



TREE HOLDINGS LIMITED

齊家控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

stock code 股份代號 8395



Environmental, Social and
Governance Report

環境、社會及管治報告

2021

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ABOUT THIS REPORT

TREE Holdings Limited (the “**Company**”), together with its subsidiaries (the “**Group**” or “**we**”), is pleased to present this Environmental, Social and Governance (“**ESG**”) Report (the “**Report**”). This Report describes the management approaches and performances of the Group on ESG related issues.

REPORTING STANDARD

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (“**ESG Guide**”), which is the Appendix 20 to the Rules Governing the Listing of Securities on the GEM Board of The Stock Exchange of Hong Kong (“**SEHK**”). For the convenience of stakeholders, an ESG Guide content index is provided at the end of this Report.

The Report adheres to the following four reporting principles as set out in the ESG Guide:

| | |
|--------------|---|
| Materiality | This Report focuses on ESG issues that the Board of Directors (the “ Board ”) considers to be important to stakeholders of the Group and reflects our significant impact on the environment and society. |
| Quantitative | Key performance indicators (KPIs) are measured and reported, together with comparative historical data where appropriate. A professional external consultant is engaged to assess the environmental performance referencing local and international standards and guidelines. |
| Balance | Both achievements and challenges of the Group are disclosed in this Report to present our sustainability performance in an objective and unbiased manner. |
| Consistency | The scope of reporting and KPIs are consistent with that of the previous report to allow meaningful comparison over time. Explanations are provided to indicate changes that may affect such comparison. |

REPORTING PERIOD AND BOUNDARY

Unless otherwise specified, this Report covers the Group’s principal operations in Hong Kong for the financial year from 1 April 2020 to 31 March 2021 (the “**reporting period**”, or “**FY2021**”), which is the same period as covered in the Group’s Annual Report. The Group’s offices, retail stores, and warehouses in Hong Kong are included in the reporting scope. The Hong Kong market contributed more than 80% of our revenue in the reporting period. Offices in other locations do not significantly impact the environment or society, and therefore are not included in this Report.

APPROVAL AND PUBLICATION

This Report is prepared based on policies, documents, data and records of the Group and has been approved for release by the Board.

This Report is published in both Chinese and English, and is available on the website of the Group (<https://treeholdings.com/>) and the “HKEXnews” website (<https://www.hkexnews.hk/>). Stakeholders who are interested to know more about the Group’s sustainability efforts can also visit our webpage at <https://tree.com.hk/about/sustainability>.

OPINIONS AND FEEDBACK

The Group believes this Report will promote the understanding of stakeholders on our material ESG issues. The Group sincerely invites stakeholders to provide their valuable responses. If you have any questions or suggestions about this Report or the Group’s sustainability efforts and performance, please do not hesitate to contact us through the following channels:

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BOARD STATEMENT

There was no lack of changes and challenges in the reporting period.

The COVID-19 virus, which emerged in January 2020, spread across and caused huge impact around the globe. This pandemic placed the life, health and wellbeing of all populations at risk. Quarantine, lockdown and other control measures have greatly affected economic activities, dramatically changed people's lifestyles, impeded manufacturers and traders, depressed consumer sentiment and disrupted international supply chains. Substantial uncertainties embedded in the ever-changing pandemic call for fundamental transformations of society. In this light, sustainable considerations gain unprecedented attention and are regarded as important elements in stress tolerance and crisis response.

Our brand "TREE" has been incorporating environmental and social factors into the heart of its business ever since its establishment 16 years ago. The core purpose of the brand is to bring sustainable style to the HK market and beyond through the provision of solid eco-wood furniture and other sustainably sourced homewares. The Group is committed to fulfilling, and going beyond, its corporate social responsibilities and encouraging long-term sustainability values amongst all of its stakeholders. A number of policies governing ESG related issues have been formulated to guide its operations. The increasing concern for sustainability and wellbeing of consumers may strengthen the presence of TREE and could be an opportunity for further development and continued success.

The Group recognises the importance of stakeholder engagement in the management of ESG issues. Our Group has been maintaining close connections with various stakeholder groups to understand their needs and expectations. Besides, the Group commissioned an external sustainability consultant to conduct a questionnaire survey of the Board to identify the material ESG aspects. The Group will consider further enhancing our communications with stakeholders, which may help us identify risks and improve our ESG related works.

The Group is fully aware that its business has an impact on the environment. We will continue to improve our environmental performance and energy efficiency, aligning with the farsighted goals of China and Hong Kong to achieve being carbon neutral by 2060 and 2050 respectively. Besides, the Group attaches great importance in managing its supply chain to ensure the quality and environmental friendliness of our products.

Looking forward, the Group will further deepen the concept of ESG in our businesses, prepare for risks and embrace further opportunities. The Group is ready to work even more closely with its business partners and stakeholders in further efforts to enable customers to adopt a greener and more sustainable lifestyle and make more sustainable purchase decisions.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

The Board is the highest governance body of the Group and is responsible for leading and supervising the Group to ensure the effective operation and compliance with all applicable regulations, including those relevant to ESG. The board is also responsible for formulating business directions, establishing overall strategies and achieving goals, with sustainability strategies, policies, measures, and goals incorporated.

