Environmental, Social and Governance (“**ESG**”) Report describes the ESG performance of Design Capital Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”). This ESG Report illustrates the principles of the Group in fulfilling its corporate social responsibility (“**CSR**”), and also illustrates the vision and commitments for its CSR and sustainable development.

### 1.1 Scope of the Report

This ESG Report covers the environmental and social performance of the Group’s businesses, which include the furniture division, interior design division and e-commerce division, for the time period between 1 January 2022 to 31 December 2022 (the “**Year**”). The calculations of environmental key performance indicators (“**KPIs**”) include the performance of offices and warehouses in Singapore, Malaysia and the United States of America (the “**U.S.**”), while the disclosure of social KPIs covers the performance of the Group. In addition, the Company disposed all its shares for Nobel Design Sdn Bhd in September 2022.

### 1.2 Reporting Standard

This ESG Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) under Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and has complied with the “comply or explain” provisions of the ESG Reporting Guide. As for the information on corporate governance, please refer to the Corporate Governance Report in the Annual Report of the Year.

### 1.3 ESG Reporting Principles

The content of the ESG Report is determined through stakeholder engagement and materiality assessment, which includes identifying the ESG-related issues, collecting and reviewing the management and stakeholders’ opinions, assessing the relevance and materiality of the issues, and preparing and validating the information reported. The ESG Report covers all key issues that are concerned by different stakeholders.

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders are able to have a comprehensive understanding of the Group’s ESG performance. Information of the standards, methodologies, references and sources of key emission and conversion factors used on these KPIs are stated wherever appropriate. In order to maintain comparability of ESG performances among the years, the Group has adopted a consistent reporting and calculation methodologies where practicable. For any changes in methodologies and specific standards, the Group has presented and explained in detail in the corresponding sections. The Group will try to adopt consistent methodologies as far as possible and practicable in the future to maintain comparability and credibility.

### 1.4 Information and Feedback

Your opinions are highly valued. Should you have any queries or suggestions, please feel free to contact the Company:

Email: [enquiry@designcapital.sg](mailto:enquiry@designcapital.sg)

Address: 130 Joo Seng Road #07-05 Singapore 368357

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## 2. About the Group

### 2.1 Main Businesses

Headquartered in Singapore, the Group is a longstanding furniture seller on third party e-commerce platforms in the U.S., a mid to high-end furniture retailer in Singapore and an integrated home design solutions provider mainly in Singapore. Founded in 1981, the Group commenced operations as an interior design solutions provider, offering interior design services for showflats and residential units. The Group expanded its business footprint into furniture retailing in 1995, deepening the Group's commitment to offer home furnishing ideas and delivering design solutions and furniture to homeowners. As of 31 December 2022, the Group has six points of sale operations in Singapore. In 2005, the Group became involved in the furniture online sales industry in the U.S.. With over 20 years of established network and experience in furniture retailing and sourcing, the Group supplies various furniture brands targeting several of different market segments through e-commerce sales platforms in the U.S. and through its points of sale in Singapore.

### 2.2 Our ESG Mission

The Group recognises the increasing importance of ESG management in recent years and has attached great importance to fulfilling its ESG responsibilities and achieving its ESG targets. The Group will strive to achieve a balance between business development and ESG achievement. The Group will also continue to solidify its market position in the furniture sales in Singapore and the U.S., and aims to enhance its market penetration into different customer segments, while maintaining its ESG standards. The Group has deployed the following strategies to flourish in both the business and ESG-related fields:

- (1) Further expand its product mix and brand portfolio;
- (2) Further expand its sales and marketing network;
- (3) Strengthen its brand recognition; and
- (4) Continue to retain and recruit talent to support future growth.

### 2.3 Board Statement

The Group believes that well-established ESG governance principles, strategies, and practices are crucial to the long term development of its business, especially in increasing investment values and returns. To ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Board of Directors (the "**Board**") has taken up the responsibility to govern and oversee the Group's ESG-related issues and its development. The Board is responsible for monitoring and formulating the Group's ESG strategies and reports, and will review and discuss the content and quality of ESG reports to ensure that it meets the requirements and expectations of the Board. Furthermore, the Board monitors and reviews the Group's compliance status of ESG-related laws and regulations by external regulatory bodies, such as The Stock Exchange of Hong Kong Limited ("**HKEX**").

During the Year, the Board has assigned third-party ESG professionals to manage the ESG performance of the Company. The Board has also identified the potential and material issues regarding the business and its stakeholders with assistance from third-party ESG professionals. Moreover, as one of the key stakeholders of the Company, the Board is also responsible to take part in the materiality assessment and providing constructive feedback on the ESG issues that are relevant and important to the Company.



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### 3. Stakeholder Engagement

The Group believes that maintaining a positive and active interaction with stakeholders is crucial to the Group's governance management. The Group is at all times committed to disclosing and distributing all information to the public in full and in a timely and accurate manner, in accordance with the Listing Rules.

The Group has formulated its Investor Relations Policy to ensure that all investors are able to access the Group's information, which includes the Group's business strategies, updates, stock and financial performance, corporate management and governance in a timely manner.

The Group is open and willing to maintain ongoing dialogues with its stakeholders. The following table lists the key requirements and expectations from stakeholders for the Group, coupled with the corresponding response and communication channels from the Group.

