

# SUSTAINABILITY REPORT



## ENVIRONMENTAL STEWARDSHIP

Steel is essential for infrastructure construction and plays an important role in economic growth and nation-building. However, steel production and trade are resource-intensive industries that can impact the environment through emissions and effluents. To lower our environmental footprint, we are committed to employing the most efficient manufacturing routes, minimising waste output and investing in innovative technologies.

Our efforts commence at the management level, with the respective subsidiary managements overseeing climate change initiatives at their respective operating units and the Board's support.

Contribution to the SDGs



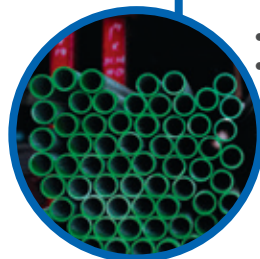
### Sustainable Management of Effluent and Waste

Leon Fuat is committed to adhering to the Environmental Quality Act of 1974 (EQA 1974) and the Local Government Act of 1976 with regard to the management and disposal of scheduled and non-scheduled waste and the discharge of effluents. In further compliance with this, we have constructed a waste management system that efficiently regulates the treatment and disposal of all types of waste efficiently. A designated safety and health officer oversees the waste management system, with assistance from production and procurement staff.

### Waste Disposal at Leon Fuat

#### Scheduled Waste

1. **Types of wastes:**
  - SW104
  - SW306
  - SW404
  - SW409
  - SW410
2. **Handled by Safety and Health Officer**
3. **Disposed by DOE licensed collector**
4. **Disposal:**
  - SW104 – Landfill and Incineration
  - SW306 – Recycle
  - SW409 – Recovery



#### Non-Scheduled Waste

1. **Types of wastes:**
  - Paper
  - Plastics
  - General
2. **Handled by Production and Procurement personnel**
3. **Disposed by local appointed collector**
4. **Disposed by recycling**



Scheduled waste generated by LF Metal and Supreme Steelmakers has been included for FY2022. LF Metal has also started recording SW404 (Biohazard waste) from RTK test kits. The waste produced by the three (3) main subsidiaries of Leon Fuat during this reporting period has been classified as non-scheduled waste generation. We aim to enhance our waste generation monitoring and reporting in the future.

#### Amount of Scheduled Waste (tonnes) Generated

Code	Description	LF Metal			Supreme Steelmakers		
		FY2022	FY2021	FY2020	FY2022	FY2021	FY2020
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	3.42	1.10	1.32			
SW306	Spent lubricating oil				2.11	2.28	
SW409	Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	0.93	0.41				
SW410	Rags, plastics, papers or filters contaminated with scheduled wastes						

In FY2022, LF Metal recorded 2.32 tonnes increase in SW104 waste as compared to FY2021. This increase was primarily attributable to the resumption of normal business operations following the COVID-19 pandemic. The generated waste was disposed of in landfills or incinerated. Similarly, SW409 waste generation increased in FY2022 as compared to FY2021.

#### Amount of Non-Scheduled Waste (tonnes) Generated

Types of Waste	LF Metal			Supreme Steelmakers			LF Hardware		
	FY2022	FY2021	FY2020	FY2022	FY2021	FY2020	FY2022	FY2021	FY2020
Papers					0.66		0.05	0.26	
Plastics								0.01	
General	4.84	5.30	6.49				0.10	0.10	

We calculated the quantity of general waste that the three (3) main subsidiaries produced during this reporting period. For three (3) consecutive financial years, LF Metal has continued to show a reduction in the quantity of its only non-scheduled waste, which is general waste. This trend is linked to the effectiveness of our green activities which include installing recycling bins in offices and minimising the distribution of information in hardcopy such as ISO manuals and regulations, in favour of increased softcopy sharing.

