



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 2022
環境、社會及管治報告 2022

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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.

This 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

This Report covers the Group’s principal operations in Hong Kong for the financial year from 1 April 2021 to 31 March 2022 (the “**reporting period**”, or “**FY2022**”), which is the same period as covered in the Group’s Annual Report, unless otherwise specified. The Group’s offices, retail stores and warehouses in Hong Kong are within the reporting scope and contribute 84% of the Group’s revenue. Offices in other locations do not significantly impact the environment and are therefore 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 on the 29th of August 2022. Available in both Chinese and English, this Report has been uploaded to the websites of SEHK and the Company (<https://treeholdings.com/financial-reports>).

OPINIONS AND FEEDBACK

Comments and suggestions of stakeholders can help the Group to establish a more detailed and sound sustainability strategy. 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

The coronavirus disease 2019 (COVID-19) spread across Hong Kong, especially the fifth wave in early 2022. Hong Kong implemented strict quarantine and other control measures to minimise risk of any outbreak caused from any large-scale social activities. The Group has seen a rebound of economic activities before the fifth wave. The pandemic changed people's lifestyle and sustainable considerations received increased attention.

The Group's brand "TREE" has been incorporating environmental and social factors into business since its establishment 17 years ago. It has been providing sustainable style and solid eco-wood furniture to consumers both here in Hong Kong and overseas. The Group is committed to achieving its corporate social responsibilities and creating long-term values to all stakeholders. The Group has various policies governing ESG related issues formulated to guide business and operations. The increasing concern for sustainability and well-being of consumers may strengthen their presence and could be an opportunity for their further development and continued success.

The Group values the role and importance of stakeholder engagement in the management of ESG issues. All departments and business units have been working closely with various stakeholder groups to align 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 implementing methods to enhance their communications with stakeholders, which may help them identify risks and improve their ESG related works.

The Group considers that climate change has an impact on the Group's operation as the major business is sourcing, development and retailing of furniture products. They will continue to find ways to enhance their environmental performance and energy efficiency, aligning with the farsighted goals of Mainland China and Hong Kong to achieve being carbon neutral in 2060 and 2050 respectively. In addition, the Group attaches great importance in selecting and managing the supply chain to ensure the quality and environmental friendliness of their products.

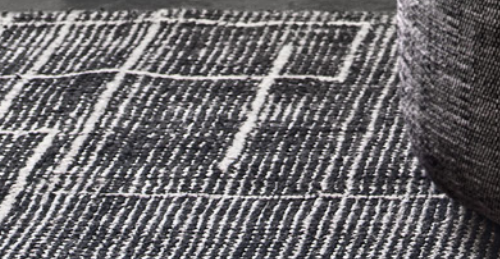
Looking forward, the Group will further deepen the concept of ESG in their businesses, prepare for risks and embrace opportunities that this increased global focus is taking us. The Group already works with its business partners and stakeholders in an effort to bring a green and sustainable lifestyle in the communities in which it operates.

ESG GOVERNANCE AND RISK MANAGEMENT

The Board is the highest governance body within 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. The Group engages an independent Internal Audit firm to conduct Enterprise Risk Assessment ("**ERA**") and Internal Control Review ("**ICR**") on annual basis. 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 are maintained.

In order to attain more comprehensive risk management, the Group will further evaluate ESG risk integration into the current systems. Looking ahead, the Group will strengthen its ESG governance structure by establishing an ESG working group, and further formulate ESG targets and review mechanism.



STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

Stakeholder engagement is a vital part in the Group’s sustainability journey. The Group has identified customers, shareholders and investors, business partners and suppliers, employees and the community as its major stakeholders. During its daily operations, the Group communicates with stakeholders through various means, including meetings, emails, website and social media, etc. to collect their opinion and feedback.

The Group commissioned an independent consultant to conduct a questionnaire survey with the Board to identify material ESG aspects. The Group identified six material aspects that are marked with a dot symbol, which are anti-corruption, health and safety, employment, product responsibility, labour standards, and the environment and natural resources based on the results of the survey.

