

chaswood

RESOURCES HOLDINGS LTD.

SUSTAINABILITY REPORT

2019



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ABOUT THIS REPORT

This is the third sustainability report issued by Chaswood Resources Holdings Ltd (“Company”) and its subsidiaries (“Chaswood” or our “Group” or “we”) pursuant to Rules 711A and 711B of the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual Section B: Rules of Catalyst (“Catalist Rules”) and in accordance with the Global Reporting Initiative (“GRI”) Standards Sustainability Reporting Guidelines 2016 - Core Option and its reporting principles. We continued to adopt the GRI framework as it is an internationally recognised reporting framework that covers a wide range of sustainability disclosures.

In this report, we will be updating the status of our Group’s operations in Malaysia from 1 January 2019 to 31 December 2019 (“FY2019”). Sustainability reporting should encompass both information obtained in the past and sustainability goals established by our Group to provide for a better overall view of the Group’s sustainability performance on environmental, social and governance factors (“ESG”). However, in view of our Group’s restructuring exercise which is still ongoing, the information in this report may not meaningfully represent the future business operations and strategies of our Group. We have not sought external assurance for this reporting period.

As part of our environmental conservation efforts, we will not be printing this report. A copy of this report is available for download from SGXNET and our website at <http://www.chaswood.com.my/>.

We are committed to listening to our stakeholders and we look forward to your feedback. For any enquiry related to this report, please contact us at pr@chaswood.com.my.

BOARD STATEMENT

Dear Stakeholders,

The Board of Directors (“Board”) would like to present our third Sustainability Report which seeks to reaffirm our commitment towards sustainability and discusses the challenges and material issues identified to be of importance to our stakeholders. As our Group embarks on the ongoing restructuring exercise, we are mindful of the importance to manage ESG impacts with transparent and consistent disclosure.

Our focus in FY2019 had been to continue to complete the restructuring exercise of our Group to restore the financial position of the Group. The weak consumer sentiment with increased competition in the F&B industry in the last few years have resulted in the declined business performance of our Group and closure of unprofitable outlets. Hence, the current restructuring exercise was crucial to provide better value to all stakeholders, including shareholders and creditors.

Over the last few months, the restructuring exercise had progressed well with the completion of certain milestones as follows:

(i) Proposed disposal of 100% stake in Chaswood Resources Sdn Bhd (“CRSB”) (“Proposed Disposal of CRSB”)

The Proposed Disposal of CRSB to Tremendous Asia Management Inc was completed on 4 October 2019 which removes a significant negative shareholders’ equity from our Group and thus, setting a more palatable platform to continue operating and expanding our Group’s restaurant business under the Italiannies brand.

(ii) Proposed issuance of redeemable convertible note

Our Company had entered into a subscription agreement on 30 November 2019 with Advance Opportunities Fund (“AOF”) and Advance Opportunities Fund I (“AOF I”) (AOF and AOF I shall collectively be known as the “Subscribers”) pursuant to which the Company proposes to issue to the Subscribers 1.0% equity-linked redeemable convertible notes due 2022 with an aggregate principal amount of up to S\$50 million. The proceeds will be utilized for the funding of the Group’s working capital and future expansions and investments.

(iii) Proposed scheme of arrangement with scheme creditors (“SOA”)

To address the remaining liabilities of the Company, a proposed SOA with its creditors was undertaken. During a creditors’ meeting held on 30 April 2020, the proposed SOA was approved by a majority in number representing at least 75% of the total value of the scheme creditors present and voting in person or by proxy at the meeting. Our solicitors will be filing an application to the court to obtain its approval of the SOA and once the approval is obtained, the SOA shall be binding on the Company and scheme creditors.

The completion of the above milestones will also facilitate the resumption proposal to be submitted to the SGX-ST and thereafter provide better value to the stakeholders with the completion of the restructuring exercise. Please refer to the announcement made via SGXNET by the Company for more details of the above-mentioned.

Our Board understands the importance of sustainability and continue to work closely with the management to incorporate sustainability goals and efforts as part of our business objectives and strategy formulation. The Board oversees the management and monitoring of material ESG for the Group.