#### Discharge (mg/L)

Effluent Sampling Results	FY2022	Std. A	Std. B
COD	67	120	200
BOD	18	20	50
TSS	15	50	100
Oil and Grease		20	20
NH3-N	11	50	50

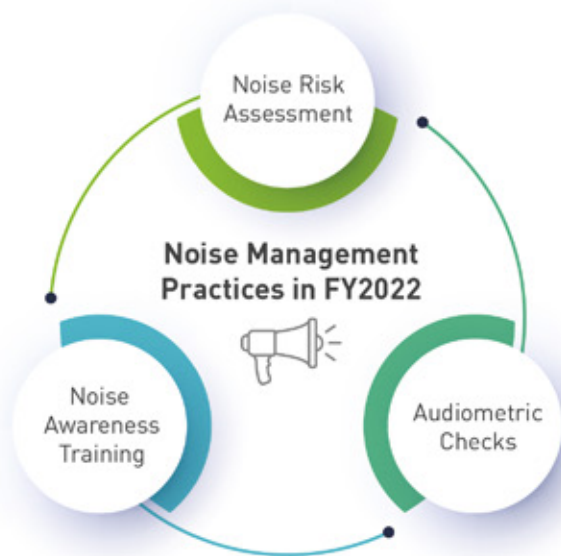
We monitor and record the quality of LF Metal's effluent discharge to ensure it is within the legal limits established by the Environmental Quality Act of 1974 (EQA 1974). Chemical Oxygen Demand ("COD"), Biological Oxygen Demand ("BOD"), Total Suspended Solids ("TSS"), Oil and Grease and Ammoniacal Nitrogen ("NH3-N") are the five (5) water quality criteria that we evaluate. As seen in the table at left, our effluent discharge for this reporting period was maintained significantly below both the minimum levels of Standards A and B of the EQA 1974.

Note:

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

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

# SUSTAINABILITY REPORT



## Noise Management

The Group recognises the importance of noise control in our daily operations as continuous exposure to excessive noise can cause a number of health problems such as stress, poor focus, fatigue, productivity loss and hearing issues.

To avoid this, we constantly adhere to the latest updated noise laws and legal requirements, such as the 2019 Noise Regulations. Supreme Steelmakers conducted a Noise Risk Assessment over the course of two (2) days and a total of thirty-two (32) male non-executive employees attended these assessments. Meanwhile, LF Metal performed audiometric checks for two (2) hours each day for two (2) days, and tested the hearing of a total of ninety-three (93) employees.

## Energy and Water in Changing Climate

Leon Fuat recognises that our businesses operations, particularly steel product manufacturing and processing, are energy-demanding processes. As such, they can have a significant impact on both the environment and operational expenses if this energy consumption is not appropriately managed. Consequently, we track our electricity and fuel consumption, as well as our electricity intensity, at the three (3) main subsidiaries.

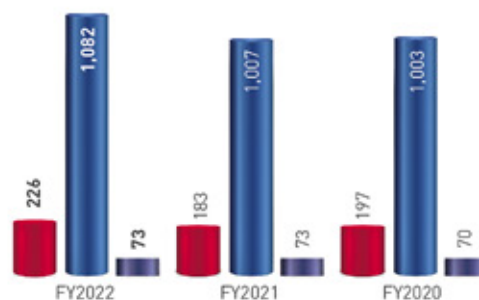
### Greenhouse Gas (“GHG”) Emissions

We determined our Scope 1 and Scope 2 GHG emissions for this reporting period and included our findings in this statement. Scope 1 emissions are produced directly as a result of the combustion of carbon fuel sources, and the quantity is measured by multiplying fuel consumption by the total amount of carbon dioxide (“CO<sub>2</sub>”) that is emitted using a diesel fuel emission factor<sup>1</sup>. In order to calculate Scope 2 emissions which are defined as the indirect emissions driven by grid power use, we adopted the grid emission factor<sup>2</sup> for Peninsular Malaysia.

### Direct (Scope 1) Emissions

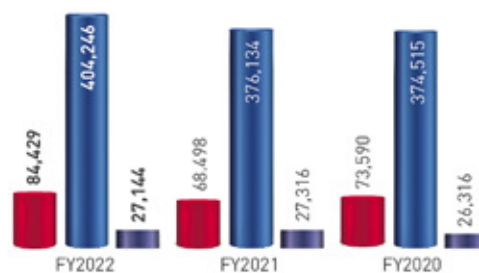
Scope 1 emissions refer to the direct GHG emissions generated by the Group’s fuel consumption. The Group’s Scope 1 emissions that were tracked from FY2020 through FY2022 have been collated for this statement, which also includes Leon Fuat’s fuel consumption tracking data. This year, the three (3) main subsidiaries recorded 1,381 tCO<sub>2</sub>e Scope 1 GHG emissions which is a 9.3% increase from FY2021. LF Metal recorded the highest amount of Scope 1 emissions produced among the subsidiaries for three (3) consecutive financial years, generating a total of 3,092 tCO<sub>2</sub>e. In FY2022, LF Metal produced the highest emissions among all subsidiaries whilst Supreme Steelmakers recorded the lowest, with a recorded difference of 1,009 tCO<sub>2</sub>e.

