

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 2020

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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 2020 and 31 December 2020 (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.

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 process, which includes identifying 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 enhance and maintain comparability of ESG performances between the years, the Group has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. For any changes in methodologies and specific standards, the Group has presented and explained in detail in corresponding sections. The Group will continue to adopt consistent methodologies as far as reasonably practicable in the future, in case of any changes that could affect a meaningful comparison of the KPIs between the years.

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

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

Tel: 6383-2222

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, mainly offering interior design services for show flats and residential units. The Group expanded its business footprint into furniture retailing in 1995, as an effort to focus on deepening the Group's commitment to offering home furnishing ideas and delivering design solutions and furniture to homeowners. As at 31 December 2020, the Group operates five points of sales in Singapore. The Group became involved in the furniture online sales industry in the U.S. in 2005. With its established network in furniture retailing and sourcing and over 20 years of experience, the Group supplies various furniture brands targeting a number 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 mission. The Group will try its best to strike the perfect balance between business development and ESG achievement, in other words, gaining business growth and development without compromising ESG performance.

The Group continues to solidify its market position in the furniture sales markets in Singapore and the U.S. and enhance its market penetration into different customer segments, while meeting its ESG standards. In order to do so as well as attain business growth and improve its financial position, the Group has deployed the following strategies:

- (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.

With such strategies as the basis of business development, the Group seeks to flourish in both fields.

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. In order 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 issues and its development. The Board is responsible for monitoring the Group's ESG strategies and reporting, ensuring that the requirements from the Board are met. 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 for managing the ESG performance of the Company. The Board has also identified potential and material issues to the business and its stakeholders, with the assistance from third-party ESG professionals. The Board has also taken part in the materiality assessment as one of the key stakeholders of the company in providing constructive opinions on the materiality of ESG issues.

3. Stakeholder Engagement

The Group attaches great importance to the management of stakeholder relations, since maintaining a positive 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 and 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 different stakeholders. The following table sets out our key stakeholders, their requirements and expectations for the Group, and the corresponding response and communication channels.

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

With the opinions and information collected from stakeholders through various channels, the Group has a better understanding on the ESG-related issues concerned by the stakeholders. The Group has also gathered the management's view on ESG-related issues through questionnaires. The information gathered, after being analysed along with materiality maps provided by well-known external institutions¹ and professional opinions from third-party professionals, helped the Group identify and prioritise ESG issues which are concerned by stakeholders and are highly related to the Group's business.

¹ The materiality maps referenced in the materiality assessment include the ESG Industry Materiality Map and the SASB Materiality Map produced respectively by MSCI and the Sustainability Accounting Standards Board (SASB).

Aspects	Material Issues
Environment	Energy Management Product Design & Lifecycle Management
Labour Practices	Occupational Health and Safety Training & Education Prevention of Child Labour & Forced Labour
Operating Practices	Quality Management Supply Chain Management Customer Health & Safety Privacy & Data Security Anti-corruption

4. Environmental Protection

The Group puts great emphasis on environmental protection and avoids causing any negative environmental impacts during the Group's 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 comprehensive rules and regulations that clearly define the rights and obligations of the Group.

4.1 Environmental Sustainability Policy

The Group views environmental sustainability as a critical factor in the Group's long-term business development and growth. Therefore, the Group has put forth an Environmental Sustainability Policy, demonstrating the Group's commitment towards environmental sustainability. Such policy covers all operation points of the Group, setting out its approach to reducing 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 volunteering for environmental causes and contribution to spreading awareness;
- iii. Encouraging employees to adopt environmentally responsible behaviour; and
- iv. Carrying out purchasing activities and interactions with vendors in an environmentally responsible manner.

In order to ensure that employees are informed and in line with the direction of the Environmental Sustainability Policy, the Group's Human Resources Department will report on the efforts to reduce resource consumption and increase environmental awareness among employees.

4.2 Emissions

Since the Group's business operations focus on furniture retailing, interior design and e-commerce, manufacturing processes are not involved and hence no industrial air and water pollutants were emitted during the Year. The major emission of the Group is the air pollutants from fossil fuel combustion of vehicles, including nitrogen oxides, sulphur oxides and suspended particulates.

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

Types ¹	2020	2019 ²
Nitrogen oxides (g)	80,413	115,164
Sulphur oxides (g)	70	92
Suspended particulates (g)	194	238

Notes:

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").
2. The data for air pollutants in 2019 is restated.

