



Environmental, Social and Governance Report 2019

Nature Home Holding Company Limited
大自然家居控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2083

CONTENTS

02	About this Report
02	Reporting Year
02	Reporting Boundary
02	Reporting Guidelines
02	Your Feedback
03	Stakeholder Engagement
03	Materiality Assessment
03	Introduction
04	A. Environment
	A1. Emissions
	A2. Use of Resources
	A3. Environment and Natural Resources
10	B. Society
	B1. Employment
	B2. Health and Safety
	B3. Development and Training
	B4. Labor Standards
	B5. Supply Chain Management
	B6. Product responsibility
	B7. Anti-corruption
	B8. Community investment
17	Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Index

About This Report

This is the environmental, social and governance (“ESG”) report (the “Report”) published by Nature Home Holding Company Limited (the “Company”, together with its subsidiaries, the “Group”), which discloses the actions taken by the Group on sustainability issues and the performance thereof in a transparent and open manner with the intention of improving stakeholders’ understanding of the Group in respect of ESG.

Reporting Year

The information in the Report reflects the performance of the Group in environmental stewardship and social responsibility from 1 January 2019 to 31 December 2019 (the “Reporting Period”).

Reporting Boundary

The business of the Group mainly locates in the People’s Republic of China (the “PRC”). In respect of the business, the Group has acquired two Cambodian flooring companies and set up our own flooring plant and substrate plant in Cambodia during the Reporting Period. In addition, the Group acquired the entire issued share capital of Baltic Wood S.A. (“Baltic”), which is a joint stock company incorporated in the Republic of Poland and has its own factory for manufacturing and sale of three-layered engineered flooring products.

The Report focuses on the offices and production plants for business operations of the companies of the Group in the PRC and Cambodia as mentioned above. As (i) the acquisition of Baltic was completed at the end of December 2019; and (ii) the business of the Group located in overseas (including Hong Kong and Macau) which does not involve production accounts for a trivial part of the whole business. Therefore, the Report’s environmental key performance indicators (KPIs) do not include the overseas business which does not involve production and the business of Baltic.

Reporting Guidelines

The Report is published in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Report mainly outlines the ESG performance of the Group in a concise manner. The information contained herein is sourced from the official documents and statistical data of the Group, and is aggregated from the monitoring, management and operational information provided by the Group’s subsidiaries in accordance with the relevant rules of the Group. The Group complied with the “comply or explain” provisions set out in the ESG Guide during the Reporting Period. The Report is prepared in the Chinese and English languages and both versions are uploaded onto the Group’s website at www.nature-home.com.hk.

Your Feedback

Our continuous improvement relies on your valuable feedback on both the content and the form of the Report. If you have any questions or comments, please send us your views via info@nature-hk.hk to help us with our continued improvement in ESG performance.

Stakeholder Engagement

The Stock Exchange has set forth four principles for reporting in the ESG Guide: Materiality, Quantitative, Balance and Consistency, which form the basis for preparing the Report. As the Stock Exchange emphasizes, materiality is assessed based on stakeholder engagement. Through stakeholder engagement, companies can understand wide-ranging views and identify material environmental and social issues.

For the Company, stakeholders refer to groups and individuals materially influencing or affected by the Group's business. The Group's stakeholders include employees, management and directors, as well as external stakeholders such as customers, suppliers, business partners, investors, regulatory authorities and various types of community groups. During the Reporting Period, the Group communicated with the key stakeholders through a variety of channels.

Materiality Assessment

Based on the stakeholders and the materiality assessment, we have identified the following issues which are important to the sustainable development of the Group. Those issues are classified as the sustainable development focuses of the Group.

Environmental Aspect

- Hazardous waste disposal
- Electricity consumption
- Packaging materials
- Air emission

Social Aspect

- Product responsibility
- Supply chain management
- Development and training
- Health and safety
- Employee benefits

The business of the Group affects various stakeholders, and these stakeholders have various expectations of the Group. To enhance the materiality analysis, the Group will continue and expand stakeholder engagement in the future, and will collect a diverse range of stakeholders' views through various activities. At the same time, the Group will also consider advancing the reporting principles of Quantitative, Balance and Consistency in order to present the Report in a way that continues to improve alignment with stakeholder expectations.

Introduction

Upholding to the historical mission of "Take Environment Responsibility and Promote a Healthy Society" in pursuit of "being green" since its establishment, the Company has incorporated the ecology and environmental protection ideas into its production, procurement, marketing, consumption and other process and injected "green genes" into different levels by using green technology, developing new green products, implementing green production and commencing green marketing and green services. By taking a series of measures and actions, the Company has undertaken the important tasks of corporate development, environmental protection and maintaining ecological balance.

