

# SUSTAINABILITY REPORT

Relevant SDGs

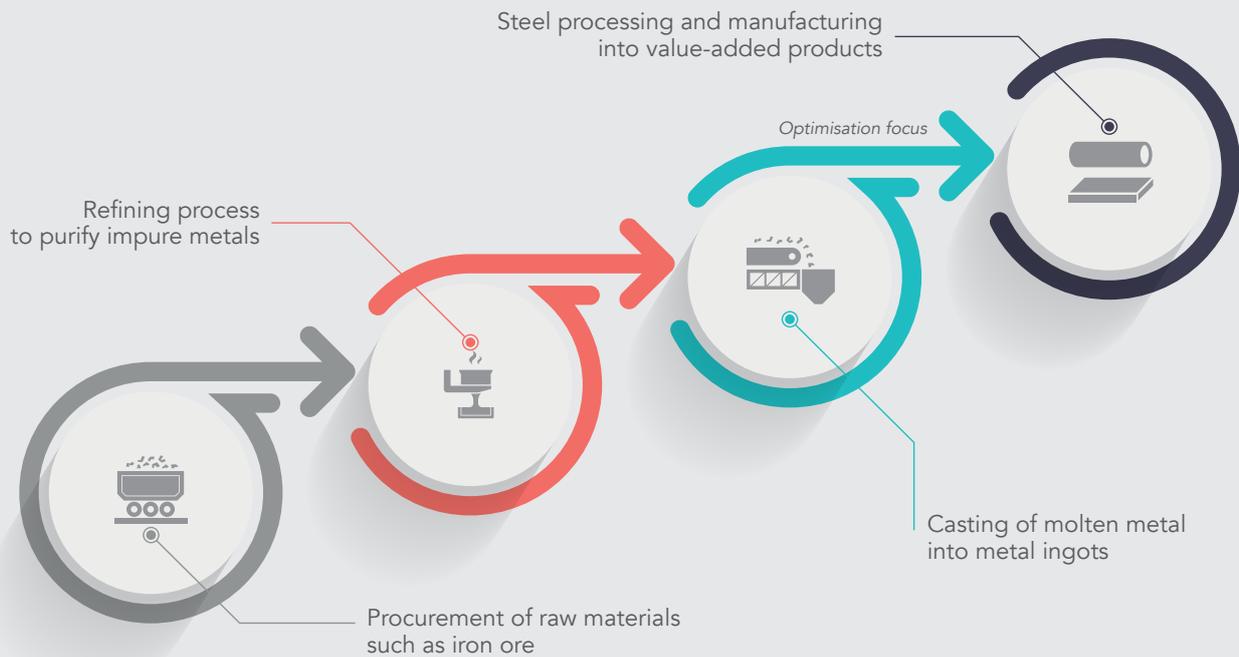


## ACHIEVING ECONOMIC PROSPERITY

Leon Fuat creates value for clients, business partners and communities by building a resilient business infrastructure, promoting inclusive and sustainable industry practices and by fostering a culture of innovation and creativity. As part of its operational excellence, the Group also ensures inputs and outputs for consumption and production are balanced sustainably by optimising machinery usage and responsibly sourcing materials and services.

### Operational Excellence (2-6, 3-3, 203-2)

Sustainability is a major driver of our business operations, where we look to maximise our business output while optimising our material input and minimising our adverse impacts. Our main value generating activity is steel processing and/or manufacturing (collectively referred to as "processing"), followed by our trading divisions. Our primary product is carbon steel, followed by stainless steel and alloy steel. The diagram below illustrates the value creation process within the steel industry, and the position of Leon Fuat's main activity, steel processing, that generates value for our various stakeholders.



