



Example sustainability disclosures under IFRS Sustainability Disclosure Standards

VALUE Plc

December 2024



Disclaimer

This publication contains an illustrative example of a basis of preparation and selected sustainability notes only for an entity reporting under the IFRS[®] Sustainability Disclosure Standards. It is not a complete sustainability report – it only covers specific areas and selected disclosure requirements under the IFRS Sustainability Disclosure Standards.

For the purposes of the illustrative example, this publication includes: a climate-related physical and climate-related transition risk for environmental; a risk and opportunity for social; and a risk for governance. Other sustainability-related risks and opportunities might exist for VALUE Plc which would require disclosure, but they are not included for the purposes of this illustration.

This publication presents examples of how a fictional entity might apply some of the requirements in IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and IFRS S2 'Climate-related Disclosures' based on hypothetical scenarios and hypothetical risks to the entity. The illustrated disclosures are not intended to represent the only manner in which the requirements could be applied.

This publication is for illustrative purposes only and should be used in conjunction with the relevant sustainability reporting standards and any other pronouncements and legislation applicable in specific jurisdictions.

This publication illustrates selected disclosures under IFRS Sustainability Disclosure Standards, and it assumes that the group is not subject to mandatory sustainability reporting requirements under other frameworks.

Guidance on sustainability reporting under IFRS Sustainability Disclosure Standards is included in our [Sustainability Reporting Guide](#).

About this publication



Introduction

This publication presents the sample annual sustainability report of a fictional listed company, VALUE Plc, for its first year of reporting under IFRS Sustainability Disclosure Standards. Certain transition reliefs have been applied by VALUE Plc (see [note 1.3](#) for more information). VALUE Plc is the same entity as the one on which the [IFRS Accounting Standards illustrative financial statements](#) are based. The group structure, nature of operations, financial performance etc are consistent between this illustrative sustainability report and the illustrative financial statements. Where applicable, cross-references have been included to note disclosures in the illustrative financial statements. VALUE Plc is listed on a fictitious stock exchange, and it is the parent entity in a consolidated entity (the ‘group’). The group manufactures and sells furniture and electronic equipment, and it provides IT consulting services.

This publication illustrates only selected examples of the sustainability reporting requirements that would apply to such a company under IFRS Sustainability Disclosure Standards that were issued at 31 December 2024. Supporting commentary is set out in orange boxes throughout the publication including references to our Sustainability Reporting Guide (referred to as ‘SRG’). The purpose of this publication is to illustrate how an entity might structure its sustainability report, specifically as it relates to the overall sustainability reporting policies. The illustrative sustainability report includes the following sustainability reporting policy notes:

1. Basis of preparation
2. Overview of the group and value chain
3. Reporting boundary
4. Judgements and measurement uncertainties
5. Materiality assessment
6. Sustainability governance

This illustrative sustainability report includes an example disclosure for one risk of each of environmental (both climate-related transition risk and climate-related physical risk), social, and governance areas. It also includes an example disclosure of an opportunity in the social section. Other sustainability-related risks and opportunities might exist for VALUE Plc which would require disclosure, but they are not included for the purposes of this illustration. In addition, depending on the number of sustainability-related risks and opportunities that an entity identifies and discloses, a different structure might be more appropriate.

The group’s sustainability report covers material information about selected sustainability-related risks and opportunities that could reasonably be expected to affect the group’s cash flows and its access to finance or cost of capital over the short-, medium-, and long-term. This includes information from the group’s own operations and information that arises or might arise in the context of the group’s value chain.

This publication includes specific disclosures required by IFRS Sustainability Disclosure Standards as well as additional disclosures that provide material information to users. For disclosures specifically required by IFRS Sustainability Disclosure Standards, the applicable paragraph in IFRS S1 or IFRS S2 that the disclosure is illustrating has been included in the left column of each page in **black bold** text. In addition, this illustrative sustainability report includes a number of areas that do not have a specific disclosure requirement in IFRS Sustainability Disclosure Standards but which we believe provide helpful illustrative examples of material information for users. References in the left column of each page which are not in bold text are not specific disclosure requirements but refer to guidance in the relevant standard related to the disclosure. In a limited number of instances, we have provided information in brackets [for example], this information should be understood to be a placeholder for details which should be customised by entities depending on specific facts and circumstances.

VALUE Plc example sustainability disclosures – 31 December 2024

Notes

01

Basis of preparation

02

Overview of the group
and value chain

03

Reporting boundary

04

Judgements and
measurement uncertainties

05

Materiality assessment

06

Sustainability governance

07

Environment-related risks
and opportunities

08

Social-related risks
and opportunities

09

Governance-related risks
and opportunities

10

Events after
the reporting period

VALUE Plc example sustainability disclosures

– 31 December 2024

Summary of sustainability-related risks and opportunities

The table below provides an overview of the group's sustainability-related risks and opportunities, and it provides a roadmap to where the detailed disclosures are included in the sustainability report. The table also includes references to the group's overall sustainability-related policies.

Group structure and reporting boundary			
Basis of preparation (note 1)	Overview of the group and value chain (note 2)	Reporting boundary (note 3)	
Overview of process and governance			
Materiality assessment (note 5)	Sustainability governance (note 6)		
	Environmental (note 7)	Social (note 8)	Governance (note 9)
Risk	Climate-related physical risk: wildfires could affect the raw material supply chain of the group's furniture manufacturing operations Climate-related transition risk: change in consumer practices could cause a loss of market share	Diversity: composition of board and management does not adequately represent the diversity in the population present in the geographical locations where the business operates. This could affect the group's ability to attract and retain talent and could cause damage to the group's reputation and brand	Supplier payment practices: supplier payment practices that are not in line with the group's policy could create financial difficulties at clients and could damage the group's relationship with clients. This could create supply chain disruptions
Opportunity	(Not illustrated)	Fair wages: expansion of fair wages policies to own workforce and contracted workers in all geographical locations	(Not illustrated)

Judgements and measurement uncertainties ([note 4](#))

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

1. Basis of preparation

Standard reference

	1.1 Compliance with IFRS Sustainability Disclosure Standards
IFRS S1.72	The sustainability report of VALUE Plc and its subsidiaries (the 'group') has been prepared in accordance with IFRS Sustainability Disclosure Standards as issued by the International Sustainability Standards Board (ISSB).
IFRS S1.55(a)	In addition, when preparing this report, the disclosure topics in the Sustainability Accounting Standards Board (SASB) standards have been referred to and considered. See note 5 .
	1.2 Connectivity with financial statements (reporting period, reporting entity, and presentation currency)
IFRS S1.22	The sustainability report has been prepared for the group and should be read in conjunction with the group's consolidated financial statements prepared in accordance with IFRS Accounting Standards. It covers a 12-month period for the year ended 31 December 2024 which is aligned with the reporting period of the related consolidated financial statements.
IFRS S1.64	
IFRS S1.30(c)	The group defines the time horizons based on when the sustainability-related risks and opportunities could reasonably be expected to occur. As of the end of the reporting period the following time horizons were identified, and these align with the timelines used for strategic decision-making:
IFRS S2.10(d)	• short term (0 to 12 months); • medium term (1 to 5 years); and • long term (beyond 5 years).
IFRS S1.31	
IFRS S1.20	The sustainability-related financial disclosures cover the same reporting entity as the related consolidated financial statements. The reporting entity includes the parent company VALUE Plc and its subsidiaries. In preparing its sustainability-related financial disclosures, the group has assessed its own operations and its value chain which includes, amongst others, the joint ventures, and associates of the group. Refer to note 2.2 for information on the value chain.
IFRS S1.B38	
IFRS S1 App A	 A sustainability report is referred to as 'sustainability-related financial disclosures' in IFRS S1. The definition of 'sustainability-related financial disclosures' is: 'A particular form of general purpose financial reports that provide information about the reporting entity's sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term, including information about the entity's governance, strategy and risk management in relation to those risks and opportunities, and related metrics and targets'.
IFRS S1.24	The presentation currency of the sustainability-related financial disclosures is the Oneland currency (CU), which aligns to the presentation currency used in the consolidated financial statements, and amounts disclosed are rounded to the nearest thousand unless otherwise stated.

1. Basis of preparation (continued)

IFRS S1.E1

IFRS S2.C1

1.3 First-time adoption of IFRS Sustainability Disclosure Standards and transition reliefs

The group is reporting under IFRS Sustainability Disclosure Standards for the first time for its annual reporting period ending 31 December 2024. It has applied the following standards for its annual reporting period commencing 1 January 2024:

- IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information'.
- IFRS S2 'Climate-related Disclosures'.

At 31 December 2024, there are no other IFRS Sustainability Disclosure Standards issued by the ISSB.

IFRS Sustainability Disclosure Standards provide transition reliefs for the first annual reporting period in which an entity applies the standards. The group has applied the following transition reliefs:

- relief from the requirement to disclose comparative information in the first annual reporting period; and
- relief from issuing the sustainability report at the same time as the financial statements which were issued on 23 February 2025. This report has been issued at the same time as the group's 30 June 2025 interim financial statements were issued.

IFRS S1.E3

IFRS S2.C3

IFRS S1.E4



In addition to the two reliefs VALUE Plc has applied, in the first year of applying IFRS Sustainability Disclosure Standards, entities are able to apply the following transition reliefs permitting them to:

- disclose information on only climate-related risks and opportunities (in accordance with IFRS S2);
- continue to apply the greenhouse gas measurement method used in the immediately preceding year; or
- exclude scope 3 emissions from the first annual report, including the additional information on financed emissions from entities participating in asset management, commercial banking, or insurance activities.

IFRS S1.E5

IFRS S2.C4

If an entity uses any of these transition reliefs, it shall disclose that fact. VALUE Plc has decided not to use these transition reliefs.

See SRG [3.8](#) and [7.11](#) for more information.

2. Overview of the group and value chain

IFRS S1.32

2.1 Overview of the group

Our key business activities

The group's primary business activity is the manufacture of commercial office furniture, hardwood side boards, chairs, and tables. The group sells this furniture under the brand name Pina Colada Furniture in the wholesale market and through its chain of retail stores. The group also provides IT consulting services comprising business IT management, design, implementation, and support services.

The group has recently entered into the manufacture of electronic equipment through its acquisition of VALUE Electronics Group in April 2024. See note 14(a) in the group's 31 December 2024 financial statements for further details. This area of the business is still relatively small for the group, but it complements the group's existing IT consultancy division and is seen as a potential growth area.

The group's key market is Oneland, followed by China and the USA.

The group's key business activities, geographical locations of those activities and contribution to revenue per activity are summarised in the table below:

Business activity	Additional information	Geographical locations	% of total revenue ¹
Manufacture and sale of furniture			
Manufacture of furniture		Oneland and China	n/a
Sale of furniture – wholesale	Sale of group's own brand only	Oneland	27%
		China	17%
Sale of furniture – retail	Sale of group's own brand as well as furniture from other major retail brands	Oneland	16%
IT consulting		USA	16%
		Europe	9%
Manufacture and sale of electronic equipment			
Manufacture of electronic equipment		Oneland	n/a
Sale of electronic equipment – wholesale	Sale of electronic equipment manufactured by the group	Oneland	7%
Other activities			8%

¹ The revenue disclosed is the percentage of revenue from external customers per business activity disclosed in the group's 31 December 2024 financial statements (see note 3(a)).

2. Overview of the group and value chain (continued)

IFRS S1.32

Other activities

The group also develops and sells residential properties, and holds investment properties, primarily office buildings, which it rents out under operating leases. The operations are not core to the group's business strategy and are not separately managed or included in the reports provided to the strategic steering committee.

The group also previously provided engineering services through its engineering business, which the group disposed of in March 2024. See note 15 in the group's 31 December 2024 financial statements for further details.

Note 3.1 sets out how the group's entities, assets, and operations have been included in the reporting boundary for sustainability reporting.

Our strategy and sustainability related goals

The group plans to continue to invest in and grow its furniture manufacturing business which is core to its operations. The group has been investing in furniture sales through its retail stores, and it experienced 50% growth in sales for this channel during the 2024 financial year. The group will continue to invest in retail sales and is considering introducing online sales to retail customers.

The group's IT consulting service business has also seen good growth in the past year, particularly in the USA. The acquisition of VALUE Electronics Group was a strategic acquisition and has increased the group's market share in these sectors. The group has plans to further integrate its consulting services and electronic equipment businesses to further increase market share. Management views this as a potential high-growth area for the business.

IFRS S1.32

The group has set some overall sustainability-related goals that align with the group's growth ambitions for these business activities:

- **Furniture manufacturing:** the group is exploring other bio-based materials that could be used as an alternative construction material to timber that is currently used by the group. This could lead to market distinction and increased market share. See note 7.1.1(c).
- **Electronic equipment manufacturing:** the group is researching new devices that could replace the current suite of smartphones and tablets manufactured by the group. The group's strategy for the new devices is for them to be more sustainable by being easier to repair and having smaller impact on the environment at end-of-life. (More information, including metrics and targets, related to electronic equipment manufacturing is not further illustrated.)
- **Reduction in GHG emissions:** the group has set a target to achieve net zero GHG emissions by 2050. See note 7.5.2.

2.2 Our value chain

For the group to provide goods and services, the group depends on a number of other entities, people, and resources – this includes key suppliers for raw materials and plant and equipment for the manufacturing businesses, transportation for consultants and other employees, logistics companies for distribution of our goods, and customers who purchase the group's goods and services.

2. Overview of the group and value chain (continued)

The table below summarises the group's key upstream and downstream value chain relationships:

		Description	Geographical location
Upstream value chain	Key suppliers	Timber for furniture manufacturing business – the group currently has a limited number of suppliers of timber	Scandinavia, Canada, and Southern Europe
		Fabric for furniture manufacturing business	China
		Electronic components for electronic manufacturing business	Taiwan, Oneland and USA
		Major retail brands for household furniture sold through retail stores	Oneland
		Electricity and water for all operations	Oneland and China
		Plant and equipment suppliers	China and Germany
	Transportation	Local and international transportation for consultants in IT consulting business	International
		Local transport of employees at manufacturing sites, retail stores and head office	Oneland and China
		Transportation of raw material from suppliers	Multiple locations of suppliers (see above)
Downstream value chain	Distributors	The group outsources the distribution of all its products sold to its wholesale and retail customers. Distribution is primarily done through road and rail	Oneland and China
	Customers	Retail and wholesale customers for furniture – a significant portion (approximately 12%) of the group's total revenue comes from a single customer for wholesale furniture sales in Oneland	Oneland and China
		Wholesale customers for electronic equipment	Oneland
		Businesses for IT services	USA and Europe
		Customers of wholesalers that purchase our furniture and electronic products	Oneland, China, Europe, and Southern Africa

IFRS S1.B5

The group has other business relationships, primarily through its investments in associates and joint ventures, that are part of the group's value chain.

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

3. Reporting boundary

IFRS S1.20,B38

3.1 Reporting boundary (excluding GHG emissions)

Reporting entity

The entities, assets, and operations (referred to as the 'reporting entity') included in the group's sustainability report are the same as those included in the group's 31 December 2024 financial statements. During the reporting period there were the following changes to the group structure:

- **Acquisitions:** on 1 April 2024, VALUE Plc acquired 70% of the issued share capital of VALUE Electronics Group, a manufacturer of electronic equipment (see note 14 in the group's 31 December 2024 financial statements for more detail). Information about sustainability-related risks and opportunities is identified and disclosed from the acquisition date.
- **Disposals:** the group disposed of VALUE Engineering GmbH, its engineering business, with effect from 1 March 2024 (see note 15 in the group's 31 December 2024 financial statements for more detail). Disclosures of information about sustainability-related risks and opportunities of the disposed subsidiary are excluded from the disposal date, which is the date when the group lost control of the subsidiary.



Effect of changes in the entity structure

Neither IFRS S1 nor IFRS S2 specifically address the effect of an acquisition or disposal on sustainability disclosures. However, IFRS S1 paragraph 20 states that the reporting entity for the purposes of sustainability reporting is the same as the reporting entity for the related financial statements. Thus, the treatment of an acquisition or disposal would align with the treatment in financial reporting.

As a result, if VALUE Plc had presented comparative information, this comparative information would not have been adjusted to include amounts relating to acquisitions or disposals in the current year.