Stakeholders	Requirements and Expectations	Response and Communication Channels
<b>Government and regulators</b>	<ul style="list-style-type: none"> <li>Compliance with national policies, laws and regulations</li> <li>Tax payment in full and on time</li> <li>Support local economic growth</li> <li>Work safety</li> </ul>	<ul style="list-style-type: none"> <li>Dedicated reports</li> <li>Regular workplace safety spot checks and workplace safety guidelines</li> </ul>
<b>Shareholders</b>	<ul style="list-style-type: none"> <li>Returns</li> <li>Transparency and effective communication</li> <li>Increase in company value</li> </ul>	<ul style="list-style-type: none"> <li>Shareholder conferences</li> <li>Announcements</li> <li>Email, telephone communication and company website</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>Operate with integrity</li> <li>Equal rivalry</li> </ul>	<ul style="list-style-type: none"> <li>Business communications</li> </ul>
<b>Customers</b>	<ul style="list-style-type: none"> <li>Outstanding products and services</li> <li>Operate with integrity</li> </ul>	<ul style="list-style-type: none"> <li>Customer service centre and hotlines</li> <li>Customer communication meetings</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>Remunerations and benefits</li> <li>Career development</li> <li>Humanity cares</li> </ul>	<ul style="list-style-type: none"> <li>Training and workshops</li> <li>Employee activities</li> </ul>
<b>Community and the public</b>	<ul style="list-style-type: none"> <li>Improve community environment</li> <li>Participation in charity</li> </ul>	<ul style="list-style-type: none"> <li>Donations</li> </ul>

With the opinions and information collected from stakeholders through various channels, the Group has a better understanding of the ESG-related issues that the stakeholders are concerned about. The Group has also used questionnaires to solicit the management's view on ESG-related issues. The information gathered is analysed along with materiality maps provided by well-known external institutions, as well as professional opinions from third-party professionals. This enables the Group to identify and prioritise ESG issues which are concerned by stakeholders and are highly related to the Group's business.





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The Group has identified 8 key ESG-related material issues which are listed as follows:

Aspects	Material Issues
<b>Environment</b>	Energy Management Product Carbon Footprint
<b>Labour Practices</b>	Labour Management Employee Health and Safety
<b>Operating Practices</b>	Privacy & Data Security Supply Chain Labour Standards Product Design and Lifecycle Management Materials Sourcing and Efficiency

### 4. Environmental Protection

The Group places great emphasis on environmental protection and strives to minimise negative environmental impacts during its operations. The Group strictly abides by applicable environmental laws and regulations including the Environmental Protection and Management Act 1999 in Singapore, Environmental Quality Act 1974 in Malaysia, and the National Environmental Policy Act 1969 in the U.S., and has established sets of comprehensive rules and regulations clearly defining the rights and obligations of the Group.

#### 4.1 Environmental Sustainability Policy

Environmental sustainability is a vital aspect of the Group's long-term business development and growth. As such, the Group has established an Environmental Sustainability Policy, demonstrating the Group's commitment towards environmental sustainability. The policy covers all operation sectors, laying out the Group's approach to reduce the direct and indirect environmental impacts induced by the Group's business operations. Measures of the Environmental Sustainability Policy are embedded into the Group's management practices and principles, which include:

- i. Raising awareness of environmental issues among employees;
- ii. Encouraging corporate engagement in environmental causes and contribution to raising awareness;
- iii. Encouraging employees to adopt environmentally friendly practices; and
- iv. Carrying out purchasing activities and interactions with vendors in an environmentally responsible manner.

To ensure that employees are informed and in line with the Group's Environmental Sustainability Policy, the Group's Human Resources Department will guide and lead in reducing resource consumption and increasing environmental awareness among the employees, so as to ensure that the staff uphold the Environmental Sustainability Policy standards set by the Group.



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Environmental sustainability policy standards set out by the Group:

Environmental Areas	Objectives
<b>Air and Greenhouse Gas Emissions Management</b>	– Actively maintain, or gradually lower, the office’s carbon footprint in accordance with the Group’s energy-saving initiatives.
<b>Waste Management</b>	– Actively maintain, or gradually reduce, waste generation in accordance with the Group’s reduce, reuse, and recycle methods.
<b>Use of Resources</b>	– Actively maintain, or gradually reduce, energy and water consumption according to the resource conservation and consumption reduction measures of the Group.
<b>Green Operations</b>	– Develop an energy saving strategy through analysing the energy consumption of the Group.

#### 4.2 Emissions

Since the Group is not involved in manufacturing, no industrial air nor water pollutants were emitted during the Year. The major emission of the Group is generated from fossil fuel combustion of vehicles, which include the emission of nitrogen oxides, sulphur oxides and suspended particulates.

Air pollutants generated by the Group in the Year are as follows:

Types <sup>1</sup>	2022	2021
Nitrogen oxides (g)	73,503	82,805
Sulphur oxides (g)	70	73
Suspended particulates (g)	211	194

Note:

1. The calculation of air pollutants takes reference from emission factors in “EMEP/EEA air pollutant emission inventory guidebook 2019 — Update Oct. 2020” issued by the European Environment Agency (“EEA”).

The discussions on climate change have sparked heated debate across the globe in recent years and initiated different actions in an attempt to tackle the impact triggered. As a global citizen, the Group is enthusiastically combating climate change and places high emphasis on environmental sustainability. The Group’s greenhouse gas emissions are mainly generated from office and warehouse operations, and can be classified into three different scopes: scope 1 — direct emissions from combustion of fuels in vehicles; scope 2 — energy indirect emissions from purchased electricity and heating; and scope 3 — other indirect emissions from business air travel, fresh water and sewage treatment, and methane gas generated at landfills due to disposal of paper waste.



