

TOP STANDARD CORPORATION

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8510

2020

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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ABOUT THIS REPORT

Top Standard Corporation (the “**Company**” together with its subsidiaries, hereinafter referred to as the “**Group**” and “**we**”) is pleased to present the Environmental, Social and Governance Report (the “**Report**”) for the nine months period ending 31 December 2020 to provide an overview of the Group’s management of significant issues affecting the operation, including environmental, social and governance (“**ESG**”) issues.

The Board has overall responsibility for the Group’s ESG strategy and reporting. The Board is responsible for evaluating and determining the Group’s ESG-related risks and ensuring that appropriate and effective ESG risk management and internal control systems are in place.

REPORTING PERIOD

The Report illustrates the Group’s policies and performance regarding the environmental and social aspects during the nine months period from 1 April 2020 to 31 December 2020 (the “**reporting period**”).

REPORTING SCOPE

This Report summarizes the initiating and performance contributed by the Group in respect of corporate social responsibility for the nine months period ending 31 December 2020, covering its principal activities in the restaurant operations in Hong Kong. During to the reporting period, restaurants under the “Pure Veggie House (心齋)” brand in Taiwan, plus “Man Jiang Hong (滿江紅)”, “Ronin (浪人)”, and “San Xi Lou (三希樓)” brands in Hong Kong were disposed from the Group. For scope of general disclosure, though, pursuant to the Company’s announcement dated 11 June 2021, a restaurant in Hong Kong ceased business due to an alleged breach of a lease relating to a premises located in Times Square, Causeway Bay, Hong Kong by the land lord subsequent to the reporting period, we focus on operations in Hong Kong only, which account for of more than 90% our total revenue during the reporting period. The Group will continue to optimize and improve the disclosure of general disclosure and KPIs.

REPORTING BASIS

The Report is prepared in accordance with Appendix 20 of GEM Listing Rules of the Stock Exchange of Hong Kong Limited — “**Environmental, Social and Governance Reporting Guide**” (the “**ESG Reporting Guide**”) to summarise the ESG performance of the Group. The Group has complied with the disclosure requirements of the “**comply or explain**” provisions set out in the ESG Reporting Guide. The Report is prepared and published in both English and Chinese. In the event of contradiction or inconsistency, the English version shall prevail.

CONTACT INFORMATION

The Group welcomes your feedback on the Report for our sustainability initiatives. Please contact us by email to ir@topstandard.com.hk.

STAKEHOLDERS ENGAGEMENT

The Group emphasises the participation of our stakeholders, including staff, customers, suppliers etc. All of them have a substantial role on the success of our business or activities.

In compiling the Report, we have communicated with internal stakeholders in order to monitor and manage our impact on various aspects of the environment and society. The Group believes that stakeholders engagement has significant influence in the development of sustainable development strategies and fulfillment of social responsibilities which are the bases for the Group's strategy formulation and decision-making.

ENVIRONMENTAL ASPECTS

The Group's operations are subject to environmental protection laws and regulations in Hong Kong and have complied with Water Pollution Control Ordinance.

We had, where required, obtained water pollution licences for our restaurants. The Group has also implemented policies within the Group to ensure that there is minimal wastage from our operations.

EMISSIONS

Oily fume containing particulate matter is emitted from the Group's kitchen which may have a negative impact on human health and create odour nuisance to the neighbourhood. The Group is committed to reducing and better controlling such emissions through various measures including: the installation of efficient filtering equipment and regular maintenance of ventilation systems. The Group endeavours to select restaurant locations that will make as little impact as possible upon the surrounding neighbourhood. To minimize the impact of oily fume on the surrounding environment, the Group strictly monitors the efficiency of the oily fume exhaust equipment installed at our restaurants. Qualified exhaust gas purification devices complying with the relevant local environmental standards are installed as well. To maximize the service life of these devices, our Operation Department has devised a set of servicing and maintenance plans, including cleaning the smoke purification devices regularly, arranging regular maintenance of the devices and conducting cleaning reports. In this way, compliance with local regulations by our stores and freshness of the air around the stores can be assured. Apart from oily fume, the major source of air pollutants comes from the consumption of town gas. The emission of air pollutant generated by a motor vehicle is not considered to be material. The Group is in the process of arranging and assigning responsible departments and personnel on quantifying the emission of air pollutants including Sulphur oxides (SO_x) and Nitrogen oxides (NO_x) and aims at disclosing such data in the coming year.