The topic of climate change has sparked heated discussions across the globe in recent years, and initiated different actions in an attempt to tackle the issue and its consequences, which have already commenced in different sectors in the society. As a global citizen putting high emphasis on environmental sustainability, the Group is also enthusiastically combating the issue. The Group's greenhouse gas emissions are mainly generated by office and warehouse operations from the several business divisions, and can be classified into three scopes: scope 1 — direct emissions from combustion of fuels in vehicles; scope 2 — energy indirect emissions from purchased electricity and purchased 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.

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

Types	2020	2019 ¹
Total greenhouse gas emission (tonnes CO ₂ e) ²	390	759
Scope 1 — direct emissions (tonnes CO ₂ e) ³	48	61
Scope 2 — energy indirect emissions (tonnes CO ₂ e) ⁴	330	669
Scope 3 — other indirect emissions (tonnes CO ₂ e) ⁵	12	29
Intensity of greenhouse gas emissions (tonnes CO ₂ e/employee)	2.86	5.27

Notes:

1. The data for greenhouse gas emissions in 2019 is restated.
2. The Group's greenhouse gas inventory includes carbon dioxide, methane and nitrous oxide. For the ease of reading and understanding, the GHG emissions data is presented in carbon dioxide equivalent (CO₂e).
3. This is calculated based on the emission factors in "EMEP/EEA air pollutant emission inventory guidebook 2019 — Update Oct. 2020" issued by EEA.

- 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.
- Scope 3 — other indirect emissions is newly added in this year’s report, and is 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 generates waste. Waste produced by the Group can be divided into non-hazardous waste and 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 takes measure for environmental protection, and manages all the waste with the goal of minimising waste generated from its operation. This is achieved through the proper collection, storage, transportation, disposal and treatment of wastes.

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

Types	2020 ¹	2019 ²
Total non-hazardous waste generated (tonnes) ³	881	91
Intensity of non-hazardous waste generated (tonnes/employee)	6.48	0.63
Total hazardous waste generated (kg)	9	37
Intensity of hazardous waste generated (kg/employee)	0.07	0.26

Notes:

- Non-hazardous waste data for 2020 has additionally included the data from the Group’s e-commerce segment in the U.S.
- The data for non-hazardous waste in 2019 is restated.
- Non-hazardous waste data is based on the volume-to-weight conversion factors provided by the U.S. Environmental Protection Agency and the daily estimated volume of general waste in offices.

4.4 Use of Resources

The Group fully understands the potential impacts resulted from the use of energy from different sources such as the emission of greenhouse gases and other air pollutants, therefore we are dedicated to reducing emissions and energy consumption throughout our daily operation in our 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)	2020	2019 ¹
Total energy consumption (MWh)	943	2,214
Vehicle fuel usage (MWh) ²	179	227
Purchased electricity (MWh)	706	1,022
Purchased heating (MWh)	58	965
Intensity of energy consumption (MWh/employee)	6.93	15.37

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Notes:

1. The data for energy consumption in 2019 is restated.
2. 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.

Further to 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 of showrooms and offices.

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

Types (unit)	2020	2019
Total water consumption (m ³)	1,071	715
Intensity of water consumption (m ³ /employee)	7.88	4.97

To facilitate the furniture retail and e-commerce business, different materials are used for packaging the furniture prior to delivering the furniture to customers. The packaging materials include plastic, styrofoam, paper and carton.

The amount of packaging material used by the Group’s operation locations in Singapore in the Year is as follows:

Types (unit)	2020	2019 ¹
Weight (kg)		
Plastic	14,070	16,323
Styrofoam	110	103
Paper	602	1,085
Intensity (kg/million SGD revenue)		
Plastic	123.12	141.56
Styrofoam	0.96	0.89
Paper	5.27	9.41

Note:

1. Data for packaging material in 2019 has been restated.

Furthermore, the Group’s operation locations in the U.S. has accounted 4,591 rolls and 10 cases of plastic packaging material and 12,394 pieces of carton in 2020, while in 2019, the aforementioned locations has accounted 6,552 rolls and 278 cases of plastic packaging material and 14,299 pieces of carton.

4.5 Emissions Mitigation and Resources Conservation

The Group is highly aware of its impacts on the environment, therefore we strive and take numerous measures in order to mitigate the emissions from different sources, subsequently reducing the Group's potential impacts on the environment.

