



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 2023
環境、社會及管治報告 2023

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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

This Report covers the Group’s principal operations in Hong Kong for the financial year from 1 April 2022 to 31 March 2023 (the “**reporting period**”, or “**FY2023**”), which is the same period as covered in the Group’s Annual Report, unless otherwise specified. The Group’s offices, retail stores, warehouses and Café in Hong Kong, are included in the reporting scope and contribute nearly 90% of the Group’s revenue. The remaining 10% of the Group’s revenue is contributed by the Group’s furniture agency service company which are conducted by electronic means and therefore has minimal impact to the environment.

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 20 June 2023. Available in both Chinese and English, the 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:

Address	28/F, Horizon Plaza, 2 Lee Wing Street, Ap Lei Chau, Hong Kong
Telephone	+852-2870-1582
Email address	info@tree.com.hk



BOARD STATEMENT

The Group's brand "TREE" has been incorporating environmental and social factors into business since its establishment 18 years ago. It has been providing sustainable style and solid eco-wood furniture to consumers in Hong Kong and overseas. The Group is committed to achieving its corporate social responsibilities and creating long-term value to all stakeholders. The Group has various policies governing ESG-related issues formulated to guide business and operations. The increasing concern for sustainability and the well-being of consumers may strengthen its presence and could be an opportunity for 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. 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 its major business is sourcing, development and retailing of furniture products. TREE will continue to find ways to enhance its environmental performance and energy efficiency, aligning with the farsighted goals of China and Hong Kong to achieve carbon neutrality in 2060 and 2050 respectively. In fact, the Group has already achieved carbon neutrality for two years through purchasing and retirement of carbon credits from "Guazhou 100MW Solar Power Project" and "20 MW Biomass Power Project in Chhattisgarh, India" respectively. In addition, the Group attaches great importance in selecting suppliers and managing the supply chain to ensure the quality and environmental standards of its products.

The Group always strives to minimise its impact on the environment while doing business. It continuously sources products that comply with the Group's values by regularly reviewing its product sourcing, supply chain and customer service journey to ensure the highest sustainability standards are always met.

With the constantly evolving sustainability challenges and opportunities, TREE equips its employees with regular training programmes, including Forest Stewardship Council (FSC™) and brand sustainability training, guidelines on managing the disposal of rubbish, reminders to switch off lights, electric equipment etc.

The Group operates on a 'doing all we can' philosophy, always looking for new and improved ways to be even more sustainable and aims to reduce waste and consumption wherever possible. This year, it has digitalised and upgraded its systems by providing a QR code ordering system in the TREE café, offering an e-customer form on its retail platform and implementing e-business card practices.

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

ESG GOVERNANCE AND RISK MANAGEMENT

The Group considers sustainability to be integral to its business value. The Board of Directors, as the Group's highest governance body, has overall responsibility for the Group's ESG strategy and reporting. The Board also formulates business directions, establishing and achieving goals with sustainability strategies, policies, and measures incorporated. They also provide oversight of sustainability trends, risks and opportunities affecting the long-term development and positioning of the Group.

The Board is also responsible for the establishment, maintenance and review of the Group's system of internal control and risk assessment, including ESG risks. The Group has established internal control systems including but not limited to corporate governance, operations management, human resources and finance. The Group also engages an independent audit firm to conduct Enterprise Risk Assessment ("ERA") and Internal Control Review ("ICR") on an annual basis. The Group holds Board of Directors' meetings to discuss the ERA and ICR Report findings and discuss any improvements that can be made should there be any issue.



The Group has formed an ESG Working Group which is led by the Executive and Managing Director, with authority delegated by the Board of Directors to carry out various tasks and to oversee the ESG matters. They meet quarterly to discuss ESG-related matters that they have encountered or will encounter. The Director of the ESG Working Group will propose or report the ESG-related actions to the Chairman 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 are maintained.