Sustainability Issues in Descending Order of Importance	Identified Material Issues
Anti-corruption	•
Health and safety	•
Employment	•
Product responsibility	•
Labour standards	•
The environment and natural resources	•
Use of resources	
Emissions	
Development and training	
Supply chain management	
Community investment	
Climate change	

Aspects	Environmental Protection	Employment and Labour Standards	Operations	Community investment
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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 the Group. They believe this may guide them in reviewing, adjusting and improving their sustainability policies and initiatives.

COMMITTED FOR INTEGRITY AGAINST CORRUPTION

The Group strictly prohibits all forms of bribery and corruption. They 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.

Employees should not offer, solicit or accept 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. Employees are required to read and sign the relevant company declaration of conflicts of interest form and disclose any know relations that may constitute a conflict of interest.

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 included in the Employee Handbook outlines clearly what the guidelines are for employees to report incidents of misconduct. Every employee is required to review and sign to confirm their understanding of the contents of the manual on the first day of their employment. 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, by email or by phone. The Group's management will review and take follow-up action such as a confidential investigation, to investigate each reported incident seriously. In the event of a serious misconduct, management will consider reporting the matter to the police or the Independent Commission Against Corruption ("ICAC"). In view of the escalation of COVID-19 outbreak, the Group is not able to arrange full scale anti-corruption training to their staff during the reporting period; however, two employees received such training. The Group did have anti-corruption training in the last reporting period and their employees' knowledge is still firm. As soon as possible the Group will arrange the training in the next reporting period.

PROTECT CUSTOMER PRIVACY

All employees receive an employee manual that includes the importance of protecting customer and supplier information. Relevant information is for the Group's operational purposes only and with the aim of providing consistent strong service to their customers. Customer information shall not be shared with any parties 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. The Group recognises and comply with the obligation in relation to the processing of their customers' personal information under the Personal Data (Privacy) Ordinance.

RESPECT INTELLECTUAL PROPERTY

The Group acknowledges the importance of protecting intellectual property and patent rights. In the process of applying for patents, the Group has reviewed whether third party companies have applied for such patents. The Group has registered trademarks in Hong Kong, Mainland China, 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, they regularly review whether other companies are infringing their intellectual property rights and take appropriate action.

COMPREHENSIVE QUALITY MANAGEMENT

The Group is committed to providing high quality and reliable products and services. When sourcing wood furniture, their team ensures that they establish the origins of the wood and check the relevant certification. The retail company is 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 have robust quality measures in place — during production and at the finishing stage. Final quality checks include adding a quality control label to each piece of furniture to ensure that should any quality issues be identified that these are easily traced. If any unsatisfactory condition is found, the total stock of those products will be fully inspected. For any wood items that cannot be resolved by their in-house carpenter team and when necessary for any products, they will request that the supplier replace the products and provide compensation.

Many of their customers choose the Group's retail products for peace of mind that environmental concerns are paramount when they source their products — sustainably sourced, solid wood is a more responsible and long-lasting choice. For marketing purposes, the Group focuses on communicating the stories behind its products with consistent messaging to ensure that they maintain their brand values.

CUSTOMER SERVICE MANAGEMENT

To maintain the quality of their customer service, the Group has established various channels for their customers to communicate with their team and provide feedback. Customers can contact them through their customer hotline, email or leave a message on their 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 their customer service team and shared with the relevant team members, with any 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 enquiries and 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 making sure that every complaint is resolved satisfactorily. This ensures all customer complaints are handled appropriately and management can investigate the matter as necessary. The Group will continue to maintain a good relationship with their customers and uphold their current customer service management practices.

During the reporting period, the Group received 190 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 are tight globally. The lockdown in many countries has also meant that their suppliers are not operating at full capacity also causing delays to some customer orders. All complaints were resolved.

