



Far East Group Limited

Resilient and
Sustainable
Future

SUSTAINABILITY REPORT 2022

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This sustainability report has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). This sustainability report has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this sustainability report including the correctness of any of the statements or opinions made or reports contained in this sustainability report.

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Board Statement

Far East Group Limited (“**Far East Group**”, and together with its subsidiaries, the “**Group**”) is pleased to publish our sustainability report (the “**Report**”) for the financial year ended 31 December 2022. Sustainability considerations are key to our long-term business strategy and we appreciate the opportunity to present our achievements and ambitions.

The board of directors (the “**Board**”) is responsible for the oversight of the sustainability agenda and strategy and has been involved in the determination of the material factors.

While it is not mandatory for Far East Group to provide climate-related disclosures in our industry, the Group intends to establish a roadmap for alignment with the Task Force on Climate-related Financial Disclosure (“**TCFD**”) framework. Relevant TCFD climate disclosures are still in progress, and will be considered in future reporting periods. The management will establish processes and procedures for identification and assessment of climate-related risks and opportunities to include relevant physical and transitional risks, as well as opportunities. Impact of such climate-related risks and opportunities would also be measured and enhanced.

The Group is committed to strengthening its resilience toward a more sustainable future. Embedding sustainability into each business segment would enhance and expedite our overall objective for the Group to significantly lower our overall carbon emissions. The year 2022 is the first year the Group embarks on our journey towards meeting the Greenhouse Gas Emissions (“**GHG**”) targets and it will be the baseline year for future references. Scope 2 would be more immediately addressed based on available source data on energy consumption while Scope 1 would be explored and addressed in the following year. Scope 3 would be a challenge as it is generally not within the Group’s control or more difficult to compute, but we commit to work with our partners to develop a better understanding and aim to work with them to reduce the carbon emissions in this area together.

The management has formed a sustainability council that works under the guidance of the Board to ensure that sustainability practices are executed across the different business units. With the assistance of the sustainability council, the Board has determined the Environmental, Social and Governance (“**ESG**”) factors that are material for the continuity of the Group’s business.

Our material factors are categorised into three key segments:

- ❖ Environment
- ❖ People
- ❖ Marketplace

Environment

The refrigeration and air-conditioning industry can play a significant role in reducing its impact on the environment. The phasing out of harmful gases and development of energy-efficient products are two areas that can yield mutual benefit to both our business and society at large, and the Group has been working towards achieving these objectives.

People

We recognise that our people are key drivers for our success. We place great emphasis on nurturing them by enhancing their training and development and taking care of their health and safety.

Marketplace

It is our responsibility to exceed expectations of our stakeholders in the market. We strive to do so by delivering high-quality and safe products, maintaining financial stability, promoting ethical behaviour and tackling the risk of cybersecurity through robust policies and measures.

We would like to thank our staff for their hard work in contributing to this Report and a successful year for the Group.

Board of Directors

25 April 2023

About this Report

Scope and Boundary

This Report covers our sustainability practices and performance for the financial year ended 31 December 2022 (“FY2022”). This Report covers all significant subsidiaries in the Group across the markets which the Group operates in, namely Singapore, Malaysia, Vietnam, Indonesia, Hong Kong and China unless otherwise stated. A list of entities excluded from this Report and reasons for their exclusion are disclosed below. Entities where the Group does not have operational control are also excluded. All figures are represented in Singapore dollars. There were no significant changes to the Group’s segments, value chain and other business relationships during the reporting period compared with the previous year.

Entities	Country	2022 Effective Interest (%)	Reason for Exclusion
RSP Systems Pte Ltd	Singapore	80%	Size by revenue and asset is immaterial
GPS Compressor Services & Parts Pte Ltd	Singapore	100%	Size by revenue and asset is immaterial
Edenkool Pte Ltd	Singapore	100%	Size by revenue and asset is immaterial
Far East Maju Engineering Works Sdn. Bhd.	Malaysia	100%	Dormant Company
Far East Enterprises (K.L.) Sdn. Bhd.	Malaysia	100%	Dormant Company
Far East Enterprises (Penang) Sdn. Bhd.	Malaysia	94%	Dormant Company
FE & B Engineering (M) Sdn. Bhd.	Malaysia	100%	Dormant Company
Safety Enterprises Sdn. Bhd.	Malaysia	100%	Dormant Company
Green Point Compressor Services & Parts Sdn. Bhd.	Malaysia	100%	Size by revenue and asset is immaterial
Coolwerkz Engineering Limited	Myanmar	60%	Size by revenue and asset is immaterial

* Definition of immateriality for entities excluded refers to entities having both revenue and net asset value less than SGD 1 million.