The Board has an overall responsibility to identify, evaluate and mitigate different types of risks, including ESG risks of the Group. With the assistance of the Audit Committee and senior management, the Board ensures that the sufficiency and effectiveness of the internal control and risk management systems is maintained.

In order to attain more comprehensive risk management, the Group will consider improving ESG risk integration into the current systems. One may also refer to the Corporate Governance Report on pages 30 to 42 in our Annual Report 2021 published on 29 June for more information about our governance.



STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

Stakeholder engagement is essential for the Group on its sustainability journey. The Group has identified its key stakeholders as customers, shareholders and investors, business partners and suppliers, employees and the community. During its daily operations, the Group communicates with stakeholders through various means, including meetings, emails, website and social media, etc. to listen to their opinion and feedback.

The Group commissioned an independent consultant to conduct a questionnaire survey with the Board to identify material ESG aspects. Based on the results of the survey, the Group identified four material aspects which are health and safety, anti-corruption, climate change and product responsibility.

The Group will continue to strengthen its stakeholder engagement and explore multiple channels of communication to gather more in-depth views and better understand their expectations of TREE. We believe this may guide us in reviewing and adjusting our sustainability policies and initiatives.

ENVIRONMENTAL PROTECTION

Environmental sustainability is at the heart of the TREE brand. Our core products are made of eco-friendly materials. We care about the environment and plant trees to replenish natural forests. We make efforts where possible to reduce the negative environmental impact of our operations. Our environmental policy focuses on process management and ongoing improvement. We are committed to reducing waste and advocate to our stakeholders to induce similar positive change where feasible.

With our environmental management policy and practices in place, we continue to help protect the planet. We observe environmental laws and regulations, including the Waste Disposal Ordinance (Cap. 354), Water Pollution Control Ordinance (Cap. 358), Air Pollution Control Ordinance (Cap. 311) and Product Eco-responsibility Ordinance (Cap. 603) in Hong Kong. During the reporting period, the Group was not aware of any significant non-compliance against these regulations.

ENERGY AND WATER CONSUMPTION

The Group consumed 591.5 MWh of energy in the reporting period. Purchased electricity constituted the majority of the energy consumption, which accounted for 430.7 MWh and 73% of the total energy consumption. Electricity consumption increased by 28% compared to the previous year ("FY2020"). Other energy consumption includes the use of diesel and petrol for vehicles, which accounted for 155.5 MWh and 5.3 MWh of the total energy consumption respectively.

We continue to implement the following measures to promote energy saving and reduce carbon emission:

- Remind employees to turn off idle electrical and electronic appliances;
- When leaving the office, retail stores and warehouses, all air conditioning, lighting and equipment not in use should be switched off;
- We prioritise the procurement of appliances with good grades on their energy efficiency labels or other certifications;
- Upon the need to replace equipment items, doing so with more energy-efficient models.

The water we consume is provided by the Water Supplies Department of Hong Kong and we have no problem in sourcing water. In the Reporting Period, the Group's water consumption was approximately 435 cubic meters¹, an increase of 68% compared with FY2020². The increase is primarily due to a growth of turnover in our Café operations in part due to a gradual rebound in consumer sentiment.

¹ Data from Café only. We only have a water meter in our Café. Our retail stores and warehouses use public toilets and so water meters are not in place but the water consumption is immaterial.

² Part of the water consumption in FY2020 was estimated by projection as the data had not been provided by the Water Supply Department when preparing last year's report.

We conserve water not only because it is a valuable resource, but the reduced usage will also lead to a decrease in indirect electricity consumption, and thus carbon emissions, that arise from the treatment of freshwater and sewage. We have trained our Café staff not to leave the tap running when washing dishes. We will continue to monitor energy and water consumption in order to set suitable targets for the efficient use of these resources in the future.

WASTE MANAGEMENT AND PACKAGING MATERIALS

The Group replaced a small number of fluorescent lamps in FY2021 and estimated that no more than 0.2 kg of hazardous waste was produced. To further enhance our recycling practices in the future, we will wrap spent fluorescent lamps properly and drop them at the collection points of the Fluorescent Lamp Recycling Programme supported by the Environmental Protection Department. No waste electrical and electronic equipment such as computers, printers, and monitors were produced in the reporting period. We donate any used computers to charity when they are replaced and no longer of use to TREE.

The Group also generated 2.2 tonnes of non-hazardous waste, including paper, plastic, metal, and glass bottles in the reporting period. Domestic waste from our office and Café was handled by a waste collector without being measured, while paper, plastic, metal waste and glass bottles were collected for recycling. Amongst these, the recycling of glass bottles was newly introduced in FY2021. The Group will be exploring the feasibility and availability of handling domestic waste in a more environmentally friendly way such as engaging a domestic waste collector to collect it for organic waste treatment.