Upon its successful listing in 2011, the Group has adhered to its environmental and charity principles and put its corporate mission of “Love Nature for the Benefit of Mankind” in practice. In the light of the attitude of “being responsible for the consumers’ health”, the Company has established a modern and scientific management system for comprehensive quality management so as to ensure the controllability of the whole process from raw materials to end products and provide products with high quality to consumers.

As a corporate pursuing the philosophy of “green, environmental friendly, health and safety”, the Group has always advocated that citizens of the earth should “love and respect nature”. In the first quarter of 2020, a global public health crisis occurred and the novel coronavirus outbreak across the world. We have a deeper understanding of the meaning of “respect for nature”. In order to uphold its social responsibilities, the Group urgently arranged aldehyde-free floorings inventory from vicinity to donate to Huoshenshan (Fire God Mountain) Hospital in Wuhan and sent personnel to participate in floor laying, with an aim to make contributions to the prevention and control of the epidemic in China.

The Group has set up a social responsibility committee (the “Committee”). The duties of the Committee include formulating environmental and social responsibility strategies as well as implementing and overseeing work relating to environmental and social responsibility, etc.

A. Environment

The Group is subject to the environmental regulations in the PRC and other relevant jurisdictions where we conduct our business. These environmental regulations relate to, among other things, pollution, noise emissions, hazardous substances, sewage and waste emissions, pollutants and other environmental matters.

In 2002, China approved the Kyoto Protocol, an international environmental protection convention aiming at maintaining the stability of the global climate and reducing the emissions of greenhouse gases. Since then, China has promulgated laws and regulations relating to environmental protection one after another, including but not limited to the Energy Conservation Law, the Forestry Law and the Environmental Protection Law. Since 1991, China has also become a member state of the Montreal Protocol, an international treaty aiming at protecting the ozone layer. As a result, the State Council promulgated the Regulation on the Administration of Ozone Depleting Substances and the corresponding List of Ozone Depleting Substances under National Control in 2010. We have complied with all these environmental protection laws and regulations in China in all material respects and will continue to devote ourselves to controlling greenhouse gas emissions and investing in sustainable development.

A1. Emissions

Sewage

The sewage produced during our production process is mainly the domestic sewage from the daily activities of employees. With respect to sewage, we usually discharge the sewage to the sewage treatment facilities established by the local governments. The Group is in strict compliance with the Water Pollution Prevention and Control Law of the PRC. Some of the Group’s newly constructed factories in recent years are equipped with domestic wastewater and rainwater collection facilities, which will be used for comprehensive utilization so as to reduce effluent.

Waste

We have set up a hazardous waste treatment system and waste treatment procedures which formulated provisions for collection, storage, and disposal of hazardous wastes generated in production lines. We have engaged with qualified disposal enterprises in accordance with the Measures for Hazardous Waste Operation Administration and the Environmental Pollution by Solid Wastes of Prevention and Control Law of the PRC to dispose of hazardous wastes properly.

During the Reporting Period, the main waste types and amount of the Group in the process of production were as follows:

Types of waste	Unit	For the year ended 31 December	
		2019	2018
Waste organic solvents	litre	447.0	659.6
Waste mineral oil	litre	189.9	47.0
Dyestuff, paint waste	tonnes	393.7	3.2
Organic resin waste	tonnes	2.7	13.1
Photographic chemical wastes	tonnes	0.1	0.1
Other waste	tonnes	40.0	5.2

The Group has taken a number of measures to reduce hazardous waste, which include:

- Promoting cleaner production, utilizing clean energy, providing advanced equipment, cultivating advanced technology, and improving cleaner production standards;
- Simplifying the production process, improving the utilization of raw materials and increasing the delivery rate of production;
- Reducing or even eliminating the use and production of toxic and harmful substances;
- Recycling of waste from production;
- Constructing of waste disposal points according to relevant regulations. The waste water, waste gas and waste residue are disposed of first and then treated centrally;
- Using environmentally friendly water paint in the production process; and
- Recovery and reuse of hazardous waste generated in production.

During the Reporting Period, the emission of certain waste types (such as waste mineral oil and dyestuff, paint waste) increased due to the increase in overall production volume and operation of newly established factories. However, all of the above harmful indicators were within the scope as permitted under the relevant regulations.

In terms of non-hazardous solid waste, the major non-hazardous solid wastes produced during production are mainly the substandard wood products and wastes. In order to reduce the solid wastes produced during the production process, the Group has strictly put the principle of recycling into effect. The waste produced by the production plants is recycled and handled by professional and qualified environmental companies.