See SRG [3.6](#) for more information.

The group's reporting entity and the extent of sustainability-related information considered and included in the group's consolidated sustainability report, are summarised below:

Entities and assets in the reporting entity	Additional information	Note in financial statements	Information considered and included
Parent and subsidiaries	-	Note 16(a)	100% of the sustainability information, including consolidated subsidiaries not fully owned
Leased assets (group is lessee)	The group leases various offices, warehouses, retail stores, equipment, and vehicles. The group has the right to control the use of the asset as well as the right to substantially all of the related economic benefits during the term of the lease	Note 8(b)	100% of the sustainability information related to the use of the leased assets during the lease term

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

3. Reporting boundary (continued)

Entities and assets in the reporting entity	Additional information	Note in financial statements	Information considered and included
Leased assets (group is lessor)	The group has investment properties that it leases to tenants under operating leases. The investment property continues to be recognized in the group's statement of financial position	Note 8(c)	100% of the sustainability information related to the leased asset
Joint operations	The group has a 50% interest in a joint arrangement called the Fernwood Partnership which is accounted for as a joint operation. The group's financial statements reflect the group's direct right to the jointly held assets, liabilities, revenues and expenses, and its share of any jointly held or incurred (referred to as 'indirect') assets, liabilities, revenues, and expenses	Note 16(d)	100% of the sustainability information for direct assets, liabilities etc. and a proportionate share of indirect assets, liabilities etc. recognised by the group



There is no specific guidance regarding how to disclose material sustainability-related risks and opportunities for joint operations. Paragraph 20 of IFRS S1 defines the reporting entity for sustainability disclosure as the same as the reporting entity for financial statements, therefore, the share of assets and share of operations which are associated with the joint operation should be included as part of the entity's own operations.

For the share of the assets and share of operations that are not owned by the group, we believe that an acceptable approach is to disclose them as part of value chain information. Other approaches related to assets and operations that are not owned by the entity may also be acceptable. The approach selected should be applied consistently and transparently disclosed. See SRG [3.3.4](#) for further information.

Value chain

The group also has entities (including investments in associates and joint ventures), activities, resources, and relationships that form part of its value chain. These have been considered in assessing the sustainability-related risks and opportunities of the group. In the current reporting period, all metrics reported (except for GHG emissions) relate to the group's own operations.

3. Reporting boundary (continued)

**IFRS
S2.29(a)(iii)(1),
B26(a),B27**

3.2 Reporting boundary for GHG emissions

The group uses the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) (the 'GHG Protocol') to measure its GHG emissions unless otherwise stated by IFRS S2. The group uses the GHG Protocol Corporate Value Chain Standard ('Scope 3 Standard') to define the fifteen Scope 3 categories as part of the requirement to disclose Scope 3 GHG emissions.

The group's reporting boundary for GHG emissions includes its organisational boundary and operational boundary:

a. Organisational boundary.

Establishing organisational boundaries in accordance with the GHG Protocol

Under IFRS S2, an entity measures its GHG emissions in accordance with the GHG Protocol unless required – by a jurisdictional authority or an exchange on which the entity is listed – to use a different method for measuring its GHG emissions. For illustrative purposes, it has been assumed that VALUE Plc is not required by a jurisdictional authority or an exchange on which it is listed to use a different method for measuring its GHG emissions. As such, VALUE Plc follows the GHG Protocol to measure its GHG emissions, unless otherwise stated as required by IFRS S2. The GHG Protocol outlines two approaches for establishing organisational boundaries: the equity share approach; and the control approach (with control determined based on either financial or operational control). These two approaches are referenced in IFRS S2 as examples of approaches that an entity uses under the GHG Protocol. Under the GHG Protocol, a single approach should be selected across the organisation (that is, using different approaches for each category of assets is not permitted). The selected approach should be disclosed and applied consistently. See [SRG 7.3.6](#) for factors influencing the selection of an organisational boundary approach.

Equity share approach

Under the equity share approach, a company includes its share of GHG emissions from operations based on its share of equity. The equity share reflects economic interest, which is the extent of rights that a company has to the risks and rewards flowing from an operation.

Financial control approach

Under the financial control approach, a company includes 100% of the GHG emissions from operations over which it has financial control. Financial control normally represents the right to the majority of the economic benefits of an operation, it does not necessarily align with ownership percentage.

Operational control approach

Under the operational control approach, a company includes 100% of the GHG emissions from operations over which it has operational control. An entity has operational control over an operation if it has full authority to introduce and implement operational policies. This approach focuses on the ability to operate the assets, notwithstanding legal ownership of the asset. Examples of operational decisions and rights to consider when assessing whether an entity has operational control are:

- whether the entity holds the operating licence;
- whether the entity is responsible or liable for the legal and contractual obligations regarding emissions; and
- whether the entity has the authority to introduce and implement operating policies.

See [SRG 7.3](#) for more information.

3. Reporting boundary (continued)

Acquisitions and disposals

The IFRS Sustainability Disclosure Standards do not contain guidance on how to incorporate changes in the entity structure on sustainability information. Note, however, that the Transition Implementation Group on IFRS S1 and IFRS S2 (TIG) discussed the effect of an acquisition or disposal on reporting of GHG emissions in its meeting on 13 June 2024. As highlighted in the meeting summary, the TIG concluded that the reporting entity for the purposes of sustainability reporting should align with the reporting entity for the purposes of financial reporting, and that entities should look to the applicable GAAP to determine the consolidation requirements. An entity should not follow the guidance of the GHG Protocol, but it should instead follow the same approach for acquisitions and disposals in the general reporting boundary guidance (for example see note 3.1). See SRG 7.10.7 and 3.6.1 for more information.

**IFRS S2.29
(a)(iii)(2)**

IFRS S2.B27

The group applies the operational control approach to establish its organisational boundary for the reporting of GHG emissions.

The group believes that the use of the operational control approach is the most appropriate method to measure the group's GHG emissions, considering that there are entities and assets outside the group's financial reporting group over which it has operational control.

The group has operational control over the following entities, assets, and operations:

	Additional information	Note in financial statements
Parent and consolidated subsidiaries	The group has operational control across its subsidiaries, because it has full authority to introduce and implement operational policies across them	Note 16(a)
Associates, joint ventures, joint operations, and unconsolidated subsidiaries	The only associate over which the group has operational control is Cuddly Bear Plc, an equity-accounted investment in which the group has a 35% shareholding. Cuddly Bear Plc is a strategic investment that utilises the group's knowledge and expertise in the development of residential land. Because of the group's industry knowledge and expertise, the other investors have given the group full authority to introduce and implement operational policies The group does not have operational control over its joint operation Fernwood Partnership*, because all decisions, including decisions over operational policies, are made by a third-party through a contractual arrangement. The group also does not have operational control over any of its other investments in associates and joint ventures * See note 3.1 for the treatment of Fernwood Partnership in the general reporting boundary	Note 16(e) Note 16(d)

3. Reporting boundary (continued)

	Additional information	Note in financial statements
Leased assets	For leased assets for which the group is acting as a lessee, the group has operational control over the assets during the lease term. These assets include buildings, equipment, and vehicles The group has investment properties that it leases out as lessor. The group does not have operational control over these assets during the lease term	Note 8(b)

For acquisitions and disposals, the group follows the general approach for current-year GHG emissions and the comparative amounts as described under note [3.1](#).

b. Operational boundary

Direct GHG emissions from sources that are owned or controlled by businesses and operations within the group's organisational boundary are reported as scope 1 GHG emissions of the group. GHG emissions from the generation of purchased electricity consumed by these businesses and operations are reported as scope 2 GHG emissions of the group. The group's relevant portion of other indirect emissions arising from its activities are reported as the group's scope 3 emissions.



The classification of emissions from leased assets may be challenging in practice, because the classification depends on both the organisational boundary approach applied, and the interaction with the applicable accounting standards.

See SRG [7.4](#) for more information.

4. Judgements and measurement uncertainties

IFRS S1.79

In the process of preparing this sustainability report, management has exercised judgement in a number of areas, including the process of identifying sustainability-related risks and opportunities and identifying material information to report. Additionally, the preparation of this report requires the use of estimates for certain amounts which cannot be measured directly. Estimates have been made where the sustainability information relates to an entity in the value chain and needs to be estimated, is related to forward-looking information, or involves data limitations.

This section outlines the most critical judgements made by management in preparing this sustainability report, as well as the amounts that are subject to a high degree of measurement uncertainty. The detail of the judgement made, or the source of estimation uncertainty, is included in the note disclosure referenced.

IFRS S1.74

IFRS S1.75

4.1 Significant judgements

	Description	Note reference
Materiality process	Management applied significant judgement to identify the sustainability-related risks and opportunities that could reasonably be expected to affect the group's prospects, as well as the material information related to those risks and opportunities. The process that the group followed in making the assessment of what information could reasonably impact the group's prospects and influence decisions of primary users is detailed in note 5 Judgement was also applied in considering which metrics included within the disclosure topics in the SASB standards were applicable to the group	<u>Note 5</u>
Organisational boundary for GHG emissions	The group has applied the operational control approach to determine its organisational boundary for reporting GHG emissions. The operational control approach requires the group to identify the operations over which the group has full authority to introduce and implement operational policies Both the selection of the most appropriate approach and the identification of operations over which the group has operational control are areas of significant judgement	<u>Note 3.2</u>
Calculation methods for GHG emissions	The group has applied a combination of different calculation methods to determine its scope 3 GHG emissions. Management has applied judgement in determining the calculation methods that are most appropriate for each category depending on availability and quality of data, and it prioritises the use of supplier-specific data where available with sufficient quality	<u>Note 7.5.1.(ii)</u>

In preparing the group's financial statements, management made several significant judgements. Some of these judgements are also relevant to this sustainability report. Specifically, management concluded that the group controls VALUE Overseas Ltd, despite holding less than 50% of the voting rights (refer to note 16(a)(i) in the group's 31 December 2024 financial statements for details). This judgement significantly impacts the sustainability report, because it means that VALUE Overseas Ltd is part of the group for financial reporting and therefore part of the reporting entity for sustainability reporting as a controlled subsidiary.

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

4. Judgements and measurement uncertainties (continued)

IFRS S1.78

IFRS S1.79,81

4.2 Measurement uncertainty

The following amounts have a high degree of measurement uncertainty:

	Description	Note reference
GHG-related metrics	The group measures its GHG emissions in accordance with the GHG Protocol unless otherwise stated as required by IFRS S2. The related disclosed metrics are subject to inherent high uncertainties arising from reliance on activity data and emission factors obtained from third parties. Where activity data and emission factors cannot be obtained on a timely basis, or are incomplete, estimation is used	Note 7.5.2
Climate transition risk – change in consumer preferences	The measurement of anticipated financial effects due to shifts in consumer preferences is subject to significant measurement uncertainty. With limited data of the effects of the group's transition plan on consumer behaviour for the current year, there is a wide range of potential outcomes for the anticipated financial effects of this risk over the medium to long term	Note 7.1.2



IFRS S1.85, B50

Given that it is the first year that VALUE Plc reports sustainability information under IFRS Sustainability Disclosure Standards, the following areas have not been illustrated:

Changes in estimates

A change in estimate takes place where an entity needs to revise an estimated metric in the preceding year because additional information becomes known, and the new information provides evidence of circumstances that existed in that period. The IFRS Sustainability Disclosure Standards require entities to revise the comparative amount, to explain the reason for revising the comparative amount, and to disclose the effect of the revision.

The requirement to revise comparative information for estimates differs from the approach in the IFRS Accounting Standards, where changes in estimates are recognised prospectively.

4. Judgements and measurement uncertainties (continued)

IFRS S1.84, B58



Material errors

Prior-period errors are omissions from and misstatements in the entity's sustainability-related financial disclosures for one or more prior periods. Such errors arise from a failure to use, or the misuse of, reliable information that was available when the sustainability-related financial disclosures for that period(s) were authorised for issue; and that could reasonably be expected to have been obtained and considered in the preparation of those disclosures.

If an entity identifies a material error in its prior-period(s) sustainability-related financial disclosures, it should disclose:

- a. the nature of the prior-period error;
- b. the correction, to the extent practicable, for each prior period disclosed; and
- c. if correction of the error is impracticable, the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

See [SRG 3.7](#) for more information.

Additionally, other disclosures have not been disclosed, such as revisions to targets (IFRS S1.51(g) and IFRS S2.34(d)) and reassessment of the scope of any climate-related risk or opportunity throughout its value chain (IFRS S1 App B para B11, IFRS S2 App B paras B34-B35).

5. Materiality assessment

IFRS S1.44(a)(vi),(b) IFRS S1 B13-B28	This is the first year that the group has prepared a sustainability report. As such, a robust and detailed materiality assessment was performed to identify sustainability-related risks and opportunities that could reasonably be expected to affect the group's prospects. Although this is the first year of VALUE Plc's sustainability report, the group has previously considered the sustainability-related risks and opportunities that might affect the group's operations as part of its normal risk management processes.
IFRS S1.44(a)(b)	The materiality process was performed by the executive-level sustainability steering committee (see note 6.2), with input from other management in the group as well as external advisors. The outcome of the process was validated and approved by the board sustainability committee (see note 6.1). A two-step materiality process was followed: • Step 1: identify sustainability-related risks and opportunities that could be reasonably expected to affect the group's prospects over the short-, medium-, and long term. • Step 2: identify material information – determination of the disclosures which are needed in relation to the sustainability-related risks and opportunities identified. The aim of this process was to identify information about the sustainability-related risks and opportunities that could reasonably be expected to affect the group's prospects and influence decisions made by primary users of general-purpose financial reports. Management focused specifically on existing and potential investors (shareholders or holders of preferred shares), lenders (see note 7(b) in the group's 31 December 2024 financial statements), and other creditors in general. The group finalised its materiality assessment, including the identification of risks and opportunities at the end of the 2024 reporting period. Any events or changes that occurred during the period (for example, the acquisitions and disposals of subsidiaries during the period, see note 3.1) had already been considered as part of the materiality determination process.
IFRS S1.B11	 The process of identifying and assessing sustainability-related risks and opportunities is not an activity that only takes place once. An entity is required to reassess its risks and opportunities throughout its value chain on the occurrence of a significant event or significant change.
IFRS S1.B6	An entity should use all reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort. See SRG 4.4 for more information.