As for greenhouse gases ("GHG"), the most significant parts of the Group's carbon footprint come from town gas and electricity consumption in the Group's restaurants and offices. The Group has adopted the general approach towards controlling environmental impacts of activities as stated in the section of "Use of Resources". In line with the aim to minimise emissions, the Group has implemented energy saving practices which are mentioned in the section "Use of Resources" to reduce GHG emissions. Moreover, business travelling is kept to the minimum. Only a few employees travel for business. The Group would continue to arrange and assign responsible departments and personnel in quantifying the GHG emission in the coming year. The GHG emission during the reporting period is as follows:

GHG Emission	
Type of GHG emissions	Nine months period ending 31 December 2020 Equivalent CO ₂ emission (kgs)
Scope 1	155,164
Scope 2	244,612
Total	399,776
Intensity (Tonnes/Revenue HK'000)	18.25

ENVIRONMENTAL ASPECTS

EMISSIONS (Continued)

Notes:

- The estimation of the GHG refers to the “GHG Protocol: A Corporate Accounting and Reporting Standard”
- Scope 1: Direct emission from the town gas consumption in restaurants
- Scope 2: Indirect emission from the generation of purchased electricity consumed by the Group
- Scope 3 is not disclosed as it is an optional disclosure and the corresponding emission is not controlled by the Group

WATER DISCHARGE

The Group strictly follows the requirements as set out in the Water Pollution Control Ordinance when the Group discharge waste water. All the Group’s restaurants have obtained water pollution control license issued by the Environmental Protection Department of Hong Kong, and the Group has installed sufficient equipment to ensure sewage is properly processed before discharge.

WASTES

Restaurants and logistics centers of the Group would produce various kinds of waste, including waste oil, food waste, packaging materials and sewage, etc. during their operation. The Group has a strict classification system for different types of wastes. Each type of waste has specific storage location and collection procedures. The Group arranges professional waste oil companies to collect the waste oil on site, the local recyclers to collect the waste packaging materials in various forms and professional companies to conduct grease trap cleaning regularly. There is a precaution implemented for the leakage of waste to prevent pollution. Wastes are separately stored and handled. Food wastes could be recycled and collected by waste collectors. The Group is in the process of arranging and assigning responsible departments and personnel in quantifying the non-hazardous waste generated, and looking forward to disclose such data in the coming financial year. There was no significant generation of hazardous wastes for both periods.

USE OF RESOURCES

The Group places high priority on the efficient use of resources. The major resources used by the Group are electricity, water, town gas and packaging material. The Group strives to improve the efficient use of natural resources, such as minimising waste and emissions and implementing effective recycling program. Practical measures are implemented as follows.



ENVIRONMENTAL ASPECTS

ENERGY USE

Electricity is a major energy our office and restaurant operations consume every day. The Group promotes energy saving with various energy-efficient measures as below:

- Switching off idle lightings, electrical appliances, as well as electric and electronic devices (including but not limited to computers, printers, photocopiers and air conditioners)
- LED lighting is used in various areas of the Group's office and restaurants
- Reasonably and centrally arranging customers' dining areas during daily off-peak hours to reduce the number of electrical devices in use
- Posting electricity saving notices near electric switches and air conditioning control panels to encourage staff and customers to adjust the air-conditioning temperature properly

The Group is in the process of arranging and assigning responsible departments and staff on quantifying the energy consumption and would target to disclose such data in the coming year.

The energy consumption during the reporting period in 2020 are as follows:

Energy Consumption	
Type of energy	Nine months period ended 31 December 2020 Energy consumed (KWh)
Electricity	305,765
Town Gas	60,770
Total	366,542
Energy intensity (MWh/Revenue HK'000)	16.73

WATER

The Group did not encounter any problems in sourcing water that is fit for purpose. Water is mainly consumed in the cleaning process of the Group's restaurant business. The Group encourages employees to use scrapers or brushes to remove residuals before cleaning with water and promote water saving habits through posting green messages in the workplace to remind employees to use water effectively. During the reporting period, the water consumption was 16,624 cubic metres with an intensity of 0.76 cubic metres per Revenue HK'000. The Group would continue to arrange and assign responsible departments and personnel to quantify the water consumption in the coming year.