Scope 1 GHG Emissions (tCO<sub>2</sub>e)



\* The emission factor is using the provided fixed value.

Total Fuel Consumption (Litres)



■ LF Hardware ■ LF Metal ■ Supreme Steelmakers

<sup>1</sup> 2006 IPCC Guidelines for National Greenhouse Gas Inventories: [https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_2\\_Ch2\\_Stationary\\_Combustion.pdf](https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf)  
<sup>2</sup> 2017 CDM Electricity Baseline for Malaysia: <https://www.mgtc.gov.my/wp-content/uploads/2019/12/2017-CDMElectricity-Baseline-Final-Report-Publication-Version.pdf>

To study the trend of fuel consumption at our facilities, we tracked our total fuel consumption over the past three (3) financial years. At Leon Fuat, our fleet of delivery vehicles operates on diesel fuel, which contributed a fraction of our total energy consumption. Overall, LF Metal uses the most fuel out of the three (3) main subsidiaries, as it has the most delivery trucks – twenty-two (22) units in total. This is aligned with their recorded total fuel consumption which was the highest for all three (3) financial years, totaling 1,154,895 litres.

In FY2022, Supreme Steelmakers consumed less fuel by as much as 0.6% as compared to FY2021. The difference between the highest recorded consumption by LF Metal and the lowest recorded consumption by Supreme Steelmakers in FY2022 was 93.3%.

To reduce our GHG emissions resulting from fuel consumption, we have continued to deploy delivery vehicles that can be fuelled by Euro5 diesel which are known as green diesel trucks. Due to its significantly lower emission limit (1.0g/km of CO for Euro2 against 0.5g/km of CO for Euro5) and lower maximum sulphur content, Euro5 diesel is a cleaner fuel compared to traditional Euro2 diesel (500ppm for Euro2; 10ppm for Euro5). Our fleet now consists of 89.5% green diesel trucks, and 10.5% conventional diesel trucks, ensuring efficient fuel usage and reducing our GHG emissions.

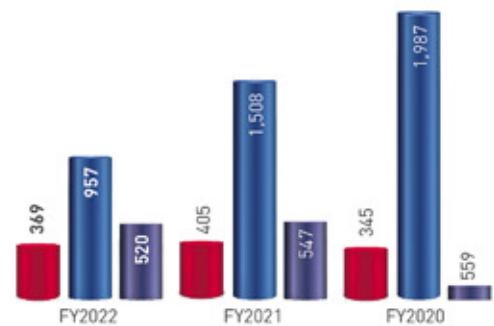
### Indirect (Scope 2) Emissions

Scope 2 emissions represent indirect GHG emissions related to the production and consumption of electricity. Consequently, disclosure in the form of electricity consumption generates values for this type of emission. Comparing FY2022 to FY2021, Scope 2 emissions decreased by 25.0%. For all three (3) financial years, LF Metal generated the majority of Scope 2 emissions, on account of having the most operations conducted within the premises. Conversely, LF Hardware recorded the lowest total emissions consecutively throughout the three (3) financial years. This financial year, LF Metal and LF Hardware have a difference of 588 tCO<sub>2</sub>e in terms of Scope 2 emissions.

Throughout FY2022, Leon Fuat's three (3) main subsidiaries consumed a total of 3,155,822 kWh of electricity, a 25.0% decrease compared to the previous financial year's 4,205,590 kWh. LF Metal, the subsidiary that recorded the highest electricity consumption throughout all three (3) financial years, saw a steady decrease in consumption since FY2020. This decrease could be attributed to the installation of solar panels at four (4) factories, with a total capacity of approximately 2,300 kWp.

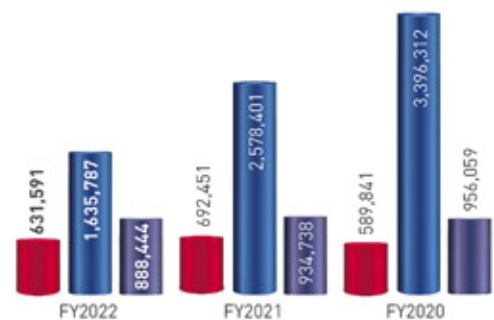
We also recorded an electricity intensity of 24.37 kWh/sq.ft. in the three (3) main subsidiaries of Leon Fuat in FY2022. Out of the three (3) main subsidiaries, Supreme Steelmakers recorded the highest electricity intensity in FY2022 which has steadily decreased since FY2020, with FY2022 recording a decrease of 4.7% compared to FY2021.