This Report has been prepared in compliance with Rules 711(A) and 711(B) of the Listing Manual B: Rule of Catalist of the SGX-ST, and with reference to the Global Reporting Initiative (“GRI”) Universal Standards 2021, which is a globally recognised sustainability reporting framework, and its reporting principles are relevant to the Group’s business.

The Report identifies the ESG factors which are material to the Group. The policies, practices, performance and targets follow on from our report last year, reporting on our material factors covering primarily the Group’s operations.

External assurance and feedback

We have not obtained external assurance for this Report. We engaged PricewaterhouseCoopers Risk Services Pte. Ltd. (“PwC”) to conduct an internal review on the Group’s sustainability reporting framework and processes. We relied on our internal verification processes to validate the accuracy of our reporting. Nevertheless, we plan to seek external assurance in future. We are fully committed to listening to our stakeholders and we value your feedback. Should you have any questions about this Report, please feel free to reach us at info@fareastref.com.sg.

Corporate Profile

About us

Far East Group is headquartered in Singapore and listed on the Catalist board of SGX-ST since 8 August 2011. We are one of the pioneers in the refrigeration and air-conditioning businesses in Singapore. We have built a strong network to become a leading comprehensive provider of refrigeration and air-conditioning systems, products and solutions to various industries in Southeast Asia (“**SEA**”) and the People’s Republic of China (the “**PRC**”), and also distribute air-conditioning products and contracting and installation of air-conditioning systems in Singapore.

Supply chain, activities, brands and products

Far East Group is a major **Wholesaler and Distributor** regionally, representing multiple internationally renowned brands of products such as Bitzer, Danfoss, Schneider-Eliwell, Emerson, etc., for the refrigeration and air-conditioning market. The Group provides end-to-end solutions offering a full suite of services ranging from consultation, engineering design, equipment supplies, commissioning and aftersales support. Its products are used in a diverse range of industries such as hypermarkets, cold store distribution centres, food processing and catering facilities, hotels, hospitals, food and beverage establishments, convenience stores, petrol stations, marine vessels, oil rigs and barges.

The Group’s **Manufacturing** segment has also established itself as one of China’s leading providers of a comprehensive range of quality energy-efficient heat-exchangers, compressor rack systems and condensing units under our own brands “Eden” and “ELITE”.

Eden products are manufactured by Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. (ISO9001:2015) which produces international standard heat exchangers using the latest design and heat transfer technology in manufacturing a wide range of unit coolers, brine coolers, condensers and custom coils for Commercial, Industrial and Marine applications. All unit coolers and air-cooled condensers are Conformité Européenne (CE) certified and in compliance with the listed European Directives BS EN 60204-1:2006+A1:2009 on safety guidance on machinery.

ELITE’s compressor rack systems, outdoor packaged refrigeration units and condensing units are designed according to standards widely used in low-temperature storage, food processing, slaughtering processing, chemical, agricultural products processing, cold chain logistics, hospitals, supermarkets and other fields.

Our **Engineering & Solutions** segment provides sound engineering solutions in our system designs to meet customer needs and requirements, and to know that every engineering challenge has an ultimate solution drives us forward towards excellence.

M-Tech Air-Con & Security Engineering Pte Ltd (“**M-Tech**”), established since 1993 in Singapore, is an Air-Conditioning and Mechanical Ventilation (“**ACMV**”) service provider for residential and commercial buildings, with vast experience and technical expertise in the design, supply and install of ACMV and electrical systems. M-Tech is a registered contractor with the Building and Construction Authority of Singapore (BCA) certified with Air-conditioning, Refrigeration & Ventilation Works (ME01–L5), Communication & Security Systems (ME04–L1) and Electrical Engineering (ME05–L1) certifications.

RSP Systems Pte Ltd in Singapore is the System Integration arm of Far East Group. It specialises in providing a host of monitoring systems ranging from temperature monitoring, energy and resource monitoring, alarms management, and asset management system tools - incorporating Internet of Things (IoT) devices from Eliwell, Schneider Electric and other third-party devices. These systems allow for quick deployment, full system management control and data analytics for troubleshooting and improve efficiency of any refrigeration of Heating, Ventilation, Air-conditioning and Refrigeration (“**HVAC&R**”) system.