5. Materiality assessment (continued)

Step 1: Identification of sustainability-related risks and opportunities

The group followed a systematic approach, and referred to a number of different sources, to identify the sustainability-related risks and opportunities of the group. The group considered its own activities, and activities in the upstream and downstream value chain (see [note 2.2](#)), in the assessment. The process followed is summarised below:

IFRS S1.B2-B5

Understand the group's operations, resources, and relationships

Understanding the context in which the group operates was the first step of the process. The group considered its business activities, including products and services provided as well as the geographical, legal, and regulatory landscape of the operations

The group also considered the resources that it depends on and the relationships that it has along its value chain

A high-level overview of the context considered as part of this assessment is summarised below:

- a. **Key locations:** the group operates in Oneland, China, United States, and Europe. The group's suppliers are mainly located in the countries in which the group operates, except for suppliers of timber for the group's furniture manufacturing business. The group's key suppliers of timber are in Canada, Scandinavia as well as elsewhere in Europe
- b. **Regulations:** the group does not have operations in a regulated industry. However, it has considered applicable regulations in the countries in which the group operates, as well as those in the value chain
- c. **Key resources:** the group depends on a number of resources. These include:
 - raw materials into the manufacturing process, including timber and energy;
 - products from third-party retail brands sold in retail stores;
 - funding from bank loans and other sources of financing to fund the group's operations; and
 - key talent and employees
- d. **Distribution channels:** the group sells its own products through its wholesale and retail channels. The group makes use of a variety of transportation methods, which are provided by third parties, for the transport of raw materials and goods – these include shipping, road, rail, and air travel

5. Materiality assessment (continued)

IFRS S1.44(a)(i) IFRS S2.25(a)(i)	Identify risks and opportunities	The primary source to identify the group's risks and opportunities was the understanding of the group's operations and value chain (described in the section above). The group considered whether its critical resource inputs, relationships, and interdependencies with the value chain are subject to sustainability-related risks or whether they create opportunities that would affect the group's ability to generate cash flows The group also considered other internal and external sources of information to identify whether there were any additional risks and opportunities. The sources consulted included the following: - existing risk management and due diligence processes performed by the group; - educational materials issued by the IFRS Foundation related to IFRS S1 and IFRS S2; - disclosure topics in the SASB standards for the following industries: - Building Products and Furnishings; - Software and IT Services; and - Electrical and Electronic Equipment - sustainability-related risks and opportunities identified by entities that operate in the same industries as the group; and - engagement with the following stakeholders: employees, lenders, and analysts The group also consulted with an independent sustainability advisor and third-party experts as part of this process
IFRS S1.B22, B23	Assess whether the risks and opportunities could reasonably be expected to affect the group's prospects	Only those sustainability-related risks and opportunities that could reasonably be expected to affect the group's cash flows, access to finance or cost of capital (that is expected to affect the group's prospects) are disclosed in the group's sustainability report. In making this assessment, the group considered a combination of: - the likelihood of the event occurring; and - the magnitude of the impact on the group's financial prospects if the event did occur For risks and opportunities that relate to uncertain future events, the group considered a range of possible outcomes and assigned a likelihood to that range. Where an event had occurred in the past, a higher likelihood was assigned to a similar event occurring in the future The results of the assessment were plotted on a matrix to identify those risks and opportunities that could reasonably be expected to affect the group's prospects. No definitive thresholds were applied but, typically, those with a higher likelihood and/or magnitude are disclosed As part of this process, the group considered the perspective of certain external stakeholders (including lenders and analysts), to obtain an external perspective on whether there were any additional risks and opportunities – beyond those identified by the group – that could reasonably be expected to affect the group's prospects. There were no additional risks or opportunities identified from the perspective of the stakeholders
IFRS S1.44(a)(iii) IFRS S2.25(a)(iii)		
IFRS S1.B28		

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

5. Materiality assessment (continued)

IFRS S1.30(a)

Mitigation actions and plans to remediate

The group has disclosed risks and opportunities assessed before the group's prevention and mitigation actions

Final consolidation and approval of risks and opportunities for the group

The determination of the sustainability-related risks and opportunities requires judgement. The sustainability-related risks and opportunities identified for the group were presented to the board sustainability committee for approval. The risks and opportunities identified within the scope of sustainability reporting are summarised in the table beneath 'Step 2' below



IFRS S1 does not provide guidance on whether risks should be assessed before or after an entity's prevention and mitigation actions. In the absence of specific guidance, entities should select an approach for considering prevention and mitigation actions which results in providing material information about risks which could reasonably be expected to affect an entity's prospects.

See [SRG 4.4.1.8](#) for more details.

Step 2: Identification of material information

IFRS S1.B28

Once the sustainability-related risks and opportunities have been identified, the second step is to identify the material information that should be disclosed related to each risk or opportunity. The group considered whether information is material in the context of the group's sustainability reporting as a whole, and it took into account both qualitative and quantitative characteristics. The judgements applied around identification of material information for the sustainability-related risks and opportunities will be reassessed at each reporting date.

Outcome of the process



Note: only five sustainability-related risks and opportunities have been included in this illustrative sustainability report. The table below includes only those illustrated in this document, although other sustainability-related risks and opportunities might exist for VALUE Plc.

The table below includes the sustainability-related risks and opportunities identified as part of the materiality processes described. Further information can be found in the note referenced in the table.

IFRS S1.30(a)

IFRS S2.10(a)

	Risks/opportunities identified	Summary of management approach	Affected component of the reporting boundary	Note reference
Environmental				
Climate-related physical risk: wildfire	Wildfires could affect the raw material supply chain of the group's furniture manufacturing operations	R&D into product innovation (bio-based materials) Supplier diversification Community engagement	Risk identified for own operations and suppliers	7.1.1

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

5. Materiality assessment (continued)

	Risks/opportunities identified	Summary of management approach	Affected component of the reporting boundary	Note reference
Environmental				
Climate-related transition risk: changing consumer preferences (low-carbon products)	Changing consumer preferences to low-carbon products is a transition risk that could cause a loss of market share, because it is seen as a differentiator for product selection by customers	Sourcing certified raw materials Energy efficiency and use of renewable energy R&D into product innovation (bio-based materials) Supplier engagement	Own operations, upstream, and downstream activities	<u>7.1.2</u>
Social				
Diversity risk: composition of board and management	Composition of board and management does not adequately represent the diversity in the population present in the geographical location where the business operates. This could affect the group's ability to attract and retain talent, and could cause damage to the group's reputation and brand	People strategy plan to promote diversity and foster inclusivity – both in recruitment and across the rest of the employment lifecycle	Own operations	<u>8.1.1</u>
Fair wages opportunity	Providing fair wages for all members of the own workforce (employees and contracted workers) enhances employee engagement and satisfaction, resulting in a positive effect on the entity's value	Implementation of a revised fair wages policy across all applicable jurisdictions	Own operations	<u>8.2.1</u>

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

5. Materiality assessment (continued)

	Risks/opportunities identified	Summary of management approach	Affected component of the reporting boundary	Note reference
--	--------------------------------	--------------------------------	--	----------------

Governance

Supplier payment practices	Supplier payment practices that are not in line with the group's policy (60 days payment terms) could create financial difficulties at suppliers and damage the group's relationship with suppliers. This could create supply chain disruptions	Development of own clear policies in the jurisdictions affected Performance measures for senior management overseeing payments to suppliers Diversification of suppliers and establishment of alternative supply sources	Risk identified for interaction between own operations and suppliers	<u>9.1</u>
----------------------------	---	---	--	------------



Connection to IFRS financial reporting

IFRS S1.B40(c)

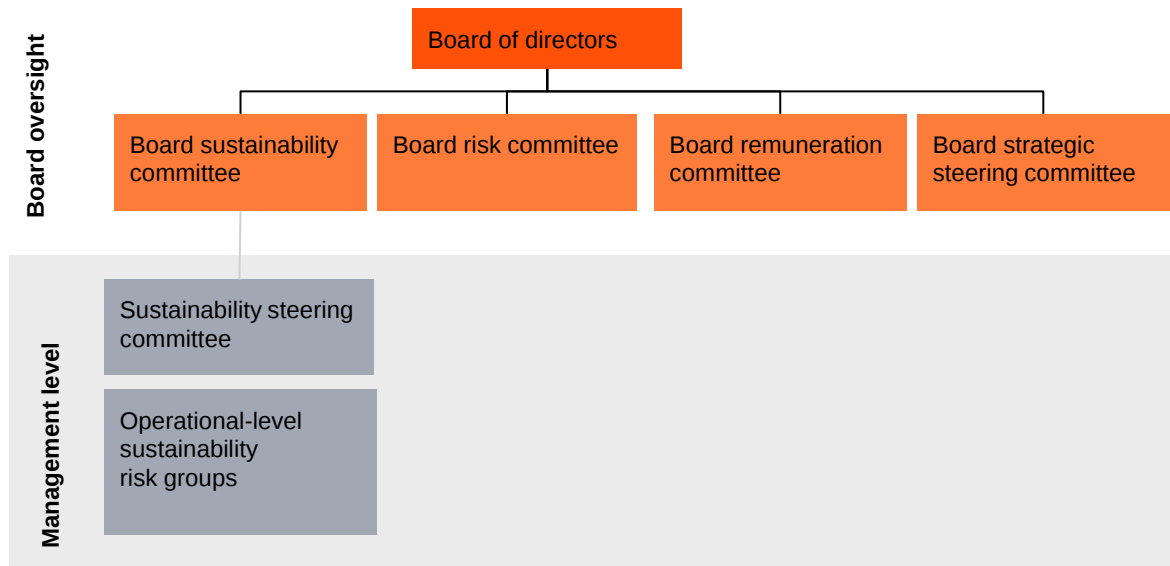
Sustainability reporting includes within its scope the effects of risks and opportunities which might not yet be captured in the financial statements. As a result, an entity might conclude that certain information is material in the context of sustainability reporting, even if such information would not be material to the financial statements, mainly due to risks and opportunities arising in the value chain and the future-looking nature of sustainability disclosures.

For example, in this example illustrative, the group has made a commitment to be net zero by 2050 (see note 7.1.2(c)), which does not meet the definition of a provision for financial reporting and is therefore not recognised in the group's financial statements.

See SRG 4.4.2 for more details.

6. Sustainability governance

The VALUE Plc board has oversight of the approach to sustainability issues, and it is supported by the board sustainability and sustainability steering committees. An overview of the group's sustainability governance structure is set out below:



The responsibilities and activities of the board and each of the committees are set out below.

6.1 Board oversight

Board of directors

The board of directors is ultimately responsible for the group's strategic direction on sustainability, including the oversight of the group's sustainability-related risks and opportunities covering environmental, social and governance matters. The board approves the resources needed, for effective management of sustainability-related initiatives.

The board ensures that sustainability is integrated into the overall group's corporate strategy. In particular, the board considers climate-related risks and opportunities when reviewing strategy, performance objectives and risk management processes and policies – the board considers how these are designed to respond to sustainability-related risks and opportunities and how they align with the group's business model and the long-term strategy, including the group's net zero transition.

As part of its strategic decisions, including decisions on major transactions, the board, through its strategic steering committee, considers the effect that the transaction will have on the group's sustainability-related risks and opportunities. In the current year the group entered into the electronic equipment manufacturing business through its acquisition of VALUE Electronics Group (see note 14 of the group's 31 December 2024 financial statements). The board ensured that a thorough due diligence was conducted to understand the sustainability practices of the target and how aligned those were to the group's strategy. In this acquisition, the board also assessed the new sustainability-related risks and opportunities that the group would be affected by through carrying on the business of manufacturing electronic equipment.

Since 2023, the group has established, by virtue of delegation, a dedicated board-level sustainability committee to support the board in executing its sustainability oversight responsibility.

IFRS S1.27(a)(iv)

IFRS S2.6(a)(iv)

6. Sustainability governance (continued)

Board sustainability committee

IFRS S1.27(a)(i)

IFRS S2.6(a)(i)

The board sustainability committee is responsible for overseeing and approving the sustainability strategy and targets, policies and the sustainability report. It also provides the board with guidance on emerging sustainability matters. The board sustainability committee's mandate and responsibilities are defined in the board sustainability committee terms of reference.

IFRS S1.27(a)(iii)

IFRS S2.6(a)(iii)

The board sustainability committee is composed of six members including two executive directors and four independent non-executive directors². It regularly informs the board on sustainability-related risks and opportunities, which are discussed on a quarterly basis as part of the board agenda.

IFRS S1.27(a)(ii)

IFRS S2.6(a)(ii)

To ensure that the board sustainability committee has appropriate skills and competencies to oversee the identification and mitigation of sustainability-related risks and opportunities, it regularly meets with its independent sustainability advisor which is appointed by the board. The independent sustainability advisor brings knowledge and expertise in sustainability-related issues and provides strategic advice on sustainability initiatives, policies and practices. Further, the board sustainability committee often engages third-party experts to provide the board with briefings and specific training on sustainability matters to ensure appropriate sustainability skills and knowledge at board level.

The board sustainability committee works closely with management to establish sustainability-related targets in line with the group's overall strategy and risk management processes. It has visibility of implementation of the group's climate transition plan, and it is updated on a quarterly basis on progress against climate metrics and targets.

The targets and associated progress are reviewed annually by the board sustainability committee as well as by the board risk committee and the board of directors in line with the group's internal budgeting and reporting timelines.

6.2 Management's role in governance

Sustainability steering committee

IFRS S1.27(b)(i)

IFRS S2.6(b)(i)

Management's role in assessing and monitoring sustainability-related risks and opportunities is embedded into the executive-level sustainability steering committee, which is composed of senior management and is chaired by the chief executive officer (CEO). The CEO is responsible for the oversight of the executive-level sustainability steering committee and reports directly to the board sustainability committee.

The role of the sustainability steering committee is to assist the board sustainability committee with strategic management of the group's sustainability-related risks and opportunities – this includes:

IFRS S1.27(b)(ii)

IFRS S2.6(b)(ii)

- the materiality assessment process;
- developing sustainability strategy and policies;
- monitoring the day-to-day implementation of the group's sustainability-related actions and plans in line with the strategy;
- recommending and developing sustainability metrics and targets and reviewing progress; and
- the sustainability report.

The sustainability steering committee meets up to twice a month and regularly receives updates on sustainability-related targets. The steering committee reports to the board sustainability committee on a monthly basis. Additionally, this committee updates the board on a quarterly basis on any potential financial effects of sustainability-related risks and opportunities on the group's consolidated financial statements that would provide material information, including targets and progress against non-financial metrics.

² For the purpose of this illustrative sustainability report, the board composition is based on a unitary board structure. In practice, other board structures may be used and related disclosures may need to be adapted.

6. Sustainability governance (continued)

IFRS S1.27(a)(v)	To effectively monitor and manage the sustainability-related risks and opportunities, the sustainability steering committee works closely with the different operational-level sustainability risks and opportunities groups with whom it meets twice a month.
IFRS S2.6(a)(v)	6.3 Impact of sustainability on remuneration policies
IFRS S1.27(a)(v)	The group has a dedicated board-level remuneration committee which is responsible for the development and implementation of the remuneration policy for the board, its committees, and management.
IFRS S2.6(a)(v)	Reaching the sustainability-related targets of the group will only be possible by the collective effort of all entities, operations, and individuals in the group. During 2024, sustainability-related targets were allocated to individual entities and operations in the group based on their activities. Responsibility for meeting the targets at an entity or operation level has been assigned to senior management individuals in the entity or operation. Specific targets are defined for each individual depending on their role, and those individuals are accountable for progress towards the targets. The employee is measured against these targets in their annual performance appraisals, which impacts their remuneration (including salary and bonus) and promotion. Depending on the role and level of the employee, sustainability-related targets can account for between 25% and 90% of the bonus, and between 2% and 10% of additional increase in salary. In addition, meeting the sustainability-related targets is a requirement for a promotion to take place.
IFRS S2.29(g)	Because the sustainability targets were only assigned to individuals at the senior management level in the current year, salaries paid to employees during 2024 were not affected by the sustainability-related targets. On average, 30% of the bonuses accrued in 2024 for executive management were based on climate-related targets.
	6.4 Risk management
IFRS S1.44(b)(c)	The processes and policies followed by the group to identify and assess sustainability-related risks and opportunities are set out in note 5 . The risk assessment process incorporates both qualitative and quantitative factors, and it considers the nature, likelihood and magnitude of potential risks.
IFRS S2.25(c)	Once the sustainability-related risks and opportunities are identified, the group follows a process to prioritise and monitor them. The group has a board risk committee which is responsible for identifying and managing the overall risks for the group. Sustainability-related risks are integrated into the overall risk management framework of the group, which is overseen by the board risk committee. This committee also reports to the board of directors.
IFRS S1.44(a)(iv)	The prioritisation of overall risks for the group is done by the board risk committee. The sustainability-related risks identified in the materiality assessment are combined with risks arising from other risk assessments in the group. Risks are prioritised based on severity and likelihood, considering potential financial impacts, operational disruptions, and regulatory changes. The risks identified as priorities by the board risk committee are approved by the board of directors. With regards to opportunities, the sustainability steering committee is responsible for reporting and working together with the board of directors to ensure prioritisation of the identified sustainability opportunities alongside other opportunities identified by the group.
IFRS S2.25(a)(iv)	Regarding monitoring, sustainability-related risks and opportunities are tracked individually based on the metrics and targets for which each manager is responsible (see note 6.3). These metrics and targets are frequently reported to the sustainability steering committee.
IFRS S1.44(a)(v)	
IFRS S2.25(a)(v)	

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

7. Environment-related risks and opportunities

7.1.1 Climate-related physical risk: wildfire

a. Description

IFRS
S2.10(a),(b)

A large number of the group's suppliers of timber for its furniture business are located in areas that are at a high risk of forest wildfire. Management has therefore concluded that wildfire is an acute climate-related physical risk that could significantly affect the raw material supply chain of the group's furniture manufacturing operations.