We have implemented a series of measures to reduce waste paper, such as encouraging double-sided printing, while single-side printed paper will be collected for reuse. We work with an external recycling service provider to collect waste paper and provided with a detailed recycling performance report with the amount of paper collected each month and carbon emissions saved by recycling. The Group has recycled 405 kg of paper waste in FY2021, a 60% increase compared to FY2020.

We have improved our data collection and obtained the packaging material usage statistics in the reporting period. The Group used 9.2 tonnes of packaging materials for finished products in FY2021. Corrugated cardboard, cello plastic film, sticky tape and bubble wrap are used to protect furniture or accessories before they are delivered to customers. The Group strives to reduce the use of unnecessary packaging materials by reusing the same packaging from suppliers after unpacking and inspecting the furniture. However, in some cases, displayed items need to be wrapped using these packaging materials in order to protect them from damage but this is minimised as far as possible.

AIR AND GHG EMISSIONS

The Group's operations involve emissions of Nitrogen Oxides ("**NO_x**"), Sulphur Oxides ("**SO_x**"), and Respirable Suspended Particulates ("**RSP**") generated by the fuel consumption of vehicles for goods delivery and transport. During the reporting period, the Group's NO_x, SO_x and RSP emissions were 219.5, 0.3, 10.2 kg respectively. Compared with the previous year, total air emissions have increased by 8.5%. The increase in emission is in line with the increase of business turnover and activities in FY2021. We have been optimising the capacity of goods vehicles by route planning to deliver more products in each trip within close proximity, thereby reducing unnecessary transport emissions.

As a key step to establishing a carbon management strategy, the Group has commissioned a professional consultancy to conduct a carbon assessment to quantify the greenhouse gas ("**GHG**") emissions from its operations. The quantification process of GHG emissions follows the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong, compiled by the Environmental Protection Department and Electrical and Mechanical Services Department of Hong Kong.

In the reporting period, the Group's operations have produced 347.3 tonnes of CO₂-e in total. Electricity consumption was the major emission, which accounted for 299.4 tonnes of CO₂-e and 86% of total GHG emissions, followed by fossil fuel combustion from vehicles that accounted for 43.6 tonnes of CO₂-e and 13% of total GHG emissions. Paper waste disposal and freshwater and sewage processing accounted for 4.1 tonnes of CO₂-e and 0.2 tonnes of CO₂-e respectively. Compared with FY2020, Scope 3 emissions have significantly reduced by 55% as business travel has been temporarily replaced with video conferencing due to the stringent COVID-19 quarantine measures in Hong Kong.



Table 1 GHG Emissions by Scope

| Scope | Emission Source | GHG Emissions (tonnes of CO ₂ -e) | | Percentage change (%) |
|--|--------------------------------|---|--------|--------------------------|
| | | FY2021 | FY2020 | |
| Scope 1: Direct GHG Emissions | Fossil Fuel Combustion | 43.6 | 41.4 | +5% |
| Scope 2: Energy Indirect GHG Emissions | Purchased Electricity | 299.4 | 267.7 | +12% |
| Scope 3: Other Indirect GHG Emissions | Paper Waste Disposal | 4.1 | — | — |
| | Freshwater & Sewage Processing | 0.2 | — | — |
| Scope 3 Sub-total | | 4.3 | 9.6 | -55% |
| Total GHG emissions | | 347.3 | 318.7 | +9% |

ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE

The Group believes that corporate development should not come at the expense of environmental damage and is determined to minimise the impact of its business on the environment. Therefore, we have adopted environmental practices in various areas where realistic to do so.

For example, we only offer solid FSC™ certified, recycled or sustainably sourced eco wood furniture in our core furniture collections in addition to using sustainable, easily replenishable natural materials in our home décor items.

We purchase FSC™ certified paper for office use and all external marketing materials are printed on FSC™ paper. We use recyclable food packaging in our Café where the containers and plates are made from corn kernels that are biodegradable.

To push forward our efforts in protecting the environment, we have been making significant donations for more than a decade to plant trees in Indonesia, from where the majority of our wood furniture is sourced. Despite the challenges posed by COVID-19, we continued our tree planting initiative in FY2021 and, to date, have planted almost 95,000 trees – an area larger than Ap Lei Chau Island, the home of our flagship store. These trees will capture around more than 22,000 tonnes of CO₂ during their lifetime.

We also support and promote the Earth Hour campaign each year, when we turn off all non-essential lighting for one hour to raise energy-saving awareness to the public. We also actively participate in the promotion of earth hour and of the FSC™ organisation and its work to all stakeholders.

Our efforts have been recognised by a number of external parties. We received a certificate of merit from the Hong Kong Awards for Environmental Excellence in 2018 and 2019, we attained the Hong Kong Green Organisation title for 2020–2022, and we obtained the CarbonCare certificate in appreciation of our emission reduction commitment in 2020.

ROBUST QUALITY MANAGEMENT

The Group is committed to providing high quality and reliable products and services. When sourcing wood furniture, our team ensures that we establish the precise origin of the wood, check any certification and verify any additional materials used in products to be retailed.