Markets served

Far East Group has a strong customer base comprising distributors, dealers as well as refrigeration and air-conditioning contractors. The Group has subsidiaries in Singapore, Malaysia, Hong Kong, Vietnam, Indonesia, Myanmar and China, as well as distributors in the SEA region and also in other countries such as Mauritius, Australia, Turkey and Sri Lanka. The Group is a leading distributor of commercial and light industrial refrigeration systems and products in SEA and a manufacturer of heat-exchangers and condensing units in the PRC. It is also an engineering solutions provider in the HVAC&R and ACMV industries.

Sustainability at Far East Group Limited

Our vision and values

Sustainability considerations have always been rooted in the values of Far East Group.

The Group's vision is to have a highly motivated and inspired team, working in unison towards leadership, striving for excellence through quality and technology, and being ever sensitive and responsive to its employees, customers and the society in which we live.

We are cognisant that our stakeholders are increasingly taking notice of the ESG impact of our activities, and we view this as an excellent opportunity to assess our business from the lens of sustainability and structure our efforts based on the approach of materiality.

Stakeholder engagement

We place great value on our relationship with our set of diverse stakeholders and we are committed to engaging with them regularly. By maintaining an open dialogue with all of our stakeholders, we are better able to understand and align their needs in our business decisions. We identify and prioritise stakeholders based on their dependence and influence on our business.

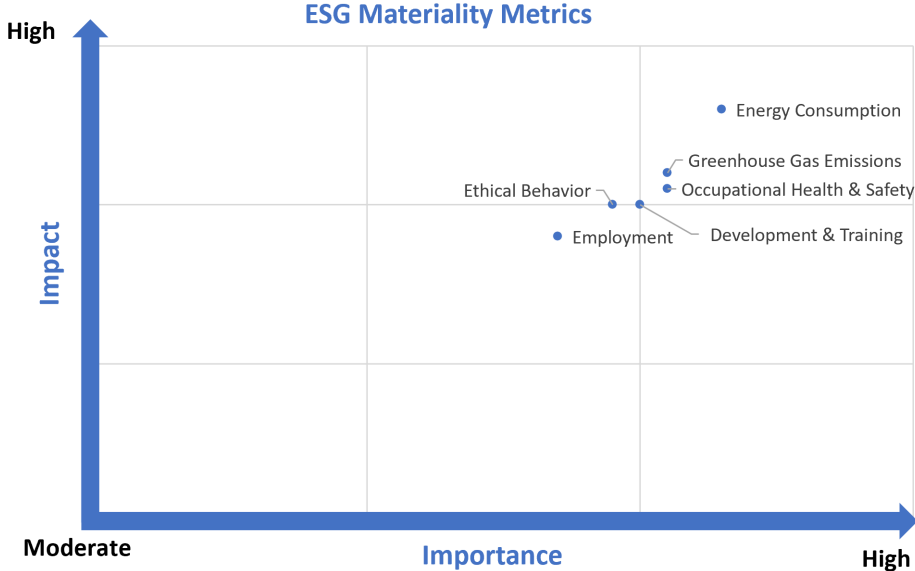
Key Stakeholders	Frequency	Modes of Engagement	Topics raised	Our Response
Employees	<ul style="list-style-type: none"> - Annual - Ad hoc 	<ul style="list-style-type: none"> - Appraisals - Exit interviews - Casual open feedback - Internal meetings and discussions 	<ul style="list-style-type: none"> - Welfare and benefits - Health and safety - Training and development 	Refer to People segment of this Report
Investors	<ul style="list-style-type: none"> - Bi-annual - Ad hoc 	<ul style="list-style-type: none"> - Shareholders' and investors' meetings - Corporate announcements and circulars - Half-yearly results announcements - Annual reports - Email and phone communication - Website at http://www.fareastgroup.com.sg 	<ul style="list-style-type: none"> - Financial stability - Long term value - Growth and markets strategy - Corporate governance and sustainability practices 	Refer to Marketplace segment of this Report and our annual report
Customers	<ul style="list-style-type: none"> - Annual - Ad hoc 	<ul style="list-style-type: none"> - Customer feedback survey - Conferences and industry sessions - Individual meetings - Email and phone communication 	<ul style="list-style-type: none"> - Product quality and safety - Energy efficient products - Competitive pricing 	Refer to Marketplace segment of this Report
Regulators/ Government	<ul style="list-style-type: none"> - Regularly 	<ul style="list-style-type: none"> - On-site inspections - In-person meetings 	<ul style="list-style-type: none"> - Compliance with environmental regulations 	Refer to Environment and People