The chaff in the production process is collected by special dust removal equipment, and exhaust gas is discharged by 15 meters high. Some of the sawdust produced during processing is taken up by downstream companies such as furniture manufactures, wood fragrance manufactures and paper mills as recyclable materials. In addition, the Group is also equipped with sawdust collection facilities to use sawdust as fuel. During the Reporting Period, the Group did not make statistics on emissions or discharges due to the fact that there was no uniform disposal of sawdust in different factories within the Group.

Air Emissions and Electricity Consumption

The emissions produced during production are mainly the emissions from the painting process in the production plant for home decoration products and its coating production lines. The emissions during production are managed and monitored in accordance with the latest emission standards so as to meet the emission standard. Each of the production departments is responsible for the management, repair and maintenance of facilities, and record the operations of the facilities.

During the Reporting Period, the emissions types and amount of the Group were as follows:

Emissions	Unit	For the year ended 31 December	
		2019	2018
Sulfur dioxide	kg	642.0	902.0
Particulates (PM10)	kg	1.9	75.0
Particulates (PM2.5)	kg	80.8	209.0
Total suspended particulate (TSP)	kg	425.0	470.0
Nitrogen oxide (NO _x)	kg	450.0	1,735.0

During the Reporting Period, the Group has proactively taken a number of measures to reduce pollutant emissions, including:

- one of the Group's factories switched to use electric boilers, which resulted in a drop in sulfur dioxide emissions during the Reporting Period;
- some of the Group's factories used environmentally friendly burning material wood bran to reduce the burning emissions, and the emissions of Particulates (PM10 and PM2.5) dropped significantly during the Reporting Period;
- various types of emissions were processed by certain factories through photo-oxygen catalysis and chemical treatment processes. Therefore, the emissions of nitrogen oxides (NOX) have dropped significantly during the Reporting Period;
- some of the Group's factories used UV photolysis and activated carbon adsorption technology to remove various pollutant emissions (fluoride, benzene, toluene, xylene, non-methane hydrocarbons, Ringerman blackness and industrial dusts); and
- some of the Group's factories have purchased new exhaust gas, noise and other environmental monitoring equipment, and trained relevant personnel, and regularly monitor all aspects of emissions and dusts on a monthly basis.

As for electricity consumption, the greenhouse gas emissions of the Group's home decoration products indirectly and mainly come from its production lines and the electricity consumption during ordinary operation. Due to the fact that only a small amount of direct greenhouse gas emissions were produced in the Group's production process, the Group did not make statistics on the total amount of greenhouse gas emissions.

In order to reduce carbon emissions, the Group has taken various energy saving measures, which will be further described in "Use of Resources" in the next section.

All the departments of the Group have to abide by the internal environmental management policy of the Group, ensuring their compliance with laws and regulations. During the Reporting Period, the Group was not aware of any material breach of laws and regulations relating to the environment which had significant impact on the Company.

A2. Use of Resources

As an enterprise pursuing and putting environmental protection philosophy into action, the Group pays attention to environmental protection and energy saving and continues to improve policy and operational efficiency by conducting regular energy saving evaluations, establishing control targets for total energy consumption, managing the increase and total amount of energy of production plants as well as timely warning and regulating the production lines with too rapid increase in total energy consumption. The Group has also continued to optimize its production facilities. For example, during the Reporting Period, some of the Group's boilers have been upgraded to natural gas and electric boilers. In addition, the Group has ceased to use any coal for its production since September 2018.

During the Reporting Period, the main energy consumption of the Group were as follows:

Types of energy	Unit	Amount		Number of energy consumption factories or operating units		Density (amount/ number of factories or operating units)	
		For the year ended 31 December		For the year ended 31 December		For the year ended 31 December	
		2019	2018	2019	2018	2019	2018
Electricity	KWh	64,297,000	41,028,000	15	12	4,286,500	3,419,000
Diesel oil	tonnes	150,964	5,446,000	2	4	75,500	1,361,500
Natural gas	m ³	1,920,258	203,000	7	5	274,300	40,600
Coal	kg	0	374	0	1	0	374

During the Reporting Period, two of the Group's factories no longer used diesel boiler equipment, and instead used more environmentally friendly electric boilers and natural gas boilers. As a result, the amount of diesel consumed has dropped significantly. In addition, the Group has not used coal as a source of production since September 2018.