IFRS S2.10(c)

Wildfire risk might affect the group's prospects across short-, medium-, and long-term horizons. This ongoing risk is underscored by past incidents where wildfires disrupted the group's supply chain, resulting in increased timber costs and delays.

IFRS S2.13(b)

The risk of wildfires only affects the group's furniture manufacturing business. The risk varies significantly depending on the geographical location of its suppliers, with Scandinavia and Canada being the regions with a high risk.

b. Effects on business model and value chain

IFRS S2.13(a)

Wildfires have affected the group's operations in the past, most recently during the 31 December 2024 financial year, in which a large part of the standing timber of a key supplier was destroyed. The group had to source timber, at a higher cost, from a new supplier to meet previously agreed sales commitments with customers. This resulted in lower margins and delays in manufacturing.

The current and anticipated effects on the group's business model without considering adaptation actions include value chain disruptions, dependency on specific suppliers, increase in the cost of timber resulting in lower profitability, lower-quality timber, and changes in the manufacturing process. It is necessary for the group to implement actions to mitigate and manage this risk, in order to reduce potential effects on its furniture manufacturing business and financial results.

c. Effects on strategy and decision making

IFRS
S2.14(a)(i)-(iii),(v)

To address climate-related risks, management has set up a strategic climate plan including a number of mitigation and adaptation actions. The mitigation and adaptation actions that the group has identified to address the risk of wildfires are as follows:

- **Research and development into product innovation:** the group is investing in research and development to explore other bio-based materials that could be used as an alternative construction material, which could lead to market distinction and increased market share. The use of other bio-based materials will also reduce the group's dependency on timber. See [note 7.4](#) for the related target.
- **Supplier diversification:** the group is undertaking a detailed mapping exercise to trace the origins of timber used in its furniture production, identifying areas most affected by wildfire. As part of this exercise, suppliers are ranked based on a number of factors, including areas where they are located and the risk of those areas to wildfires. Based on the findings, management is making strategic supply chain decisions aimed at diversifying suppliers, to prevent raw material shortages and reduce dependency on specific suppliers. See [note 7.4](#) for the related target.
- **Community engagement:** the group is also working with certain suppliers to support their actions to mitigate or manage fire risks, which includes sponsoring educational events for the communities that live near forested areas.

7. Environment-related risks and opportunities (continued)

IFRS S2.14(b)

The current mitigation and adaptation strategy of the group is designed to address moderate levels of climate-related risks, including the risk of wildfire (see scenario 2 in the scenario analysis outlined in [note 7.2](#) below).

The group plans to use self-funding and existing human resources to implement these strategies.

The plans and actions to manage the risk of wildfire described above are new projects that were initiated by management during the current year. Therefore, additional quantitative and qualitative information about the progress of these plans and actions as compared to previous reporting periods is not yet available to be disclosed.



IFRS S2.14(c)

If management has previously disclosed plans in accordance with paragraph 14(a) of IFRS S2, it needs to disclose quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a).

d. Financial effects

Current financial effects

IFRS S2.16(a)

The current financial effects of wildfire risks on the group's financial position, financial performance, and cash flows are primarily driven by increased timber costs due to supply chain disruptions experienced during the current year.

The group faced financial repercussions due to a wildfire event affecting a major supplier at the beginning of the reporting period. Management determined that the cost of switching suppliers had an impact of approximately CU15 million on profit before tax. This amount was calculated based on the increase in price of timber when purchases were compared to the price of timber agreed with the original supplier. This affected the group's financial position (increase in cost of inventories), financial performance (higher costs resulting in reduced margins), and cash flows (lower net operating cash inflows).

In addition, the group spent CU1 million on research and development into other bio-based materials and CU0.6 million on supplier diversification activities and community engagement in the 2024 financial year – impacting the group's financial performance and cash flows.

Anticipated financial effects

IFRS S2.16(c),(d)

Anticipated financial effects could arise from further increases in raw material costs and potential shortages, leading to disruptions in the group's value chain, which might result in lower revenues or reduced margins over the short-, medium- and long-term. In terms of cash flows, increased inventory costs combined with decreased revenue levels could create cash flow issues, necessitating additional funding through new lines of credit or loans. Considering the planned adaptation actions, including the implementation of supplier diversification strategies, and potentially using other bio-based materials in its furniture production, management anticipates a smaller financial effect from wildfires over the next five years (considering, as a reference scenario 2 in the group's scenario analysis – see [note 7.2](#)). The calculation of the anticipated financial effects considers the group's best estimate of the market conditions for the short-, medium-, and long-term, including the impact of potential changes in market trends, such as price rises as competitors also seek to source from more resilient suppliers.

7. Environment-related risks and opportunities (continued)

IFRS S2.29(e)

To manage the potential financial effects of wildfires, the group intends to invest a further CU5 million in research and development to explore other bio-based materials and CU2.5 million on other risk management actions, including supplier diversification over the next five years. The group currently does not expect that transitioning to bio-based materials will result in an impairment of its manufacturing equipment, because the current equipment can be easily converted to work with bio-based materials.

IFRS S2.16(a),(c),(d)

The following table presents the expected effect of the wildfire risk on the group's financial position, financial performance, and cash flows over the short-, medium- and long-term, considering actions to manage the wildfire risk. Based on these projections, management does not expect material adjustment to the carrying amounts of reported assets and liabilities within the next 12 months.

In CU million	Current financial effects	Short-term financial effects (per annum)	Medium-term financial effects (per annum)	Long-term financial effects (per annum)
Financial position	3	1 to 3	0.5 to 2	0 to 0.5
Inventory - increase				
Financial performance	16.6	4.5 to 7.5	8 to 10	0 to 2
Cost of goods sold – increase	15	3 to 6	2 to 4	0 to 2
Research and development and related expenses - increase	1.6	1.5	6	0
Cash flows				
Cash flow from operating activities – outflow	18	4 to 9	2.5 to 6	0 to 2.5

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

7. Environment-related risks and opportunities (continued)

7.1.2 Climate-related transition risk: changing consumer preferences (low-carbon products)

IFRS S2.10(a),(b)	a. Description In recent years, there has been a notable shift in consumer preferences toward sustainably sourced and produced (that is, ‘eco friendly’ or ‘low carbon’) products. This trend reflects a broader awareness of the environmental challenges posed by climate change and a willingness among consumers to adopt products and services that mitigate these impacts while supporting a more sustainable future. Management has concluded that this risk of changing consumer preferences is a transition risk that could cause the loss of market share if climate performance continues to be a differentiator for product selection by customers, and the group does not keep pace with the low-carbon products offered by competitors, or rising business customer expectations for adhering to climate-related requirements.
IFRS S2.10(c)	We anticipate that this risk will increase in the medium to long-term given the current trajectory of consumer preferences.
IFRS S2.13(b)	This risk of changing customer preferences is expected to primarily affect our furniture manufacturing business due to the heavy reliance on timber as a natural resource, raising additional environmental and deforestation concerns. While it is acknowledged that buying preferences will vary at differing rates across global regions, it is not expected that this risk will be concentrated in any specific geographical areas.
IFRS S2.13(a)	b. Effects on business model and chain The group’s furniture production may be particularly vulnerable in the medium to long term as customers transition away from traditionally produced/mass-produced products towards more sustainable alternatives. Current and anticipated effects of this risk on the group’s business model and chain include, in addition to loss of market share as mentioned above, changes in product inputs/raw materials, changes in the strategy of suppliers, changes to the manufacturing process to accommodate these new materials and minimise waste, an increase in costs due to high prices for certified materials and investments in new processes, and a greater dependency on suppliers who provide sustainable materials. There may also be an uplift in product returns and/or warranty claims if products are not seen as being as equally sturdy or as high-quality as their timber counterparts. It is necessary for the group to implement actions to mitigate and manage this risk, in order to reduce potential effects on its furniture manufacturing business and financial results.

7. Environment-related risks and opportunities (continued)

IFRS S2.14(a)(i)-(v)

c. Effects on strategy and decision making

The group has already commenced sourcing raw materials that are certified sustainable, such as FSC-certified wood, rapidly renewable resources like bamboo, and recycled packaging materials. This has required establishing new supplier relationships and ensuring traceability of materials.

The group has identified other complementary adaptation actions within its strategic climate plan to address the risk of changing consumer preferences to low-carbon products as follows:

- transition to electric vehicles: the group is gradually replacing traditional vehicles in the fleet with electric vehicles;
- energy efficiency: the group is investing in the upgrade of manufacturing facilities with energy-efficient machinery and lighting to reduce carbon emissions, along with the implementation of energy management systems to monitor and optimise energy use;
- use of renewable energy: the group is investing in renewable energy sources such as solar power for manufacturing operations and will purchase renewable energy certificates;
- research and development into product innovation: as outlined in [note 7.1.1\(c\)](#), the group is investing in research and development to explore other bio-based materials that could be used as an alternative construction material, which could lead to market distinction and increased market share. The group is seeking to design products with sustainability in mind, incorporating modular designs for easy repair and recycling;
- supplier engagement: the group is working with certain suppliers to support their actions to reduce their emissions, reducing the overall carbon footprint of the group's finished products;
- waste reduction: the group is developing processes to reduce waste during production, such as optimising cutting patterns to minimise offcuts; and
- brand positioning and marketing: marketing strategies are being investigated to emphasise sustainability credentials, transparency in sourcing, and the environmental benefits of products.

See notes [7.4](#) and [7.5](#) for the related targets.

The group acknowledges that there might also be opportunities to adapt to this risk through the development of new revenue streams, such as offering repair services, buy-back schemes, or leasing models, aligning with circular economy principles.

The current adaptation strategy of the group is designed to address moderate levels of climate-related risks, including the risk of changing consumer preferences (see scenario 2 in the scenario analysis outlined in [note 7.2](#) below).

IFRS S2.14(b)

The group plans to use self-funding and existing human resources to implement these strategies.

IFRS S2.14(c)

The plans and actions to manage the risk of changing consumer preferences described above are new projects that were initiated by management during the current year. Therefore, additional quantitative and qualitative information about the progress of these plans and actions as compared to previous reporting periods is not yet available to be disclosed.



If management has previously disclosed plans in accordance with paragraph 14(a) of IFRS S2, it needs to disclose quantitative and qualitative information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 14(a).

7. Environment-related risks and opportunities (continued)

Overall decarbonisation targets and Climate Transition Plan

IFRS S2.14(a)(iv)

The group's climate transition plan was approved by the board of directors in May 2020 (the 'Climate Transition Plan') and outlines our overall pathway to achieving net zero emissions by 2050. The plan is substantiated by science-based targets (see note 7.5), it includes key decarbonisation levers, and it identifies strategic actions that have driven the transformation of our business model to date and will continue to shape our ongoing transition. These goals represent both an opportunity and a responsibility to align our business strategy with global decarbonisation efforts, contributing to the renewable energy transition, and broader sustainability objectives.

The Climate Transition Plan outlines targets for net zero emissions in the group's operations and across the value chain. Recognising the challenges associated with decarbonisation, the Climate Transition Plan focuses on initially accelerating reductions across scope 1 and scope 2 GHG emissions by replacing the group's own fleet with electric vehicles, upgrading manufacturing facilities to enhance energy efficiency, generation of renewable energy through solar panels, and the utilisation of renewable energy certificates to reduce emissions from energy use.

To reduce scope 3 GHG emissions, especially emissions from purchased goods, the group has commenced sourcing raw materials that are certified sustainable, and it is also developing processes to reduce waste during production. In the longer term, the strategy involves leveraging emerging opportunities for the development of new revenue streams and the diversification of our overall product portfolio to reduce our use of, and reliance on, timber as a raw material input. The Climate Transition Plan outlines our planned investments into product research and development (see note 7.1.2(d) below).

The group acknowledges that it will need to work closely with its suppliers. The group is currently developing a supplier engagement program to support key suppliers in the management of their GHG emissions and change programs to achieve significant reductions. As part of this program, clear goals and targets will be agreed with suppliers on the amount and timing of reduction of emissions. The group is gradually strengthening requirements for suppliers as part of our ambition to reduce our climate impact. It is anticipated that alternative suppliers may be identified and used if and when existing suppliers are unable to achieve their targets.

Key assumptions embedded within our Climate Transition Plan include current and future regulations, such as carbon pricing, emissions caps, and government incentives for renewable energy, the development and availability of new technologies, such as advancements in renewable energy, energy storage and carbon capture, the future costs of renewable energy, fossil fuels and other commodities, and shifts in consumer behaviour towards more sustainable products and services, as well as changes in public attitudes towards climate change.

Dependencies include collaboration with suppliers, regulatory support, and ongoing progress in global climate policy.

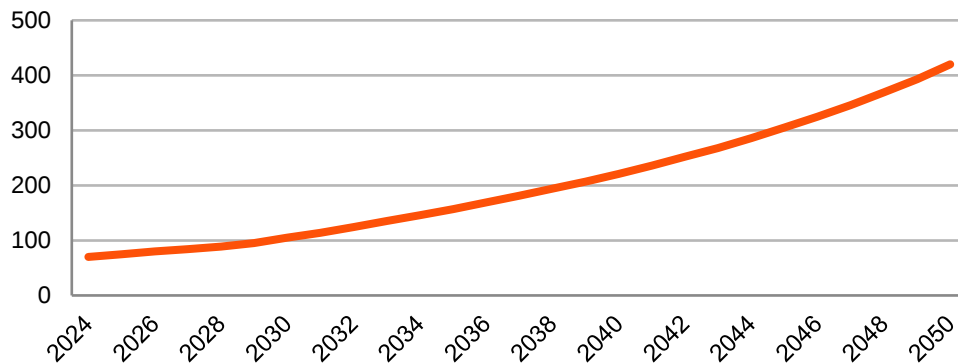
Since adopting the Climate Transition Plan, the group has embedded climate-related considerations across the group's operations, integrating climate goals into daily business and aligning business unit KPIs with climate-related targets. The Climate Transition Plan is regularly reviewed by the board of directors and sustainability committee to monitor progress.

7. Environment-related risks and opportunities (continued)

IFRS S2.29(f)

Internal carbon price

The group uses an internal carbon price to manage climate-related risks, to guide strategic planning, to support investment decision-making and to contribute to our emissions reduction targets. A shadow price is used in management budgets, scenario analysis and investment evaluations. It represents the anticipated future emissions reduction cost per tonne of carbon dioxide equivalent (CO₂e) emission of the group. This price is currently estimated at CU70 per tonne of CO₂e for the short term, but is estimated to increase gradually to CU420 per tonne by 2050.



The group regularly reviews the carbon pricing strategy to ensure that it remains aligned with regulatory changes, market developments, and the group's sustainability goals. Management has reviewed progress against the transition plan and has assessed that it is on track to meet its targets (see [note 7.5.2](#) for further information).

d. Financial effects

Current financial effects

IFRS S2.16(a)

There were no material financial effects of changing consumer preferences on the group's financial position, financial performance, and cash flows for the current reporting period. For its climate transition plan, the group spent CU1 million on replacing its own fleet with electric vehicles, CU1.5 million on upgrading manufacturing facilities to enhance energy-efficiency and CU0.5 million on rooftop solar panel installation.

Anticipated financial effects

Anticipated financial effects include lower revenues, further increases in raw material costs and reduced margins over the short-, medium- and long-term. In terms of cash flows, decreased revenue levels combined with increased inventory costs could create cash flow issues, necessitating additional funding through new lines of credit or loans. Considering the planned adaptation actions, including supplier engagement, and potentially using other bio-based materials in its furniture production, management anticipates a smaller financial effect from changing consumer preferences over the next five years (considering, as a reference scenario 2 in the scenario analysis – see [note 7.2](#)).

IFRS S2.29(e)

The group intends to invest CU5 million on replacing its own fleet with electric vehicles, CU7.5 million on upgrading manufacturing facilities to enhance energy-efficiency, and CU2.5 million on rooftop solar panel installation.

IFRS S2.16(a),(c),(d)

The following table presents the group's expected effect on its financial position, financial performance and cash flows over the short-, medium- and long-term, considering actions to manage changing consumer preferences. Based on these projections, management does not expect material adjustment to the carrying amounts of reported assets and liabilities within the next 12 months.