We are also the trademark licensee for the promotion and sale of FSC™ certified finished products.

To ensure the quality of the goods supplied, the Group requires all suppliers to conduct quality checks on each product before delivery and then affix a quality control label to each piece of furniture as evidence of satisfactory quality assurance testing results. If any unsatisfactory condition is found, the total stock of those products will be fully inspected. If the issue cannot be resolved by the TREE in-house carpenter team and when necessary, the Managing Director may request that the supplier replace the products or claim compensation from them.

Many of our customers choose TREE for the peace of mind that environmental concerns are paramount when we source our products — sustainably sourced, solid wood is a more responsible choice than other alternatives on the market.

For marketing purposes, TREE focuses on communicating the (sustainable) stories behind its product, with consistent messaging to ensure that we maintain our brand values of communicating with integrity.

During the reporting period, the Group is not aware of any material non-compliances to relevant laws and regulations relating to product health and safety, including the Consumer Goods Safety Ordinance (Cap. 456) and Public Health and Municipal Services Ordinance (Cap. 132).

CUSTOMER SERVICE MANAGEMENT

To maintain the quality of our customer service, we have established various channels for our customers to communicate with our team and provide feedback. Customers can contact us through our customer hotline, email or leave a message on our website through a live chat or feedback form. Feedback relating to staff attitude, product range, store environment etc. are welcomed. The Group's customer service hotline, email address and website address are readily available. All feedback received is recorded by our customer service team and shared with the relevant team members, with all issues flagged to the Managing Director for follow-up action to be taken in order to make improvements.

A customer complaint handling policy has been developed and distributed to the customer service team to ensure that standard procedures are implemented and properly maintained to handle customer complaints in an appropriate manner. Customer complaints are outlined in the Customer Complaint Register and are subsequently reviewed by the customer service team and follow-up action is arranged with the responsible personnel. All follow-up actions are also recorded in the register, which allows staff to track the progress and status of each complaint. This ensures all customer complaints are handled appropriately and management can investigate the matter as necessary. We will continue to maintain a good relationship with our customers and uphold our current customer service management practices.

During the reporting period, the Group received 144 customer complaints: some regarding product quality issues, with others relating to shipment delays. Due to the COVID-19 outbreak, there was a shortage of containers and shipping schedules were tight globally. The lockdown in many countries has also meant that our suppliers were not operating at full capacity also causing delays to some customer orders. All complaints were satisfactorily resolved.

MANAGING SUPPLY CHAIN

The Group recognises that proper management of the supply chain can have a positive impact on the social environment. The Group has put in place certain measures to ensure proper supply chain management is implemented.

Before entering into a relationship with a supplier, the Group's procurement team and the Managing Director conduct site visits where possible or make thorough enquiries and order samples to ascertain the quality of the products supplied by the supplier. Only suppliers with satisfactory initial assessment results are added to our list of approved suppliers with whom TREE can do business. The procurement team maintains a formal list of approved suppliers that meet the Group's procurement requirements, and the list is reviewed regularly through annual assessments. The Group will not maintain business relationships with suppliers who do not meet our criteria.

The Group maintains sufficient stock levels to meet customer demand thereby reducing the risk of supply chain disruption.

The Group encourages its suppliers to demonstrate their corporate social responsibility by adhering to relevant standards and business ethics in respect of workplace operations, marketing activities, social contacts and environmental responsibility. On the other hand, the Group strictly prohibits all forms of bribery. Employees are prohibited from offering or accepting any advantage from suppliers and customers.



In the reporting period, the Group had 48 suppliers, mainly located in Southeast Asia, China and Western Europe. With its diversified supply sources, the Group is able to achieve a stable supply to support its business operations.

STAND FOR INTEGRITY

COMBAT CORRUPTION

The Group strictly prohibits all forms of bribery and corruption. Employees should not offer, solicit or receive anything of material value from or to fellow employees, customers, suppliers or other business partners without the consent of the Managing Director. Directors and employees should avoid conflicts of interest, i.e. situations that could be detrimental to the interests of the Group. In the event of a potential conflict of interest, employees should report to management stating that they will defend the interests of the Group against their own personal interests in any actual or potential conflict of interest event.

Apart from bribery and corruption, employees are strictly prohibited from engaging in any illegal acts, including extortion, fraud, money laundering, etc. Identified cases will be followed up with applicable legal action. It is a core value of the Group that employees should uphold the integrity and professionalism described above.

The Whistleblowing Policy is contained in the Employee Handbook and outlines guidelines for employees to report incidents of misconduct. Employees are encouraged to report suspected misconduct by peers, subordinates, senior management and even suppliers. They can raise their concerns with their manager, Human Resources Manager or Managing Director through various channels such as face-to-face, email or telephone. Our management will review and take follow-up action to investigate each reported incident seriously. In the event of serious misconduct, management will consider reporting the matter to the police or the Independent Commission Against Corruption (“ICAC”).