MANAGING SUPPLY CHAIN

The Group believes healthy relationships with suppliers can generate a positive impact on the social environment. The Group has established a Supply Chain Policy, which includes the supplier code of conduct, ethical trading policy, supplier process and relationship 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. Only suppliers with satisfactory initial assessment results are added to the Group's list of approved suppliers with whom they 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 their defined 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 their operation. 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. Looking forward, the Group will further incorporate ESG risks along the supply chain management.

In the reporting period, the Group had 45 suppliers, mainly located in Southeast Asia, Mainland China and Western Europe. With its diversified supply sources, the Group is able to achieve a stable supply to support its business operations.

By Regions	Hong Kong	Mainland China	Asia	Other Regions	Total number of suppliers by geographical region (Percentage of suppliers where the engagement practices are being implemented)
FY2022	23	2	11	9	45 (100%)

ENVIRONMENTAL PROTECTION

The Group recognises the potential risks posed by intensified climate change that has adversely impacted the planet. They aim to be as sustainable as possible through the sourcing of their retail furniture materials from solid eco-wood collections which are made with lumber that is made from reclaimed, recycled, sustainably sourced or FSC certified. Their environmental policy focuses on process management and ongoing improvement. The Group is committed to reducing waste and advocate to their stakeholders to induce similar positive change where feasible.

The Group has set a five-year target to reduce 5% greenhouse gas (“GHG”) emission comparing with FY2020. To enhance the commitment towards environmental protection, they are in the process of formulating targets on emission, hazardous and non-hazardous wastes reduction, energy use efficiency, and water efficiency, and further identify and incorporate the impact of climate change and formulate climate change policy.

With their environmental management policy and practices in place, they continue to help protect the planet. They 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.

AIR AND GHG EMISSIONS

The Group’s operations involve emissions of Nitrogen Oxides (“NOx”), Sulphur Oxides (“SOx”), and Respirable Suspended Particulates (“RSP”) generated by the fuel consumption of vehicles for goods delivery and transport. During the reporting period, the Group’s NOx, SOx and RSP emissions are 184.9 kg, 0.3 kg and 8.6 kg respectively. Compared with the previous year, total GHG emissions decreased by 16%. The decrease in emission is primarily due to the decrease in petrol use. They optimise the capacity of their goods vehicles by effective 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 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.

The total GHG emissions from operations for the reporting period was 352.0 tonnes of CO₂-e. Purchased electricity was the major emission, which accounted for 302.2 tonnes of CO₂-e and 85.6% of total GHG emissions, followed by fossil fuel combustion from vehicles that accounted for 45.7 tonnes of CO₂-e and 13% of total GHG emissions. Paper waste disposal and freshwater and sewage processing accounted for 3.74 tonnes of CO₂-e and 0.34 tonnes of CO₂-e respectively. Compared with FY2021, Scope 1 emissions increased by 5% mainly due to the increase in fossil fuel consumption in mobile combustion. Although there was 100% increase in emissions from freshwater and sewage processing because of higher café turnover, less paper waste disposal due to higher environmental awareness of paper recycling among employees caused 5% reduction of Scope 3 emissions.



Table 1 GHG Emissions by Scope

Scope	Emission Source	GHG Emissions (tonnes of CO ₂ -e)		Percentage change (%)
		FY2022	FY2021	
Scope 1: Direct GHG Emissions	Fossil Fuel Combustion	45.7	43.6	+5%
Scope 2: Energy Indirect GHG Emissions	Purchased Electricity	302.2	299.4	+1%
Scope 1 and 2 Sub-total		347.9	343.0	+1%
Scope 3: Other Indirect GHG Emissions	Paper Waste Disposal	3.7	4.1	-10%
	Freshwater & Sewage Processing	0.4	0.2	+100%
Scope 3 Sub-total¹		4.1	4.3	-5%
Total GHG emissions		352.0	347.3	+1%

ENERGY AND WATER CONSUMPTION

The Group consumed 612.6 MWh of energy in the reporting period. Purchased electricity constituted the majority of the energy consumption, which accounted for 429.8 MWh and 70% of the total energy consumption. Other energy consumption includes the use of diesel and petrol for vehicles, which accounted for 177.5 MWh and 5.3 MWh of the total energy consumption respectively. Total energy consumption increased by 4% compared to FY2021 mainly due to the higher consumption of diesel.