7. Environment-related risks and opportunities (continued)

	In CU million	Current financial effects	Short-term financial effects (per annum)	Medium-term financial effects (per annum)	Long-term financial effects (per annum)
IFRS S2.16(a),(c),(d)	Financial position				
	Inventory – increase	–	0.5 to 1.5	1 to 3	0 to 0.5
	Property, plant, and equipment ³ :				
	• electric vehicles – increase	1	1.5 to 2.5	2.5 to 3.5	0 to 0.5
	• manufacturing facilities – increase	1.5	2.5 to 4	3.5 to 4.5	0 to 0.5
	• solar panel – increase	0.5	0.5 to 1	1.5 to 2.0	0 to 0.5
	Financial performance	1	1 to 3	4 to 7	0 to 1
	Revenue – decrease	–	0 to 1	2 to 3	0 to 0.5
	Operating costs, research – increase	1	1 to 2	2 to 4	0 to 0.5
	Cash flows				
	Cash flows operating activities – outflow	1	2.5 to 4.5	5 to 10	0 to 1.5
	Cash flows investing activities – outflow	3	4.5 to 7.5	7.5 to 10	0 to 1.5
IFRS S2.22(b)(iii)	7.2 Resilience of the group's strategy and business model in relation to climate-related risks				
	A climate-related scenario analysis was performed to understand and evaluate the potential impacts of wildfires and changing consumer preferences on the group's operations, using a range of possible scenarios. The scenarios are based on publicly available data from authoritative sources, including regional and international climate projections.				
	The scenario analysis was carried out across all operating locations and business units as part of the group's strategic planning cycle in 2024. The scenario analysis is reviewed at least annually, to identify whether the estimated implications of climate-related uncertainties need to be updated, with a detailed analysis undertaken every three years. While the group's current strategies are designed to address moderate levels of climate-related risks (see Scenario 2 below), the group's mitigation and adaptation measures will be escalated if needed in response to more severe scenarios. As set out under the 'Capacity to adjust or adapt strategy and business model' heading below, the group has the capacity to escalate its response if needed.				
IFRS S2.22(b) (i),(ii)	Climate scenarios are usually considered as either 'high transition/low physical risk' or a 'low transition/high physical risk'. This is because the more acute the requirements to reduce GHG emissions, the less warming that will occur, and vice versa.				
	The Intergovernmental Panel on Climate Change (IPCC) has formally adopted the use of combined Shared Socio-economic Pathways (SSPs) and Representative Concentration Pathways (RCPs), called combined SSP-RCP scenarios, in climate modelling and projections. The SSP levels reflect worlds where mitigation and adaptation challenges vary from low to very high.				

³ For this example, the effects of annual depreciation of these investments are not being illustrated.

7. Environment-related risks and opportunities (continued)

IFRS S2.22(b) (i),(ii)

To cover both extremes, the group has performed its scenario analysis using the assumptions set out in the SSP1–1.9 (high transition risk) and SSP5–8.5 (high physical risk) scenarios. The group has also performed scenario analysis using an intermediate and most probable baseline scenario, being SSP2–4.5.

The ‘high physical risk’ scenario (Scenario 1) assumes that governments’ response to climate change is slow and that adaptation measures to reduce emissions are halted. In this scenario, there is an absence of policy in various jurisdictions leading to a high warming outcome. The impacts of climate change would be more extreme, in this scenario, and so it is focused on assessing resilience against increased acute and chronic physical risks. In this scenario there are very few transition risks, but many physical risks emerge. This includes the heightened change in climate and breaching of global climate tipping points. The results of such a scenario could have significant effects on both the local and global economy.

The ‘high transition risk’ scenario (Scenario 3) assumes that governments around the world enact policies that will achieve net zero by 2050, that warming is limited to 1.5°C, and that central governments develop stringent and coherent climate change policies and responses. This is supported by rapid policy commitments and early investment in renewable energy infrastructure. This scenario is primarily focused on assessing the level of increased risks and opportunities from more aggressive global decarbonisation. Under this scenario, transition risks are high due to the rapid speed of changes in policy and consumer behaviour in the short term. Further, there is significant pressure to reduce the use of fossil fuels. Physical risks remain present at this point, including extreme weather events.

The ‘intermediate’ scenario (Scenario 2) represents a moderate pathway of GHG, with high challenges to both mitigation and adaptation. The scenario assumes that the world follows a path in which social, economic, and technological trends do not shift markedly from historical patterns. Development and income growth proceed unevenly, with some countries making relatively good progress while others fall short of expectations.

7. Environment-related risks and opportunities (continued)

IFRS
S2.22(a)(i)

The results are summarised below, together with the impact of each scenario on the group's strategy and business model:

	Short term (0 to 12 months)	Medium term (1 to 5 years)	Long term (beyond 5 years)
Impact on group's strategy and business model			
	Physical risk exposure: Low to Medium Transition risk exposure: Low	Physical risk exposure: Medium to High Transition risk exposure: Low	Physical risk exposure: High to Very High Transition risk exposure: Low to Medium
Scenario 1: High GHG emissions in the absence of government policies to combat climate change; global warming of between 3.2°C and 5.4°C is projected by 2100 (SSP 5–8.5)	Governments remain divided on climate action policy, leading to a lack of coordinated action on emissions reductions. Some governments roll back on emissions reduction policies resulting in weakened environmental standards While transition risks remain low, physical impacts of climate events begin to compound Without sufficient investment in climate mitigation and adaptation measures, the group will face rising operational disruptions Under this scenario, the group's profits before tax are expected to decrease by CU3–6 million per annum in the short term	A lack of robust climate-related policies from governments will keep transition risks low; but, due to rising input costs and potential timber scarcity, the group will face pressure to provide products made from more diversified materials to continue profitable operations Physical climate change impacts intensify with more frequent severe weather events, including wildfires. These events result in disruption to the group's operations and supply chain, increasing operational costs There is increased pressure from stakeholders to reduce emissions from operations, even though formal regulatory frameworks remain weak This could result in increased costs to diversify product offerings and change existing operational procedures Under this scenario, the group's profits before tax are expected to decrease by CU6–11 million per annum in the medium term	Governments focus on short term adaptation measures as opposed to decarbonisation, keeping transition risks relatively low The group becomes increasingly vulnerable to physical climate risks, particularly in relation to wildfires affecting timber supply chains Adaptation measures adopted, such as diversification into more sustainable products, and the use of alternative materials to timber, will be essential to sustaining profitable operations Under this scenario, the group's profits before tax are expected to decrease by CU1–5 million per annum in the long term

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

7. Environment-related risks and opportunities (continued)

The results are summarised below, together with the impact of each scenario on the group's strategy and business model:

	Short term (0 to 12 months)	Medium term (1 to 5 years)	Long term (beyond 5 years)
Impact on group's strategy and business model			
	Physical risk exposure: Low to Medium	Physical risk exposure: Medium	Physical risk exposure: High
	Transition risk exposure: Low to Medium	Transition risk exposure: Medium	Transition risk exposure: Medium
Scenario 2: An intermediate and most probable baseline scenario; social, economic, and technological trends do not shift markedly from historical patterns; a global temperature rise of between 1.7°C and 3.2°C by 2100 (SSP2-4.5)	The group will begin to notice the initial signs of regulatory changes. The group will start assessing current practices and identifying areas needing change to align with emerging standards and stakeholder expectations Early indications of shifting market preferences will emerge, with some consumers showing increased interest in sustainable products and services. The group will continue exploring opportunities to diversify into 'eco friendly' and 'low carbon' products While major climate impacts might not be immediately apparent, the group will experience disruptions due to extreme weather events, which are expected to increase in frequency and severity Under this scenario, the group's profits before tax are expected to decrease by CU4–8 million per annum in the short term Refer to notes 7.1.1(d) and 7.1.2(d) for details on financial impacts under this scenario	More concrete regulatory frameworks will be in place, requiring the group to implement compliance measures. This will involve investing in cleaner technologies and adopting new operational practices There will be noticeable growth in sectors like renewable energy, energy efficiency, and sustainable products. The group will experience increased demand for 'eco friendly' and 'low carbon' products, requiring acceleration of research and development into the use of alternative bio-based materials Physical climate change impacts, including resource scarcity and extreme weather events, particularly wildfires will result in disruption to the group's operations and supply chain, increasing operational costs Under this scenario, the group's profits before tax are expected to decrease by CU5–10 million per annum in the medium term Refer to notes 7.1.1(d) and 7.1.2(d) for details on financial impacts under this scenario	The group will face elevated risks of supply chain disruptions, increased timber costs and potential delays in manufacturing as a result of more pronounced climate impacts There will be a broader transition towards a low carbon economy, requiring increased adaptation measures by the group A failure by the group to diversify into 'eco friendly' or 'low carbon' products over the long term will decrease market share and profits as consumers increasingly seek alternative, sustainable products Under this scenario, the group's profits before tax are expected to decrease by CU0–3 million per annum in the long term Refer to notes 7.1.1(d) and 7.1.2(d) for details on financial impacts under this scenario

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

7. Environment-related risks and opportunities (continued)

The results are summarised below, together with the impact of each scenario on the group's strategy and business model:

	Short term (0 to 12 months)	Medium term (1 to 5 years)	Long term (beyond 5 years)
Impact on group's strategy and business model			
	Physical risk exposure: Low	Physical risk exposure: Low to Medium	Physical risk exposure: Low
	Transition risk exposure: Medium	Transition risk exposure: Medium to High	Transition risk exposure: Medium
Scenario 3: A pathway that is contingent on global warming levels being below 1.5°C, consistent with the goals established under the Paris Agreement, climate policies are introduced early and become gradually more stringent, shifts in customer behaviour are noted due to the preference for sustainable products (SSP 1–1.9)	Governments and regulatory bodies will continue to introduce more rigorous emissions standards. International governments will adopt rapid climate responses supported through stringent policy commitments Demand for 'eco friendly' and 'low carbon' products will grow The group's current strategies will be sufficient to manage impacts of physical and transition risks on the group's business model and operations Under this scenario, the group's profits before tax are expected to decrease by CU5–9 million per annum in the short term	As climate change intensifies, more frequent and severe weather events, including wildfires, will increasingly impact the group's operations in the medium term Demand for 'eco friendly' or 'low carbon' products will steadily increase, requiring acceleration of the group's research and development into the use of alternative materials Pressure will mount from governments, consumers, and local communities for greater transparency regarding the group's sustainability practices and overall contributions to a low-carbon economy, which will result in increased costs associated with additional reporting requirements and certification of 'green' product offerings Under this scenario, the group's profits before tax are expected to decrease by CU4–8 million per annum in the medium term	Strong momentum in the transition towards low-carbon products and global climate mitigation efforts will slow the rate of global warming, somewhat stabilising physical risks. However, extreme weather events such as wildfires will still occur and impact the group, albeit with less frequency and intensity A failure by the group to diversify into 'eco friendly' or 'low carbon' products over the long-term will significantly decrease market share and profits as consumers seek alternative, sustainable products. The group will need to accelerate and potentially place further investment into the transition plan in response to the demand shift The physical risk impact on the group's supply chain is not expected to be significant, but the group will remain exposed to the ongoing risk of supply chain disruptions, delays, and increased timber costs Under this scenario, the group's profits before tax are expected to decrease by CU0–2 million per annum in the long term



The climate-related scenario analysis can be resource intensive and might – through an iterative learning process – be developed and refined over multiple planning cycles. As an entity repeats the climate-related scenario analysis, it is likely to develop skills and capabilities that will enable it to strengthen its approach to climate-related scenario analysis over time.

IFRS S1.B16

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

7. Environment-related risks and opportunities (continued)

Significant areas of uncertainty

IFRS S2.22(a)(ii)

There are a range of uncertainties, and judgements that need to be made, when modelling different scenarios and their climate-related impacts. The significant areas of uncertainty considered in the group assessment of its climate resilience are as follows:

- **Future wildfire frequency and intensity:** there are significant uncertainties regarding how climate change, including the effect of the increase/decrease in GHG emissions, will affect the frequency and intensity of wildfires in the group's key supply regions. These uncertainties arise from the variability in climate projections and the potential unexpected changes in wildfire behaviour due to shifting weather patterns and evolving climate conditions.
- **Timber furniture revenue decreases as a result of changing consumer preferences:** there are significant uncertainties regarding how timber furniture revenue will be impacted due to changing consumer preferences under each scenario. These uncertainties arise from the variability of the societal changes in these scenarios.

Capacity to adjust or adapt strategy and business model

IFRS S2.22(a)(iii)

The group's strategy and business model, including its mitigation plans and actions, are currently based on the most probable baseline scenario (Scenario 2 above) – these mitigation plans and actions include exploring alternative materials and production processes, diversification of suppliers, and the reallocation of resources to support these initiatives. As indicated in [note 6.2](#), the sustainability steering committee evaluates periodically the group's strategy and the progress against targets. It allows the group to assess its capacity to adjust and adapt its strategy and business model to climate change as follows:

IFRS S1.21(b)(ii)

- **Financial resources and flexibility:** the group has allocated CU22.5 million (approximately CU4.5 million annually) in its budget over the next five years to fund climate mitigation or adaptation initiatives. In the 2024 financial year the group invested approximately CU3 million in various research and development initiatives – approximately 33% of this related to research and development activities into bio-based materials. The group reviews these costs at each reporting period, and it retains flexibility to adjust the budget as needed. As disclosed in [note 12\(d\)\(i\)](#) in the group's 31 December 2024 financial statements, the group has access to additional financing through committed credit facilities if the group's response to climate-related risk needs to change and additional funding is required. The group's bank loan facilities have an average maturity of 6.5 years. This also provides the group with the necessary liquidity to manage unforeseen supply chain impacts and to mitigate immediate risks.
- **Redeploying, repurposing, and upgrading assets:** over the next five years, the group does not anticipate a need to redeploy, repurpose or upgrade its assets extensively. As part of the group's innovation initiatives to determine the most efficient and sustainable way to produce its furniture, including the raw materials used, the group is assessing whether any assets might become obsolete due to potential changes in production processes and raw materials used. No assets have been identified as obsolete yet. Over the longer term, the group will evaluate and potentially decommission or repurpose outdated assets that no longer support the group's strategy.
- **Investment in climate-related mitigation, adaptation, and opportunities:** the group is focusing on immediate investments to enhance resilience against climate-related risks. This includes research and development efforts to identify alternative bio-based materials for production. Initial results will help the group to adapt its operations and to reduce dependency on high-risk suppliers, as well as to potentially differentiate itself in the market.

7. Environment-related risks and opportunities (continued)

7.3 Processes, controls, and policies to manage climate-related risks and opportunities

**IFRS
S2.25(a)(ii),(b)**

The overall process followed to identify, assess, prioritise, and monitor environmental risks and opportunities forms part of the general process described in note 6.4.

The group follows a structured approach to identify and assess climate-related risks, utilising various inputs and parameters such as historical climate data, predictive models, and market research analytics. Specifically, management uses climate-related scenario analysis, the details of which are described in note 7.2 above.

In addition to managing risks, the group identifies and assesses climate-related opportunities using similar processes. This analysis informs an understanding of potential benefits, such as market opportunities for sustainable products which are not reliant on natural resources. These processes are integrated into the overall risk management framework, ensuring that climate considerations align with broader strategic decision-making.

7.4 Metrics and targets (non-GHG emissions)

**IFRS
S2.33(a),(d),(f),
(g),34(c)**

The group has set targets in the current year – over the short-, medium-, and long-term – related to its wildfire risk and transition risk. These targets are voluntary and are developed by the group.

Climate-related risks and the corresponding strategy	Description of target	Methodology to calculate metric	Measuring unit	Actual metric – 2024	Targets		
					Short-term	Medium-term	Long-term
Wildfire risk – supplier diversification	Suppliers located within areas of high wildfire risk	Number of suppliers in areas of high wildfire risk divided by total number of suppliers	%	80%	60%	40% by 2030	25% by 2050
Wildfire risk and transition risk – reduced reliance on timber	Use of timber in furniture manufacturing	Mass of timber used divided by mass of total materials used as the body of furniture	%	90%	88%	80% by 2030	60% by 2050

**IFRS
S2.33(b),(c)
IFRS S2.34(a)**

The targets above have been developed by the group to measure the progress of the group's mitigation and adaptation of climate-related risks over the short-, medium-, and long-term, other than those in relation to emissions reduction (which are separately disclosed in note 7.5 below). The assumptions used in the expected investment set aside for the research and development to determine the most efficient and sustainable way to use wood or different materials in furniture production are aligned with the cash flow forecasts used to support the group's going concern assessment, as well as the impairment tests for the relevant cash-generating units. The targets, metrics, and methodologies have not been validated by a third-party.

