

SUSTAINABILITY REPORT

Contribution to the SDGs



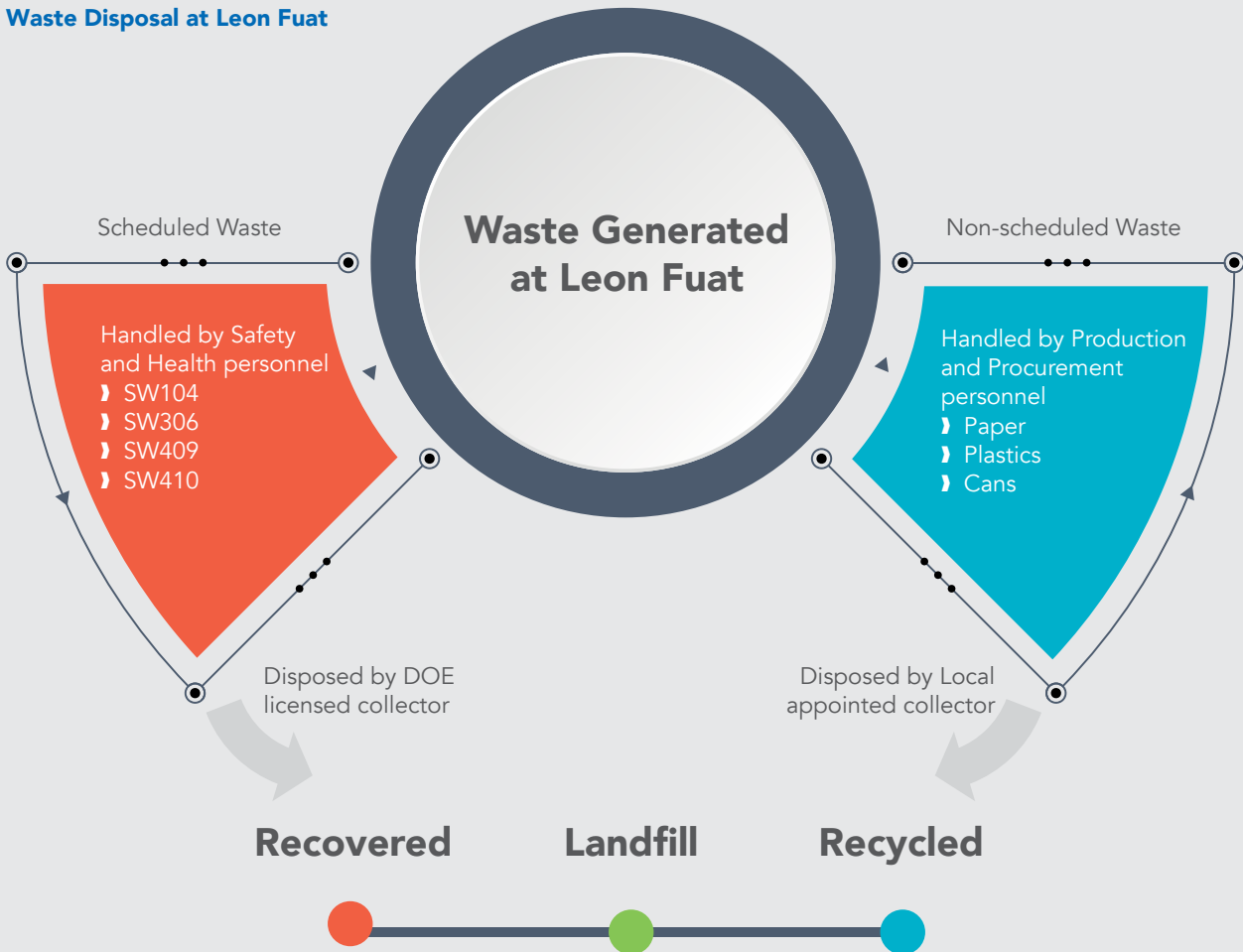
INVESTING IN ENVIRONMENTAL STEWARDSHIP

Steel is integral for infrastructure building and plays a key role in economic development and nation-building. However, steel processing and trading is a resource-intensive business and can create environmental impacts in the form of emissions and effluents. We are committed to using the most efficient production routes, minimising waste generation and investing in new technology to reduce our environmental footprint.