We comply with relevant laws and regulations against corruption, including the Prevention of Bribery Ordinance (Cap. 201). There are no concluded legal cases of corrupt practices against the Group or its employees in the reporting period.

PROTECT CUSTOMER PRIVACY

An employee handbook has been prepared and distributed to all employees to ensure that they are aware of the importance of protecting customer and supplier information. Such information is used for the Group’s operational purposes only, with the aim of providing quality service to our customers. Customer information should not be shared with anyone outside the Group without prior written approval of the customer. The Group will give verbal or written warnings to employees who violate explicit regulations. Employees may be dismissed for serious misconduct or repeated misconduct.

RESPECT INTELLECTUAL PROPERTY

The Group recognises the importance of protecting intellectual property and patent rights. In the process of applying for patents, we have reviewed whether third party companies have applied for such patents. The Group has registered trademarks in Hong Kong, the PRC, the US and Canada and has established a trademark summary to monitor the progress of trademark applications and the need to renew trademarks. In addition, we regularly review whether other companies are infringing our intellectual property rights and take appropriate action.

CARING FOR EMPLOYEES

Our employees are the Group’s most valuable asset and are greatly appreciated by the Group. We treat all employees equally and value their dedication and commitment to the development of our business and to helping us pursue our corporate mission. They not only serve our customers with knowledge and enthusiasm, but also offer innovative ideas to help us achieve our business goals. We are committed to growing alongside our employees so that, in the long run, both our employees and our business benefit. As such, we have developed an employee-focused work environment, recruitment, training and retention system for our business development.

We believe that our diverse but inclusive workforce enhances our creativity and decision-making capabilities, and enhances communication among employees and with customers, which is key to the success and sustainability of our business.

The Group's recruitment and dismissal procedures adhere to established internal policies. In recruitment, all candidates are given equal opportunities and only experience, knowledge and skills are considered. The Human Resources Department handles all applications in a prudent manner and is committed to recruiting top talent for the Group. With regard to compensation and dismissal, to protect the interests of the Group, employees who commit misconduct or breach the terms of their contracts and codes of conduct will be warned or even dismissed in accordance with the employee manual. Compensation will be paid to dismissed employees in accordance with the relevant laws and regulations.

We offer comprehensive employee benefits to all our hard-working and talented members of the Group. They are fairly compensated based on their respective contribution to our business and with reference to market practice. We also review and assess the performance of our employees on a yearly basis and award them pay increases and pay them bonuses based on such performance to enhance their performance and meet their respective career development needs so that they can excel in their roles and develop their careers with us. Promotion decisions are made by the management after careful consideration of job responsibilities, qualifications, relevant experience and performance, behaviour and potential in conjunction with TREE's overall performance.

In addition, we contribute to the Mandatory Provident Fund and take out employees' compensation insurance as required by the local laws. Apart from these, we also take out medical insurance coverage to employees who have passed the probationary period.

As an employee-focused business, we are committed to creating a harmonious and inclusive working environment, free from harassment and discrimination. We actively communicate and promote understanding and awareness of our non-discrimination, anti-harassment and non-bullying policies to our employees through staff handbooks and internal meetings. We also recruit without regard to race, colour, religion, age, gender, sexual orientation, citizenship, health status, marital status, etc. The Equal Employment Opportunity Policy applies to the recruitment, training and development, recognition and reward, and termination and dismissal of employees.

If an employee believes they are facing discrimination and/or bullying, they are encouraged to complain to management, who will investigate thoroughly and confidentially. We will deal with the matter seriously and spare no effort to create a harmonious working environment for our employees.

We also respect and support the religious and cultural beliefs of our employees by providing breaks to meet their religious needs in specific circumstances. Employees in statutory marriages, civil unions/partnerships are entitled to additional paid leave. Employees are also entitled to maternity and paternity leave to support them in balancing family and work.

We recognise that our employees need to take breaks from time to time and this will help us achieve our long term goals. Therefore, the Group is committed to a balanced work schedule for all employees. Our employees are also entitled to certain special leave to meet family needs, including birthday leave and compassionate leave. We also provide flexible working hours for back office employees. These policies allow employees to achieve a good balance of work and rest.

With our employee-focused internal policies, we have managed to achieve an overall retention rate of approximately 80% in the reporting period (compared to FY2020: 91%). With a high retention rate, especially for those who have been with the Group for a longer period of time, the results of building a strong foundation for the TREE family are evident. With our employees fully engaged, the Group can continue to grow and overcome any challenges ahead.

EMPLOYEE HEALTH AND SAFETY

The Group is committed to safeguarding the safety, health and well-being of all employees, with the aim of not just meeting the minimum occupational health and safety standards required by law, but going beyond them. To meet our commitment, we have implemented a series of workplace safety policies.

A staff handbook outlining safety requirements and guidelines in the event of an accident and injury management is distributed to employees at the time of their induction so that they are familiar with the procedures. The Group's offices and retail stores are adequately equipped with fire-fighting equipment such as fire extinguishers and fire hoses, which are checked regularly to ensure that they are in good condition.