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The Group's greenhouse gas emissions for the Year are as follows:

Types	2022	2021
Total greenhouse gas emission (tonnes CO <sub>2</sub> e) <sup>1</sup>	337	398
Scope 1 — direct emissions (tonnes CO <sub>2</sub> e) <sup>2</sup>	48	50
Scope 2 — energy indirect emissions (tonnes CO <sub>2</sub> e) <sup>3</sup>	276	342
Scope 3 — other indirect emissions (tonnes CO <sub>2</sub> e) <sup>4</sup>	13	6
Intensity of greenhouse gas emissions (tonnes CO <sub>2</sub> e/employee)	2.67	3.01

Notes:

1. The Group's greenhouse gas inventory includes carbon dioxide, methane, and nitrous oxide. For ease of reading and understanding, the GHG emissions data is presented as carbon dioxide equivalent (CO<sub>2</sub>e).
2. This is calculated based on the emission factors in "EMEP/EEA air pollutant emission inventory guidebook 2019 — Update Oct. 2020" issued by EEA.
3. This is calculated with reference to the emission factors provided by the United States Environmental Protection Agency and the Energy Market Authority ("EMA") of Singapore.
4. Scope 3 — other indirect emissions are calculated based on the International Civil Aviation Organization Carbon Emissions Calculator, emission factors in the "Reporting Guidance on Environmental KPIs" issued by HKEX and emission factors provided by EMA of Singapore.

### 4.3 Waste Generation

Apart from air pollutants and greenhouse gas emissions, the Group also produced both hazardous and non-hazardous waste. Non-hazardous waste mainly comprises wooden product waste and general waste from daily office operations, while hazardous waste includes toner cartridges from printers. The Group aims to minimise waste generation in its operations, and is working towards such a goal through the proper collection, storage, transportation, and proper disposal and treatment of waste.

The amount of waste disposed by the Group in the Year are as follows:

Types	2022	2021
Total non-hazardous waste generated (tonnes) <sup>1</sup>	1,027	527
Intensity of non-hazardous waste generated (tonnes/employee)	8.15	3.99
Total hazardous waste generated (kg)	12	17
Intensity of hazardous waste generated (kg/employee)	0.10	0.13

Note:

1. Non-hazardous waste data is based on the daily estimated volume of general waste in offices and the volume-to-weight conversion factors provided by the U.S. Environmental Protection Agency.





#### 4.4 Use of Resources

The Group is well aware of the potential environmental impacts resulting from energy and fuel usage, thus, the Group is committed to reducing energy consumption and emissions within its offices and warehouses. The consumption of electricity and heating, as well as the use of vehicles are the major sources of energy consumption of the Group.

The energy consumption and intensity of the Group in the Year are as follows:

Types (unit)	2022	2021
Total energy consumption (MWh)	797	952
Vehicle fuel usage (MWh) <sup>1</sup>	178	185
Purchased electricity (MWh)	577	730
Purchased heating (MWh)	42	37
Intensity of energy consumption (MWh/employee)	6.33	7.22

Note:

1. Energy consumption in the use of vehicles is calculated with reference to "EMEP/EEA air pollutant emission inventory guidebook 2019 — Update Oct. 2020" issued by EEA.

Apart from the consumption of energy, the Group also makes use of water resources. The Group has obtained a suitable water source in accordance with the relevant national environmental protection policies and regulations, and there have been no issues in sourcing water. Water resources are mainly used during daily office operations, as well as cleaning showrooms and offices.

The consumption of water resources by the Group in the Year are as follows:

Types (unit)	2022	2021
Total water consumption (m <sup>3</sup> )	443	730
Intensity of water consumption (m <sup>3</sup> /employee)	3.52	5.53



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To facilitate the furniture retail and e-commerce, different materials are used for packaging the furniture before delivery, which includes plastic, styrofoam, paper and carton.

The amount of packaging material used by the Group's operation in the Year are as follows:

Types (unit)	2022	2021
Weight (kg)		
Plastic	8,808	20,166
Styrofoam	18	110
Paper	63	1,092
Intensity (kg/million SGD revenue)		
Plastic	91.26	226.08
Styrofoam	0.18	1.23
Paper	0.65	12.24

Furthermore, the Group's e-commerce segment in the U.S. has accounted for 24 rolls of plastic packaging material and 4,497 pieces of the carton in 2022. While in 2021, the aforementioned location has accounted for 4,560 rolls of plastic packaging material and 9,055 pieces of carton.

#### 4.5 Emissions Mitigation and Resources Conservation

The Group is highly aware of its impact on the environment, and thus has taken a handful of measures to mitigate the emissions from different sources, subsequently reducing the Group's potential impacts on the environment.

Within the confinements of daily operations in offices and warehouses, several measures had been applied in hopes to reduce emissions. For instance, to reduce paper waste, employees are encouraged to reuse paper, use both sides of the paper whenever possible, and use electronic greeting cards during the holiday season. In addition, printers are monitored regularly and printing quotas are set to lower the amount of paper used and wasted. As for other office waste, the Group encourages the reuse and recycling of envelopes, filing folders, cards and stationery (i.e., refills pen barrels instead of discarding the entire pen). Last but not least, printer toners and ink cartridges are reused and recycled whenever possible to reduce hazardous waste.

The Group conducts regular inspections of taps and pipes conditions within offices and warehouses comprehensively. All leaks and drips are fixed to prevent further water waste.

Electrical appliances including lighting systems, air conditioning systems and computers are required to be switched off or put into sleep mode when not in use to reduce energy consumption. As a supporting measure, energy efficient lighting, including T5 fluorescent lamps and LED lamps, are installed to reduce the use of energy. In addition, the Group has light switches for different zones to control usage, installed motion sensors in not frequently used areas, and installed dimmers to adjust light intensity.

As for commuting and business travelling, employees are encouraged to use public transportation instead of private vehicles to alleviate traffic congestion as well as to reduce employees' carbon footprint. Video conferencing for online presentations and conferences are prioritised over avoidable overseas business travels, and if business trips are necessary, direct flights are preferred over flights with multiple intermediate stops.