Effluent and Waste Management (3-3, 303-2, 303-4, 306-1, 306-2, 306-3)

Leon Fuat is committed to compliance with the laws and regulations set out in the Environmental Quality Act 1974 (EQA 1974) and the Local Government Act 1976 on the handling and disposal of scheduled and non-scheduled waste, as well as the discharge of effluents. In accordance with this, we have established a waste management system that efficiently manages the handling and disposal of all waste types. The dedicated safety and health officer oversees the waste management system with the assistance of the production and procurement personnel. The figure below illustrates the mechanism of our waste management system.

Waste Disposal at Leon Fuat



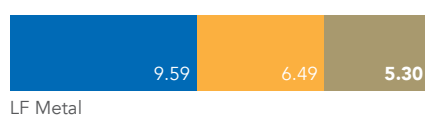
For FY2021, we have included scheduled waste generated from both LF Metal and Supreme Steelmakers. For non-scheduled waste generation, we have recorded the waste generated from the three (3) subsidiaries during this reporting period. Moving forward, we strive to continue to improve upon our recording and monitoring of waste generation.

LF Metal has recorded a decrease in the amount of SW104 generated for second year in a row. This continued decrease in SW104 is attributed to the reduced production caused by the pandemic during this reporting period. SW104 and SW409 generated at LF Metal are disposed at a landfill/incinerator and a recovery centre respectively. As for Supreme Steelmakers, it has generated 2.28 tonnes of SW306, which is sent to be recycled. The overall scheduled waste generation from both LF Metal and Supreme Steelmakers is shown in the table below.

Amount of Scheduled Waste (tonnes) Generated							
Code	Description	LF Metal			Supreme Steelmakers		
		FY2019	FY2020	FY2021	FY2019	FY2020	FY2021
SW104	Dust, slag, dross or ash containing aluminium, arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium or selenium excluding slag from iron and steel factory	1.45	1.32	1.10	-	-	-
SW306	Spent lubricating oil	-	-	-	-	-	2.28
SW409	Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	-	-	0.41	-	-	-
SW410	Rags, plastics, papers or filters contaminated with scheduled wastes	0.32	-	-	-	-	-

This reporting period we have calculated the amount of general waste generated from the three (3) subsidiaries, LF Metal, LF Hardware, and Supreme Steelmakers. LF Metal has continued the trend of decreasing amounts of non-scheduled waste year by year. This overall trend can be attributed to the success of our sustainability initiatives, which include placing recycling bins in offices, and reducing the distribution of hardcopy documents, such as ISO manuals and policies, by increasing sharing of softcopies instead.

Amount of Non-Scheduled Waste (tonnes) Generated



■ FY2019 ■ FY2020 ■ FY2021

We monitor and record the quality of LF Metal's effluent discharge to ensure it is below the permissible limits set out in the Environmental Quality Act 1974 (EQA 1974). We assess five (5) water quality parameters: Chemical Oxygen Demand (COD), Biological Oxygen Demand (BOD), Total Suspended Solids (TSS), Oil and Grease, and Ammoniacal Nitrogen (NH₃-N). The results for this reporting period show that our effluent discharge remains well below both Standards A and B of the EQA 1974, as seen in the table below.