Within the confinements of daily work and operation in offices and warehouses, a lot of work can in fact be done in order to reduce emissions. For instance, employees are encouraged to reuse paper or use paper on both sides whenever possible, set printers to default print on both sides, and monitor printing volume regularly and set print quotas for employees in order to reduce the amount of paper waste. Furthermore, the Group encourages the reuse of envelopes, folders, file cards and other stationery, as well as the use of recycled toners and ink cartridges to minimise waste production.

The Group comprehensively monitors the conditions of taps and pipes within offices and warehouses and fixes leaking or dripping taps immediately, in order to prevent any water wastage. The Group has also installed dual-flush toilets at operation sites to reduce the amount of water needed to flush toilets. Electrical appliances including lighting systems, air conditioning systems and computers are required to be switched off or put into sleep mode while not in use to reduce the energy consumption. As a supplement to this, energy efficient lighting, including T5 fluorescent lamps and LED lamps, is adopted to reduce the use of energy. During hot weather, employees are allowed to not wearing complete suits to work in order to reduce the use of air conditioning.

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

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 on the Group due to climate change. The Group 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. In turn, this may lead to a change in customer preferences in different sectors. The Group believes that it is currently facing such risk of shifting consumer preferences, and is starting to experience impacts like increased output costs for meeting consumer preferences. The Group may also be affected by decreased demand for the Group's products if the Group is unable to timely fulfill consumers' shifting preferences.

Furthermore, the Group believes that it may be affected by the risk of increased severity and frequency of extreme weather events, as caused by climate change. As a result, the Group may potentially experience increases in insurance premiums on assets since operational facilities may be damaged, while the health and safety of the workforce may also be impacted. In order to mitigate such risk, the Group maintains a comprehensive insurance coverage on assets that are prone to damage by extreme weather conditions, thereby minimising the potential maintenance and repair cost required.

5. Employment and Labour Practices

The Group recognises that employees are the cornerstone of corporate development and growth, therefore it puts great focus on human resource management to support the Group. The Group strictly abides by applicable employment and labour laws and regulations in regions that the Group operates, 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., and has established comprehensive employment rules and regulations that clearly define the scope and measures to ensure employee rights, which are specified in the Employee Handbook.

5.1 Employment and Dismissal

As an equal opportunity employer, the Group upholds the principles of fairness, transparency and market competitiveness throughout its recruitment and promotion process. The Group strictly abides by the laws related to 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., Employment Order 2009 in Brunei 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 factors are not tolerated, during the processes of both selecting candidates and considering promotion. The Group is committed to building a diverse and inclusive work environment, and strives to provide equal opportunities to employees.

The Group strictly prohibits the employment and use of 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, as well as Employment Order 2009 in Brunei, and thereby prohibits any use of child labour or forced labour in its business operations and insists on zero tolerance towards any form of child labour or forced labour. Before hiring any job applicant, the Group's Human Resources Department will verify their age by checking documents that prove the age of the applicant and ensure that the applicant's appearance is consistent with the photograph on the ID card. Furthermore, the Group's whistle-blowing policy provides employees with a channel to report against any illegal practices which, if proven, the Group will put in place appropriate penalties and punishments.

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As of 31 December 2020, the Group has 136 full-time employees in total. Detailed employment status of the Group by business division is as follows:

Indicators	2020	2019
Total number and percentage (%)		
By gender		
Male	59(43)	64(44)
Female	77(57)	80(56)
By age		
Below 30	28(21)	33(23)
30–50	74(54)	75(52)
Above 50	34(25)	36(25)
By geographical location		
Singapore	96(70)	106(74)
The U.S.	23(17)	23(16)
Malaysia	12(9)	10(7)
Brunei	5(4)	5(3)
By employment type		
Full-time	136(100)	144(100)
Part-time	0(0)	0(0)
Total number resigned and turnover rate (%)		
By gender		
Male	24(41)	17(27)
Female	12(16)	19(24)
By age		
Below 30	16(57)	15(45)
30–50	13(18)	16(21)
Above 50	7(21)	5(14)
By geographical location		
Singapore	27(28)	33(31)
The U.S.	9(39)	3(13)
Malaysia	0(0)	0(0)
Brunei	0(0)	0(0)

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 the contract termination process of an employee. 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 an employee's compensation and welfare package, the Group provides insurance in different aspects for its employees, including medical insurance, travel insurance and vehicle insurance. The Group also provides transport reimbursement and allowance 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 rearranged in advance on another day in the same month, or within 30 days after the previously scheduled day off. Furthermore, on top of the statutory holidays as declared by different countries where we operate, employees are entitled to various leaves for different occasions, including paid annual leaves, medical leaves, hospitalisation leaves, maternity leaves, paternity leaves, childcare leaves, marriage leaves and compassionate leaves.