We appreciate the support and confidence from our stakeholders amidst the challenging time experienced by the Group as we look ahead to a better future.

For and on behalf of the Board of Directors

Ng Teck Wah
Non-Independent Non-Executive Chairman
29 May 2020

ABOUT US

Our Group was founded in 2002 as a notable casual dining operator in Malaysia under various brands including international franchise brand, TGI Friday's and proprietary brands, Teh Tarik Place, Italiannies and Malones. Over the years, the operations also expanded to Indonesia and China. In 2012, the Company reached another milestone when it was listed on the Catalist Board of SGX-ST. Pursuant to the completion of the disposal of CRSB in October 2019 and as part of the ongoing restructuring exercise, our Group's current sole business is the operation of the restaurant business under the Italiannies brand.



Since its existence in 2004, Italiannies is famously known for bringing uniquely rustic Italian cuisine to the tables. Fresh ingredients are used with its characteristic recipes from starters, salads, pizzas, meat dishes and desserts. To give the best of taste and freshness, Italiannies' signature sauces and bread dough are made fresh every morning.

Currently, there is 1 outlet located in Malaysia but the brand is poised for expansion with the completion of our Group's restructuring exercise.



SUPPLY CHAIN

We aim to build a responsible and sustainable supply chain with a clear guidance via our procurement policies and procedures. We select suppliers who meet high standards in terms of ethical conduct, food and workplace standards and environmental compliance. We consistently monitor these approved suppliers to ensure such compliance to the standards, quality and services provided.

Sustainable Supply Chain Process

Procurement

- *Secure raw ingredients supply from local independent suppliers based on set guidelines for quality assurance.*
- *Periodic evaluation of major suppliers such as random audits is conducted to ensure quality assurance and compliance with our guidelines.*
- *Continuous review of supply chain to ensure cost competitiveness and compliance with relevant standards.*



Distribution

- *Suppliers deliver food directly to the restaurant. Freshness and quality is checked before acceptance of supply.*



Restaurant



- *Food is cooked fresh in restaurant and served to customers.*

GOVERNANCE & SUSTAINABILITY APPROACH

Our Board continues to be committed in maintaining a high standard of corporate governance within our Group. Our sustainability efforts are driven by our Group's desire to ensure that our business objectives are in line with our commitment to sustainable development. We constantly review our processes, policies and practices to ensure that it meets the changing needs of our Group and the industry. The senior management is responsible for on-going communication to the Board of Directors.

Our Group continues to maintain our whistle-blowing policy to provide an avenue to all employees and external parties to report any concern or complaint regarding questionable accounting or auditing matters, internal controls, disclosure matters, conflict of interest, insider trading, collusion with competitors, serious breaches of the Group's policy, unsafe work practices or any other matters involving fraud, corruption and employee misconduct. We utilise a secured e-mail address (ac@chaswood.com.my) as a whistle blowing channel for direct contact to the Audit Committee ("AC"). All concerns or irregularities raised will be treated in confidence and every effort will be made to ensure that confidentiality is maintained throughout the process. The AC members may, in consultation with the Managing Director and/or senior management, direct the complaint to the division or department best placed to address it, or lead the investigation to ensure prompt and appropriate investigation and resolution. There has been no report of whistleblowing for FY2019 and we target for the same for FY2020.

The Board maintains its responsibility for the governance of risk and understands the need to ensure that a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets are in place. We have established internal monitoring and review processes to assess the adequacy and the effectiveness of the Group's internal control systems, including financial, operational, compliance and information technology controls and risk management systems. Any material non-compliance or lapses in internal controls, together with recommendation for improvement, are reported to the AC.

Our Group places great emphasis on accountability, transparency, ethical business conduct and good corporate governance. We are committed to deliver value to all our stakeholders upon the completion of the ongoing restructuring exercise by ensuring sustainable growth in our businesses.



STAKEHOLDER ENGAGEMENT

We aspire to understand the needs and expectation of our key stakeholders and strive to build and foster mutual beneficial relationships through active engagement. We regularly engage with our stakeholders to have a better understanding of their expectations and needs. We believe that responding to rapidly changing stakeholder interests is critical in sustaining our growth.