The Board considers that the management risk is low and the internal control systems established to be adequate and effective during the reporting year. The Group recognises the potential risks posed by the intensified climate change and global warming that have adversely impacted the planet. At the Board meeting, Directors report on ESG related milestones and the ESG Report is submitted for approval.

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 recognises that sustainability issues are critical but have confirmed the six top material topics identified in the materiality assessment in FY2022 remain relevant, they are anti-corruption, health and safety, employment, product responsibility, health and safety, labour standards, and the environment and natural resources based on the results of the survey.

The Group recognises that sustainability issues are critical to the integrity of the TREE brand. As a responsible company that is passionate about the environment and the use of natural resources, TREE invests in the communities in which it works and ensure best practices in supply chain management, developing and sourcing product responsibly ensuring that health and safety in addition to relevant labour standards being met and emissions managed and minimised. The Group ensures that there is no corruption in any part of the business and not only invest in the development and training of employees, but also within the supply chain.

To further enhance sustainability practices, 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.

COMMITTED TO INTEGRITY

ANTI-CORRUPTION

The Group strictly prohibits all forms of bribery and corruption. It complies with relevant laws and regulations against corruption, including the Prevention of Bribery Ordinance (Cap. 201), Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Cap. 615), and Guideline on Anti-Money Laundering and Counter-Financing of Terrorism by Hong Kong Monetary Authority (“**HKMA**”). There are no concluded legal cases of corrupt practices against the Group or its employees in the reporting period.

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

Employees should not offer, solicit, or accept anything of material value from or to fellow employees, customers, suppliers, or other business partners of the Group 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 must read and sign the relevant company declaration of conflicts of interest form and disclose any known relations that may constitute a conflict of interest.

The Whistleblowing Policy included in the Employee Handbook clearly outlines the guidelines for employees to report incidents of misconduct. Every employee must review and sign to confirm their understanding of the Handbook’s contents on the first day of their employment. Employees are encouraged to report suspected misconduct by peers, subordinates, senior management, and suppliers. They can raise their concerns with their Line 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 conduct a confidential investigation, to investigate each reported incident seriously. Where serious misconduct is identified, management will consider reporting the matter to the police or the Independent Commission Against Corruption (“**ICAC**”). In this reporting period, the Group arranged an anti-corruption seminar by ICAC for their Financial Controller.

COMPREHENSIVE QUALITY MANAGEMENT

The Group is committed to providing high-quality and reliable products and services. When sourcing wood furniture, the team ensures that they establish the traceability of the wood and check the relevant certification (i.e., FSC™). The retail company is the trademark licensee for the promoting and selling of FSC-certified finished products in Hong Kong. During the reporting period, the Group is not aware of any material non-compliance 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).

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. The warehouse team performs the final product inspection before delivering the goods to customers. If any unsatisfactory condition is found, the total stock of those products will be fully inspected. For any wood items that the in-house carpenter team cannot resolve and when necessary for any products, a request will be made for the supplier to replace the items and/or provide compensation.



CUSTOMER SERVICE MANAGEMENT

To maintain a high level of customer service, the Group has established various channels for customers to communicate and provide feedback. Customers can file a complaint in-person or contact TREE through the customer hotline, email, social media such as Facebook and Instagram platform, or leave a message on the company website through a live chat or feedback form. Feedback relating to staff attitude, product range, store environment etc. are welcomed. All feedback received are recorded by the 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. If the complaint relates to product quality, this will also be flagged to the Merchandising team for follow-up action with the supplier.

A detailed 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 appropriately. Customer complaints are logged and tracked 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 each complaint's progress and status to ensure that every complaint is managed and resolved satisfactorily. The Group endeavours to maintain good relationships with its customers and uphold strong customer service management practices.

During the reporting period, the Group received 228 customer complaints: some regarding product quality issues, with others relating to shipment delays. All complaints were resolved satisfactorily.