Effluent Sampling Results (mg/L)			
Water Quality Parameters	FY2021	Standard A*	Standard B**
COD	31	120	200
BOD	9	20	50
TSS	10	50	100
Oil & Grease	-	20	20
NH ₃ -N	10.75	50	50

Note:

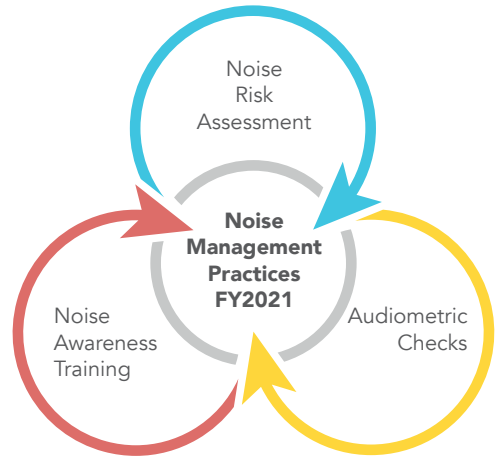
* Standard A refers to discharge upstream of any raw water intake

** Standard B refers to discharge downstream of any raw water intake

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Noise Management (3-3)

The Group recognises the importance of noise management in our day-to-day operations as prolonged exposure to excess noise can cause various health problems such as stress, poor concentration, productivity loss and hearing difficulties. To prevent this, we ensure we always comply with the latest regulations and legislative requirements on noise, such as the 2019 Noise Regulations. In complying with 2019 Noise Regulations, we have conducted in-house Safety, Health and Environmental training that included Noise Awareness Training for all 255 employees at LF Metal, and will be carrying out audiometric checks and noise risk assessments in the near future at LF Metal.



Energy and Water Efficiency (302-1, 302-3, 302-4, 303-5)

Energy Management

Leon Fuat understands that our business activities, such as the manufacturing and processing of steel products, is energy intensive and can greatly impact both the environment and our operating costs if we do not manage our energy usage efficiently. To this end, we monitor our electricity and fuel consumption, as well as our electricity intensity at the three (3) subsidiaries.

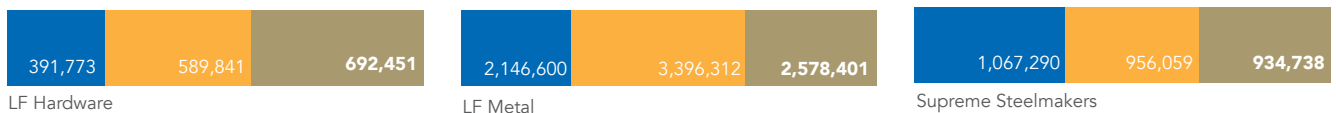
Electricity Consumption

Generally, the large amount of electricity is consumed at Leon Fuat to support our steel processing/manufacturing activities, as well as to power our warehouses and offices. The majority of this electricity is used by our machinery and operations involved in pipe manufacturing and steel processing. For this reporting period, the overall electricity consumption from the three (3) subsidiaries decreased by 14.9%, from a total of 4,942,212 kWh in FY2020 to 4,205,590 kWh in FY2021.

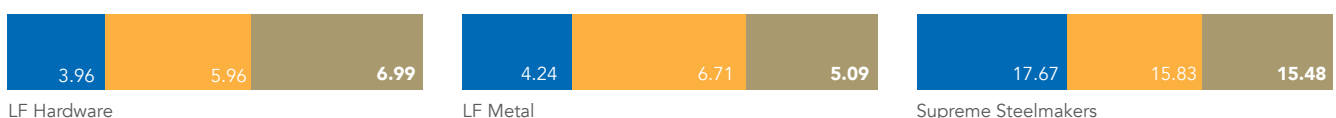
LF Metal has once again recorded the highest electricity consumption among the three (3) subsidiaries. This is an expected outcome as LF Metal is the largest, and possesses the most machinery installed on site. However, it should also be noted that LF Metal's electricity consumption has decreased significantly for this reporting period, by 24.1% since FY2020. This is mainly due to efforts to increase its use of renewable energy at its factories, through the installation of solar panels at 2 of its factories, each with a capacity of 554 kWp and 665 kWp respectively. The use of renewable energy has seen an overall energy consumption saving by 56.0% at LF Metal's factories since its installation in May 2021 until December 2021 as compared to the same length of period from September 2020 to April 2021.