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### 4.6 Climate Change

Climate change has emerged as one of the most discussed and concerned topics across the globe in recent years. In view of this, the Group has raised its awareness towards the risks and potential impacts of climate change, and has subsequently identified the climate-related risks that may adversely impact the Group's operations and development.

The growing environmental and climate-related awareness among the public is forcing a transition to a more sustainable and environmentally-friendly lifestyle. This in turn, may lead to a change in customer preferences in different sectors. The Group may be affected by decreased demand for the Group's products, if the Group is unable to timely fulfill consumers' shifting preferences.

The Group is also concerned that its operations may be impacted by the risk of increased severity and frequency of extreme weather events as a result of climate change, for instance, the delivery schedule might be delayed during heavy rainfalls/snows and typhoons. In response, the Group is increasing its insurance coverage and premiums for both the employees and company assets, ensuring the best interests for the Group and its employees under extreme weather events.

## 5. Employment and Labour Practices

The Group recognises that employees are the cornerstone of corporate development and growth, therefore it places great emphasis on human resource management to support employee development. The Group strictly abides by applicable employment and labour laws and regulations in the regions that the Group operates in, including but not limited to the Employment Act (Chapter 91) of Singapore, Employment of Foreign Manpower Act (Chapter 91A) of Singapore, the Employment Act 1955 in Malaysia, etc. In addition, the Group has established comprehensive employment rules and regulations that clearly define the scope and principles to protect employee rights, which are specified in the Employee Handbook.

### 5.1 Employment and Dismissal

The Group upholds the principles of fairness, transparency, and market competitiveness throughout its recruitment and promotion process to ensure equal opportunity for all personnel. The Group strictly abides by the laws related to the employment of the countries that subsidiaries operate in, including but not limited to the Employment Act (Chapter 91) of Singapore, Civil Rights Act of 1964 (Title VII) in the U.S. and Employment Act 1955 in Malaysia. Any form of discrimination on the grounds of age, gender, physical or mental health status, marital status, family status, race, skin colour, nationality, religion, political affiliation, sexual orientation and other lawfully protected characteristics are not tolerated during the process of candidate's selection and promotion. The Group is dedicated to build a diverse and inclusive work environment, and strives to provide equal opportunities for all employees.

The Group strictly prohibits the employment and has zero tolerance towards forced labour and child labour. The Group also strictly abides by relevant laws and regulations, including but not limited to the Employment Act and Employment (Children and Young Persons) Regulations in Singapore, the Fair Labour Standards Act in the U.S., Children and Young Persons (Employment) Act 1966 and Child Employment Amendment Act 2010 in Malaysia. Before hiring any job applicant, the Human Resources Department will verify the applicant's age and identity by checking documents such as identity cards, birth certificates, driver's license, etc. to confirm that the age, identity and appearance match the supporting documents. Furthermore, the Group's whistle-blowing policy provides employees with a channel to report any illegal practice where appropriate penalties and punishments will be given out if proven.



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As of 31 December 2022, the Group has 126 full-time and 0 part-time employees in total. Detailed employment status of the Group by business division is as follows:

Indicators	2022	2021
<b>Total number of employees (Percentage of category)</b>		
<b>By gender</b>		
Male	55 (44%)	54 (41%)
Female	71 (56%)	78 (59%)
<b>By age</b>		
Below 30	23 (18%)	27 (21%)
30–50	63 (50%)	69 (52%)
Above 50	40 (32%)	36 (27%)
<b>By geographical location</b>		
Singapore	91 (72%)	93 (71%)
U.S.	16 (13%)	19 (14%)
Malaysia	19 (15%)	16 (12%)
Brunei	0 (0%)	4 (3%)
<b>By employment type</b>		
Full-time	126 (100%)	132 (100%)
Part-time	0 (0%)	0 (0%)
<b>Total number of employees resigned (Percentage of category)</b>		
<b>By gender</b>		
Male	17 (31%)	20 (37%)
Female	20 (28%)	30 (38%)
<b>By age</b>		
Below 30	12 (52%)	11 (41%)
30–50	18 (29%)	30 (43%)
Above 50	7 (18%)	9 (25%)
<b>By geographical location</b>		
Singapore	34 (37%)	43 (46%)
U.S.	3 (19%)	6 (32%)
Malaysia	0 (0%)	0 (0%)
Brunei	0 (0%)	1 (25%)

The Group provides absolute freedom of dismissal and gives full respect to the employee's decision to resign. The Group has a specific set of procedures regarding contract termination. Whenever an employee submits a resignation request, the Group will organise an exit interview to understand the reasons behind the resignation as well as any suggestions from the resigning employee on the Group's operation and management.



## 5.2 Employee Benefits and Welfare

To attract, motivate, and retain talents, the Group provides a comprehensive and competitive compensation and welfare scheme for its employees. As part of the employee's compensation and welfare package, the Group provides insurance in several aspects for its employees, including medical insurance, travel insurance and vehicle insurance. The Group also provides transport reimbursement and allowance, such as transport, housing, medical and dental for eligible employees. To ensure sufficient rest is given to employees, working hours and holidays are clearly stated in the employment contract. In relation to necessary overtime working, managers may ask employees to work on their day off, and employees have the right and freedom to refuse. If the employee agrees, a day off can be rescheduled within the same month, or within 30 days after the previously scheduled day off. The Group provides compensation leave or allowance for employees working overtime. The Group follows the statutory holidays as stipulated in the different countries where it operates. The employees are also entitled to various leaves, including paid annual leave, medical leave, hospitalisation leave, maternity leave, paternity leave, childcare leave, marriage leave and compassionate leave.

The Group believes that well-developed cohesion within the Group and good bonding between employees will greatly benefit the Group's development. Therefore, the Group strives to organise activities for employees regularly, so as to provide employees with some relaxation, and to improve the communication effectiveness and cohesion between employees. The Group was unable to plan large-scale employee events during the year due to coronavirus disease ("COVID-19") pandemic control and staff safety. However, the Group has done its best to strengthen the bonds and relationships among employees in small group activities by division.