The Group continues to implement the following measures to encourage energy saving and reduce carbon emission:

- Reminding all 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 are switched off;
- They 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 they consume is provided by the Water Supplies Department of Hong Kong and they have no problem in sourcing water. During the reporting period, the Group's water consumption was approximately 604.6 cubic meters², an increase of 39% compared with FY2021. The reason for the increase is the higher turnover in the Café operations as consumer sentiment started to rebound.

Despite water being a valuable resource, reduced water usage also leads to a decrease in indirect electricity consumption, and thus carbon emissions, that arise from the treatment of freshwater and sewage. They have trained their Café staff not to leave the tap running when washing dishes and will continue to monitor energy and water consumption in order to set suitable targets for the efficient use of these resources in the future.

¹ Scope 3 sub-total only includes emissions from paper waste disposal, and freshwater and sewage processing.

² Water consumption was from Café only. They only have a water meter in the Café. Their retail stores and warehouses use public toilets and so water meters are not in place but the water consumption is immaterial.

WASTE MANAGEMENT AND PACKAGING MATERIALS

The Group replaced three damaged air-conditioner units which weighed 378 kg in total in FY2022 as the refrigerant in the air-conditioners contains some hazardous waste. The Group will arrange the disposal of the air-conditioners in an environmental protective way through an e-waste collection service company run by Environmental Protection Department so they will be sent to WEEE Park for dismantling and recycling. The Group will also include this in their Environmental Policy to be implemented in the coming years. The Group has a policy to wrap spent fluorescent lamps properly and drop them at the collection points of the Fluorescent Lamp Recycling Programme supported by the Environmental Protection Department. The Group donated six desktops, eight notebooks as well as two LCD monitors to charity in December 2021.

The Group also generated 1.26 tonnes of non-hazardous waste, including paper, plastic, metal, and glass bottles in the reporting period. The Group engaged a recycling company to collect four types of waste for recycling — paper, metal, plastic and glass bottle. General waste other than these four types is collected by a waste collector without being measured and separated as this remaining waste is immaterial.

To further enhance their waste reduction, the Group has implemented a series of measurements to this including encouraging double-sided printing (if they need to print), while single-side printed paper is collected for reuse. An external recycling service provider is engaged by the Group to collect waste paper and provides a detailed recycling performance report with the amount of paper collected each month and carbon emissions avoided by recycling. The Group has recycled 405 kg of paper waste in FY2022, a 60% increase compared to FY2021.

The Group has improved their data collection and obtained the packaging material usage statistics in the reporting period. The Group used 7.4 tonnes of packaging materials for finished products in FY2022, it demonstrates 19% reduction comparing to FY2021 due to the decreasing use of bubble wrap. 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.

ENVIRONMENT, NATURAL RESOURCES AND CLIMATE CHANGE

The Group believes that corporate development and environmental protection are not mutually exclusive and is determined to minimise the impact of its business on the environment. Therefore, they have adopted environmental practices in various areas where realistic to do so.

For example, the Group offers solid Forest Stewardship Council (FSC™) certified, recycled or sustainably sourced eco wood furniture in their core wood furniture collections in addition to using sustainable, easily replenishable natural materials in their core home décor items.

The Group purchases FSC™ certified paper for office use and all external marketing materials are printed on FSC™ paper. In the Café they use recyclable food packaging for the takeaway containers which are made from the leftover bio-waste produced in the sugarcane and wheat industries. This material can be composted in normal composting conditions. They can also be recycled as paper.

The Group supports and promotes Earth Hour campaign each year, when they turn off all non-essential lighting for one hour to raise energy-saving awareness to the public. They also actively participate in the promotion of the FSC™ organisation and its work to all stakeholders. The Group attained the Hong Kong Green Organisation title for 2020–2022.