IFRS S2.33(e),35

Based on the group's current progress against its targets for the mitigation of the climate-related wildfire risks, it is expected that the short-, medium-, and long-term targets would be met. Because this is the first year of establishing targets, 2024 will be used by the group as a baseline to measure progress against targets in future years.

7. Environment-related risks and opportunities (continued)

7.5. Greenhouse gas (GHG) emissions

7.5.1 Summary of gross GHG emissions

The table below summarises, for the group and other investees, total GHG emissions for the year:

Absolute gross GHG emissions for the year

Metric tonnes of CO ₂ equivalent (Mt CO ₂ e)	2024
Scope 1 GHG emissions	
• The consolidated accounting group	2,194
• Other investees within the organisational boundary: Cuddly Bear Plc	157
Total	2,351
Scope 2 (location-based) GHG emissions	
• The consolidated accounting group	1,675
• Other investees within the organisational boundary: Cuddly Bear Plc	62
Total	1,737
Scope 3 GHG emissions	
Category 1 – Purchased goods and services	219,453
Category 4 – Upstream transportation and distribution	5,072
Category 9 – Downstream transportation and distribution	3,419
Category 11 – Use of sold products	8,265
Other categories*	4,923
Total	241,132

* Other categories include: category 2 – Capital goods; category 3 – Fuel- and energy-related activities not included in scope 1 or scope 2; category 5 – Waste generated in operations; category 6 – Business travel; category 12 – End-of-life treatment of sold products; category 13 – Downstream leased assets; and category 15 – Investments.

The group does not have scope 3 GHG emissions under category 8 – Upstream leased assets, category 10 – Processing of sold products, and category 14 – Franchises. Emissions from assets that the group leases as a lessee are included in scope 1 and scope 2 GHG emissions. The group's products do not need further processing, and the group does not have any franchise arrangements. Category 7 – Employee commuting has been excluded, because it is not considered material on account of its size.

IFRS S2.29
(a)(i)(1),(iv)

IFRS
S2.29(a)(i)(2),
(iv),(v)

IFRS
S2.29(a)(i)(3),
(vi)(1)

IFRS S2.B23,B32-
B33

IFRS S1.B29-B30

7. Environment-related risks and opportunities (continued)

IFRS S1.B29–B30



Disaggregating GHG emissions by constituent greenhouse gases

IFRS S2 does not explicitly require disaggregation of GHG emissions by constituent greenhouse gases; however, the entity should consider the requirement in paragraphs B29–B30 of IFRS S1 about aggregation and disaggregation. According to these paragraphs, aggregation is prohibited if doing so would obscure information that is material. Example 3 in the IFRS S2 Accompanying Guidance on Climate-related Disclosures illustrates how an entity considers that certain constituent GHG emissions might need to be separately disclosed. This is not illustrated for the group.



Scope 3 GHG emissions categories

IFRS S2 requires an entity to disclose which of the 15 categories defined in the ‘Scope 3 Standard’ are included in its scope 3 GHG emissions (IFRS S2 para 29(a)(vi)(1)). As such, if an entity excludes any scope 3 GHG emissions, it could provide useful information to users to explain which categories the entity has excluded and why. IFRS S2 does not provide specific guidance on how the assessment of which categories to include should be performed. We believe that reporting entities can utilise both quantitative and qualitative aspects to evaluate an appropriate level of disclosure.

IFRS S2 does not explicitly require disaggregation of scope 3 GHG emissions by category; however, the entity should consider the requirement in paragraphs B29–B30 of IFRS S1 about aggregation and disaggregation. According to these paragraphs, aggregation is prohibited if doing so would obscure information that is material. Example 2 in the IFRS S2 Accompanying Guidance on Climate-related Disclosures illustrates how an entity considers whether certain categories of scope 3 emissions might need to be separately disclosed. In this example, the group determines that disaggregating emissions under category 1 – Purchased goods and services, category 4 – Upstream transportation and distribution, category 9 – Downstream transportation and distribution, and category 11 – Use of sold products is necessary to provide material information to users of general-purpose financial reports.

7. Environment-related risks and opportunities (continued)

IFRS
S2.29(a)(v)
IFRS S2 B30,B31

i. Contractual instruments

The group has various long-term agreements to purchase unbundled renewable energy certificates (RECs) from various renewable energy producers as part of its strategy to reduce market-based scope 2 emissions.

The group acquired and retired 2,663 MWh RECs for 2024.

The group's market-based scope 2 GHG emissions are 514 Mt CO₂e in 2024.



Contractual instruments

Contractual instruments are any type of contract between an entity and another party for the sale and purchase of energy bundled with attributes about the energy generation, or for unbundled energy attribute claims. Energy attribute certificates (EACs), such as RECs, represent attributes about the energy generated, generally renewable energy. All contractual instruments should meet the scope 2 quality criteria under the GHG Protocol Scope 2 Guidance.

While EACs can reduce market-based scope 2 GHG emissions if they are purchased and used within the same market, they cannot reduce location-based scope 2 GHG emissions. IFRS S2 only requires the reporting of location-based scope 2 GHG emissions, while permitting market-based scope 2 GHG emissions to be disclosed voluntarily. Separately, however, the ISSB requires disclosure of information about any contractual instruments that the entity has entered into that could inform users' understanding of the entity's scope 2 GHG emissions.

IFRS
S2.29(a)(iii)(1)
(2),B55-B56

ii. Methodology, inputs, and assumptions

The group calculates its scope 1, scope 2 and scope 3 GHG emissions using the indirect measurement method, because direct measurement is not available.

The group calculates its scope 2 GHG emissions under both the location-based and market-based methods. A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data). A market-based method reflects emissions from electricity using emission factors from contractual instruments.

The group calculates its scope 3 GHG emissions using a combination of different calculation methods (see table below for details). Where allocations are necessary, value chain emissions are allocated using the physical allocation method, except for specific categories where the economic allocation method is used. The physical allocation method allocates the emissions of an activity based on an underlying physical relationship between the multiple inputs/outputs and the quantity of emissions generated. The economic allocation method allocates the emissions of an activity based on the market value of each output/product. The economic allocation method is used when physical data is not available or does not reflect the causal relationship between the activity measured and the resulting emissions.

7. Environment-related risks and opportunities (continued)

Activity data

For the measurement of emissions, the group uses the following activity data:

- Scope 1 GHG emissions:
 - quantities of fuel or materials consumed based on invoices received from the group's suppliers or specific measurement meters (such as fuel tank meters) where available or more appropriate; and
 - quantity of leaks from refrigeration equipment based on engineering inspection records.
- Scope 2 GHG emissions: quantities of purchased electricity consumed based on invoices received from the group's utility providers where available.
- Scope 3 GHG emissions: the group prioritises the use of supplier-specific data where available with sufficient quality. 26% of the group's scope 3 GHG emissions are measured based on supplier-specific activity data. 23% of the group's scope 3 GHG emissions are measured based on activity data internally verified through on-site monitoring of measurement meters and/or reviewing of calculations.

For activity data that is not available on a timely basis, the group uses estimates based on historical data. For activity data that is missing, the group uses proxy data or the most recent industry-average data.

Emission factors

For the measurement of scope 1 and scope 2 (location-based) GHG emissions, the group uses the most recent (2024) country-specific emission factors developed by the International Energy Agency (IEA), or the most recent regional emission factors developed by local authorities where available, including emission factors published by the Oneland Department of Environmental Affairs in 2024 [and others]. For the measurement of scope 2 (market-based) GHG emissions, the group uses supplier-specific emission factors where available, otherwise, the emission factors disclosed above are used. The group believes that they best represent its activities.

The methodologies, inputs, and assumptions used for the material scope 3 categories include the following:

	Method	Activity data	Emission factors
Category 1 – Purchased goods and services	• Hybrid method, including: – supplier-specific method – average-data method for wood – spend-based method for other goods and services	• Supplier-specific activity data provided by suppliers (where available) • Mass of purchased wood from internal system • Value of purchased goods or services from internal system	• Supplier-developed emission factors (where available) • Most recent cradle-to-gate emission factors per unit of mass or unit of economic value published by government agencies (where available) or industry associations of the respective countries where the goods or services are being produced or provided, including emission factors published by the Oneland Department of Environmental Affairs in 2024 [and others]

**IFRS
S2.B26(c), B29**

7. Environment-related risks and opportunities (continued)

	Method	Activity data	Emission factors
Category 4 – Upstream transportation and distribution Category 9 – Downstream transportation and distribution	- Transportation: distance-based method - Distribution: average-data method	- Distance travelled provided by transportation suppliers (where available) or estimated using online maps - Mass or volume of products transported from internal system - Average days of storage provided by storage suppliers - Volume of products stored from internal system	Most recent emission factors published by government agencies (where available) or industry associations of the respective countries where the transportation or distribution happens, including emission factors published by the Oneland Department of Environmental Affairs in 2024 [and others]
Category 11 – Use of sold products	Use-based for direct use-phase emissions	- Quantities of products sold from internal system - Total lifetime expected uses of products from internal system - Electricity consumption per use of product from internal system	Country-specific emission factors published by the International Energy Agency (IEA) in 2024, or most recent regional emission factors developed by local authorities where available, including emission factors published by the Oneland Department of Environmental Affairs in 2024 [and others]

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

7. Environment-related risks and opportunities (continued)

IFRS S2.B20-B22

Global warming potential (GWP) values

The GWP values from the 5th Assessment Report (AR5) of the Intergovernmental Panel on Climate Change (IPCC) are embedded within the emission factors developed by the IEA. For regional emission factors, the group applies the GWP values based on a 100-year time horizon from the most recent (6th) Assessment Report (AR6) of the IPCC to convert the constituent gases into CO₂ equivalent values.



Disaggregating methodologies, inputs, and assumptions by scope 3 GHG emissions categories

IFRS S2 does not explicitly require disaggregation of methodologies, inputs, and assumptions by scope 3 GHG emissions categories; however, the entity should consider the requirement in paragraphs B29–B30 of IFRS S1 about aggregation and disaggregation. According to these paragraphs, aggregation is prohibited if doing so would obscure information that is material. In this example, the group determines that disaggregating emissions under category 1 – Purchased goods and services, category 4 – Upstream transportation and distribution, category 9 – Downstream transportation and distribution, and category 11 – Use of sold products is necessary to provide material information to users of general-purpose financial reports, and so methodologies, inputs, and assumptions for these four categories have been separately disclosed for illustrative purposes.

Use of GWP values

IFRS S2 paragraph B21 requires the use of the GWP values based on a 100-year time horizon from the latest IPCC assessment available at the reporting date. In some cases, however, published emission factors may include embedded GWP values that are not updated to the most recent assessment report. IFRS S2 paragraph B22 addresses this issue and provides a specific exception when a published emission factor includes embedded GWP values.

7.5.2 Metrics and targets



Metrics with targets and metrics used to monitor progress towards reaching the target

Disclosure requirements for climate-related targets include two types of metrics: metrics used to set the targets (IFRS S2 para 33(a)); and metrics used to monitor progress towards reaching the targets (IFRS S2 para 34(c)).

Paragraph B67 of IFRS S2 states that, in identifying and disclosing the metric used to set a climate-related target and measure progress, an entity should consider the cross-industry metrics and industry-based metrics. If a metric has been developed by the entity to measure progress towards a target, the entity should disclose information about that metric in accordance with paragraph 50 of IFRS S1.

IFRS
S2.33(a),34(c)
IFRS S2.B67
IFRS S1.50

7. Environment-related risks and opportunities (continued)

	To drive the transition to a net zero economy, in 2020, the group set science-based emission targets for the entire group using the guidance developed by [a third-party organisation]. The targets are aligned with the ambition of the Paris Agreement to limit temperature increase to 1.5°C compared to pre-industrial temperatures. The emissions targets are in absolute terms and are for all seven greenhouse gases listed in the Kyoto Protocol.
IFRS S2.14(a)(iv), 33, 36(a)-(c) IFRS S2.B66, B68-B69 IFRS S2.B68	The targets set by the group are as follows: • short-term target: to have 80% of total electricity used from renewable sources by 2025; • medium-term gross GHG emissions targets: – to reduce gross scope 1 GHG emissions by 70% by 2030 against a 2020 baseline; – to reduce gross scope 2 (market-based) GHG emissions to nil by 2030; and – to reduce gross scope 3 GHG emissions by 50% by 2030 against a 2020 baseline. • long-term gross GHG emissions target: to reduce gross scope 1, scope 2 (market-based) and scope 3 GHG emissions by 90% by 2050 against a 2020 baseline; and • long-term net GHG emissions target: to achieve net zero (nil net scope 1, scope 2 (market-based) and scope 3 GHG emissions) by 2050. Gross GHG emissions reflect the total GHG emissions. Net GHG emissions are the gross GHG emissions minus any offsetting efforts.
IFRS S2.34(a), 36(d)	The targets were set using the cross-sector absolute reduction method (also known as ‘absolute contraction’) under the standard issued by [a third-party organisation]. Under this method, absolute net emissions are reduced by an amount that is, at a minimum, consistent with the cross-sector pathway across all scopes. They were not derived using the sector-specific absolute reduction method (also known as ‘physical intensity convergence’ or ‘sectoral decarbonisation approach’). The targets, including the application of the cross-sector absolute reduction method, have been validated by [a third-party organisation].
IFRS S2.34(b)	The targets are reviewed every five years, to ensure consistency with the latest criteria of [the third-party organisation], or when the group has significantly changed its organisational boundaries. Targets are recalculated and revalidated when significant changes occur that could compromise the existing target. The group will update the baseline if there is a change greater than +/- 10% to our scope 1, scope 2 or scope 3 baseline year emissions as a result of a major change in measurement methodology or a change in group structure.
IFRS S2.36(e) IFRS S2.B70-B71	The group will continue to offset those emissions that it cannot eliminate through high-quality carbon credits. The group has entered into long-term agreements to purchase a percentage of carbon credits produced by various carbon credit-generating projects. The group is transitioning its carbon credit portfolio to 100% carbon removals by fiscal year 2030. The carbon credits will be a combination of nature-based and technology-based offsets. In those offset projects, carbon will be stored or sequestered for 100 years. The offset projects are validated and verified by various qualified, independent third-party auditors approved by [a third-party organisation] and the carbon credits are certified by [a third-party organisation].

7. Environment-related risks and opportunities (continued)

Mt CO ₂ e	2025	2026	2027	2028	2029	2030	Total
Projected carbon credits to be used (A)	500	450	400	350	300	300	2,300
Projected carbon credits to be received through long-term agreements (B)	300	300	300	300	300	300	1,800
Projected use of carbon credits already acquired at the reporting date (C)	150	-	-	-	-	-	150
Current projected deficit of carbon credits (A – B – C)	50	150	100	50	-	-	350



Carbon credits already purchased for net GHG emissions targets and current projected deficit of carbon credits

In accordance with paragraph 36(e) of IFRS S2, an entity is only required to disclose its planned use of carbon credits. However, paragraph B71 of IFRS S2 allows an entity to include information about carbon credits that it has already purchased for its net GHG emissions target as part of this disclosure, if the information enables users of general-purpose financial reports to understand the entity's GHG emissions target.

The disclosure of the current projected deficit of carbon credits is voluntary if the deficit does not expose the group to a material price risk or other risks; otherwise, it might be considered material information related to the group's 'planned use of carbon credits' that is required to be disclosed.

IFRS S2.34(c)

The group uses the metrics below to monitor progress towards reaching the targets; the methodology of their calculation is not validated by third-parties:

- the proportion of the total fleet that is electric – electric vehicles as a % of total fleet (%);
- electricity usage per production output in manufacturing operations – electricity usage divided by total mass of final products produced (kWh/kg);
- self-generated electricity through solar panels vs total electricity usage – electricity generated by own solar panels divided by total electricity usage (%); and
- average emission factor for materials used as the body of furniture – emissions from materials used as the body of furniture divided by total mass of these materials (kg CO₂e/kg).