The Group believes that well-developed cohesion within the Group and good bonding between employees will greatly benefit the Group's development as this motivates employees to strive for the Group. Therefore, the Group strives to regularly organise activities for employees, so as to provide employees with some relaxation out of work on one hand, and on the other hand improve the communication effectiveness between employees. Unfortunately, due to the coronavirus disease ("COVID-19") pandemic, the Group was unable to organise employee activities during the Year. However, the Group will continue to look for different opportunities to enhance the bonding and relationships between employees in the future.

5.3 Employee Health and Safety

The COVID-19 pandemic has adversely affected the world across all sectors. While the Group was also impacted during the COVID-19 pandemic, the Group responded and reacted swiftly against the COVID-19 pandemic and implemented various policies and measures to counteract any further impact. The Group formulated the Safe Management Plan, which covers the Group's key business risks and operational risks regarding COVID-19, including human resources management, processes and business functions, supplier and customer management, and internal and external communications. The Plan has set out measures to minimise physical interactions between employees, such as implementing staggered working hours and requiring employees to put on face masks at all times, so as to minimise the risks of disease spreading within office premises.

The Group also 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 and Workplace Safety and Health (Risk Management) Regulations in Brunei. 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 has also formulated its Health, Safety and Welfare Policy which states that the Group attributes the utmost importance to the health, safety and welfare of its employees and those for whom it provides a service. The Group endeavours to ensure that, so far as is reasonably practicable, its operations and services are conducted in such a manner as to prevent harm, injury, or damage to people, plant, materials, property and the environment, while promoting continuous improvement in health safety and welfare standards. In addition, the Group has purchased insurance policies in relation to work injury so as to provide a mean of compensation in case of any work-related injury occurring.

During the Year, the Group had no work-related injuries, and no work-related fatalities has occurred in the past three years.

5.4 Employee Development and Promotion

The Group places great emphasis on the development and training of its employees, since it would like its employees to share the fruit of their development together with the Group. The Group has formulated a Training Policy in order 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 of setting 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 the Human Resources Department, where the proposal for training is reviewed and put into the training schedule. The Group provides both in-house and external training programmes so as to ensure that every staff member continues to acquire the skills and knowledge necessary for them to improve. This provides employees with tailor-made training sessions, thereby making more efficient use of the training resources. If there are material training lapses that are not in line with its ordinary course of business, the Chief Executive Officer shall report to the Board and make recommendations to improve the performance. 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;
- Workplace safety and health; and
- Accounting standards.

In order to keep track of employees' growth and development, the Group holds annual performance reviews for employees as an opportunity to receive increased remuneration in the form of salary increase and promotion. For cases of employees with exceptional performance, out-of-cycle salary increases may also be warranted. The Group also provides performance bonus to employees based on the Group and the employee's performance, at the discretion of the Group.

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 results in reduced 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. The Group strives to comprehensively enhance its overall social performance and therefore achieve sustainable development.

In a rapidly developing business environment, the Group has put much focus on the operating practices of businesses and how to meet its ESG mission, especially since ESG has been an ever-growing topic amongst corporations. The Group spares no effort in optimising its business operations through efficient supply chain management, closely monitoring its products and service quality, earnestly serving its customers and behaving ethically in the market.

6.1. Supply Chain Management

The Group recognises the importance of reliable and reputable vendors and suppliers since high-quality products and services are keys to the success of the Group. The Group also puts great emphasis on the environmental protection of its suppliers. In order to continuously maintain products and services at a high quality that can meet the requirements of customers, the Group has formed its own criteria for vendor selection in 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 online background search, factory visits and quality inspection visits, on whether the new vendor can meet the requirements imposed by the Group.

To ensure that the vendors in use are able to maintain its quality and high standard of goods and services, the Group's procurement teams 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 divisions. 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.

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. We periodically request suppliers to submit reports regarding their environmental and social compliance, e.g. 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. With such, the Group prioritises suppliers with good performances stated in such reports, and looks to mitigate the environmental and social risks along its own supply chain.

During the Year, the Group has a total of 571 suppliers from different regions, with the major suppliers coming from China, Malaysia and Italy.