Our flagship store is staffed by two registered first aiders. They are available to provide immediate emergency assistance in the event of accidents or casualties. The Group closely monitors and regularly adjusts its employees' compensation insurance policies according to the number of employees. Employees who are injured in the course of their employment are entitled to sick leave and/or reimbursement of medical expenses from the insurance company so that they can receive the necessary treatment and rest for early recovery.

In response to the outbreak of the COVID-19 pandemic, we have been taking precautionary measures to minimise the risk of infection within our offices and retail stores. Our facilities, floors and furniture are cleaned and sanitised on a regular basis to protect staff and customers alike. We have removed the toys in the Café kids' area to avoid contamination. Disinfectant spray machines, hand sanitisers and temperature checkers have also been installed at our retail stores and in the Café for staff and customer use. We provide protection equipment to our team, conduct temperature checks on all staff and Café customers, and ensure that personal hygiene is strictly adhered to across our office, retail stores, Café and on delivery.

In the reporting period, there were five employees injured in work-related situations with a total of 10 days lost (FY2020: seven employees; 907 hours lost). In order to minimise occupational hazards and workplace injuries, we are committed to raising awareness of workplace safety among our employees. We provide reinforcement training and regularly remind employees of the proper way to lift and move heavy objects. As mentioned above, employees are the Group's most valuable asset and we are committed to closely monitoring workplace safety and doing everything we can to prevent injuries or accidents from occurring.

The Group complies with the Employees' Compensation Ordinance (Cap. 282) in Hong Kong and reports all accidents to the Commissioner for Labour. We also comply with other relevant health and safety laws and regulations, including the Occupational Safety and Health Ordinance (Cap. 509) and fire regulations, to provide a safe working environment for our employees and protect them from occupational hazards.

TRAINING AND DEVELOPMENT

We believe that our employees' personal career development is complementary to our business growth and encourage them to pursue continuous education and growth, and to learn through reviewing their own performance and setting goals for themselves.

To enhance employees' knowledge of products, customer service, marketing and business management, we organise in-house training courses regularly to help equip our staff with the skills they need to perform their job duties while keeping abreast of market trends. Whenever we have new promotional items and activities, training sessions are organised to brief all responsible staff on the arrangements to ensure that we provide quality service to our customers.

In addition to in house training and in order to minimise the risk of suffering from work related injuries when performing weight lifting tasks, the Group aims to send all members of its warehouse staff on a weight lifting training course. However, due to the COVID-19 outbreak there were no such training courses available for registration within the reporting period. We will resume this training course registration at the earliest opportunity once restrictions are lifted.

Employees can also share their ideas with their manager if they identify a need or desire for further education. We welcome requests for further education and will do our best to accommodate their needs. We encourage employees to undertake external training and we will allow for time off to attend training courses and/or reimburse course fees. We see all employees as important family members and are willing to support them in achieving their personal career development goals.

In addition to regular on-the-job training in the reporting period, we achieved a training rate of 25%, with the majority of employees trained being at the middle management level. We provided a total of 78 hours of external training to our employees and the average number of hours of training completed per employee was approximately one hour. We will continue to invest more resources in employee training and development so that our employees can grow alongside the Group.

LABOUR STANDARDS

Respect for human rights has always been an integral part of the Group's sustainable development mission. The Group fully complies with labour laws and legislations prohibiting child labour and forced labour. The Group does not employ or force persons under the age of 18 to work for us. Any act of violence with the intention of causing discomfort, threats and/or physical harm and forcing employees to work is also strictly prohibited. If employees are aware of any potential violations or forced work, they are welcome to report such cases to management through the reporting mechanisms. Management will investigate the matter seriously and take follow-up action.

During the reporting period, the Group complied with relevant laws and regulations relating to employment practices and labour standards, including the Employment Ordinance (Cap. 57), Mandatory Provident Fund Schemes Ordinance (Cap. 485) and Minimum Wage Ordinance (Cap. 608) of Hong Kong.

COMMUNITY INVESTMENT

To "give back, from the heart" is an important Group mission. Not only do we care deeply for our environment, we also strive to positively support local and international charitable organisations. Unlike previous years, the Group has not participated in community services in the reporting period due to the COVID-19 pandemic. Nonetheless, the Group continues to engage with various charities to promote community care and conserving biodiversity. In the reporting period, the Group made the following contributions and donations to various charitable organisations:

ANGELS FOR CHILDREN – HELPING UNDERPRIVILEGED CHILDREN

The Group values youth development and has actively engaged for many years in local events to empower underprivileged children. In the reporting period, the Group donated HKD30,000 to Angels for Children, which is a children's charity that works to provide better education and healthcare for children living in Hong Kong and southeast Asia. Apart from making direct donations, the Group assisted Angels for Children to coordinate public toy donations for an annual Christmas activity. Our retail stores acted as collection points for donated toys, while volunteers from Angels for Children used the store as a base to pack the donated gifts with TREE making a delivery to Po Leung Kuk for distribution to the children. We are committed to supporting charities in Hong Kong who are most impacted by the pandemic in addition to our ongoing tree planting efforts.