ENVIRONMENTAL ASPECTS

PACKAGING MATERIAL

To better retain the quality and ensure the safety of the Group's food products, the Group uses certain packaging materials including takeaway boxes, plastic bags as well as various disposables in the Group's restaurant operations.

In order to reduce the daily consumption of disposable tableware such as chopsticks and tissues and logistics packaging materials, the Group continues to promote the use of recyclable tableware and packaging materials to reduce the usage of disposables.

We review the obsolete equipment and facilities from time to time, of which those satisfying the safety and sanitation requirements and without obvious changes both physically and functionally have been recycled and reused as much as possible.

The Group is in the process of arranging and assigning responsible departments and personnel on quantifying the packaging material consumption and aim to disclose such data in the coming year.

THE ENVIRONMENT AND NATURAL RESOURCES

The Group raises staff's awareness on environmental issues through education and training and enlist employees' support in improving the Group's performance, promote environmental awareness amongst the customers, business partners and shareholders and support community activities in relation to environmental protection and sustainability and evaluate regularly and monitor past and present business activities relating to health, safety and environmental matters. With the integration of policies mentioned in sections "Emission" and "Use of Resource", the Group strives to minimise the impacts to the environment and natural resources.

SOCIAL ASPECTS

EMPLOYMENT

Employment and Labour Standards

The Group's human resource policy sets out the Group's standards for compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The Group has complied with local employment laws and regulations, such as Employment Ordinance in Hong Kong. During the reporting period, the Group did not violate any employment laws or regulations. No employment claims were brought against the Group during the reporting period.

The Group recruits employees based on its business needs. The human resources department recruits employees according to the annual business development plan or specific requests from other departments. The Group seeks candidates through various channels, including online recruitment platforms and participating in recruitment fairs. The Group also encourages internal transfer of employees where appropriate.

Recruitment in the catering industry is highly competitive. We believe we offer competitive salaries and benefits. Our employees may also receive incentive awards, discretionary bonuses, long service payment and subsidies for their transportation and medical expenses. We believe our recruitment policy allow us to attract, motivate and retain employees who are crucial to the operations and the development of the Group.

Total workforce during the reporting period are as follows. The Group would continue to arrange responsible departments and personnel in the collection and reporting of employment data in the coming year.

	Nine months period ended 31 December 2020	Year ended 31 March 2020
	Number of staff	
Total	51	137

During the reporting, the Group has been leased a number of litigations and claims by various parties. These claims are in relation to arrears salaries of the Group. Details could be referred to the Annual Report for the 9 months period ended 31 December 2020 Note 40(e) to the consolidated financial statements.

Health and Safety

The Group is committed to providing a safe working environment to our employees. We follow safety manuals issued by the Occupational Safety and Health Council, which set out work safety measures to prevent common accidents which could happen in our operating premises. Also, we strictly comply with the Occupational Safety and Health Ordinance of Hong Kong. Further, we provide relevant training to all our new recruits and existing employees. The Directors believe these measures help to reduce the number and seriousness of work injuries of the employees and are adequate and effective to prevent serious work injuries.

Our individual restaurant managers are responsible for the health and safety of our staff. Any accidents will be reported to our human resources department and in compliance with the applicable labour laws and regulations.

SOCIAL ASPECTS

In view of the outbreak of novel coronavirus (“**COVID-19**”) in the beginning of 2020, the Group helped containing the spread of the disease and safeguarding our employees by taking a host of measures.

During the reporting period, the Group has complied with the laws and regulations in relation to workplace safety in all material respects. There were three cases of work related injuries and eight lost days resulted.

Development and Training

The Group provides on-the-job training to new recruits. Training of newly hired kitchen staff is conducted by the head chef while each general manager at our restaurants is generally responsible for the training of our new service staff.