Key Stakeholders	Frequency	Modes of Engagement	Topics raised	Our Response
			<ul style="list-style-type: none"> - Labour standards compliance - SGX listing requirements 	segments of this Report
Suppliers	<ul style="list-style-type: none"> - Ad hoc 	<ul style="list-style-type: none"> - Conferences and industry sessions - In-person meetings - Vendor assessments 	<ul style="list-style-type: none"> - Product quality - Environmental requirements 	Refer to Marketplace and Environment segments of this Report

Materiality assessment

Our materiality assessment was performed in line with the GRI reporting principles to identify the material factors relevant to the Group’s activities. We have collated feedback from stakeholders and reviewed sustainability factors identified by our peers to short-list potential material factors. We further engaged our employees through a survey to understand what areas they consider having the greatest impact on our environment, people and society.

Despite not having any significant changes to the Group’s structure nor value chain and other business relationships in the reporting period as compared with the previous year, a workshop with various key management was conducted where the material factors were reviewed and the materiality of these factors re-assessed in FY2022. This allows the management to be updated on relevance of the ESG targets previously determined and assessed. The materiality factors which were ranked high in impact and importance are reflected in the chart below.



It is determined the materiality factor of “Green Products” be replaced with “Energy Consumption” as the latter is deemed more tangible for tracking and reporting as both relate to the importance of energy consumption and emission. While Green Products remain the focus of the Group’s research and development efforts, improvements and development may take a longer time to show progress. It is also not practical to launch new product lines on an annual basis in our business, unlike consumer goods.

Energy Consumption is more relevant and reflective of the Group’s target to meet Scopes 1 and 2 GHG targets and it also aligns with the TCFD framework. The Group aims to implement measures to reduce the consumption of energy. While definitive long-term targets have yet to be finalised, workshops and discussions have been carried out internally to discuss ways in which such targets can be set.

We have identified the following factors which are material to the Group, which have been prioritised and validated by the Board through the discussions with the management:

Material Factors	Corresponding GRI Standards	Impact Boundary
Environment		
Environmental compliance	Environmental compliance	All facility operations
Energy consumption	Energy consumption	All facility operations
People		
Human capital development	Employment Development and training	Office and facility employees
Occupational health and safety	Occupational health and safety	Employees and sub-contractors
Marketplace		
Product quality, health and safety	Customer health and safety	Suppliers and facility operators
Cybersecurity	Customer privacy	Office operations
Business Ethics	Anti-corruption	All operations
Financial stability	Economic performance	All operations

Governance of sustainability

At Far East Group, we have established a sustainability council in order to oversee the development of the Group's sustainability strategy, sustainability performance and monitoring, as well as the production of this Report. In consultation with our Board, the sustainability council organises information provided by operational teams in order to develop and evolve our sustainability strategy. The sustainability council is led by our Chief Financial Officer (“CFO”) and includes senior management executives from different teams including production and logistics, sales, and human resources, amongst others.

Board of Directors

Responsible for reviewing and approving any policies and procedures established, as well as oversees the Sustainability Reporting processes and the overall direction of the Group's business strategies.

Sustainability Council (Led by CFO)

Oversees the development of the sustainability strategy, sustainability performance and monitoring, as well as the production of the Sustainability Report. In consultation with the Board, the Sustainability Council organises information provided by the functional teams in order to develop and evolve the sustainability strategy.

Functional Teams (Finance, Legal, Human Resources, Sales & Marketing, Product Quality, Health, Safety and Environment)

Work with staff members (such as R&D Colleagues in China for work products, Sales and Purchasing for reports and feedback from suppliers and customers, safety requirements, etc.) to provide insights and relevant data for the Sustainability Report.