PROTECT CUSTOMER PRIVACY

All employees receive an employee manual as part of their induction which includes the importance of protecting customer and supplier information. Relevant information is for the Group's operational purposes only with the aim of providing consistently 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 these requirements. Employees may be dismissed for serious misconduct or repeated misconduct. Furthermore, the Group's auditors will perform an IT audit, including evaluating the security of the computer system to safeguard customer privacy annually. The Group also engages an external consultant to perform an ICR and ERA audit every year.

The Group recognises and complies with the obligation in relation to the processing of their customers' personal information under the Personal Data (Privacy) Ordinance (Cap. 486), with no non-compliance case to the Ordinance during the reporting period.

RESPECT INTELLECTUAL PROPERTY

The Group acknowledges the importance of protecting intellectual property and patent rights. While applying for patents, the Group has reviewed whether third-party companies have applied for such patents. The Group has registered trademarks in Hong Kong, the PRC, the US and Canada. It has established a trademark summary to monitor the progress of trademark applications and the need to renew trademarks. Regarding the Group's copyrights and other intellectual property rights, employees are not allowed to disclose, exploit, or use directly or indirectly confidential information. When joining the Group, new employees are required to read and sign an intellectual property rights and confidentiality letter. The failure of any employee to comply may lead to summary dismissal without compensation. In addition, the Group regularly reviews whether other companies are infringing on their (or their partners') intellectual property rights and take appropriate action where necessary.

SUPPLY CHAIN MANAGEMENT

The Group believes in healthy relationships with suppliers and has established a Supply Chain Policy, which includes the supplier code of conduct, ethical trading policy and supplier procedures to ensure proper supply chain management. The Supply Chain Policy listed the Group's three trading principles on environmental and social risks:

- (1) The Group aims to ensure that human and civil rights are respected throughout its business activities, as set out in the Universal Declaration of Human Rights.
- (2) The Group strives to establish long-term sustainable relationships with its partners.
- (3) The Group uses environmentally sustainable resources whenever technically and economically viable. The Group screens and investigates ethical and ecological credentials of the supplier, product and packaging materials.

A Supplier Assessment Report for each proposed new vendor is prepared before the Group adds any supplier to their approved supplier list. The Merchandising team also prepares a Supplier Information Sheet which includes information of the new vendor and the background search information together with any relevant certification. The new Supplier Assessment form is submitted to the Managing Director for approval prior to the first order being placed. A site visit will be conducted by the Group's Merchandising team and the Managing Director to verify the declared information prior to production.

Only suppliers with satisfactory assessment results are added to the Group's list of approved suppliers. The Merchandising team maintains a formal list of approved suppliers that meet the Group's procurement requirements for that specific product (i.e., do not engage or support exploitative child labour or forced labour, FSC™ Certification, the Indonesian Timber Legality Assurance System ("**SVLK**"), etc.), and the list is reviewed regularly through annual evaluation assessments. The Group do not maintain business relationships with suppliers who do not meet their defined criteria.

The Group also asks all its suppliers to actively mitigate their environmental impact, including abiding by all relevant local and national environmental legislation, minimising energy consumption and carbon footprint from operations, and expanding the use of sustainably forested products. Six of the Group's current suppliers have FSC™ Certification.

The Group maintains sufficient stock levels to meet customers' demand, reducing the supply chain disruption risk. The Group encourages its suppliers to demonstrate their corporate social responsibility by adhering to relevant standards and business ethics regarding their operation. On the other hand, the Group strictly prohibits all forms of bribery.

In the reporting period, the Group had 64 suppliers, mainly in Hong Kong, other Asian Countries, Mainland China and Europe. The Group achieves a stable supply with its diversified supply chain to support its business operations.