Depending on the specific facts and circumstances, the use of carbon credits by an entity may significantly impact its balance sheet, performance, or cash flows. For the purposes of these examples' disclosures, these effects are not being illustrated.

7. Environment-related risks and opportunities (continued)

IFRS S2.35

Performance against the GHG emissions targets

The group has defined its base year as 2020. The metrics used to set targets, as well as the metrics used to monitor performance against the targets, are set out below:

Mt CO ₂ e	2024	2023	2022	2020 baseline year
Metrics used to set targets				
• Renewable electricity over total electricity use	69%	54%	42%	15%
• Gross scope 1 GHG emissions	2,351	2,540	2,893	3,526
• Gross scope 2 (market-based) GHG emissions	514	823	1,249	2,173
• Gross scope 3 GHG emissions	241,132	291,243	321,656	353,711
• Gross scope 1, scope 2 (market-based) and scope 3 GHG emissions	243,997	294,606	325,798	359,410
• Net scope 1, scope 2 (market-based) and scope 3 GHG emissions	243,306	293,929	324,857	359,257
Metrics used to monitor progress towards the targets				
• The proportion of the total fleet that is electric (%)	43%	26%	15%	10%
• Electricity usage per production output in manufacturing operations (kWh/kg)	0.83	1.24	1.46	1.75
• Self-generated electricity through solar panels versus total electricity usage (%)	21%	14%	9%	5%
• Average emission factor for materials used as the body of furniture (kg CO ₂ e/kg)	0.26	0.31	0.37	0.43

The group's scope 1 gross GHG emissions decreased year-on-year (2024 versus 2023: 7%; 2023 versus 2022: 12%) and has decreased by 33% compared to the 2020 baseline year. The year-on-year decrease was mainly driven by decreased consumption of fossil fuel as we transition our fleet to electric vehicles.

The group's scope 2 (market-based) gross GHG emissions decreased year-on-year (2024 versus 2023: 38%; 2023 versus 2022: 34%) and has decreased by 76% compared to the 2020 baseline year. The year-on-year decrease was mainly driven by energy-efficiency solutions installed in the manufacturing operations, the installation of rooftop solar panels, and the purchase of RECs.

The group's scope 3 gross GHG emissions decreased year-on-year (2024 versus 2023: 17%; 2023 versus 2022: 9%) and has decreased by 32% compared to the 2020 baseline year. The year-on-year decrease was mainly driven by using low-emission raw materials, reducing waste during production, and engagement with major suppliers and distributors to build their capability to measure, share and reduce their carbon footprint.

8. Social-related risks and opportunities

8.1.1 Diversity risk

a. Description of diversity risk

IFRS S1.30

The composition of board- and management-level personnel in certain of the group's operations does not adequately represent the diversity in the population that is present in the geographical location where that business operates. Specifically, there is currently a gender imbalance and lack of ethnic diversity within the group's board of directors and at management level in Oneland. Discrimination or exclusion based on gender or ethnicity might erode the group's long-term prospects by limiting talent pool access, damaging relationships with stakeholders that can harm the group's reputation and brand image.

b. Effects on business model and value chain

IFRS S1.32(a)

The lack of diversity in the group's senior management levels might affect the group's business model and negatively affect the group's growth projections in a number of ways, including:

- **Potential damage to the group's reputation and brand:** stakeholders increasingly value diversity, and failure by the group to demonstrate commitment in this area might result in loss of customers and revenue. Customers might perceive the lack of diversity as a sign of inequality or exclusion, and they might therefore not be willing to engage in business relationships with the group.
- **Ability to attract and retain staff:** even though the lack of diversity is concentrated in specific management groups (board and Oneland management levels), the lack of diversity could impact the group's long-term growth and competitiveness across all businesses and regions. This, in turn, could lead to higher turnover rates and difficulty retaining diverse talent. This risk is heightened in the group's IT consulting business, which requires a specialised, highly skilled workforce. Departure of skilled employees might disrupt existing consulting projects and limit the group's growth prospects in this area of the business.

IFRS S1.32(b)

This risk has specifically been identified at the board and management level.

Additionally, the group believes that workforce diversity is crucial for fostering innovation, because it enables the group to better understand the needs of a varied and global customer base. This understanding leads to the creation of desirable products, and it enhances effective communication with customers.

c. Effects on strategy and decision-making

IFRS S1.33

In order to address the diversity risk, the group has launched a 'People strategy plan' to promote diversity and foster inclusivity – both in recruitment and across the rest of the employment lifecycle. The people strategy plan applies to all businesses and locations in which the group operates. The group aims to achieve gender parity at board level and at all managerial levels over the next five years. It also aims to make positive progress in increasing diversity in ethnic representation at these levels.

The group has established guidelines for recruitment practices that not only include the skills, expertise and background for new candidates but also take into consideration the gender and ethnicity of such candidates in accordance with applicable laws and regulations.

The group has also developed a diversity and inclusion policy which sets out the principles and practices across the employment lifecycle to support and improve diversity through affirmative actions for the benefit of under-represented groups. This policy includes training on diversity, mentorship and sponsorship programmes, and the provision of flexible work schedules to accommodate the varying needs of employees.

8. Social-related risks and opportunities (continued)



There might be different considerations to take into account for recruitment practices in different territories based on different applicable laws and regulations; therefore, the appropriateness of the factors taken into consideration and the extent to which they are disclosed should be assessed based on each reporting entity's facts and circumstances.

The group has considered trade-offs when establishing the 'People strategy plan', including potential risks and opportunities that a more diversified board and management could present. There is a possibility that diversification could lead to greater differences of opinion and reduce group cohesiveness. However, management believes that these potential challenges do not outweigh the expected benefits in terms of more diverse thinking and innovative ideas, better representation of its customer base and enhancement of the group's brand and reputation. Overall, management expects that mitigating efforts in place will limit the effect of diversity risk on the group's business model and value chain.

d. Financial effects

IFRS S1.40(a),(b) The group concluded that it is not possible to provide quantitative information on current and anticipated financial effects of the diversity risk, because the effects are not separately identifiable.
IFRS S1.38(b)

From a qualitative perspective, management considers that the asset that would be affected the most by this risk is the group's intangible 'brand'. The group's brand is not recognised as an asset, under the IFRS Accounting Standards, because it is internally generated and therefore not subject to potential impairment itself. However, damage to the group's brand as a result of this risk might negatively impact the group's revenue and could potentially result in impairment of the group's cash-generating units.

e. Resilience of the group's strategy and business model in relation to diversity risk

IFRS S1.41 The group will continue to monitor the expected effects of the diversity risk in its prospects. If at some point, the group identifies that a diversity goal or target is deemed to be insufficient, based on the specific considerations at that point in time, the group will reassess its approach for retention and recruitment of candidates that meet specific diversity criteria. The group will also consider introducing more accountability and will reconsider the performance-related targets for senior executives in businesses within the group if necessary to accelerate change.

8.1.2 Processes, controls, and policies to manage diversity risks and opportunities

IFRS S1.44(a)(i) The overall process followed to identify, assess, prioritise, and monitor social risks and opportunities forms part of the general process described in note 6.4.

For the diversity risk, census data of each geographical location is used to identify the community profile in each geographical location in which the group operates. The census data is periodically compared to employee data. The group uses this data to identify businesses or regions in the group where there is a lack of diversity in senior management levels. The group sets overall targets, but it monitors actual performance against targets for those specific management levels where lack of diversity has been identified.

IFRS S1.44(a)(ii) The group does not use scenario analysis to inform its identification of diversity risks. Due to the qualitative characteristics of the diversity risk, the group only considers qualitative thresholds.

No changes in the process occurred in the current reporting period.

8. Social-related risks and opportunities (continued)

8.1.3 Metrics and targets

IFRS S1.46

IFRS S1.50(a),(d)

The group has set targets over the short-, medium-, and long-term related to its diversity risk – these targets come from the SASB standards (Software & IT Services TC-SI-330a.3), but they have been adapted to the group structure. At the group board of directors and the Oneland management levels, the group uses metrics to measure performance against the targets set, as set out below.



For the purposes of this illustrative sustainability disclosure example, we have used placeholders for ethnic groups. Ethnic groups vary depending on the geographical and legislative environment in which the entity operates. The SASB standards require an entity to use definitions for the relevant diversity group that are based on relevant local regulation, guidance, or any generally accepted definitions.

Composition of the group board of directors

Diversity-related risks	Methodology to calculate metric	Measuring unit		Target			
				Actual metric – 2024	Short-term	Medium-term	Long-term
Gender representation	Percentage of specific gender divided by the total number of board members	% of total board members	Female	10%	20%	30%	40%
			Male	90%	80%	60%	50%
			Other/not disclosed	0%	0%	10%	10%
Ethnicity representation	Percentage of specific ethnic group divided by the total number of board members	% of total board members	Ethnicity A	50%	40%	30%	30%
			Ethnicity B	10%	20%	20%	20%
			Ethnicity C	10%	10%	20%	20%
			Other	30%	30%	30%	30%

Composition of the Oneland management

Diversity-related risks	Methodology to calculate metric	Measuring unit		Target			
				Actual metric – 2024	Short-term	Medium-term	Long-term
Gender representation	Percentage of specific gender divided by the total number of management personnel	% of total management personnel	Female	23%	30%	37%	40%
			Male	76%	64%	55%	50%
			Other/not disclosed	1%	6%	8%	10%
Ethnicity representation	Percentage of specific ethnicity group divided by the total number of management personnel	% of total management personnel	Ethnicity A	50%	42%	35%	30%
			Ethnicity B	25%	24%	22%	20%
			Ethnicity C	14%	16%	18%	20%
			Other	11%	18%	25%	30%

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

8. Social-related risks and opportunities (continued)

IFRS S1.50(c)

IFRS S1.51(d),(f)

The targets and metrics above have been developed by the group to measure the progress of the group's mitigation and resilience of the diversity risks over the short-, medium-, and long-term. The metrics have not been validated by a third-party. Because this is the first year that the group has established targets, 2024 will be used by the group as a baseline to measure progress against targets in future years.

8.2.1 Fair wages opportunity

a. Description of fair wages opportunity

IFRS S1.30

The group acknowledges the crucial role that its employees play in future growth. Since the group was founded, the board has stated a dedication to providing fair wages to all workers, including both own workforce and contracted workers, regardless of their contract type and geographical location. Own workforce refers to employees permanently hired by the group, while contracted workers include individuals who are hired temporarily under a contract for services, either directly by the group or by contracting entities.

For the group, 'fair wages' encompass all fixed benefits included in compensation which enhance workers' quality of life and stability in their personal lives. The group determines fair wages based on principles defined by the International Labour Organisation and the group's experience with collective bargaining. In determining a 'fair wage' for each location in which the group operates, the group considers elements related to living costs such as the costs of adequate food, appropriate housing, education, healthcare, and other factors such as leisure costs and local taxes. The group determines an approach to calculating a 'fair wage' for each location it operates in, and the group's approaches to calculating a 'fair wage' is validated by [third-parties].

The group has implemented policies related to fair wages for various types of workers in certain locations over the last five years. Based on positive assessments, these policies will be expanded to additional locations to ensure responsible resource management. The group has determined that promoting fair wage practices in all its operational locations will increase the group's net value in the medium term (as described in note 1.2), positioning the group as a leader in social responsibility.

b. Effects on business model and value chain

IFRS S1.32(a)

In terms of manufacturing, the group's business model and the industry have evolved over the past few years, increasing competitiveness particularly after the Covid-19 pandemic and global social conflicts. The group's workforce consists of a combination of directly hired workers and contracted workers. The use of outsourced personnel is intended to ensure continuity and flexibility in our operations.

Labour costs are a significant component of the cost structure, representing an average of 36% of the cost of manufacturing products and services.

8. Social-related risks and opportunities (continued)

IFRS S1.32(b)

The group has identified an opportunity related to providing fair wages to all members of the workforce. Providing fair wages has several positive effects on our business and value creation, including:

- **Enhancing employee engagement and satisfaction:** implementing suitable policies for our employees increases overall satisfaction, fostering a positive work environment that promotes employee engagement regardless of contract type or location of activities. Based on our experience, fair wages are a crucial factor in improving employee engagement and reducing involuntary turnover. We observe the following effects of improved employee engagement and satisfaction:
 - **Reduction of hiring cost:** well-compensated workers positively affect cash flows allocated to hiring activities, allowing for the reallocation of these resources to other projects. Hiring activities include costs related to advertising, recruitment fees, initial training, induction, adaptation, and some relocation costs. The actions taken by the management are expected to generate positive results by reducing hiring costs over the medium and long term.
 - **Improvements in productivity:** improved employee engagement enhances worker morale and indirectly enhances productivity, leading to increased production rates by geographic location and improved product quality. This, in turn, boosts client satisfaction, reduces insurance and warranty costs.
 - **Brand development and reputational impact:** being a multinational entity, good labour practices enhance our reputation by demonstrating the value that is placed on the workforce. This commitment to social responsibility, which emphasises the treatment of the workforce, is viewed favourably by both current and potential customers, thereby enhancing the brand's image.

IFRS S1.32(b)

This opportunity has specifically been identified at the manufacturing workforce level. It considers both directly hired workers and contracted workers across all locations. The implementation of fair wages for the group's workers aligns with our commitment to socially responsible business practices with our value chain partners.

c. Effects on strategy and decision-making

IFRS S1.33(a)

The group has adopted a comprehensive perspective to manage this opportunity. Both the Human Resources (HR) Director and the Chief Financial Officer (CFO) collaborate with the group board's sustainability committee to implement policies and to evaluate any change in strategy required to achieve the benefits of this opportunity.

VALUE Plc's fair wages policy contains six steps.

Step 1 – Collecting data: gathering data on employee pay from every entity within the group. As part of this exercise, the group also considers information provided by contracting entities in each jurisdiction. The data is organised based on aspects such as role, experience, manufacturing area and type of contract. Additionally, the group collects data regarding cost of living, macroeconomic forecasts, and minimum salary from national statistical offices in each territory.

Step 2 – Defining initial gaps in fair wages: once the data is internally validated, the group identifies possible wage gaps between jurisdictions and types of workers. This analysis includes setting an initial fair wage benchmark for reference. This allows the board's sustainability committee to prioritise the next activities and to focus on significant locations considering the expected benefits for those jurisdictions.

8. Social-related risks and opportunities (continued)

Step 3 – Engaging internal and external stakeholders: sharing the identified gaps and fair wage approach with workers’ representatives (for example, unions) to gather feedback regarding the expectation and priorities set by the group. This process may identify further required activities for adjusting wages. In some jurisdictions, existing collective bargaining agreements between the group and workers’ representatives need to be evaluated before adjusting wages.

For contracted workers, the process entails evaluating all contracting entities and identifying legal aspects relevant for contract modifications.

Once the process of getting feedback is finalised, the HR Director and the CFO develop a proposal for review by the committee. The proposal includes the benchmarks used and the targets for each jurisdiction, and type of worker. It also contains an analysis of the gaps and future actions. The proposal follows an internal due process, including the approval of stakeholders. The board’s sustainability committee must endorse the plan before it is submitted to the board of directors for approval.

Step 4 – Board approval of the policy: once the plan is defined and validated by internal and external stakeholders, it must be approved by the board. The plan includes targets and customised timelines for each jurisdiction.

Step 5 – Adjusting wages: according to the priorities outlined in the plan, the group implements actions to bridge wage gaps and achieve its targets.

Step 6 – Monitoring: the plan’s implementation progress is periodically monitored, and additional actions may be considered. Any new actions require board approval.

The implementation progress on 31 December 2024 is presented below. Each tick mark (✓) indicates a step that has been completed by the group.

IFRS S1.33(b)

Location	Type	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
Oneland	Own workforce	✓	✓	✓	✓	✓	✓
	Contracted workers	✓	✓	✓	✓	✓	✓
China	Own workforce	✓	✓	✓	-	-	-
	Contracted workers	✓	✓	✓	-	-	-
USA	Own workforce	✓	✓	✓	✓	-	-
	Contracted workers	✓	-	-	-	-	-
Europe	Own workforce	✓	✓	✓	✓	✓	✓
	Contracted workers	✓	✓	✓	✓	✓	✓



For the purposes of these example sustainability disclosures, this table includes a breakdown by location in the first year of reporting. Paragraph 33(b) of IFRS S1 requires both quantitative and qualitative information about the progress of plans that an entity has disclosed in previous reporting periods.