Environment

Environmental compliance

Why it is material

The HVAC&R industry can play a significant role in achieving the objectives of the Montreal Protocol (1987), which aims to protect human health and the environment by systematically phasing out of the production and consumption of ozone-depleting substances. Various other global and national commitments towards climate change are disrupting businesses across the industry value chain. We view these requirements as opportunities to evolve, be innovative and be adaptive to the changing demands of the market.

Management approach

We are constantly working towards the National Environment Agency's targets for phasing out ozone-depleting gases from our products. For example, we do not sell chlorofluorocarbons refrigerants. We have also developed a phased plan to meet the local requirements pertaining to the phasing out of ozone-depleting gases in accordance with the regulations of the countries we operate in.

In addition, whenever we perform a retrofitting due to a change in refrigerants, we advise our customers to use recovery units instead of letting out the gases into the environment. Furthermore, we actively participate in seminars and conferences to educate end-users on environmental concerns with phased-out refrigerants and the available alternatives in the market.

We follow similar environmental compliance standards across other countries of operations. In our manufacturing facility in China, we do not allow spray painting and are mindful of local compliance requirements when we recover raw material and dispose of chemical products.

Performance

We have not had any non-compliance with environmental laws and/or regulations and have not received any significant fines and/or non-monetary sanctions in FY2022 (FY2021: Nil). As at the end of FY2022, most of the new gases such as R448, R449A and natural gases can be used in our equipment for commercial applications.

Targets

We strive to continue to meet and maintain our roadmap for the phasing out of refrigerant gases and maintain our zero record for environmental-related fines in FY2023.

Energy consumption

Why it is material

The refrigeration and air-conditioning industry can create a significant impact on global energy consumption and emissions.

Management approach

With a long-term vision, we closely monitor global regulations so as to be prepared for the transition in the market. We are moving towards a greater mix of more energy-efficient products with our in-house Green Programme, which is central to our innovation and product development strategy. The next phase of our product development is in the area of using more environmentally friendly and natural gases such as ammonia and carbon dioxide as refrigerants, as they have Ozone Depletion Potential (ODP) of zero and a

low Global Warming Potential (GWP) to support the building of larger cold storages and logistics warehouses which will enhance food security.

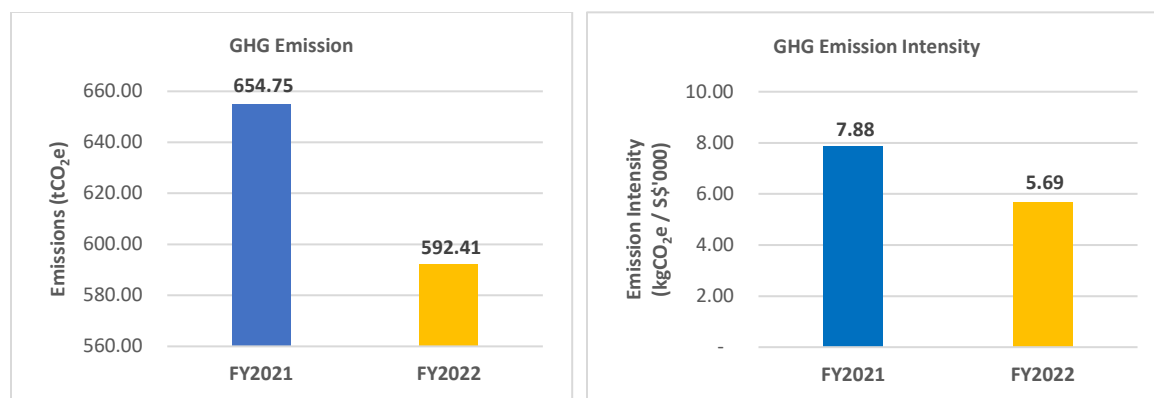
In addition, our product offerings combine different elements including equipment, controls and system designed to offer a comprehensive solution for improving energy performance and efficiency. Gradually, we will also be selling products that help to monitor the consumption of energy.

We recognise that we can enhance our impact by spreading awareness and knowledge to our customers and the market. Within our service centre, we have an innovation centre where we display and promote high energy efficiency products as well as smart monitoring systems.

Our approach is based on tracking the energy consumption, and subsequently, the emissions of GHGs. At the point of preparing this Report, there is insufficient data across the Group, especially against the prior year in terms of GHG tracking. The collection of such data will be enhanced and reported on in FY2023 report. In line with transiting to a lower-carbon economy, FY2022 will be used as the base year for the Group’s tracking of and reporting its energy consumption and GHG emissions.