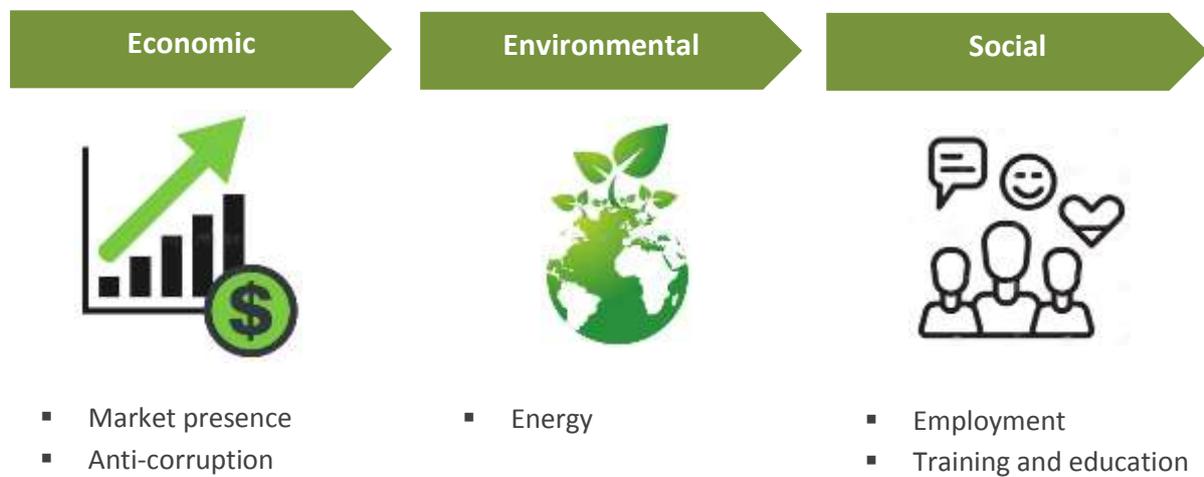


Stakeholder Group	Methods of Engagement	Stakeholders' Expectations	Frequency of Engagement
Customers 	Front line interaction at the restaurants. Response to feedbacks via various channels.	Good food and beverage, service and genuine hospitality. Food safety and hygiene.	Daily
Suppliers 	Constant communication with suppliers to ensure standards compliance and quality assurance.	Good business relationship, mutual understanding on expectations and open communication.	Periodic
Employees 	Coaching, training, mentoring are the key elements in our relationship with each of our team members.	Staff benefits, employee rights, personal development and good working environment.	Daily
Investors 	Annual general meetings ("AGM") and corporate announcements to keep shareholders updated about the Group's performance and updates.	Sustainable business, profitability, transparency, timely reporting and fair business practices.	AGM – Annually Periodic
Business Partners 	Business meetings and constant communication to maintain business dealings such as landlords.	Foster good relationship and partnership for opportunities and growth.	Periodic
Government and Regulators 	Keep abreast with awareness of regulations. Communicate with regulators and disclose pertinent timely information.	Compliance with regulations, timely reporting and resolution of issues.	Periodic

MATERIAL TOPICS

For our third year of sustainability reporting, we will continue to utilise the factors identified in the previous sustainability reports which was ranked and prioritised amongst the ESG factors after taking into consideration stakeholders' feedbacks, challenges faced by the industry, risks, business objectives and qualitative perspectives. Pursuant thereto, we will continue to focus our sustainability efforts on the following ESG factors:

Sustainability Factors Focused



As the restructuring exercise of our Group is currently still ongoing as at the date of this sustainability report, the update on our Group's performance on the selected sustainability factors would be based on the limited operations of the Group and targets were not reported as they may not provide a representative and realistic portrayal of our Group's performance.

MARKET PRESENCE

The focus of our Group in FY2019 was to complete the ongoing restructuring exercise of our Group. Concurrently, we remain committed to our remaining operations in Malaysia and maintain our social interaction and connection with the local community.