CARING FOR EMPLOYEES

The Group greatly appreciates the contribution made by their employees, their most valuable asset. The Group treats all employees equally and values their dedication and commitment to the development of their business and for supporting them in pursuing their corporate mission. The Group prides themselves on providing a working environment for their employees to have fun while working professionally in order to reach their business goals. The Group is committed to growing alongside their employees so that, in the long run, both employees and the business benefit. As such, the Group has developed an employee-focused work environment, recruitment, training and retention system for their business development.



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

The Group's recruitment and dismissal procedures follow 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 dismiss employees in accordance with the relevant laws and regulations.

The Group offers comprehensive employee benefits to all of their hard-working and talented members. They are fairly compensated based on their respective contribution to the business and with reference to market benchmarks. The Group also reviews and assesses the performance of their employees on an annual basis and award them with salary increments and bonuses. Promotion decisions are made by the management after careful consideration of job responsibilities, qualifications, relevant experience and performance, behaviour and potential in conjunction with the Group's overall performance.

In addition, the Group contributes to the Mandatory Provident Fund and takes out employees' compensation insurance as required by the local laws. Apart from these, they also provide medical insurance coverage to employees who have passed the probationary period.

As an employee-focused business, the Group is committed to creating a harmonious and inclusive working environment, free from harassment and discrimination. They actively communicate and promote understanding and awareness of their non-discrimination, anti-harassment and non-bullying policies to their employees through staff handbooks and internal meetings. The Group also recruits 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.

Employees are encouraged to file an official complaint to management, should they believe that they are facing discrimination and/or bullying. The management will investigate seriously and confidentially. The Group spares no effort to create a harmonious working environment for their employees.

The Group respects the religious and cultural beliefs of their 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.

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

With their employee-focused internal policies, the Group recorded a total turnover rate of approximately 20% in the reporting period. There was a higher turnover rate within male employees during the reporting period as part of the delivery team staff resigned and joined food delivery services and some staff relocated overseas. During the reporting period, the Group also hires more part time staff as their Café business recorded a nearly 30% increase in sales.

EMPLOYEE HEALTH AND SAFETY

The Group is committed to safeguarding the safety, health and well-being of all employees, with the aim to go beyond the minimum occupational health and safety standards required by law, they have implemented a series of workplace safety policies. 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).

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 therefore they understand and are able to refer when necessary. 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.

The 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 COVID-19 pandemic in Hong Kong, the Group has been taking precautionary measures to minimise the risk of infection. In their offices and retail stores, the displayed furniture is cleaned and sanitised regularly to provide protection to staff and customers. Disinfectant spray machines, hand sanitisers and temperature checkers have also been installed at their retail stores and in the Café for staff and customer use. The Group provides personal protective equipment to their front-line staff, conduct temperature checks on all staff and Café customers, and ensure that personal hygiene is strictly adhered to across their office, retail stores, Café and on delivery.

In the reporting period, there were four employees injured in work-related situations with a total of 10 days lost. Aiming at minimising occupational hazards and workplace injuries, the Group is committed to raising awareness of workplace safety within their employees. They 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 they are committed to closely monitoring workplace safety and doing everything they 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. They 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 their employees and protect them from occupational hazards.

TRAINING AND DEVELOPMENT

The Group believes that their employees' personal career development is complementary to the business growth and they 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, they organise in-house training courses regularly to help equip the staff with the skills they need to perform their job duties while keeping updated with market trends. Whenever they have new promotional items and activities, training sessions are organised to brief all responsible staff on the arrangements to ensure that they provide quality service to their 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 and delivery staff on a weight lifting training course. Additionally, the Group also arranged monthly English courses for those who are interested, which has been highly welcomed by staff.

Employees can also share their ideas with their manager if they identify a need or desire for further education. The Group welcomes requests for further education and will do their best to accommodate their needs. They encourage employees to undertake external training and they allow for time off to attend training courses and/or reimburse course fees. The Group sees 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, the Group achieves a training rate of 48%, with the majority of employees trained being at the middle management level. They provided a total of 138 hours of external training to their employees and the average number of hours of training completed per employee is approximately two hours. The Group will continue to invest more resources in employee training and development so that their employees can grow alongside the Group.