8. Social-related risks and opportunities (continued)

IFRS S1.33(c)	The group has evaluated the potential trade-offs involved in implementing fair wages. There are no situations considered to be a significant risk for the group. The participation in this initiative by both the group and contracting entities is noted, and it may impact their reputation within the industry.
IFRS S1.35(a)	d. Financial effects The group has evaluated the financial effects of pursuing this opportunity based on its skills, capabilities, and resources without incurring an undue cost or effort. The assessment includes the current and future impacts on cash flows, financial performance, and financial position. The following inputs have been considered: • historical data from the accounting records; • budget and information used in the preparation of the strategic plan; • publicly available market information provided by institutions and organisations in the different jurisdictions where the group operates; and • official information provided by the national statistical offices in each country regarding the cost of living.
IFRS S1.35(a),(b)	Current financial effects For the current year, the financial effects are linked to the implementation of the fair wage policy in each jurisdiction. Most of these efforts and actions were implemented during the first quarter of this financial year. According to the progress plan, significant financial effects for this year are allocated to Oneland and Europe. The implementation of this plan has resulted in an accumulated effect of CU1 million for this year. The amount includes an initial negative impact of CU6 million (impacting results and cash flows) partially offset by a reduction in hiring costs of CU5 million (impacting results and cash flows). The CU6 million comprises both activities directly related to the implementation of the plan and the balance of wages in areas such as manufacturing and IT consulting. The reduction in hiring cost was determined based on information from the current year showing a significant reduction since the second quarter. There are no effects on the financial position (assets and liabilities) for the current year. There is no expectation of a significant adjustment in the next period.
IFRS S1.35(c),(d)	Anticipated financial effects In the first year of application, the group has focused its assessment on the expected financial effects based on its strategic plan and information gathered during the second half of the year. This projection outlines a scenario in which the group implements all actions related to its policy during the medium term, taking into account various levels of progress across other locations, primarily influenced by those jurisdictions with a lower level of implementation progress. If the plan is not completed on a timely basis, it could result in additional implementation costs and a delay in observing positive effects. Other situations beyond the group's control have been evaluated, but the results are not taken into account due to the low probability of occurrence.

8. Social-related risks and opportunities (continued)

IFRS
S1.35(c),(d)

Generally, the group's expectations are directly tied to the performance results in the medium and long term. This estimation considers the expected increase of living costs in different jurisdictions according to public and official data, and how these costs would impact fair wages in the future. It also takes into account the projected evolution of the labour market with the objective of defining expected financial effects and generating input data for various scenarios. Management is currently working on different scenarios using data generated in the current year, and it expects to improve its estimation capabilities over the next few years.

The anticipated financial effects do not consider any specific external funding source.

The following table presents the group's expected effect on its financial position, financial performance, and cash flows over the short-, medium-, and long-term, considering actions taken to manage the fair wage opportunity. The anticipated effects on the financial position are trivial due to the actions taken to manage the opportunity that will ultimately affect mostly the cost of labour – that is, the cost of hiring and implementation of the fair wage plan.

In CU million	Current financial effects	Short-term financial effects (per annum)	Medium-term financial effects (per annum)	Long-term financial effects (per annum)
Financial position				
Inventory ⁴ – increase	-	0.5 to 1	0.5 to 1	0 to 0.5
Financial performance	1	1 to 1.5	2 to 3.5	2 to 2.5
Cost of labour:				
• hiring ⁵ – decrease	5	5 to 5.5	5 to 5.5	4 to 5.5
• wages uplift following implementation of fair wage plan – increase	6	6 to 7	7 to 9	6 to 8
Cash flows				
Cash flow from operating activities – outflow	1	1 to 1.5	2 to 3.5	2 to 2.5

IFRS S1.38(b)

IFRS
S1.40(a),(b)

The table above does not present the anticipated financial effects of policy implementation on employee engagement, productivity levels and brand image. At this stage of the plan, the high level of measurement uncertainty around the financial effect of improvements in employee engagement, productivity and brand image prevents the group from providing quantitative information about these effects. However, internal analysis estimates a moderate to high increase in productivity in the medium term and a positive impact on brand image in the long term. This is expected to have a positive effect on net profit and cash flows in the coming years.

⁴ For this example, we have assumed that a portion of the labour costs outlined below affects the FSLI inventory within the capitalization process. This effect does not result in an additional impact on cash flows.

⁵ The implementation of policies is estimated to result in a reduction in hiring costs due to a decrease in the turnover rate over the short-, medium-, and long-term.

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

8. Social-related risks and opportunities (continued)

8.2.2 Processes, controls, and policies to manage fair wage opportunity

IFRS S1.44(a)(i)

The overall process followed to identify, assess, prioritise, and monitor social risks and opportunities forms part of the general process described in note 6.4.

The group continually updates its internal data from official sources. With respect to the fair wage opportunity, the required data includes the cost of living and inflation rate within each jurisdiction where the group operates. This information is sourced from the national statistical offices website and is analysed by the committee as well as various internal teams dedicated to tracking the evolution of this data. Significant changes in the official projections are evaluated by management and considered for potential future adjustment in expectations or targets.

No changes in the process were made during the current reporting period.

8.2.3 Metrics and targets

IFRS S1.51(a)-(e)

The group has set targets over the short-, medium-, and long-term related to its fair wage opportunity. In accordance with the group's policy and materiality analysis, the following metrics have been utilised for measuring performance against the targets set:

a. Fair wages

		Actual metric – 2024				Target		
Measuring unit	Type	Oneland	China	USA	Europe	Short-term	Medium-term	Long-term
% of total workers	Own workforce	94%	85%	85%	95%	93%	97%	100%
	Contracted workers	92%	82%	73%	90%	93%	97%	100%

The metric presented above explains the proportion of workers, relative to the total workforce in each jurisdiction, who are paid a 'fair wage'.

IFRS S1.50(a)-(d)

Methodology to calculate metric: this metric has been internally developed according to the group's policies. The group defines a fair wage as the situation where the worker's base salary plus all fixed benefits within a calendar year exceed the annual fair wage in each jurisdiction. For information on how the group calculates the 'fair wage' benchmark, see note 8.2.1(a). This metric is an absolute measure and has been validated by [third-parties] in the current year.

IFRS S1.51(f),(g)

The performance achieved in the current year is consistent with the implementation progress and the defined plan. In both China and USA, the implementation process has experienced some expected delays due to review of the plan for China and the collection of data for contracted workers in USA. These territories are expected to show significant progress next year with policy implementation.

Regarding the targets defined, no specific revision was made during the current year.

8. Social-related risks and opportunities (continued)

IFRS S1.51(a)-(e)	b. Turnover rate								
	Actual metric – 2024						Target		
	Measuring unit	Type	Oneland	China	USA	Europe	Short-term	Medium-term	Long-term
	% of total workers	Own workforce	23%	25%	27%	18%	22%	20%	15%
		Contracted workers	29%	37%	38%	25%	27%	25%	20%
IFRS S1.50(a)-(d)	The turnover rate shows the connection between the number of workers who change their contractual status with the group and the total number of workers in each jurisdiction. Methodology to calculate metric: this metric has been internally developed from the SASB standards (Road Transportation TR-RO-320a.2.), but it has been customised for the group’s purposes. For the calculation of this metric, the group identifies the total number of workers (both full-time and part-time), organised by own workforce and contracted workers, at the beginning of the year. Subsequently, all of the movements throughout the year (for example, hirings, voluntary resignations, dismissals, retirements, and contract expiration) are tracked to determine the final number of workers. This step identifies the workers who left the group, and it calculates the proportion of the total number of workers at the end of the period. This metric is an absolute measure and has not been validated by third parties in the current year.								
	For 2024, the turnover rate demonstrates positive evolution in markets such as Oneland and Europe, although there are some expected delays in the implementation plan regarding the situation of contracted workers in USA and China. The high level of competition in these markets has slowed the effects of the group’s policies, and the board’s sustainability committee is actively monitoring the implementation plan for the upcoming year. From the group’s perspective, there is no material concern arising from the temporary situation in these jurisdictions, given the implementation plan. Regarding the targets defined, no specific revision was made during the current year.								
IFRS S1.51(f),(g)	 For the purposes of illustrating these metrics, an entity could breakdown the information using other level of details according to its own interests and the evaluation of materiality performed by its stakeholders.								

Disclaimer: this illustrative sustainability report sets out an example of how an entity might present its sustainability report in applying some of the requirements in IFRS S1 and IFRS S2 in relation to hypothetical risks and scenarios. It is not intended to cover all the disclosure requirements in IFRS S1 and IFRS S2 nor to represent the only manner in which the requirements could be applied. Further, depending on the number of sustainability-related risks and opportunities an entity identifies, a different structure might be more appropriate.

9. Governance-related risks and opportunities

9.1 Supplier payment practices

a. Description of the supplier payment practice risk

IFRS S1.30

The group has a policy to pay all supplier invoices in 60 days. The group has identified that the supplier payment practices in the group's furniture manufacturing business in Oneland are not always in line with this policy. In particular, the group identified a pattern of late payment to some small and medium-sized suppliers. Small and medium-sized suppliers are key suppliers for the manufacturing business.

Payment practices that are not in line with the group's policy – and, in some cases, statutory requirements on supplier payment – could significantly damage the reputation of the group and harm relationships with suppliers, and with customers who value ethical business practices.

b. Effects on business model and value chain

**IFRS
S1.32(a),(b)**

While management believes that current effects on the business model are not significant, continuation of supplier payment practices that are not in line with the group's policy over the medium and long term could affect the group's upstream value chain and its own operations in the following ways:

- **Supply chain disruptions:** late payments might lead to financial difficulties or working capital constraints for suppliers. This could lead to suppliers being unable to procure inventory and fulfil the group's orders for inventory on a timely basis.
- **Damage to relationship and loss of suppliers:** persistent late payments to suppliers might strain relationships with them or damage the relationship to such an extent that the supplier no longer wants to work with the group.

Disruption in the supply chain or loss of suppliers could significantly impact the business model of the group, because the furniture manufacturing business relies heavily on a limited number of small and medium-sized suppliers.

c. Effects on strategy and decision-making

IFRS S1.33

Strategic procurement, including responsible sourcing of raw materials, is key for the group. The effects of inadequate supplier payment practices can undermine the group's sourcing strategy by jeopardising the long-term availability and reliability of responsibly sourced timber and other materials.

Although the group has an established policy to make supplier payments within 60 days, management is currently implementing the following, to specifically address the supplier payment practice risk in Oneland:

- with input from group management, the furniture business in Oneland is developing its own policy to promote fair and transparent supplier payment practices within its operations. This includes establishing clear payment policies including acceptable payment terms and, if necessary, facilitating access to supplier finance arrangements for a broader range of strategic suppliers;
- performance measures have been introduced for senior management overseeing the supplier payment team to align with this policy; and
- the diversification of suppliers and the establishment of alternative supply sources, to reduce dependency on a limited number of suppliers are being analysed. This is aligned to the group's actions in response to wildfire risk.

9. Governance-related risks and opportunities (continued)

Planned sources of funding needed to implement the group's strategy on supplier payment practices are not expected to be significant. No significant investments and capital expenditure are expected to be made to mitigate the supplier payment practice risk. Hence, management does not expect significant changes to its business model.

When establishing the supplier payment practice plan, including making decisions to shorten the supplier payment terms from existing practice, management has considered trade-offs such as the optimisation of the group's cash flows and working capital. Management expects that these benefits, including the prioritisation of procurement of its strategic resources, would override any negative impacts on cash flows and working capital.

d. Financial effects

Current financial effects

IFRS S1.35(a)

Supplier payment patterns in the Oneland furniture manufacturing business that are not aligned with the group's policy have not yet resulted in material financial effects.

Anticipated financial effects

IFRS
S1.35(c),(d)

Management expects that the continuation of late or extended supplier payment practices over a longer period of time could result in material financial effects over the medium and long term if the risk is not mitigated. Anticipated financial effects could arise from increases in raw material costs and potential shortages because of the potential supply chain disruptions, which might result in lower revenues or reduced margins over the medium and long term. In terms of cash flows, increased inventory costs combined with decreased revenue levels could create cash flow issues, necessitating additional funding through new lines of credit or loans.

The following table presents the group's expected effect on its financial position, financial performance, and cash flows over the medium and long term, considering actions to manage the late payments risk (see note 9.1(c)). Based on these projections, management does not expect material adjustment to the carrying amounts of reported assets and liabilities within the next 12 months.

In CU million	Medium-term financial effects (per annum)	Long-term financial effects (per annum)
Financial position		
Inventory – increase	0.2 to 1.5	0 to 0.5
Financial performance		
Cost of goods sold – increase	0 to 2	0 to 1
Cash flows		
Cash inflow generated from operations – outflow	1.5 to 3	0 to 2

e. Resilience of the group's strategy and business model in relation to governance-related risk

IFRS S1.41

The group has long-standing relationships with all of its strategic existing suppliers. Senior management in the furniture manufacturing business has good relationships with key contacts at these suppliers and they are regularly in contact. If there is not an improvement in the late payment practices, and management becomes aware that a supplier might withdraw from supplying the group, additional remediation actions will be implemented by senior management.

9. Governance-related risks and opportunities (continued)

In the event that the group loses a strategic supplier due to extended or late payment practices, management expects to accelerate the mitigation measures to diversify supply sources and the establishment of alternative supply sources. The group is also exploring the use of bio-based materials, and it will accelerate this research if needed.

9.2 Processes, controls, and policies to manage governance-related risks and opportunities

IFRS S1.44(a)(i)

The process followed to identify, assess, prioritise, and monitor the governance risks and opportunities is consistent with the general process described in note 6.4. Processes to identify and assess risks resulting from poor supplier payment practices include ongoing financial analysis, including the use of data analytics on accounts payable to identify payment trends and patterns (such as late payments). The group uses this data to identify businesses or regions in the group where there is a trend of late supplier payments or extended working capital days. The group monitors actual performance against targets for those specific businesses where late payment practices are identified that pose a risk to the group. For these businesses, the group sets individual performance targets for senior management related to payment practices. These performance targets impact the employees' remuneration and progression (see note 6.3).

IFRS S1.44(a)(ii)

The group does not use scenario analysis to inform its identification of governance risks due to the qualitative characteristics of the risks.

Management also plans to conduct an in-depth review of payment terms for all strategic and key suppliers across the group.

9.3 Metrics and targets

IFRS S1.46,50(a),(d)

The group has set targets over the short-, medium-, and long-term related to its supplier payment practices in the furniture manufacturing business in Oneland – these targets are voluntary and are developed by the group. The group uses metrics to measure performance against the targets set, as set out below:

Supplier payment practices in the furniture manufacturing business in Oneland

Governance-related risks	Metrics description	Metrics calculation methodology	Measuring unit	Actual metric – 2024	Target		
					Short-term	Medium-term	Long-term
Risk of supply chain disruption due to potential supplier loss	Average time to pay supplier invoices for the furniture manufacturing business in Oneland	Total number of days between the date when the contractual payment term starts and the payment date	Number of days	90 days	≤ 80 days	≤ 65 days	≤ 60 days

IFRS S1.50(b), 51(a)-(c),(e)

IFRS S1.50(c)

The targets and metrics above have been developed by the group to measure the progress of the group's mitigation and resilience of the supplier payment practice risk over the short-, medium-, and long-term. The metrics have not been validated by a third-party.

IFRS S1.51(d),(f)

Because this is the first year of establishing targets, 2024 will be used by the group as a baseline to measure progress against targets in future years.

10. Events after the reporting period

IFRS S1.68

No transactions, other events or conditions occurring after the end of the reporting period and before the date of authorisation of issue of this document have taken place that need to be disclosed in this sustainability report.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers LLP, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2025 PwC. All rights reserved. Not for further distribution without the permission of PwC. 'PwC' refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way.