As we continue our operations on a much smaller scale pending the completion of the restructuring exercise, efforts and measures are still in place to ensure that our Group conforms to the local laws and regulations. The Human Resource Department attends conference and seminars conducted by the relevant authorities to keep themselves updated with the corporate best practices in the HR field as well as any changes to the local labour laws and regulations. Our Group continues to strive on providing wages above the minimal wage level and ensures that minimal wage level is in compliance with Malaysia's manpower regulations.



Our Group is conscious on the importance of engaging local talents, establishing ties with the local communities and creating a sense of relatability. Due to the ongoing restructuring exercise, we are unable to clearly represent our market presence in FY2019 and set quantifiable targets in FY2020.

We aim to maintain our relationship with the local communities moving forward to allow for our continuous presence to the local communities as our operations continue to adapt accordingly.

ANTI-CORRUPTION

We adopt good corporate governance to establish and maintain an ethical environment within our Group. We are committed to a high standard of ethics and adopts a zero tolerance approach towards fraud and other improprieties.

We maintain and adhere to a whistle-blowing policy which was endorsed by the AC, approved by the Board and made readily available to our employees and stakeholders through our website. A dedicated and secured e-mail address is established to allow whistle-blowers to contact the AC members directly.

This provides a platform for all employees and stakeholders to raise concerns about actual or potential corporate malpractices including conflict of interest, insider trading, collusion with competitors, serious breaches of our Group’s policy, unsafe work practices or any other matters involving fraud, corruption and employee misconduct. All concerns or irregularities raised will be treated in confidence and whistle blowers are protected against reprisals for whistleblowing conducted in good faith. The AC oversees the process and ensures the independent investigation of such matters and for appropriate follow-up actions.

Our Group continues to have a record of zero corruption report received by the AC during FY2019. We will continue to maintain our anti-corruption culture with the help of our whistle blowing policy and internal controls established and should there be a need, fine-tune and update our whistle-blowing policy to adapt to the changing business environment.



ENERGY

Conserving energy continues to be an integral part of our Group's sustainability strategy. Energy saving features for most of our kitchen equipment help to reduce energy usage and reduce carbon output. We are also using eco-friendly food packaging for take-away in our restaurant as a form of sustainable packaging. The continuous awareness and education to our employees also aid to reduce wastage through our daily operations. In our existing operations, we strive to continue to explore measures which we can incorporate into our daily operations to reduce energy usage and embark on energy-saving initiatives once our financial position has been restored.



Based on our Group's existing operating restaurant, the total energy used in terms of kWh for FY2019 was approximately 0.25 million kWh and we target for a 2% reduction in FY2020.

In addition to reduction of energy usage, we also aim to reduce food wastage as a sustainable practice via stock control, avoidance of over production by predicting food orders and employees awareness. We are unable to provide qualitative data and target for food wastage in this report as operationally it was impracticable to measure food wastages. All wastages are included as food costs and this will be monitored by the team.

EMPLOYMENT, TRAINING AND EDUCATION

Notwithstanding that the level of our operations has reduced significantly as compared to previous years due to the ongoing restructuring exercise, employment continues to be an important part of our sustainability strategy due to our belief and commitment to our employees. We aim to provide a health work environment and provide equal opportunities to all our employees. Policies and practices are put in place to ensure transparency and fairness.

We adopt an open culture and focus on two-way communication which will allow us to obtain feedback from our employees and address any grievances. Annual performance review continues to be an integral part of our people management system to identify performing and calibre individuals for performance reward entitlement and the opportunity for career development. Employee benefits include life and medical insurance (not applicable to temporary or part-time employees), meal and traveling allowances and staff training. We ensure that all required benefits (including parental leave) and welfare are provided to each employee in compliance with the local laws. We also continuously monitor our compensation package to ensure we stay competitive and is able to

retain talents. We do not have a gender preference in our recruitment but candidates who were interested in our recruitment adverts were generally males due to the nature of the work.

We also emphasize on employee development and identify areas for improvement for the respective employees via our annual performance appraisals. Technical trainings for outlet personnel or management training for executives could help to improve on the performance of the individuals. We are unable to provide the qualitative data and target for the number of hours of training in this report as currently most training are provided on the job due to limited resources available in view of the Group's restructuring exercise.