### Scope 2 GHG Emissions (tCO<sub>2</sub>e)

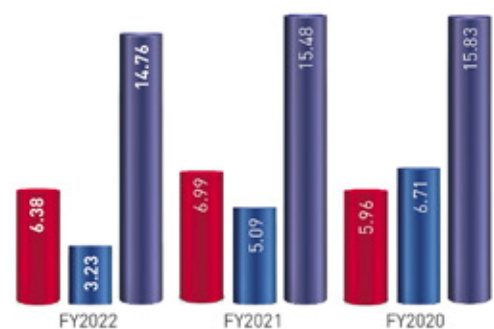


\* The emission factor is using the provided fixed value.

### Electricity Consumption (kWh)

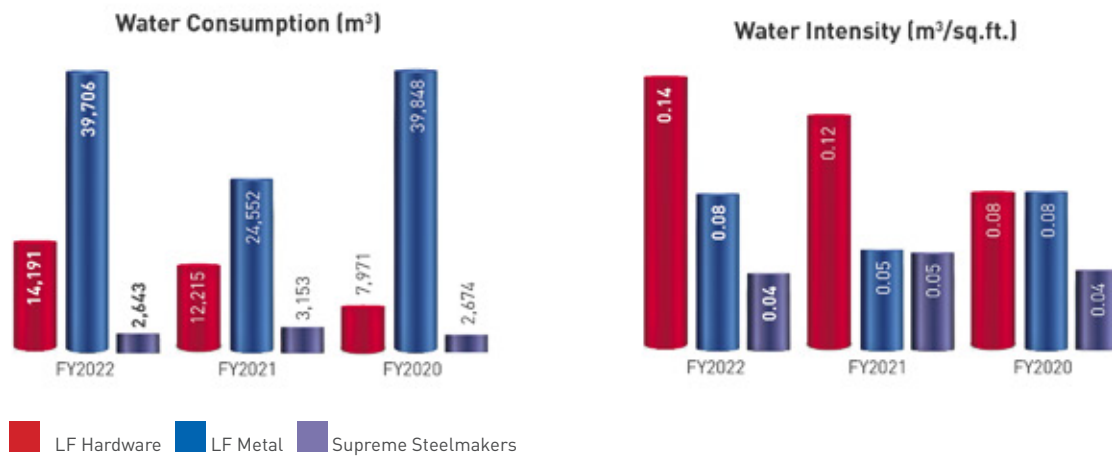


### Electricity Intensity (kWh/sq.ft.)



LF Hardware LF Metal Supreme Steelmakers

# SUSTAINABILITY REPORT



## Water Management

Given that the steel production process uses a substantial quantity of water, particularly during the chilling and descaling processes, Leon Fuat understands the significance of effective water management in our operations. To this end, we regularly monitor water consumption at each subsidiary and analyse which processes and machinery consume an abnormal amount of water.

We recorded 56,540 m<sup>3</sup> of total water consumption for the three (3) main subsidiaries during FY2022, an increase of 41.6% from the previous financial year's 39,920 m<sup>3</sup> due to the return to work in the office arrangement. Throughout all three (3) financial years, LF Metal recorded the largest water consumption at 104,106 m<sup>3</sup> as it has the most machinery in its facility. Conversely, Supreme Steelmakers recorded the lowest at 8,470 m<sup>3</sup>. Among the (3) main subsidiaries, LF Metal consumed the highest water usage of 104,106 m<sup>3</sup> in total throughout the three (3) years, while Supreme Steelmakers recorded the lowest water intensity of 0.13 m<sup>3</sup>/sq.ft. in total for the same period. In FY2022, LF Metal experienced 45.3% lower water intensity as compared to LF Hardware.

## INITIATIVE IN RENEWABLE ENERGY

### #GreenInitiative

With the installation of solar panels in four (4) of our facilities, we have taken the first steps towards making the switch to renewable energy.

In FY2022, these solar panels had generated a total of approximately 1,921,000 kWh of renewable energy worth approximately RM0.76 million and has led to a saving in our electricity expense for the said facilities by 49.1%.