TREES4TREES – SUPPORTING REFORESTATION AND IMPROVING LIVES OF LOCAL FAMILIES

The Group has for many years supported Trees4Trees (T4T), a non-profit foundation with a mission to improve the environment and empower the lives of people in local communities through reforestation and education. In 2019, we elevated our tree planting activities through the establishment of a 5-year commitment project to plant a total of 45,000 trees in the village of Wonosari, Central Java in Indonesia. In the reporting period, the Group donated USD9,500 as part of our continued financial pledge to support the planting of these trees. Although tree planting efforts are always subject to environmental challenges such as flooding during the rainy season and water shortage during the dry season, we are proud to have created a positive economic and community impact in Wonosari and throughout Central Java with the planting of almost 95,000 trees to date, enlarging the local forest cover, recovering the watershed and, in the long run, ensuring that local farmers can earn a higher income.

OCEAN PARK CONSERVATION FOUNDATION, HONG KONG – PROMOTING BIODIVERSITY CONSERVATION

In addition to forestry resources, the Group considers animal species important in biodiversity conservation. In the reporting period, the Group donated HKD15,000 to OPCFHK and became a bronze donor in the Conservation Hero Support Programme to support its research and conservation projects in Asia. OPCFHK works diligently to conserve Asia wildlife especially the Chinese white dolphin and giant panda. Their conservation work includes providing education programs, organising coastal clean-ups and responding to marine life stranding cases. Among all the conserved species that OPCFHK targets, 26 species are listed as "Endangered" or "Critically Endangered" on the IUCN Red List of Threatened Species. We hope our donation will contribute to protecting these endangered species and alleviating the human impact posed on such wildlife.



OTHER CAUSES

The Group also donated to WWF HK, PathFinders, Feeding Hong Kong, Habitat for Humanity, and The Women's Foundation Limited in the reporting period, with over HKD250,000 donated in total to all the above eight charities. The Group will continue to monitor and look for ways that it can support the environment and the communities where it sources and is located, and is committed to being a responsible corporation and giving back from the heart.

SUMMARY OF KEY PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE

Air Emissions (in kg)

| | FY2021 | FY2020 |
|---|--------|--------|
| Nitrogen Oxides (NO _x) | 219.5 | |
| Sulphur Oxides (SO _x) | 0.3 | 212 |
| Respirable Suspended Particulates (RSP) | 10.2 | |

Greenhouse Gas Emissions (in tonnes CO₂-e)

| | FY2021 | FY2020 |
|--|--------|--------|
| Scope 1 | 43.6 | 41.4 |
| Scope 2 | 299.4 | 267.7 |
| Scope 1 and 2 Total | 343.0 | 309.1 |
| Scope 3 | 4.3 | 9.6 |
| GHG Emission Intensity (in tonnes CO ₂ -e/person) | 5.2 | 5.0 |

Waste Generation

| | FY2021 | FY2020 ³ |
|--|------------------|---------------------|
| Total Hazardous Waste (in kg) | 0.2 | — |
| Hazardous Waste Intensity (in kg/person) | 0.003 | — |
| Total Non-Hazardous Waste (in tonnes) | 2.2 ⁴ | 0.72 |
| Non-Hazardous Waste Intensity (in tonnes/person) | 0.03 | 0.01 |

Energy Consumption (in MWh)

| | FY2021 | FY2020 |
|----------------------------------|--------------|--------------|
| Petrol | 5.3 | |
| Diesel | 155.5 | 337.6 |
| Electricity | 430.7 | |
| Total Energy Consumption | 591.5 | 337.6 |
| Energy Intensity (in MWh/person) | 8.8 | 5.3 |

Water Usage

| | FY2021 | FY2020 |
|---|--------|--------|
| Water Consumption (in m ³) | 435 | 259 |
| Water Intensity (in m ³ /person) | 6.5 | 4 |

Packaging material for finished goods

| | FY2021 | FY2020 ⁵ |
|---|--------|---------------------|
| Total Packaging Material Used (in tonnes) | 9.2 | — |
| Packaging Material Intensity (in tonnes/person) | 0.1 | — |

³ Data only include paper waste.

⁴ Domestic waste was not measured, 521 kg of glass, 405 kg of paper, 239 kg of plastic and 134 kg of metal were recycled.

⁵ We improved our data collection in FY2021 to include packaging material consumption.