## 5.3 Employee Health and Safety

The Group places great importance on the occupational health and safety of employees. The Group strictly abides by laws and regulations regarding occupational health and safety, including but not limited to the Workplace Safety and Health Act (Chapter 354A) of Singapore, Occupational Safety and Health Act 1970 in the U.S., Occupational Safety and Health Act 1994 in Malaysia. The Group has adopted guides and regulations on workplace health and safety issued by the Workplace Safety and Health Council in Singapore, which sets out mitigation and remedial measures against workplace safety hazards. Furthermore, the Group's interior design business is certified and has attained bizSAFE Level 3 certification by the Workplace Safety and Health Council in Singapore, reflecting the Group's devotion towards safeguarding the health and safety of employees.

The Group implements an internal policy that emphasises the importance of occupational safety and health, and ensures that the office and working environment are in line with or maintain standards higher than the requirements of relevant laws.

During the Year, the Group had no work-related injuries and hence there were no lost days due to work injuries. The Group also had no work-related fatalities in the past three years.



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In addition, to further protect the well-being of the Group and its employees, the Group will continue to renew the insurance policy to cover its employees from work-related injuries. The Group follows the Work Injury Compensation Act (“**WICA**”) which makes provision for compensation to employees for injury or illness suffered in the course of their employment.

The COVID-19 pandemic has adversely affected all sectors across the world. While the Group was also affected by the pandemic, the Group responded and reacted swiftly against the epidemic and has implemented various policies and measures to counteract any further waves. The Group has formulated the Safe Management Plan for its key business and Safe Management Measures for COVID-19, both of which cover the related operation risks including human resources management, processes and business functions, supplier and customer management, and internal and external communications.

### 5.4 Employee Development and Promotion

The Group places great emphasis on the development and training of its employees, so that the employees can share the fruit of their development with the Group. The Group has formulated a Training Policy to ensure that all staff acquire and improve on necessary skills, aiming at:

- Assisting employees to understand market trends and meet changing responsibilities and expectations;
- Maintaining and improving professional skills and knowledge; and
- Adhering to the relevant laws and regulations.

The Group’s Training Policy also states the procedures for setting out a training schedule. Team leaders and managers are expected to identify the development needs of employees and pass the specific needs to the management and Human Resources Department, where the proposal for training is reviewed and put into the training schedule. The Group implements training programs every year. The Group provides both internal and external training programs so as to ensure every staff member continues to acquire the skills and knowledge that are crucial for development. This style of training setting procedure provides employees with tailor-made training sessions, thus making more efficient use of the training resources. If there are material training lapses that are not in line with the ordinary course of business, the Chief Executive Officer shall report to the Board and make recommendations for adjustments.





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Under the current policy, the major training topics include:

- Industry trends in furnishing and interior design as well as product knowledge;
- Sales techniques;
- Retail management;
- Customer service;
- Product display;
- Social media management;
- Campaign management;
- Mental well-being;
- Workplace safety and health; and
- Accounting standards.

During the Year, the average training hours per employee and percentage of trained employees of the Group are as follows:

Indicators	2022	2021 <sup>1</sup>
<b>Average training hours per employee (Percentage of trained employees)</b>		
<b>By employee category</b>		
Senior employees	4.4 (56%)	3.6 (44%)
Intermediate employees	2.2 (28%)	2.2 (24%)
Junior employees	0.9 (11%)	1.1 (13%)
Other employees	0 (0%)	0 (0%)
<b>By gender</b>		
Male	0.3 (4%)	0.6 (7%)
Female	2.1 (26%)	1.9 (22%)

Note:

1. The data for 2021 is restated due to the adjustment of calculation method.

In order to keep track of employees' growth and development, the Group holds annual performance reviews as an opportunity to receive remuneration in the form of salary increase and promotion. For employees with exceptional performance, out-of-cycle salary increases may also be warranted. The Group also provides performance bonuses to employees based on the Group and the employee's very own performance. The Group recognises and rewards employees' contribution, work performance, and skills to conduct appraisals regularly. The Group also encourages employees to attend talks and seminars held by external organisations to enrich their knowledge in discharging duties.



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The Group is committed to promote fairness and equity in the workplace, as well as providing equal opportunities. The Group does not tolerate any form of discrimination on the grounds of gender, sexual orientation, disability, age, race, national or ethnic origin, family status or other lawfully protected characteristics. This applies to all employment activities and human resources-related matters including recruitment, promotion, transfer, reward provisions, and training.

### 6. Operating Practices

As a corporate citizen in the society, the Group actively fulfills its social responsibilities and strives to achieve sustainable development. The Group looks into utilising resources more effectively and reducing energy consumption in its business operations through the establishment of an efficient operating model, which also leads to reduction of emissions. The Group continues to pay great attention to the rights and interests of different stakeholders, promotes works that are related to sustainable development and environmental governance, as well as to give back to the society.

In a rapidly developing business environment, the Group has placed more and more focus on the operating practices of businesses and its ESG-related targets. The Group makes an effort to improve its company operations through effective supply chain management, tight product and service quality monitoring, sincere customer service and ethical market behavior.