By Regions	Hong Kong	Mainland China	Other Asian Countries	Other Regions	Total number of suppliers by geographical region (Percentage of suppliers where the engagement practices are being implemented)
FY2023	32	3	17	12	64 (100%)



CARING FOR EMPLOYEES

The Group greatly appreciates the contribution made by its employees, its most valuable asset. The Group treats all employees equally and values their dedication and commitment to the development of its business and support in pursuing its corporate mission. 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 its business development.

The Group believes that its diverse but inclusive workforce enhances their creativity and decision-making capabilities, and communication among employees and with customers, which is vital 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 experienced, knowledgeable and skilled employees are considered. The Human Resources Department handles all applications prudently and is committed to recruiting top talent for the Group. Regarding compensation and dismissal, to protect the interests of the Group, employees who breach the terms of their contracts and code of conduct will be warned or even dismissed. Compensation will be paid to dismissed employees in accordance with the relevant laws and regulations.

The Group offers comprehensive employee benefits to all its hard-working and talented members. They are compensated based on their respective contribution to the business and with reference to market benchmarks. The Group also reviews and assesses their employees' performance annually and rewards them with salary increments and bonuses. The management makes promotion decisions after carefully considering 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 local laws. Apart from these, the Group also provides medical insurance coverage to employees who have passed their probationary period.

As an employee-focused business, the Group is committed to creating a harmonious and inclusive working environment, free from harassment and discrimination. It actively communicates and promotes 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 they face discrimination 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 their employees' religious and cultural beliefs by providing breaks to meet their religious needs in specific circumstances.

The Group also provides additional paid leave for maternity and paternity in addition to when employees enter into marriage or civil unions/partnerships.

The Group is committed to a balanced work schedule for all employees and they are entitled to certain special leave including birthday leave and compassionate leave. Back-office employees also enjoy a flexible working hours arrangement. These policies allow employees to achieve a good balance between work and rest.

The Group recorded a total turnover rate of approximately 29% in the reporting period. There was a higher turnover rate due to some members of the team migrating overseas and some of the Delivery and Warehouse team leaving to join food delivery services.

EMPLOYEE HEALTH AND SAFETY

The Group is committed to safeguarding all employees' safety, health and well-being. A series of workplace safety policies have been implemented to go beyond the minimum occupational health and safety standards required by law. The Group complies with the Employees' Compensation Ordinance (Cap. 282) in Hong Kong and reports all accidents to the Commissioner for Labour. It also complies 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. During the reporting period, the Group is not aware of any non-compliance to relevant laws and regulations relating to their operations.

The Group's offices, retail stores and Café are adequately equipped with fire-fighting equipment, such as fire extinguishers and fire hoses, which are checked regularly to ensure they are in good condition. Two registered first-aiders staff the flagship store. They are available to provide immediate emergency assistance in accidents. A staff handbook outlining safety requirements and guidelines in the event of an accident or injury management is distributed to employees at the time of their induction therefore, they understand and can refer to it when necessary. The Group closely monitors and regularly adjusts its employees' compensation insurance policies according to the number of employees. Employees who are injured during their employment are entitled to sick leave and reimbursement of medical expenses from the insurance company so that they can receive the necessary treatment and rest for early recovery.

In the reporting period, there were eight employees injured in work-related situations with a total of 28 days lost. Aiming at minimising occupational hazards and workplace injuries, the Group is committed to raising awareness of workplace safety among their employees. The Group provides a Manual for Lifting Heavy Objects and arrange for new Delivery and Warehouse team staff to attend a manual lifting and handling course organised by the Occupational Safety and Health Council. As mentioned above, employees are the Group's most valuable asset, and the Group is committed to closely monitoring workplace safety to prevent injuries or accidents from occurring.

TRAINING AND DEVELOPMENT

The Group believes that their employees' personal career development is complementary to business growth, and encourages them to pursue continuous education and growth, and to learn through reviewing their performance and setting goals for themselves. The Group conducts performance evaluations for all employees annually.