LABOUR STANDARDS

Respect for human rights has always been one of the Group's core sustainable development missions. 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 them. Any act of violation 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

The Group is a firm believer in "profits with principles". The Group has a Community Investment Policy with a focus on caring for the environment and positively supporting local and international charitable organisations. Unlike previous years, the Group has not physically participated in community services in the reporting period due to the COVID-19 pandemic. In the spirit of giving back from the heart, the Group donated HKD135,000 to eight charities, including Angels for Children, Feeding Hong Kong, Habitat for Humanity, Yan Oi Tong, Impact Hong Kong, HELP for domestic works, SOCO and Ocean Park Conservation Foundation. The Group also continues to support Angels for Children to co-ordinate, collect and deliver public toy donations for an annual Christmas activity supporting Po Leung Kuk.

The Group continues to engage with various charities to promote community care and conserving biodiversity, the Group has been making significant donations for over 13 years consecutively to plant trees in Indonesia, from where the majority of their wooden furniture is sourced. Despite the challenges posed by COVID-19, they continued their tree planting initiative in FY2022 and planted 5,472 trees this year making nearly 100,000 to date. These trees will capture more than 22,000 tonnes of CO₂ during their lifetime. Looking forward, the Group will include community volunteering service again when the public health situation allows.

SUMMARY OF KEY PERFORMANCE INDICATORS

ENVIRONMENTAL PERFORMANCE

Air Emissions (in kg)

	FY2022	FY2021
Nitrogen Oxides (NO _x)	184.9	219.5
Sulphur Oxides (SO _x)	0.3	0.3
Respirable Suspended Particulates (RSP)	8.6	10.2

Greenhouse Gas Emissions (in tonnes CO₂-e)

	FY2022	FY2021
Scope 1	45.7	43.6
Scope 2	302.2	299.4
Total (Scope 1 and 2)	347.9	343.0
Scope 3	4.1	4.3
GHG Emission Intensity (in tonnes CO ₂ -e/employee)	4.9	5.2

Waste Generation

	FY2022	FY2021
Total Hazardous Waste (in kg)	378 ³	0.2
Hazardous Waste Intensity (in kg/employee)	5.250	0.003
Total Non-Hazardous Waste (in kg)	1,260	2,150
Non-Hazardous Waste Intensity (in kg/employee)	20	30

Energy Consumption (in MWh)

	FY2022	FY2021
Petrol	5.3	5.3
Diesel	177.5	155.5
Electricity	429.8	430.7
Total Energy Consumption	612.6	591.5
Energy Intensity (in MWh/employee)	8.5	8.8

Water Usage

	FY2022	FY2021
Water Consumption (in m ³)	604.6	435.1
Water Intensity (in m ³ /employee)	8.4	6.5

Packaging material for finished goods

	FY2022	FY2021
Total Packaging Material Used (in tonnes)	7.4	9.2
Packaging Material Intensity (in tonnes/employee)	0.1	0.1

³ Hazardous wastes include 3 disposed air conditioners in FY2022. There was only wasted fluorescent light bulbs accounted as hazardous wastes generated in last year.

SOCIAL PERFORMANCE⁴

Employee⁵

Number of employees		FY2022	FY2021
Gender	Male	35	41
	Female	37	38
Age Group	Below 30	10	10
	30–50	47	53
	Above 50	15	16
Employment category	Senior Management	4	9
	Middle Management	11	13
	General Staff	57	57
Employment type	Full time	68	77
	Part time	4	2
Geographical Location	Hong Kong	70	76
	Mainland China	1	2
	Italy	1	1
Total number of employees		72	79

Turnover

Employee Turnover		FY2022	FY2021
Gender	Male	31%	15%
	Female	11%	26%
Age Group	Below 30	40%	30%
	30–50	19%	17%
	Above 50	13%	25%
Total turnover rate		21%	20%

⁴ Data cover the whole Group.

⁵ There is no other workers in this financial year.