#### 6.1 Supply Chain Management

The Group recognises the value of dependable vendors and suppliers since high-quality products and services are keys to the Group's success. The Group also places great emphasis on the efforts of environmental protection by its suppliers. In order to maintain products and services at a high quality that can meet the requirements of customers, the Group has formed criteria for vendor selection within its Procurement Policy. The criteria for furniture procurement covers seven major aspects, including (i) the design capability of the vendor; (ii) production lead-times; (iii) scale of the factory; (iv) production facilities; (v) product pricing; (vi) after-sales service; and (vii) quality of products. In addition, in order to evaluate each new vendor, the Group conducts background search, factory visits and quality inspection visits to ensure new vendors could meet the requirements imposed by the Group. The Group evaluates suppliers' product quality, delivery, production capacity, compliance and other factors during the supplier selection process. Only suppliers that meet the criteria may be added to the list of qualified suppliers, and aspects such as health and safety performance, turnover rates, and stability are all considered when selecting suppliers.

To ensure that the vendors are able to maintain their quality and high standard, the Group's procurement teams will review the performance of each vendor on an annual basis, focusing on the vendors' promptness of delivery and quality of products. Any vendor that consistently fails to deliver promptly and/or delivers products with defects will be flagged to management for further action.

For the Group's interior design division, the objective of the procurement policies is to ensure that the gross profit margins set out in the Group's pricing policy are maintained. Different procurement policies have been set up based on the different materials utilised by each interior design division. Furthermore, the procurement of services is an integral part of the interior design business, therefore interior design departments will assess their subcontractors annually on their pricing, quality of work and their ability to meet deadlines. Any subcontractor that fails to meet these standards shall be flagged to management for further action.



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Beyond quality and legal compliance, the Group also attaches great importance to the environmental and social risks that suppliers may pose to the Group's supply chain. Subsequently, the Group expects its suppliers to adopt fair labour practices, and demonstrate environmental stewardship and social influence. The Group requests its suppliers to provide environmental and social compliance reports regularly, such as the Sedex Members Ethical Trade Audit Reports ("SMETA") assessed and issued by Sedex Information Exchange Limited. Such reports assess and analyse the environmental and social compliance of our suppliers, as well as the risks involved. As such, the Group prioritises suppliers with good performances in the report and looks to mitigate the environmental and social risks along its supply chain. Suppliers should ensure that they are free from child labour and forced labour, and that all employees are legally qualified to work.

During the Year, the Group has a total of 516 suppliers from different regions, with the major suppliers coming from Singapore, followed by China and Italy.

Indicators	2022	2021
<b>The number of suppliers by countries</b>		
Singapore	300	270
China	66	62
Italy	65	61
Malaysia	48	49
Brunei	0	25
Others <sup>1</sup>	37	39

Note:

1. The category includes suppliers from Taiwan, United States, Spain, Vietnam, the United Kingdom, Denmark, Belgium, Poland, the Netherlands, Germany, France, Korea, Greece and Portugal.

## 6.2 Product Responsibility

### 6.2.1 Complaints from Clients and Solutions to Complaints

The Group recognises the need to have effective after-sales service and channels for customer complaints to ensure that any issues that arise after the delivery of goods and services are addressed both professionally and expeditiously. The Group strictly abides by applicable laws and regulations, and has an established complaint handling mechanism regarding the handling of complaints. In general, customers can make feedback or complaints by email, telephone, in person or through our website. The mechanism also sets out that sales executives and call centres resolve the complaints or refer them to the store manager or the head of sales for further handling if necessary. In resolving complaints, the Group may consider offering product repairs, exchanges, credit notes, gift vouchers, cash refunds, or replacement of parts to the complaining customers as the Group sees fit. Complaints are handled on a case-by-case basis with resolutions depending on the specific aspect of each complaint.



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### 6.2.2 Information Security

Employees are provided with Information Technology systems to help them perform their responsibilities. However, possible hazards connected with the usage of various information systems must not be overlooked. Therefore, the Group strictly abides by laws and regulations related to information security, including but not limited to the Personal Data Protection Act 2012 in Singapore, Privacy Act 1974 in the U.S. and Personal Data Protection Act 2010 in Malaysia. In order to mitigate the risks associated with the use of such systems, the Group has developed and implemented an Information Systems Policy, setting out comprehensive guidelines to safeguard information safety.

Information security is classified into three different categories, where different access barriers are set up as the protection for information:

- i. High Risk — includes information assets which have legal requirements for disclosure and financial penalties imposed for disclosure, e.g. payroll and financial information;
- ii. Medium Risk — includes confidential data which would not impose losses or punishment for the Group, e.g. agreement documents and unpublished reports;
- iii. Low Risk — includes information that can be freely disseminated, e.g. brochures, published reports, and other printed material.

All staff are prohibited to copy, store, or distribute day-to-day operational data outside of their job requirements in order to protect both corporate operational security and its consumers' privacy. Furthermore, all computers and other information systems are set to be password-protected and passwords are required to be changed every 90 days in order to prevent any leakage of information.

In addition, the Board provides oversight of the Information Systems Policy. The Information Technology Department will report any violations to the finance director, who will then inform the Board if the need arises.

### 6.2.3 Intellectual Property Rights

The Group places a great value on intellectual property rights, and carefully adheres to intellectual property laws, including but not limited to The Trade Marks Act (Chapter 332) of Singapore, The Trademark Act of 1946 in the U.S., and applicable laws and regulations in Malaysia. The Group has a standard practice in which only genuine software can be installed on computers to avoid security vulnerabilities and legal disputes arising from software copyright. All software used on company computers is properly licensed for business use.



#### **6.2.4 Protection of Customer Data and Privacy**

The Group understands the importance of and highly values consumer data protection and privacy. Thus, the Group strictly abides by laws and regulations regarding the protection of personal data, including but not limited to Personal Data Protection Act 2012 of Singapore, Privacy Act 1974 in the U.S. and Personal Data Protection Act 2010 in Malaysia. Confidentiality and non-disclosure statements, which restrict the disclosure of any confidential information of the Group to external parties, are stated clearly in employees' labour contracts. During the course of business, all personnel are obligated to treat all sensitive personal information given by our clients with care. Customers information are collected and used in a responsible and non-discriminatory manner. The Group has taken extra measures to make our database secure and to safeguard customers' information and privacy.