The Group conducts an induction program for all new employees to facilitate onboarding with the necessary knowledge and skills to perform their job duties. To continuously enhance employees' knowledge of products, customer service, marketing and business management (skills and language), the Group organises in-house training courses regularly to keep them updated with the latest market trends and internal procedures. Whenever the Group has new promotional items and activities, training sessions are organised to ensure that the teams are fully briefed.

Aside from in-house training, employees are welcomed to discuss any need or desire for further education with their Manager. The Group encourages employees to undertake external training or take examinations to acquire professional qualifications relevant to their jobs. Employees can adopt flexible working hours to attend courses and receive financial assistance or reimbursement on a case by case basis.

In addition to regular on-the-job training in the reporting period, the Group achieved a training rate of 30%, with most employees trained being at the middle management level. The Group provided a total of roughly 270 hours of external training to the employees and the average number of hours of training completed per employee is approximately 3.7 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 legislation prohibiting child and forced labour. The Group does not employ or force persons under 18 to work for them. Any act of violation to cause discomfort, threats of physical harm and force employees to work is strictly prohibited. If employees are aware of any potential violations or forced work, they are welcomed to report such cases to management through the reporting mechanisms. Management will investigate the matter seriously and take the appropriate 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.

ENVIRONMENTAL PROTECTION

The Group recognises the potential risks of intensified climate change that has adversely impacted the planet. It aims to be as sustainable as possible by sourcing retail furniture made from materials such as their solid wood collections made with lumber which was 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 advocating to their stakeholders to induce similar positive change where feasible.

The Group has set a five-year target to reduce 5% greenhouse gas ("**GHG**") emissions compared with FY2020. To enhance the commitment towards environmental protection, targets on emission, hazardous and non-hazardous waste reduction, energy use efficiency, and water efficiency are being formulated. The Group will also further explore, identify and incorporate the impact of climate change and formulate a climate change policy.

With the environmental management policy and practices in place, the Group continues to contribute to protect the planet. It complies with 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 unaware of any significant non-compliance against these regulations.

AIR POLLUTION AND GHG EMISSIONS

The Group's operations involve production of 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 are 167.6 kg, 0.3 kg and 7.8 kg respectively. Compared with the previous year, total GHG emissions decreased by 4%. The Group optimises 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. Additionally, the delivery team are not allowed to keep the trucks on when idle. Regular vehicle maintenance is carried out every 4–6 months to ensure fuel efficiency and environmental standards are met.

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 Group is looking ahead to being able to operate paperless across their operations.

The total GHG emissions from operations for the reporting period was 336.4 tonnes of CO₂-e. Purchased electricity was the major source of emissions, which accounted for 283.6 tonnes of CO₂-e or 84.3% of total GHG emissions, followed by fossil fuel combustion from vehicles that accounted for 43.1 tonnes of CO₂-e and 12.8% of total GHG emissions. Paper waste disposal, business travel and freshwater and sewage processing accounted for 5.5 tonnes of CO₂-e, 3.8 tonnes of CO₂-e and 0.36 tonnes of CO₂-e respectively. Compared with FY2022, Scope 1 emissions decreased by 6% mainly due to the decrease in fossil fuel consumption in mobile combustion. There was a 138% increase in emissions in Scope 3 emissions because of the increase in business travel due to the recovery from Pandemic.

Table 1 GHG Emissions by Scope

Scope	Emission Source	GHG Emissions (tonnes of CO ₂ -e)		Percentage change (%)
		FY2023	FY2022	
Scope 1: Direct GHG Emissions	Fossil Fuel Combustion	43.1	45.7	-6
Scope 2: Energy Indirect GHG Emissions	Purchased Electricity	283.6	302.2	-6
Scope 1 and 2 Sub-total		326.7	347.9	-6
Scope 3: Other Indirect GHG Emissions	Paper Waste Disposal	5.5	3.7	47.6
	Business Travel	3.8	0	100
	Freshwater & Sewage Processing	0.36	0.34	6
Scope 3 Sub-total¹		9.7	4.1	138
Total GHG emissions		336.4	352.0	-4