Labour Standards

To help the employees to achieve work life balance and release their working pressure, the Group regularly provides benefits to employees and organises activities such as leisure trips, festival banquets. It has provided employees with opportunities to socialise, have better understandings and exchanges between departments, foster the spirit of teamwork and create a pleasant working atmosphere.

The Group’s restaurants and offices strictly comply with the requirements of the Employment Ordinance of Hong Kong which explicitly prohibit child and forced labour. Multiple control measures have been implemented in the recruitment process to ensure all new joiners are legitimate workers in Hong Kong.

The Group arranges the employees’ working hours based on the statutory working hour standards and allows them to entitle paid leaves and sick leaves in accordance with labour laws. During the reporting period, the Group is not aware of any material non-compliance with the labour requirements set out in relevant laws and regulations.

OPERATING PRACTICES

Supply Chain Management

Our suppliers mainly include food ingredients and beverage suppliers. Our major food ingredients include meat, seafood and vegetable. We also engaged contractors for refurbishment or renovation of our restaurants, and we had also engaged external licensing consultant, cleaning services provider, utensils and pest control services provider.

Our suppliers are selected by our management team in consultation with our head chefs and our restaurants’ general managers. In identifying our suppliers, our management team will look for samples of a particular food ingredient in the market and will first purchase a small sample for internal evaluation by our management team. The Group will only engage a new supplier that has the necessary qualifications, has a good reputation in the market, is operationally and financially sound, and whose terms of the proposed supply are acceptable to the Group. Upon qualification by our business development and operations director, the new supplier is entered into our authorised supplier list. The authorised supplier list and the qualification of our suppliers named in the authorised supplier list is reviewed by our management regularly.

We require our suppliers and the products that they supply to the Group to meet our internal quality standards and the standards implemented by the relevant regulatory authorities in Hong Kong. To ensure that our suppliers maintain an acceptable quality, we provide feedback to our suppliers from time to time regarding quality standard issues.

SOCIAL ASPECTS

We maintain regular contact with the major suppliers and all ingredients delivered to us are inspected by our staff at the time of delivery to ensure they meet our quality standards. Those that do not meet our quality requirements are returned to the originating supplier. If a supplier fails to meet our quality standards persistently, we will consider replacing such supplier.

A considerable amount of the ingredients that our restaurants purchase is perishable food items such as fresh meat, poultry, seafood and vegetables. Our head chefs and general managers of our restaurants are responsible for purchasing such perishable food items and they will ensure that we only purchase sufficient amounts to avoid overstocking and wastage, allowing us to regularly use fresh ingredients in preparation of our food dishes.

Annual supplier evaluation will be performed by the head chefs and restaurant managers to assess the quality and price of the ingredients supplied as well as the quality of service of the suppliers.

Subsequent to the reporting period, pursuant to the announcement dated 11 June 2021 and 26 February 2021 of the Group, a subsidiary of the Group was issued a unit of summon from the District Court of Hong Kong by the landlord in relation to an alleged breach of a lease relating to a premises located in Time Square, Causeway Bay, Hong Kong. The Group will keep continuous communication with our landlord so as to maintain our relationship.

Product Responsibility

The Group believes that food and services quality is critical for the Group's success. Quality food served at the restaurants and quality services provided by the staff personnel are some of our strengths to maintain competitive. The Group has implemented a strict restaurant quality control system. The senior management team is responsible for the overall implementation of the Group's food safety measures. Furthermore, the general managers, assistant managers and head chefs of the restaurants are responsible for ensuring daily hygiene and food quality.

The Group strictly adheres to the applicable laws and is not aware of any material non-compliance with the relevant laws and regulations on health and safety, advertising, labelling and privacy matters related to products and services provided during the reporting period.

Food quality

To ensure the quality of food, all ingredients purchased for the preparation of food dishes are only to be purchased from authorised or pre-approved suppliers as instructed by the head chef of the restaurant.