We provide updates on the progress of the Group's ongoing restructuring exercise and relevant changes to our Group arising from the exercise to ensure our employees are aware and well-informed of the potential impacts they might be facing. Business rationalisation initiatives are implemented to better focus our existing resources which may assist in the financial restoration of our Group. As such, we are currently unable to set targets with regards to employment and training. Nonetheless, we believe that after the restructuring exercise, we would be able to better focus on employee development, training and education for our employees.



Moving forward, we would continue to maintain our open culture which encourages two way communication and maintain competitive benefits to our employees to encourage retention of talents in our Group.

Employees Information as at 31 December 2019

Number of employees by Gender

Gender	Number of employees	%
Male	19	95%
Female	1	5%
Total	20	100

Number of employees by Age

Age	Number of employees	%
30 and below	9	45%
31 to 40	9	45%
41 and above	2	10%
Total	20	100

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
GENERAL DISCLOSURE		
GRI 102: General Disclosures 2016	Organizational Profile	
	102-1 Name of the organisation	Cover Page
	102-2 Activities, brands, products, and services	Page 5
	102-3 Location of headquarters	Page 5
	102-4 Location of operations	Page 5
	102-5 Ownership and legal form	Page 5 and Annual Report
	102-6 Markets served	Page 5
	102-7 Scale of the organisation	Page 5 and Annual Report
	102-8 Information on employees and other workers	Page 13
	102-9 Supply chain	Page 6
	102-10 Significant changes to the organisation and its supply chain	No changes to supply chain
	102-11 Precautionary principle or approach	Precautionary approach
	102-12 External initiatives	We will continue work on reporting this in the next report once restructuring exercise is complete
	102-13 Membership of associations	
	Strategy	
	102-14 Statement from senior decision maker	Page 3
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	Page 5
	Governance	
	102-18 Governance structure	Page 7 and Annual Report
	Stakeholder Engagement	
	102-40 List of stakeholder groups	Page 8
	102-41 Collective bargaining agreements	Not applicable
	102-42 Identifying and selecting stakeholders	Page 8
	102-43 Approach to stakeholder engagement	Page 8
	102-44 Key topics and concerns raised	Page 8
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	Annual Report
	102-46 Defining report content and topic boundaries	Page 2
	102-47 List of material topics	Page 9
	102-48 Restatements of information	Not applicable
	102-49 Changes in reporting	Not applicable
	102-50 Reporting period	Page 2
102-51 Date of most recent report	30 May 2019	
102-52 Reporting cycle	Page 2	
102-53 Contact point for questions regarding the report	Page 2	
102-54 Claims of reporting in accordance with the GRI Standards	Page 2	
102-55 GRI content index	Page 14	
102-56 External assurance	Page 2	
MATERIAL TOPICS		
Market Presence		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 10
	103-2 The management approach and its components	Page 10
	103-3 Evaluation of the management approach	Page 10

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Page 10. We will work on reporting this in the next report once restructuring exercise is complete.
	202-2 Proportion of senior management hired from the local community	
Anti-Corruption		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 11
	103-2 The management approach and its components	Page 11
	103-3 Evaluation of the management approach	Page 11
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Page 11
	205-2 Communication and training about anti-corruption policies and procedures	Page 11
	205-3 Confirmed incidents of corruption and actions taken	Page 11
Energy		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 12
	103-2 The management approach and its components	Page 12
	103-3 Evaluation of the management approach	Page 12
GRI 302: Energy	302-1 Energy consumption within the organisation	Page 12
	302-2 Energy consumption outside of the organisation	
	302-3 Energy intensity	
	302-4 Reduction of energy consumption	
	302-5 Reduction in energy requirements of products and services	
Employment		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 12
	103-2 The management approach and its components	Page 12
	103-3 Evaluation of the management approach	Page 12
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Page 12. We will work on reporting this in the next report once restructuring exercise is complete.
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Page 12
	401-3 Parental leave	Page 12
Training and Education		
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Page 12
	103-2 The management approach and its components	Page 12
	103-3 Evaluation of the management approach	Page 12
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Page 12
	404-2 Programs for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	