SOCIAL PERFORMANCE⁶

| Number of employees | | FY2021 | FY2020 |
|--|-------------------|---------------|---------------|
| Gender | Male | 41 | 40 |
| | Female | 38 | 33 |
| Age Group | Below 30 | 10 | 12 |
| | 30–50 | 53 | 44 |
| | Above 50 | 16 | 17 |
| Rank | Senior Management | 9 | 9 |
| | Middle Management | 13 | 12 |
| | General Staff | 57 | 52 |
| Employment type | Full time | 77 | 71 |
| | Part time | 2 | 2 |
| Geographical Location | Hong Kong | 76 | 71 |
| | Mainland China | 2 | 1 |
| | Italy | 1 | 1 |
| Total number of employees | | 79 | 73 |
| Turnover rate | | FY2021 | FY2020 |
| Gender | Male | 15% | |
| | Female | 26% | |
| Age Group | Below 30 | 30% | |
| | 30–50 | 17% | |
| | Above 50 | 25% | |
| Total turnover rate | | 20% | 9% |
| Number of work-related fatalities or injuries | | FY2021 | FY2020 |
| Number of work-related fatalities | | 0 | 0 |
| Number of work-related injuries | | 5 | 7 |
| Work injury rate (per 100 employees) | | 6% | 10% |
| Lost days due to work injury | | 10 | 37.8 |
| Percentage of employees trained | | FY2021 | FY2020 |
| Gender | Male | 7% | 3% |
| | Female | 45% | 46% |
| Rank | Senior Management | 0% | 11% |
| | Middle Management | 17% | 83% |
| | General Staff | 69% | 12% |
| Total employee trained percentage | | 25% | 23% |
| Average training hours of employees⁷ | | FY2021 | FY2020 |
| Gender | Male | 0.7 | |
| | Female | 4.5 | |
| Rank | Senior Management | 0 | |
| | Middle Management | 4.4 | |
| | General Staff | 3.5 | |
| Total employee average training hours | | 3.9 | 3.9 |

⁶ Data cover the whole Group.

⁷ Average training hours of employees who have received training.

SEHK ESG REPORTING GUIDE CONTENT INDEX

| General Disclosure, KPIs | Description | Page Number/Remarks |
|---|---|---------------------|
| A1 Emissions | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | 6-7 |
| A1.1 | The types of emissions and respective emissions data. | 7, 18 |
| A1.2 | Greenhouse gas emissions in total and intensity. | 7, 9, 18 |
| A1.3 | Total hazardous waste produced and intensity. | 7, 18 |
| A1.4 | Total non-hazardous waste produced and intensity. | 7, 18 |
| A1.5 | Description of measures to mitigate emissions and results achieved. | 7 |
| A1.6 | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved. | 7 |
| A2 Use of Resources | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | 6-7 |
| A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | 6, 18 |
| A2.2 | Water consumption in total and intensity. | 6, 18 |
| A2.3 | Description of energy use efficiency initiatives and results achieved. | 6 |
| A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved. | 6-7 |
| A2.5 | Total packaging material used for finished products and, if applicable, with reference to per unit produced. | 7, 18 |
| A3 The Environment and Natural Resources | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | 6, 9 |
| A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | 9 |

| General Disclosure, KPIs | Description | Page Number/Remarks |
|------------------------------------|---|----------------------------|
| B1 Employment | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 12-13, 16 |
| B1.1 | Total workforce by gender, employment type, age group and geographical region. | 19 |
| B1.2 | Employee turnover rate by gender, age group and geographical region. | 19 |
| B2 Health and Safety | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | 13, 15 |
| B2.1 | Number and rate of work-related fatalities. | 15, 19 |
| B2.2 | Lost days due to work injury. | 15, 19 |
| B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | 13, 15 |
| B3 Development and Training | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | 15 |
| B3.1 | The percentage of employees trained by gender and employee category (e.g. senior management, middle management). | 15, 19 |
| B3.2 | The average training hours completed per employee by gender and employee category. | 15, 19 |

| General Disclosure, KPIs | Description | Page Number/Remarks |
|-----------------------------------|---|---|
| B4 Labour Standards | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | 16 |
| B4.1 | Description of measures to review employment practices to avoid child and forced labour. | 16 |
| B4.2 | Description of steps taken to eliminate such practices when discovered. | There were no such cases of non-compliance discovered in our operations during the reporting period |
| B5 Supply Chain Management | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | 10 |
| B5.1 | Number of suppliers by geographical region. | 12 |
| B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored. | 10 |
| B6 Product Responsibility | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 9-10, 12 |
| B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | There were no recalls concerning the provision and use of products for safety and health reasons within the Group during the reporting period |
| B6.2 | Number of products and service related complaints received and how they are dealt with. | 10 |
| B6.3 | Description of practices relating to observing and protecting intellectual property rights. | 12 |
| B6.4 | Description of quality assurance process and recall procedures. | 9-10 |
| B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | 12 |

| General Disclosure, KPIs | Description | Page Number/Remarks |
|---------------------------------|--|----------------------------|
| B7 Anti-corruption | | |
| General Disclosure | Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | 12 |
| B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | 12 |
| B7.2 | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored. | 12 |
| B8 Community Investment | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | 16, 18 |
| B8.1 | Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). | 16 |
| B8.2 | Resources contributed to the focus area (e.g. money or time). | 16, 18 |



TREE HOLDINGS LIMITED

齊家控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立的有限公司)

stock code 股份代號 8395