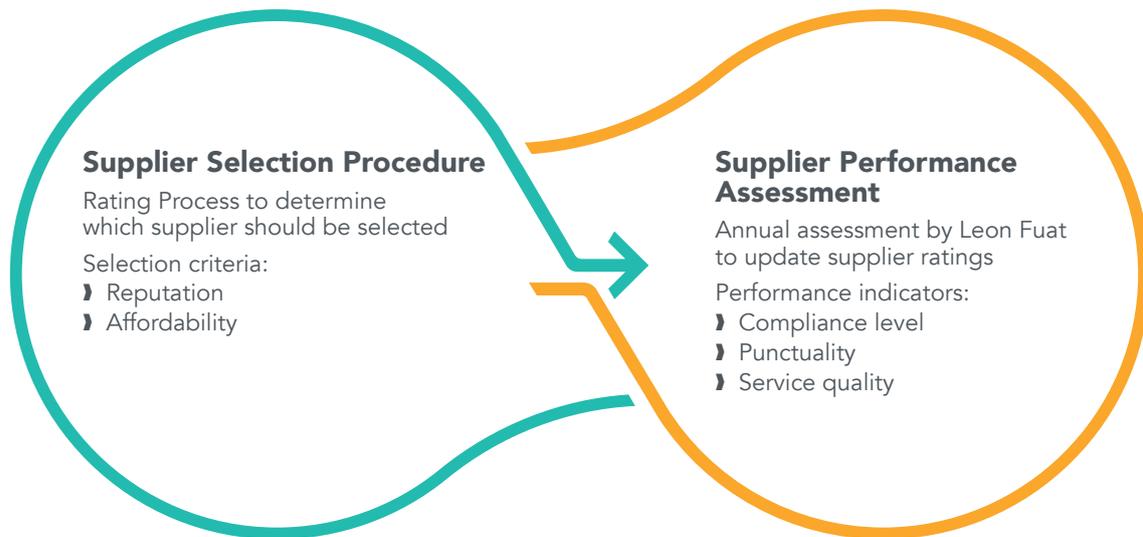
The Group also expanded into welded steel pipe manufacturing in FY2019, upon the completion of the first phase production plant in Port Klang, which involved the construction of a factory and installation of new machinery. The project is currently ongoing but has moved on to its next phase, with the installation of additional two (2) new pipe forming machines at the first phase factory, completion of a second factory warehouse, and plans in place to build a third factory equipped with a new multi-size pipe forming machine and a slitting machine. We anticipate all phases of the production plant to be completed by the second half of FY2023.

As of 31 December 2021, we have committed approximately RM50.66 million for investments in machinery and construction of factory and warehouse facilities to improve our future processing capacity.

**Responsible Procurement (2-6, 203-2, 204-1)**

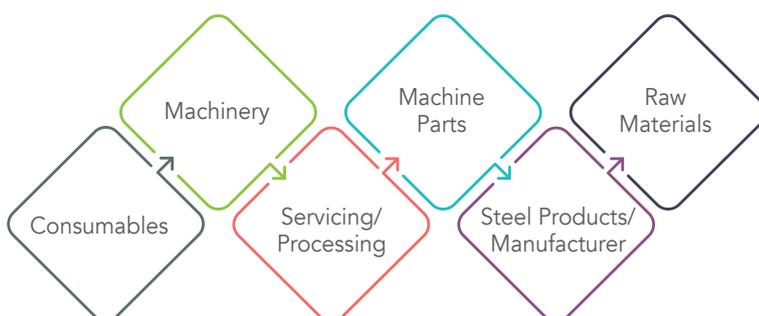
Procurement Policies outlines the fair business practices by which Leon Fuat conducts business and we expect our suppliers to adopt similar principles. We expect our suppliers, service providers, and other engaged third parties to conduct their business in a responsible manner that aligns with Leon Fuat’s Corporate Values.

We have taken steps towards a more sustainable supply chain by implementing strict selection criteria and performance assessments for our suppliers, as illustrated below.

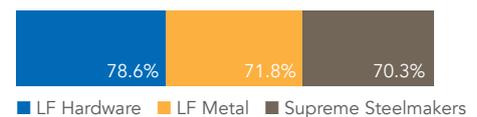


Directing our procurement spending towards local suppliers has benefits not only for the local economy, but also serves to reduce the carbon emissions resulting from the transport of materials over long distances. During this reporting period, the proportion of the procurement spending on local suppliers has decreased at LF Metal and LF Hardware, while at Supreme Steelmakers the proportion of spending on local suppliers has increased. For the third consecutive year, Supreme Steelmakers had the largest percentage of local spending among the three (3) subsidiaries. Despite having the highest expenditure on local suppliers, only 70.3% of the total suppliers used by Supreme Steelmakers during this reporting period were local, the lowest among the three (3) subsidiaries. The highest percentage of local suppliers used goes to LF Hardware at 78.6%. The total amount spent on local suppliers for FY2021 was approximately RM 155.57 million, or 19.7% of the total procurement expenditure. The main type of suppliers the Group engaged with during this reporting period are as follows:

**Suppliers Engaged for FY2021**



**Proportion of Local Suppliers Used for FY2021**



**Proportion of Spending on Local Suppliers**