ENERGY AND WATER CONSUMPTION

The Group consumed 588.7 MWh of energy in the reporting period. Purchased electricity constituted the majority of the energy consumption, which accounted for 421.3 MWh and 72% of the total energy consumption. Other energy consumption includes the use of diesel and petrol for vehicles, which accounted for 164.0 MWh and 3.4 MWh of the total energy consumption respectively. Total energy consumption decreased by 4% compared to FY2022 mainly due to the lower consumption of diesel and petrol.

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

- Reminding all employees to turn off idle electrical and electronic appliances.
- Engaging a professional engineering company to conduct monthly dust filter cleaning and fan coil unit cleaning.
- Using electric fans to enhance circulation of cool air and reduce the energy consumption of air-conditioners
- Prioritising the procurement of appliances with high grades on their energy efficiency labels or other certifications.

The water consumed is provided by the Water Supplies Department of Hong Kong and there is no problem in sourcing water. During the reporting period, the Group's water consumption was 638.5 cubic meters², an increase of 6% compared with FY2022³.

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

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

³ Water Consumption in FY2022 was from Café only



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. The Group has 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.

WASTE MANAGEMENT AND PACKAGING MATERIALS

The Group generated 157 kg of hazardous waste due to the replacement of two damaged air-conditioner units which weighed 151 kg in total in FY2023 as the refrigerant in the air-conditioners count as hazardous waste. As listed in the Group's Environmental Policy, the disposal of non-functional electrical items such as air-conditioners are handled in an environmental protective way through an e-waste collection service company run by Environmental Protection Department, whenever possible. The e-waste will be sent to WEEE Park for dismantling and recycling. The Group also 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 one printer to the charity Caritas and arranged to send disposed furniture (non-TREE furniture from customers' homes) to the Crossroads Foundation for redistributing to families in need.

The Group also generated 341.6 kg of non-hazardous waste, including paper, plastic, metal, and glass bottles in the reporting period. The Group engaged an external recycling company to collect four types of waste for recycling — paper, metal, plastic, and glass bottles. The recycler provides a detailed recycling performance report with the amount of each of the recycled material that is sent to recycle each month for TREE to calculate the carbon emissions avoided by recycling. The Group recycled 249 kg of paper waste, 29.6 kg of plastic waste, 11.1 kg of metal waste and 51.9 kg of glass waste. General waste is collected by a waste collector without being measured and separated and this remaining waste is immaterial.

The Group encourages the use of double-sided printing when printing is needed (thereby reducing waste) in addition to achieving over 99% of printed materials being printed on FSC-certified paper.

The Group used 5.7 tonnes of packaging materials for finished products in FY2023, it demonstrates 23% reduction comparing to FY2022 due to the decrease in delivery. 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 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, it has adopted environmental practices in various areas where it is realistic to do so.

The Group, for example offers solid FSC™ certified, recycled, or sustainably sourced eco-wood furniture in the core wood furniture collections and uses sustainable, easily replenishable natural materials for its core home décor items.

Climate change has led to more frequent and intense heatwaves and wildfires, and impacted the planet significantly. The Group promotes positive behavioural changes amongst current and potential employees through internal communication, training, as well as through voluntary events. Externally, the Group supports and promotes the Earth Hour campaign each year (when it turns off all non-essential lighting for one hour to raise energy-saving awareness to the public). The Group also actively participates in the promotion of the FSC™ organisation and its work to all stakeholders.