During the Year, the Group was not aware of any incidents of non-compliance with laws and regulations regarding customer data and privacy protection.

#### **6.2.5 Advertising and Product Labelling**

Advertising and product labelling play a major role in communication of product and service details to customers. The Group strictly abides by the laws regarding advertising and product labelling, including but not limited to the Consumer Protection (Trade Descriptions and Safety Requirements) Act (Chapter 53) of Singapore, The Trademark Act of 1946 in the U.S., and the applicable laws in Malaysia. All public sales and marketing information are checked to ensure that it complies with relevant laws and regulations, and does not provide false or misleading information to customers in any way. The Group also sets out specific requirements on advertising and product labelling designs, methods of data collection, promotion, or any matters needing attention.

During the Year, the Group was not aware of any incidents of non-compliance with laws and regulations regarding advertising and product labelling of its products and services.

### **6.3 Quality Control Policy and Procedures**

Providing goods that meet the quality expectations of customers and end-users is the cornerstone of the Group's business and the key to its future development. Therefore, the Group strictly abides by laws and regulations regarding quality control of products, especially in product safety, including but not limited to the Consumer Protection (Consumer Goods Safety Requirements) Regulations 2011 of Singapore, Consumer Product Safety Act 1972 in the U.S., and the applicable laws and regulations in Malaysia. To minimise the occurrence of delivering defective products to customers and in turn affecting the Group's reputation in the market, the Group has formulated and implemented a Quality Control Policy, stating the key procedures in the quality control process of both furniture sales and interior design. The Group products are tested before launch, monitor and track customer feedback and act swiftly to address potential product quality or safety issues.

For its furniture sales divisions and e-commerce furniture sales division, depending on the origin of the products, the Group conducts different types of quality inspection on the product, ranging from packaging inspection to a full extent inspection. If there is a product defect upon delivery to our customers, the Group shall make a claim against our suppliers. During the Year, we were not aware of any products sold or shipped that are subject to recalls due to health and safety reasons. In addition, complaints regarding its services were received by the Group and all are dealt with in a timely and appropriate manner. However, the company has no practice of saving customer complaints thus there is no record of customer complaints on file.



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Below is a summary of the key aspects of the Quality Control Policy and Procedures for its furniture sales divisions.

### Quality Control Policy and Procedures

<b>Scope</b>	Furniture sales divisions for shipments from its new and/or underperforming suppliers in Asia
<b>Procedures</b>	<ol style="list-style-type: none"> <li>1. A random sample of approximately 2% of the completed goods shall be selected from the outgoing shipment.</li> <li>2. The selected items shall be opened and inspected visually for any defects. The quality inspector shall also inspect whether the packaging materials and method comply with our requirements.</li> <li>3. At least one piece of the selected items for inspections for each model shall be assembled to ensure that it is easily assembled and that the assembled products meet our requirements.</li> <li>4. If there are any major defects found in the random sample, a full-scale (100%) check will be conducted. We will then require the supplier to provide the necessary replacement parts to refine the products and provide replacement products or a credit note for all non-saleable products.</li> <li>5. If there are no major defects, the products shall be released for shipment.</li> </ol>
<b>Reporting</b>	The head of each division will report any underperforming suppliers to the Chief Operating Officer who will then inform the Board if the need arises.

Below is a summary of the key aspects of the Quality Control Policy and Procedures for its e-commerce furniture sales division.

### Quality Control Policy and Procedures

<b>Scope</b>	E-commerce furniture sales division for shipments out of China and other parts of Asia
<b>Procedures</b>	<ol style="list-style-type: none"> <li>1. A random sample of approximately 2% of the completed goods shall be selected from the incoming shipment.</li> <li>2. The selected items shall be opened and inspected visually for any defects. The quality inspector shall also inspect whether the packaging materials and method comply with our requirements. The inspector will also ensure that shipping marks comply with our requirements.</li> <li>3. At least one piece of the selected items for inspections for each model shall be assembled to ensure that it is easily assembled and that the assembled products meet our requirements. The inspector will also open all cartons that are damaged to inspect the products.</li> <li>4. If there are any major defects found in the random sample, a full-scale (100%) check will be made and we shall require the supplier to provide the necessary replacement parts to refine the products and provide replacement products or a credit note for all non-saleable products.</li> <li>5. If there are no major defects, the products shall be stored.</li> <li>6. From time to time, we will send our quality inspectors from our Malaysia office to perform an outgoing shipment inspection, whereby the procedure will be the same as an inspection performed at our Malaysia suppliers' factories.</li> </ol>
<b>Reporting</b>	The head of each division will report any underperforming suppliers to the Chief Operating Officer who will then inform the Board if the need arises.





Below is a summary of the key aspects of the Quality Control Policy and Procedures for interior design divisions.

#### Quality Control Policy and Procedures

<b>Scope</b>	Interior design divisions
<b>Procedures</b>	<ol style="list-style-type: none"> <li>1. The project managers will inspect all ongoing work sites at least once a week.</li> <li>2. Any defect in the workmanship found will be marked and the subcontractor will be informed immediately either in person or by a message with photo evidence showing such defects.</li> <li>3. The subcontractors will rectify any defects at the earliest possible time and will revert with a photo of the rectified matter.</li> <li>4. The project manager will follow up with the rectification of the defects at the site inspection in the following week.</li> <li>5. Before the handover, the project manager will perform an overall inspection and require rectification of all defects.</li> </ol>
<b>Reporting</b>	The head of each division will report any underperforming suppliers to the Chief Operating Officer who will then inform the Board if the need arises.