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 numerous 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 way of emails, telephone, in person, or through our website. The mechanism also sets out that sales executives and call centres normally resolve the complaints or refer them to the store manager or the head of sales for further handling. In resolving complaints, the Group may consider offering product repairs, exchanges, credit notes, gift vouchers, cash refunds or replacement 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 facts of each individual complaint.

6.2.2 Information Security

The Group provides employees with Information Technology systems to enable them to carry out their tasks. However, the potential risks associated with the use of different information systems must not be neglected. 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., Personal Data Protection Act 2010 in Malaysia and Data Protection Policy 2014 in Brunei. In order to mitigate the risks associated with the use of such systems, the Group has formulated and implemented an Information Systems Policy, setting out comprehensive guidelines to safeguard information safety.

Information is classified into three different categories, where different access barriers are set up to protect information:

- i. High Risk — includes information assets which are legally privileged and the disclosure of which may result in financial penalties, e.g. payroll and financial information;
- ii. Medium Risk — includes confidential data which would not impose losses on 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 required not to copy, store or distribute day-to-day operational data outside of their job requirements in order to protect both corporate operational security and the privacy of the Group's customers. 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 Group's Board of Directors provides oversight of the Information Systems Policy. The Information Technology Department will report any violations to the finance director, who will inform the Board if the need arises.

6.2.3 Intellectual Property Rights

The Group holds high importance for intellectual property rights, therefore it strictly abides by laws relating to intellectual property, including but not limited to The Trade Marks Act (Chapter 332) of Singapore and The Trademark Act of 1946 in the U.S., and the applicable laws and regulations in Malaysia and Brunei. The Group has 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., Personal Data Protection Act 2010 in Malaysia and Data Protection Policy 2014 in Brunei. 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. All employees are required to handle all sensitive personal information provided by our customers during the course of the business with due care. Through restricting the use of customer information to purposes consistent with those identified in contracts only, customer information are collected and used in a responsible and non-discriminatory manner.

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

6.2.5 Advertising and Product Labelling

Advertising and product labelling play major roles in communication of product and service details to customers, therefore it is taken under great care. 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 and The Trademark Act of 1946 in the U.S., and the applicable laws and regulations in Malaysia and Brunei. All public sales and marketing information are checked to ensure that it complies with relevant laws and regulations, and does not provide false information or mislead customers in any way.

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 and Consumer Product Safety Act 1972 in the U.S., and the applicable laws and regulations in Malaysia and Brunei. 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, which states out the key procedures in the quality control process of both furniture sales and interior design.

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 products, ranging from packaging inspection to a full extent inspection. In the event that 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.

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

Scope	Furniture sales divisions for shipments from its new and/or underperforming suppliers in Asia
Procedures	<ol style="list-style-type: none"> 1. A random sample of approximately 2% of the completed goods shall be selected from the outgoing shipment. 2. The selected items shall be opened and inspected visually for any defects. The quality inspector shall also inspect that the packaging materials and method are compliant with our requirements. 3. For each model, at least one piece of the selected items for inspection shall be assembled to ensure that it is easily assembled and that the assembled products meet our requirements. 4. If there are any major defects found in the random sample, a 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. 5. If there are no major defects, the products shall be released for shipment.
Reporting	The head of each division will report any underperforming suppliers to the Chief Operating Officer who will inform the Board of Directors if the need arises.

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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

Scope	E-commerce furniture sales division for shipments out of the P.R.C. and other parts of Asia
Procedures	<ol style="list-style-type: none">1. A random sample of approximately 2% of the completed goods shall be selected from the incoming shipment.2. The selected items shall be opened and inspected visually for any defects. The quality inspector shall also inspect that the packaging materials and method are compliant with our requirements. The inspector will also ensure that shipping marks are compliant with our requirement.3. For each model, at least one piece of the selected items for inspection 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.4. If there are any major defects found in the random sample, a 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.5. If there are no major defects, the products shall be stored.6. From time to time, we will send our quality inspectors from our Malaysian office to perform an outgoing shipment inspection. For such inspection, the procedure will be the same as an inspection performed at our Malaysian suppliers' factories.
Reporting	The head of each division will report any underperforming suppliers to the Chief Operating Officer who will inform the Board of Directors if the need arises.