Supreme Steelmakers has recorded the highest electricity intensity among the subsidiaries for the third year in a row. This is attributed to the usage of more machinery per square feet in comparison. However, it can also be seen that the electricity consumption at Supreme Steelmakers has been decreasing steadily for the past two (2) years, by 10.4% from FY2019 to FY2020, and by 2.2% from FY2020 to FY2021.

Electricity Consumption (kWh) by Subsidiary



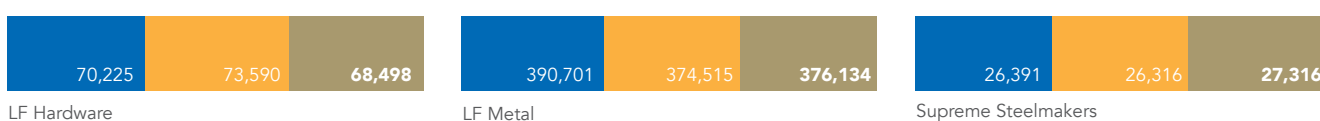
Electricity Intensity (kWh/sq. ft.) by Subsidiary



Fuel Consumption

A portion of our energy consumption is the fuel requirements for our fleet of delivery trucks. Generally, LF Metal has the highest fuel consumption out of the three (3) subsidiaries due to having the greatest number of delivery trucks of 22 units in total. We have observed a 6.9% decrease in fuel consumption for LF Hardware during this reporting period. Whereas for LF Metal, and Supreme Steelmakers, each subsidiary had consumed approximately the same amount of fuel as the previous financial year, with only a 0.4% and 3.8% difference respectively. This can be partially attributed to controlled movement and lockdowns that occurred during this reporting period due to the ongoing COVID-19 pandemic.

Fuel Consumption (litres) by Subsidiary



Regardless, to ensure efficient fuel consumption and minimise our greenhouse gas emissions within our delivery truck fleet, we continue to utilise more green-diesel based delivery trucks. Currently, 88.9% of our fleet are green diesel trucks, with the remaining 11.1% being regular diesel trucks. Green diesel trucks are delivery vehicles that are able to utilise Euro5 diesel. Euro5 diesel is a cleaner fuel than the conventional Euro2 diesel as it has a much lower emission standard (1.0g/km of CO for Euro2; 0.5g/km of CO for Euro5) and lower maximum sulphur content (500ppm for Euro2; 10ppm for Euro5).

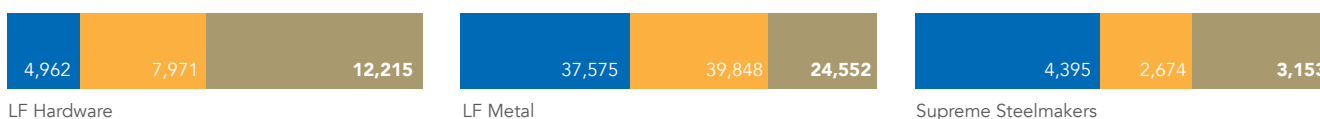
Water Consumption

Leon Fuat recognises the importance of efficient water management in our business operations, given that the steel manufacturing process utilises a significant amount of water, especially during the cooling and descaling process. To this end, we regularly monitor our water usage at each subsidiary, and analyse which processes and machinery are consuming a significant amount of water.

For FY2021, LF Metal continues to be the largest consumer of water among the three (3) subsidiaries due to being the largest and having the most machinery present. However, only LF Metal recorded a decrease in water consumption by 38.4% during this reporting period. The other two subsidiaries have seen an increase in water consumption, by 53.2% for LF Hardware, and 17.9% for Supreme Steelmakers.

This trend is mirrored by the water intensity, with LF Metal showing a decrease while the other two subsidiaries have seen an increase in water intensity.