Performance

In FY2022, the Group’s energy consumption stood at 2,318 MWh as compared with approximately 2,463 MWh in FY2021. This represents GHG emissions of approximately 592 tonnes of CO₂e in FY2022 as compared with 655 tonnes of CO₂e in FY2021. GHG emission intensity is computed against revenue of the Group. With the increase in revenue in FY2022 and a reduction in GHG emission, the GHG emission intensity has decreased from 7.88kg/S\$’000 in FY2021 to 5.69kg/S\$’000 in FY2022 (represented in the chart below).



As an update to FY2021’s sustainability report, majority of the installation for the project to design, supply and install 6-storey industrial building processing meat products with an industrial CO₂ refrigeration and heat recovery system has been completed and is undergoing commissioning and testing at the time of this Report.

Targets

We aim to continue improving the energy efficiency of plants and offices across the Group. In addition, GHG emissions targets will be finalised and strategies to work towards those targets be implemented. Details will be disclosed in the FY2023 report.

People

As a relatively small organisation with operations in distribution, manufacturing and engineering, it is vital for us to maintain good succession planning and high retention of our staff. We strive to meet this objective by providing training development opportunities and ensuring safety of our employees at the workplace.

Headcount of employees for the Group as at 31 December 2021 and 2022

	Male		Female		Total	
	FY2021	FY2022	FY2021	FY2022	FY2021	FY2022
Permanent Contract	260	277	111	105	371	382
Temporary Contract	1	3	0	0	1	3
Full-time	260	277	111	105	371	382
Part-time	1	3	0	0	1	3

Human capital development

Why it is material

Human resource has been a rising concern in our industry over the past few years, especially since the onset of the COVID-19 pandemic. There have been restrictions on the inflow of human capital and also increase in costs of human resources. These restrictions expose our business to the risks of not being able to find the right talent and not being able to effect a sound succession roadmap. High turnover rates can also lead to rising training costs and a decline in overall productivity and morale of the organisation.

Management approach

Attracting the right talent, nurturing their career growth, and providing them with the right benefits and incentives are some actions that can create a more stable, equipped and inspired workforce.

Training and development

Training and development is a core focus of managing our human capital. Individual development plans comprising training needs are created for all employees at the department level, and are monitored as part of the annual appraisal cycle. Induction training is offered to all new employees and skills-based training is offered on a need basis. With the respective easing of COVID-19 related restrictions, human capital flow has gradually resumed albeit with higher costs. In-person training for various departments has also resumed, especially for the staff in the Engineering & Solutions segment, albeit at a higher cost. There is also a greater variety of courses held virtually as well. Some of the key trainings attended by employees during FY2022 include:

- Operate Scissor Lift Course
- Operate Boom Lift Course
- Air-Conditioning Ducting Installation for Coretrade
- Manage Work at Height
- Apply Workplace Safety and Health in Metal Work (MSOC)
- Apply Workplace Safety and Health in Construction Sites
- Effective Business Writing: A Skill for Administrative Support Professionals



Benefits and wellness

We offer our employees with necessary health and insurance benefits. In FY2022, although most employees returned to the office, flexible work arrangements were still allowed depending on the nature of work of the respective employees. These include work from home arrangements and staggered work hours. Employees are still provided with ART test kits for frequent testing if they feel unwell or have been in close contact with

any COVID-positive persons. Anyone who had contracted COVID was still given the necessary rest for them to fully recover.

Performance

The average training hours in FY2021 and FY2022 are as follows:

Gender				
	FY2021	FY2022	FY2021	FY2022
Average Training Hours	7.62	3.43	1.13	0.61

Employee category	Average training hours	
	FY2021	FY2022
Director & C-Level	1.07	1.21
Manager	4.93	2.91
Executive/supervisor	9.49	2.19
Assistant/general worker	3.06	3.26

In FY2022, the training hours decreased as a result of staff's focus being directed to business operations in light of the recovery of the economy. Our new hire and turnover rates are as follows:

FY2022	New employee hires (number)		Rate of employee hire *(%)
	Male	Female	
Age (Years)			
Less than 30	28	2	45
Between 30 and 50	52	7	24
More than 50	3	1	6
Total	83	10	24

* The rate of employee hire is computed by the dividing the number of new hires in each age group by the total number of employees in each age group at the end of the financial year.