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

Quality Control Policy and Procedures

Scope	Interior design divisions
Procedures	<ol style="list-style-type: none">1. The project managers will inspect all ongoing work sites at least once a week.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 a photo showing such defects. Photos shall be sent via mobile phones.3. The subcontractors will rectify any defects at the earliest possible time and will revert with a photo of the rectified matter. Photos shall be sent via mobile phones.4. The project manager will follow up with the rectification of the defects at the next site inspection in the following week.5. Prior to handover, the project manager will perform an overall inspection and require rectification of all defects.
Reporting	The head of each division will report any underperforming suppliers to the Chief Operating Officer who will inform the Board of Directors if the need arises.

6.4. Anti-corruption

The Group takes a serious view and has zero tolerance on bribery, corruption, extortion, fraud and money laundering. The Group strictly abides by the Prevention of Corruption Act 1988 in Singapore, Foreign Corrupt Practices Act of 1977 in the U.S., Malaysian Anti-Corruption Commission Act 2009, Prevention of Corruption Act (Chapter 131) in Brunei, and any relevant policies and regulations in every country in which it operates, and has issued its Anti-Corruption, Gifts and Entertainment Policy in order to ensure compliance with relevant anti-corruption legislations in Singapore and overseas. This policy includes procedures on gifts and entertainment, as well as regulations for sponsorships and charitable contributions. The established policy extends to all business dealings of the Group in every country in which it operates. The Group will always forgo business rather than paying bribes, and fully supports its employees in this regard.

The Group has 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 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. Any employee who believes that a violation of this policy has occurred should promptly report such conduct to the Audit Committee. Reports may be made confidentially or anonymously, and confidentiality is protected heavily. Once reports are received, investigations by management, internal audit, a committee set up by the Board of Directors 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 understands that as a corporate citizen and part of a larger society, the Group should bear the responsibility of giving back to the society after taking resources to maintain its business operations. Therefore, the Group regularly holds sessions where we make donations and provide support to different charities and community groups. During the Year, the Group has donated a total of SGD26,000 to different charitable organisations, including to the Singapore Road Safety Council, Assisi Hospice, and UOB Chinese New Year Charity. These charitable organisations aim for different causes, such as raising awareness towards road safety, palliative care and supporting art, children and education development. Looking forward, the Group will continue to look for opportunities to contribute to the community, as a bid to share the Group's growth and development with the community, as well as prosper together with the society.

Appendix: Content Index of ESG Reporting Guide

Indicators	Description	Chapters	Page No.
Environmental			
A1 Emissions			
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	5-9
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.	4.5. 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.	4.3. Waste Generation	7
A2 Use of Resources			
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 intensity.	4.4. Use of Resources	7-8
KPI A2.2	Water consumption in total and intensity.	4.4. Use of Resources	7-8
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	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.	4.4. Use of Resources	7-8
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	4.4. Use of Resources	7-8

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Environmental			
A3 The Environment and Natural Resources			
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
A4 Climate Change			
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	9
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	9
Social			
Employment and Labour Practices			
B1 Employment			
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	10-13
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
B2 Health and Safety			
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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Social			
Employment and Labour Practices			
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.4. Employee Development and Promotion	13
KPI B3.1	The percentage of employees trained by gender and employee category.	No relevant disclosure for the Year.	/
KPI B3.2	The average training hours completed per employee by gender and employee category.	No relevant disclosure for the Year.	/
B4 Labour Standards			
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 preventing child and forced labour.	5.1. Employment and Dismissal	10-11
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	5.1. Employment and Dismissal	10-11
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	5.1. Employment and Dismissal	10-11
Operating Practices			
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	6.1. Supply Chain Management	14
KPI B5.1	Number of suppliers by geographical region.	6.1. Supply Chain Management	14
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. Supply Chain Management; 6.3. Quality Control Policy and Procedures	14 17-18
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	14
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	No relevant disclosure for the Year.	/

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Operating Practices			
B6 Product Responsibility			
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	15-16 17-18
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	17-18
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	No relevant disclosure for the Year.	/
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	6.2. Product Responsibility	15-16
KPI B6.4	Description of quality assurance process and recall procedures.	6.3. Quality Control Policy and Procedures	17-18
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	6.2. Product Responsibility	15-16
B7 Anti-corruption			
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	19
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	19
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	6.4. Anti-corruption	19
KPI B7.3	Description of anti-corruption training provided to directors and staff.	No relevant disclosure for the Year.	/
Community			
B8 Community Investment			
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	19
KPI B8.1	Focus areas of contribution.	7. Contribution to the Community	19
KPI B8.2	Resources contributed to the focus area.	7. Contribution to the Community	19

DESIGN CAPITAL LIMITED

設計都會有限公司