Occupational Health and Safety

Number of work-related fatalities or injuries

	FY2022	FY2021
Number of work-related injuries	4	5
Work injury rate (per 100 employees)	6%	6%
Lost days due to work injury	10	10
Number of work-related fatalities over the past 3 years	0	0

Training and Development

Percentage of employees trained

	FY2022	FY2021
Gender	Male	7%
	Female	45%
Employment category	Senior Management	0%
	Middle Management	17%
	General Staff	69%

Total employee trained percentage

48%	25%
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Average training hours of employees⁷

	FY2022	FY2021
Gender	Male	0.7
	Female	4.5
Employment category	Senior Management	0
	Middle Management	4.4
	General Staff	3.5

Total employee average training hours

1.9	3.9
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⁶ The change in training percentage is because of the health and safety courses are not available due to COVID-19. As soon as this is available, they will send their employees to attend such courses.

⁷ Average training hours of employees who have received training.

SEHK ESG REPORTING GUIDE CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
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Mandatory Disclosure Requirements

Governance Structure

Board statement	<p>A disclosure of the board’s oversight of ESG issues</p> <p>The board’s ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer’s businesses)</p> <p>How the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer’s businesses</p>	4
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Reporting Principles

Description of the application of the Reporting Principles	<p>Materiality: The ESG Report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer’s stakeholder engagement.</p> <p>Quantitative: Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.</p> <p>Consistency: The issuer should disclose in the ESG Report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.</p>	2
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Reporting Boundary

Description	A narrative explaining the reporting boundaries of the ESG Report and describing the process used to identify which entities or operations are included in the ESG Report.	2
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Material Aspect	Content	Page Index/Remarks
Comply or Explain Provisions		
A. Environmental		
A1 Emissions		
General Disclosure	Information on:	
	(a) the policies; and	10
	(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.	10
A1.1	The types of emissions and respective emissions data.	12,19
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	12,19
A1.3	Total hazardous waste produced and, where appropriate, intensity.	13,19
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	13,19
A1.5	Description of measures to mitigate emissions and results achieved.	10,12
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	13
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	13
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	19
A2.2	Water consumption in total and intensity.	19
A2.3	Description of energy use efficiency initiatives and results achieved.	12
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	12
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	19

Material Aspect	Content	Page Index/Remarks
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	13
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	10,13
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	10
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	10
B. Social		
B1 Employment		
General Disclosure	Information on:	
	(a) the policies; and	13,15
	(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.	16
B1.1	Total workforce by gender, employment type, age group and geographical region.	20
B1.2	Employee turnover rate by gender, age group and geographical region.	15,20
B2 Health and Safety		
General Disclosure	Information on:	
	(a) the policies; and	15-16
	(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.	16
B2.1	Number and rate of work-related fatalities.	21
B2.2	Lost days due to work injury.	21
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	15-16

Material Aspect	Content	Page Index/Remarks
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	16
B3.1	The percentage of employees trained by gender and employee category.	21
B3.2	The average training hours completed per employee by gender and employee category.	21
B4 Labour Standards		
General Disclosure	Information on:	
	(a) the policies; and	18
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	18
B4.1	Description of measures to review employment practices to avoid child and forced labour.	18
B4.2	Description of steps taken to eliminate such practices when discovered.	18
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	9
B5.1	Number of suppliers by geographical region.	9
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	9
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	9
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	9

Material Aspect	Content	Page Index/Remarks
B6 Product Responsibility		
General Disclosure	Information on:	
	(a) the policies; and	7
	(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.	7
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There is no product being recalled this year.
B6.2	Number of products and service related complaints received and how they are dealt with.	9
B6.3	Description of practices relating to observing and protecting intellectual property rights.	7
B6.4	Description of quality assurance process and recall procedures.	7
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	7
B7 Anti-corruption		
General Disclosure	Information on:	
	(a) the policies; and	6-7
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	6
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.	6
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	6-7
B7.3	Description of anti-corruption training provided to directors and staff.	7
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.	18
B8.1	Focus areas of contribution	18
B8.2	Resources contributed to the focus area.	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