Water Consumption (m³) by Subsidiary



Water Intensity (m³/sq. ft.) by Subsidiary



■ FY2019 ■ FY2020 ■ FY2021

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Climate Change (3-3, 305-1, 305-2)

Leon Fuat aspires to set an industry benchmark for environment performance by focusing on climate change mitigation and resource efficiency. Environmental impact of our manufacturing operations includes generation of carbon dioxide (“CO₂”), dust emissions, discharge of water effluents and process waste generation. To address these impacts, we have carried out a range of initiatives such as the installation of solar panels at two of our factories with a capacity of 554 kWp and 665 kWp respectively, to increase our use of renewable energy. Also, 88.9% of our fleet currently comprises of diesel delivery trucks that are able to use green diesel fuel.



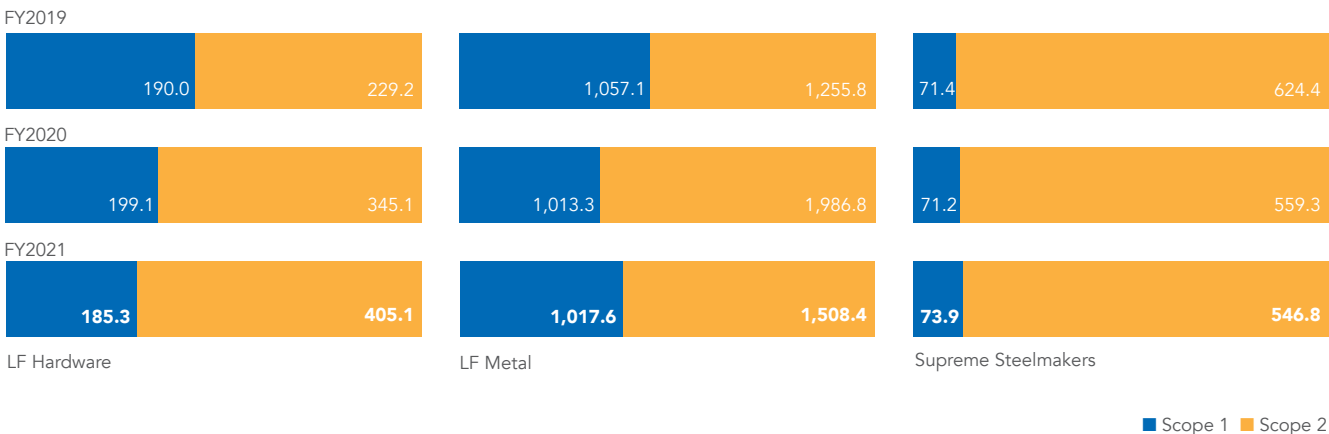
We have calculated our scope 1 and scope 2 greenhouse gas (“GHG”) emissions from the three (3) subsidiaries sites for this reporting period. Scope 1 emissions are defined as direct emissions resulting from the burning of carbon fuel sources, calculated by converting our total fuel consumption to total CO₂ emitted, using a diesel fuel emission factor¹. For our scope 2 emissions, defined as indirect emissions resulting from the consumption of grid electricity, we used the grid emission² factor for Peninsular Malaysia to convert total electricity consumption into total CO₂ emissions. Our total GHG emissions are summarised in the figure below, having recorded the highest GHG emissions in FY2020, with 4,174.8 tCO₂e.

Total GHG Emissions (tCO₂e)



Among the three (3) subsidiaries, LF Metal has consistently emitted the highest amount of GHG for the last three (3) financial years, with Supreme Steelmakers coming in as the second highest emitter, and LF Hardware remains the lowest emitter. This is illustrated in the figure below.

Total GHG Emissions (tCO₂e) by Subsidiary



■ Scope 1 ■ Scope 2

¹ UK Greenhouse Gas Reporting: Conversion Factors 2021; Published 2 June 2021; Updated 24 January 2022; Department for Business, Energy & Industries Strategies.
² 2017 CDM Electricity Baseline for Malaysia: <https://www.mgtc.gov.my/wp-content/uploads/2019/12/2017-CDM-Electricity-Baseline-Final-Report-Publication-Version.pdf>