In FY2022, new hires were added to various departments across the board. The male hires were generally for the logistics, production and general works departments while the female hires were for finance, customer service, administrative and human resource departments.

FY2022	Employee turnover (number)		Rate of employee turnover (%) *
Age (Years)	Male	Female	
Less than 30	17	4	34
Between 30 and 50	34	10	18
More than 50	5	3	11
Total	56	17	20

* The rate of employee turnover is computed by the dividing the number of employee turnover in each age group by the average number of employees in each age group in the financial year.

Of the 73 employees who left their jobs, most of them left due to other career opportunities or personal reasons, the rest were hired in the same year but left due to expectations mismatch.

FY2022	Rate of new employee hire and turnover (%)	
	Male	Female
Rate of new employee hire *	30%	10%
Rate of employee turnover ^	21%	16%

* The rate of employee hire is computed by the dividing the number of new hires of each gender by the total number of employees of each gender at the end of the financial year.

^ The rate of employee turnover is computed by the dividing the number of employee turnover of each gender by the average number of employees of each gender in the financial year.

Targets

We continue to review our wellness and benefits programme and align our human resource policies across the different entities in the Group. The Group regularly reviews the benefits to the staff and aims to benchmark against market norms. In FY2023, the Group will continue to work with various departments on virtual training to staff whenever possible/practicable.

Occupational health and safety

Why it is material

Given the nature of our operations, the health and safety of our staff, drivers and workers could be at risk. We strive to make sure that our efforts to mitigate this risk remain uncompromised. Not only is this a core part of our values, but any failure on our part can result in severe reputation damage to the Group.

Management approach

We abide by the highest standards in the industry and have obtained the OHSAS 18001 (Occupational Health and Safety Assessment Series) certification on safety. In FY2022, the benchmark safety standard is changed to ISO 9001:2015. All employees and workers go through the necessary safety trainings upon joining the Group. We also have a dedicated on-site safety officer along with an outsourced fire safety manager who conducts regular tool box meetings, and defibrillator and fire drills, to ensure that all measures are in place. The safety officer conducts inspections of all fire safety equipment before use and keeps daily records to ensure maintenance is done and the equipment is safe to operate.

Performance

As a result of these measures, none of our employees and workers has had any recordable, high consequence or fatal injuries in FY2022 (FY2021: Nil). Our workers have also been sent for courses in workplace safety and health in metal works and on construction sites. This is to ensure that they are familiar with regulations as well as the necessary safety precautions to note and comply with during their course of work.

Targets

We will continue to develop, roll out and improve on safety culture campaigns to advocate and educate our employees on best safety practices to maintain our target of zero high consequence or fatal injuries.

Marketplace

Product quality, health and safety

Why it is material

Maintaining the quality of our products is critical in the competitive industry that we operate in. Any issues regarding the functionality of our products or any harm to the health and safety of our customers on product usage can result in a significant loss of customers.

Management approach

All our products go through stringent quality control procedures before reaching the market. We design and sell products that have adequate safety features, such as certified pressure vessels on our condensing units and systems, to minimise risks to customer health and safety. Most of our products are covered by warranty to provide assurance to our customers on the quality of our products.

Performance

We have not had any non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of our products in FY2022 (FY2021: Nil).

In FY2022, a newly enhanced distributor was included in our G5 High Profile Unit Cooler Series. The upgraded power-efficient distributor distributes refrigerant flow uniformly into each circuit of the multi-circuit coil, optimizing the performance of the thermostatic expansion valve and improving heat transfer efficiency. The unit is also made with high-quality, powder-coated aluminum casing according to the AA1100 Standard, which has excellent weathering resistance and extends the surface's lifespan, reducing the need for frequent repairs or replacements. This conserves resources, reduces waste, and decreases the carbon footprint in manufacturing.

Targets

We will continue to incorporate and improve health and safety considerations in our products and strive to maintain zero incidents of non-compliance in FY2023.

Cybersecurity

Why it is material

We hold a large amount of data of our customers, distributors and suppliers. This data includes both confidential and personal information. Given the rising threat of cyber-attacks, this is an area of risk that we take very seriously. Any breach of our systems can result in reputation loss, as well as financial liabilities.