COMMUNITY INVESTMENT

The Group is a firm believer in “profits with principles”. This year, the Caring Company logo was again awarded to the Group. A Community Investment Policy is in place to focus efforts on caring for the environment and positively supporting local and international charitable organisations. In the spirit of giving back from the heart, the Group donated HKD75,000 to four local charities, including Angels for Children Ltd, Impact Hong Kong, the Community Chest of Hong Kong and Operation Santa Claus 2022. The Group also works with charities in Hong Kong to promote community care, including furniture donations to the Crossroads Foundation to redistribute to communities in need. For over six years, the Group has continuously supported Angels for Children by coordinating, collecting and delivering toy donations for an annual Christmas activity supporting Po Leung Kuk. The total volunteering hours are 36 hours.

Moving on from the COVID-19 pandemic, the Group resumed organising and participating in charitable activities and community services. Their staff participated in the Hong Kong and Kowloon Walk for Millions and held a beach clean-up after a three-year break due to Covid.

The Group continues to engage with various charities to conserve biodiversity and in 18 years has planted over 100,000 trees in Indonesia through a longstanding partnership with Trees4Trees. This allows the Group to give back to Central Java, Indonesia where most of their wood furniture comes from, and will capture tonnes of CO₂ in their lifetime.

SUMMARY OF KEY PERFORMANCE INDICATORS

Environmental Performance

Air Emissions (in kg)

	FY2023	FY2022	FY2021
Nitrogen Oxides (NO _x)	167.6	184.9	219.5
Sulphur Oxides (SO _x)	0.3	0.3	0.3
Respirable Suspended Particulates (RSP)	7.8	8.6	10.2

Greenhouse Gas Emissions (in tonnes CO₂-e)

Scope 1	43.1	45.7	43.6
Scope 2	283.6	302.2	299.4
Total (Scope 1 and 2)	326.7	347.9	343.0
Scope 3	9.7	4.1	4.3
GHG Emission Intensity (in tonnes CO ₂ -e/employee)	4.6	4.9	5.2

Waste Generation

Total Hazardous Waste (in kg)	157	378 ⁴	0.2
Hazardous Waste Intensity (in kg/employee)	2.2	5.250	0.003
Total Non-Hazardous Waste (in kg)	341.6	1,260	2,150
Non-Hazardous Waste Intensity (in kg/employee)	4.7	20	30

Energy Consumption (in MWh)

Petrol	3.4	5.5 ⁵	5.3
Diesel	164.0	172.0 ⁵	155.5
Electricity	421.3	429.8	430.7
Total Energy Consumption	588.7	607.3⁵	591.5
Energy Intensity (in MWh/employee)	8.1	8.4	8.8

Water Usage

Water Consumption (in m ³)	638.5	604.6	435.1
Water Intensity (in m ³ /employee)	8.7	8.4	6.5

Packaging material for finished goods

Total Packaging Material Used (in tonnes)	5.7	7.4	9.2
Packaging Material Intensity (in tonnes/employee)	0.1	0.1	0.1

⁴ Hazardous wastes include 2 disposed air conditioners in FY2022. Wasted fluorescent light bulbs accounted as hazardous waste generated in last year.

⁵ Updated the Energy consumption figure from 5.3 to 5.5 with reference to HKEX Appendix 2: Reporting Guidance on Environmental KPIs.

SOCIAL PERFORMANCE⁶

Employee⁷

Number of employees		FY2023	FY2022	FY2021
Gender	Male	38	35	41
	Female	35	37	38
Age Group	Below 30	8	10	10
	30–50	45	47	53
	Above 50	20	15	16
Employment category	Senior Management	13	11 ⁸	9
	Middle Management	10	11	13
	General Staff	50	57	57
Employment type	Full time	70	68	77
	Part time	3	4	2
Geographical Location	Hong Kong	69	70	76
	Mainland China	3	1	2
	Italy	1	1	1
Total number of employees		73	72	79

Turnover

Employee Turnover		FY2023	FY2022	FY2021
Gender	Male	29%	31%	15%
	Female	29%	11%	26%
Age Group	Below 30	75%	40%	30%
	30–50	27%	19%	17%
	Above 50	15%	13%	25%
Total turnover rate		29%	21%	20%

⁶ Data cover the whole Group.