The Group has adopted a food hygiene policy. Our restaurants have certified hygiene supervisors and hygiene managers to meet the requirements prescribed by the Food and Environmental Hygiene Department (FEHD) and to monitor the hygiene conditions of the restaurants. All raw food ingredients and semi-processed food ingredients are required to be stored in covered shelves or refrigerators depending on the nature of the food ingredients. Kitchen staff will perform regular checks on the storage temperature to ensure the food ingredients are stored under the desired temperature. All food handlers must sterilise their hands before processing food ingredients and wear gloves when processing food ingredients. The head chef of each restaurant will provide on-the-job food processing and hygiene training to other kitchen staff on an on-going basis.

Kitchen staff will perform cleaning work on the kitchen and complete the cleaning checklist regularly, while some cleaning work have been outsourced to third party professional cleaning service providers as well, such as dish washing, table cloths cleaning and pest control.

SOCIAL ASPECTS

Preparation

The preparation of all food ingredients and dishes at our restaurants is principally carried out by our junior kitchen staff and overseen by our head chef at each restaurant. The food dishes after leaving the preparation area will be checked by the head chef in the kitchen before being passed to our servers to serve our customers. At our restaurants, our head chefs will ensure that each dish is prepared in accordance with certain presentation requirements as well as being fit for human consumption. Any item that does not meet the standards set will be returned for preparation and/or cooking.

Service quality

An integral part of our restaurant business is the ability to properly deliver customer service. If we are not able to manage our customers' expectations, this may have an adverse effect on drawing in customers to our restaurants and the reputation of the Group. Daily briefing sessions and evaluations are conducted by our general manager and head chef of each restaurant to ensure the quality of our services. We collect feedback from our customers from various channels, namely (i) our guest comment cards which are available in all our restaurants; (ii) our telephone hotline; (iii) our website, social media pages and emails; and (iv) instant feedbacks by our customers at the restaurant. Our general managers will discuss the customer feedbacks during the daily briefing sessions and our marketing department will compile all the feedbacks and identify and evaluate the issues with the relevant personnel in order to improve our overall service quality. Our general managers will also discuss the customer feedbacks with our senior management to improve our overall service quality.

As soon as we receive a complaint from a customer in our restaurant, our general manager will try to resolve the matter to our customer's satisfaction at restaurant level. Generally, if the complaint concerns the taste or quality of a dish, we normally offer to either exchange for another dish or cancel the order for the customer. If the complaint relates to our staff, it will be handled by the restaurant managers directly for a resolution of the issue. Such complaints are recorded in the complaint log-book for follow-up action by our management.

We ensure that each of our staff undergoes proper training at the time of joining the Group and at the time of recruitment. We assess applicants in terms of job knowledge, relevant experience, personality, general attitude, communication skills and maturity to enhance the quality of services provided to our customers. Floor staff are trained to be courteous, efficient, polite and responsive to provide good hospitality to customers. Managers of each of our restaurants hold briefing sessions with floor staff on the daily operations of restaurants and the managers would discuss customers' feedbacks with restaurants staff. Such briefing sessions assist the floor staff in maintaining and improving service levels and quality.

Advertising

We advertise and set menu in accordance with the Trade Description Ordinance of Hong Kong. The Group ensures the contents of the Group's advertisements and menus truly reflect the facts and are consistent with the Group's services and products without misleading information.

SOCIAL ASPECTS

Anti-Corruption

To ensure operation efficiency and employees’ development in a fair and honest working environment, the Group has formulated policies, established procedures for declaration and reporting of conflict of interest and provided channel for employees to report internal misconduct. The Group organises trainings for employees to raise their awareness towards anti-corruptions. The Group also conducts investigation regarding the integrity of the employees at all levels regularly. The risk of fraud is also one of the criteria in the monthly and yearly performance appraisal. The Group has set up whistleblowing hotline. If there is any suspected case related to fraud, employees are encouraged to report the related cases and give suggestions to the senior management.

The Group has been in strict compliance with the Prevention of Bribery Ordinance of Hong Kong. During the reporting period, there was no legal case regarding corrupt practices brought against the Group or its employees.

COMMUNITY

Community Investment

The Group is committed to creating sustainable prosperity that brings long-term social and economic benefits for all stakeholders, particularly to maintain the relationship with interest groups which are relevant to business operation. The Group will continue to explore other means to contribute more to the environment and strive to its facilitate the building of a healthy and sustainable society in the future.