Management approach

We are guided by the Personal Data Protection Act in Singapore to protect the privacy of our customer data. Our data is stored in an ERP system which runs on a cloud server and is protected under network security which only our own employees can access. We also aim to provide our IT Team with training and updates on their ability to enhance our cyber security.

Performance

We have not received any substantiated complaints concerning breaches of customer privacy in FY2022 (FY2021: Nil). We have proactively engaged a professional external party to conduct penetration tests to check the vulnerability of our IT systems to provide the management with an assessment of areas for improvement in terms of our IT hardware, software and systems as in the previous year. In FY2022, various

aspects of security have been enhanced, such as network security, applications security, data security and endpoint protection. In addition, training was also provided to the employees of the Group to raise security awareness and to refresh their knowledge on data security and protection and digital threats.

Targets

We strive to maintain our zero high risk breach record by being vigilant in our review of our risk exposure to cyber-attacks and taking the necessary steps to upkeep our system security.

Business Ethics

Why it is material

Far East Group takes ethical business practices very seriously. We conduct our business by complying with all applicable laws in the respective jurisdictions that we have operations in and uphold a high level of ethical behavior. We adopt a zero-tolerance policy to any unethical behavior such as corruption in the form of bribery and anti-trust behavior and will not hesitate to take all necessary action against such acts. Any unethical and unlawful behavior can have far-reaching financial and legal impact on our Group and affects our brand reputation.

Management approach

We have put in place a Code of Business Conduct and Ethics (“**Code**”) and a Whistleblowing Policy to establish our stance. All employees are briefed on the Code when they join the Group and are required to strictly adhere to it. Disciplinary action will be taken against any employee who is found to have violated the Code. In addition, we also have a Whistleblowing Policy for any stakeholder to report any suspected fraudulent acts or non-compliance confidentially without fear of reprisals. Such reports will be made to the Chairman of the Audit Committee or the Chairman of the Nominating Committee. Any complaints received will be reviewed and an investigation carried out with appropriate follow-up actions taken.

Performance

There has been no incidence of any known corruption incidents and reports of non-compliance with applicable environmental and socioeconomic laws and regulations in FY2022 (FY2021: Nil). As part of the Group’s enhancement on ESG compliance, the Board has also recommended that key executives of the Management team to attend anti-bribery and corruption compliance training on the United States’ Foreign Corrupt Practices Act 1977 (“**FCPA**”).

Targets

We strive to maintain the zero-incidence rate with continued education and reminders to our staff to maintain their ethical business behaviors. Further details on Far East Group’s corporate governance structure can be found on pages 12 to 42 of the Annual Report for FY2022.

Financial stability

Why it is material

Financial stability can be a risk to our business and if not managed adequately, it can impact the economic performance of the Group. If the economic value that we generate is sacrificed, it can adversely impact the payout to our stakeholders, including dividends to our investors, salaries to our employees, operating expenses to suppliers, taxes to government, and strategic investments to communities.

Management approach

We have a strong finance team monitoring the financial health of the Group closely. Not having a fixed dividend policy allows us to be more adaptive and less vulnerable to market changes. Our financial policies and procedures are reviewed regularly to keep up-to-date with risk management and control. Audits on the policies are performed by internal and external auditors who are independent and provide us with advice for continued improvement and safeguards.

Performance

FY2022	SGD ('000)
Economic value generated (Sales)	104,184
Economic value distributed:	
- Salaries and wages	16,820
- Taxes	45
- Operating costs *	4,420
Economic value retained	82,899

* Operating costs refer to the operating expenses incurred in the financial year by the Group other than the salaries and wages as disclosed in the table above.

In FY2022, donations of approximately SGD 24,000 were made, continuing our commitment towards charity for social causes, helping students and the poor and needy.

Targets

We aim to continue our efforts in our community investments.

Our Memberships, External Initiatives and Charters

ASHRAE (American Society of Heating, Refrigerating and Air-Conditioning Engineers) Chapter
Singapore and Indonesia

BizSAFE Star

Singapore Chinese Chamber of Commerce and Industry

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2-3	Reporting period, frequency and contact point	5
2-4	Restatements of information	No restatements
2-5	External assurance	5
2-6	Activities, value chain and other business relationships	5-7, Annual report pages 10, 95-103
2-7	Employees	14-17
2-8	Workers who are not employees	Not Applicable
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2-13	Delegation of responsibility for managing impacts	11
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