#### 6.4 Anti-corruption

The Group holds a serious attitude on and has zero tolerance for bribery, corruption, extortion, fraud and money laundering. The Group strictly abides by the Prevention of Corruption Act 1960 in Singapore, Foreign Corrupt Practices Act of 1977 in the U.S., Malaysian Anti-Corruption Commission Act 2009, and any relevant policies and regulations in every country in which it operates. Anti-Corruption, Gifts and Entertainment Policy are issued to ensure compliance with relevant anti-corruption legislations in Singapore and in every country in which it operates. This policy includes procedures on gifts and entertainment, as well as regulations for sponsorships and charitable contributions. The Group will always forgo business rather than pay bribes, and fully supports its employees in this regard. The Group offered anti-corruption training to employees and the Board covered various topics such as anti-money laundering and counter-financing of terrorism.



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The Group has adopted code of conduct that includes provisions for conflicts of interest, privacy and confidentiality of information, bribery, anti-corruption, and equal opportunities. The Group has also established detailed procedures and monetary thresholds to govern the approval and declaration of meals, gifts, entertainment, travel and accommodation, charitable contributions, and sponsorships, which are all listed in the Group's Code of Conduct and Ethics.

Furthermore, the Group has formulated a whistle-blowing policy regarding unlawful conduct and financial malpractice. In the case of violation, employees should promptly report such matters to the Audit Committee. Reports will be made confidentially or anonymously, ensuring confidentiality and the whistle-blower is protected. Once reports are received, investigations by management, internal audit, a committee set up by the Board, or external parties may be held.

During the Year, the Group was not aware of any material non-compliance with laws and regulations regarding anti-corruption.

### 7. Contribution to the Community

The Group recognises that, as a corporate citizen and member of a wider community, it has a responsibility to give back to society after devoting resources to running its company. The Group has regular meetings on when to make donations and offer assistance to various charities and community organisations. The Group gave a total of SGD2,000 to several charitable organisations during the Year. These donations support a variety of issues, including Malaysia association and education. Looking ahead, the Group will continue to seek out ways to give back to the community in order to share its growth and development with the community and succeed alongside it.



## Appendix: Content Index of ESG Reporting Guide

Indicators	Description	Chapters	Page No.
<b>Environmental</b>			
<b>A1 Emissions</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	4. Environmental Protection	5-10
KPI A1.1	The types of emissions and respective emissions data.	4.2 Emissions	6-7
KPI A1.2	Total greenhouse gas emissions and, where appropriate, intensity.	4.2 Emissions	6-7
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	4.3 Waste Generation	7
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	4.3 Waste Generation	7
KPI A1.5	Description of emissions targets set and steps taken to achieve them.	4.1 Environmental Sustainability Policy	5-6
		4.5 Emissions Mitigation and Resources Conservation	9
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction targets set and steps taken to achieve them.	4.1 Environmental Sustainability Policy	5-6
		4.3 Waste Generation	7
<b>A2 Use of Resources</b>			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	4.5 Emissions Mitigation and Resources Conservation	9
KPI A2.1	Direct and/or indirect energy consumption by type in total and where appropriate, intensity.	4.4 Use of Resources	8-9
KPI A2.2	Water consumption in total and where appropriate, intensity.	4.4 Use of Resources	8-9
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	4.1 Environmental Sustainability Policy	5-6
		4.5 Emissions Mitigation and Resources Conservation	9
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency targets set and steps taken to achieve them.	4.1 Environmental Sustainability Policy	5-6
		4.4 Use of Resources	8-9
		4.5 Emissions Mitigation and Resources Conservation	9
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	4.4 Use of Resources	8-9



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<b>A3 The Environment and Natural Resources</b>				
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	4.5	Emissions Mitigation and Resources Conservation	9
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	4.5	Emissions Mitigation and Resources Conservation	9
<b>A4 Climate Change</b>				
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.6	Climate Change	10
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.6	Climate Change	10
<b>Social</b>				
<b>Employment and Labour Practices</b>				
<b>B1 Employment</b>				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.	Employment and Labour Practices	10-15
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	5.1	Employment and Dismissal	10-11
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	5.1	Employment and Dismissal	10-11
<b>B2 Health and Safety</b>				
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3	Employee Health and Safety	12-13
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.3	Employee Health and Safety	12-13
KPI B2.2	Lost days due to work injury.	5.3	Employee Health and Safety	12-13
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.3	Employee Health and Safety	12-13



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<b>B3 Development and Training</b>				
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KPI B3.1	The percentage of employees trained by gender and employee category.	5.4	Employee Development and Promotion	13-15
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KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1	Employment and Dismissal	10-11
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<b>B5 Supply Chain Management</b>				
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KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	6.1 6.3	Supply Chain Management Quality Control Policy and Procedures	15-16 18-20
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	6.1	Supply Chain Management	15-16
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	6.1	Supply Chain Management	15-16



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Indicators	Description	Chapters	Page No.
<b>Social</b>			
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<b>B6 Product Responsibility</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	6.2 Product Responsibility 6.3 Quality Control Policy and Procedures	16-18 18-20
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	6.3 Quality Control Policy and Procedures	18-20
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	6.3 Quality Control Policy and Procedures	18-20
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KPI B6.4	Description of quality assurance process and recall procedures.	6.3 Quality Control Policy and Procedures	18-20
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	6.2 Product Responsibility	16-18
<b>B7 Anti-corruption</b>			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6.4 Anti-corruption	20-21
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	6.4 Anti-corruption	20-21
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<b>B8 Community Investment</b>			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Contribution to the Community	21
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KPI B8.2	Resources contributed to the focus area.	7. Contribution to the Community	21





**DESIGN CAPITAL LIMITED**

設計都會有限公司