⁷ There are no other workers in this financial year.

⁸ The number of senior management have been reinstated from 4 to 11.

Occupational Health and Safety

Number of work-related fatalities or injuries

	FY2023	FY2022	FY2021
Number of work-related injuries	8	5	5
Work injury rate (per 100 employees)	11%	6%	6%
Lost days due to work injury	28	10	10
Number of work-related fatalities over the past 3 years	0	0	0

Training and Development

Percentage of employees trained

		FY2023	FY2022	FY2021
Gender	Male	13%	37%	7%
	Female	49%	59%	45%
Employment category	Senior Management	31%	50%	0%
	Middle Management	50%	90%	17%
	General Staff	26%	40%	69%

Total employee trained percentage

30%	48%	25%
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Average training hours of employees⁹

Gender	Male	0.5	3.3	0.7
	Female	7.1	4.3	4.5
Employment category	Senior Management	8.6	1.3	0
	Middle Management	10	3.8	4.4
	General Staff	2.5	4.3	3.5

Total employee average training hours

3.7	1.9	3.9
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⁹ Average training hours of employees who have received training.

CONTENT INDEX

Material Aspect	Content	Page Index/Remarks
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Mandatory Disclosure Requirements

Governance Structure

Board statement	A disclosure of the board's oversight of ESG issues	P.4
	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.4–6
	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.4–6

Reporting Principles

Description of the application of the Reporting Principles	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.2
	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.2
	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

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.	P.2
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Material Aspect	Content	Page Index/Remarks
Comply or Explain Provisions		
A. Environmental		
A1 Emissions		
General Disclosure	Information on:	P.15–18
	(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.	
A1.1	The types of emissions and respective emissions data.	P.15, 20
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	P.16, 20
A1.3	Total hazardous waste produced and, where appropriate, intensity.	P.18, 20
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	P.18, 20
A1.5	Description of measures to mitigate emissions and results achieved.	P.15
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	P.18
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	P.16, 18
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	P.16, 20
A2.2	Water consumption in total and intensity.	P.16, 20
A2.3	Description of energy use efficiency initiatives and results achieved.	P.16
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	P.16, 18
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	P.18, 20

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.	P.16, 18
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	P.16, 18
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.	P.18
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.	P.18
B. Social		
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.	P.12
B1.1	Total workforce by gender, employment type, age group and geographical region.	P.21
B1.2	Employee turnover rate by gender, age group and geographical region.	P.21

Material Aspect	Content	Page Index/Remarks
B2 Health and Safety		
General Disclosure	Information on:	P.13
	(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.	
B2.1	Number and rate of work-related fatalities.	P.13, 22
B2.2	Lost days due to work injury.	P.13, 22
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	P.13
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	P.13
B3.1	The percentage of employees trained by gender and employee category.	P.22
B3.2	The average training hours completed per employee by gender and employee category.	P.22
B4 Labour Standards		
General Disclosure	Information on:	P.15
	(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.	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	P.15
B4.2	Description of steps taken to eliminate such practices when discovered.	P.15

Material Aspect	Content	Page Index/Remarks
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	P.10
B5.1	Number of suppliers by geographical region.	P.10
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.	P.10
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	P.10
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	P.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.	P.7, 9
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	There was no product recall this year.
B6.2	Number of products and service related complaints received and how they are dealt with.	P.9
B6.3	Description of practices relating to observing and protecting intellectual property rights.	P.9
B6.4	Description of quality assurance process and recall procedures.	P.7
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	P.9

Material Aspect	Content	Page Index/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.	P.7
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.	There are no concluded legal cases of corrupt practices against the Group or its employees in the reporting period.
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	P.7
B7.3	Description of anti-corruption training provided to directors and staff.	P.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.	P.19
B8.1	Focus areas of contribution	P.19
B8.2	Resources contributed to the focus area.	P.19



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)

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