In addition, the packaging material mainly used for our core business products (wood flooring, wood doors, wardrobes and cabinets) are corrugated fiberboard and carton boxes. During the Reporting Period, the consumption of papers was 17,241 tonnes (2018: 46,442tonnes). The decrease in paper consumption was due to that the Group no longer produces wallpaper products on its own during the Reporting Period.

As the water consumption of the Group is mainly for the use of water for employees, the water consumption was 369,638 square meters (2018: 362,060 square meters) during the Reporting Period.

The Group has taken the following measures to reduce our resource wastage and greenhouse gas emissions:

1. Active participation in and hosting tree planting activities

We have organized tree planting activities in various regions since 2006. For details, please refer to the section headed B8. "Community Investment" in the Report.

2. Diligent research and development in environmental-friendly products

The Group has conducted research on new environmental-friendly products over the years, such as the zero-carbon flooring launched in 2010, natural soybean plastic flooring launched in 2013, water-based paint door products and zero-aldehyde-emission underfloor heating flooring products launched in 2017. During the Reporting Period, the water-based paint door products have become main products in the wooden door business. With the high popularity of the water-based paint wooden doors, certain emissions (such as organic resin waste and waste organic solvents) decreased during the Reporting Period. For details of the products, please refer to the section headed B6. "Product Responsibility" in the Report.

3. Enhancement in the efficiency of production and office facilities through technological improvement

The new production plants of the Group have introduced production lines of high standards from Germany, Italy, etc. Through technological transformation and technological innovation, the products output rate has been improved, and management innovation has been adopted to achieve the enhancement of energy efficiency. Besides, the workshop lighting of some production plants of the Group has changed to LED lighting. At present, the Group's factories no longer use coal gas, and more of the Group's factory boilers have been upgraded to natural gas and electric boilers. As of 31 December 2019, only two factories of the Group still used diesel.

The construction of the Group's headquarters building located in Shunde District, Foshan City, Guangdong Province was formally completed. At the end of 2018, the Group formally relocated to the new headquarters building. The new headquarters of the Group is located at the "Wisdom Valley of the South" (南方智谷) of Guangdong-Hong Kong-Macao Greater Bay Area. As the headquarters of the Group that takes advantage of technological innovation, talent gathering, and transportation hubs, etc, to achieve industrial upgrading and transformation, the overall planning and construction of the Group's headquarters building are based on the principles of reducing consumption, energy saving, and high efficiency. Including the office's overall natural lighting design, lighting automatic sensing system, indoor and outdoor plant cultivation, etc.

4. Reduction in packaging materials wastage

The major packaging materials used by the products of our principal activities (wood flooring, wood doors, wardrobes and cabinets) are corrugated fiberboard and carton boxes. The Group prefers to use recycled paper as packaging materials. In addition, the Group constantly improve the design and cutting of its product package in order to minimize the consumption of packaging materials.

5. Reduction in resource wastage through employee training on energy saving and other measures

We are fully aware of the important role of employees in industrial waste minimization so we have invested sufficient resources to promote the correct environmental protection ideas and the environmental protection principle of the Group to our employees in order to enhance their awareness of waste minimization. We have also set up an environmental protection team which is responsible for formulating and implementing the environmental protection strategies of the Group and coordinating the environmental protection work of various business units. The Company has strictly implemented the "6S" production management system with a theme of energy and material saving as well as consumption and pollution reduction so as to develop a circular economy and further improve the energy management system. During the Reporting Period, the Group continued to promote the "Strictly Save from Me" campaign at its headquarter, requiring staff to implement various energy-saving measures, including the measures relating to air conditioners, lights and office facilities.

A3. Environment and Natural Resources

The major products produced and sold by the Group include wood flooring, wood doors, wardrobes and cabinets. Therefore, the Group's largest consumption of natural resources is timber.

The Group previously owned the land use rights and forestry concessions of forest assets in Yunnan Province, China and Yurimaguas and Sepahua, Peru. Those forest assets contained several species of trees that were used in the production of premium solid wood flooring products. The Group has strictly complied with the existing state and provincial environmental protection laws, regulations and standards.

In addition, we have also taken a variety of measures to ensure the sustainable development of timber. The Group is a founding member of the Global Forest Trade Network (China) (GFTN-China), a program established by the World Wide Fund for Nature (WWF) to promote forest products purchasing from legitimate sources and responsible forest management. Since our joining of GFTN-China in 2005, we have received various training and information from GFTN-China relating to chain of custody management to ensure legitimate timber sourcing and forest management in compliance with FSC standard.

For production and operation, we have also promoted the 100% utilization rate of timber. The sawdust produced during the production process of the Group's wood products were substantially recycled for the subsequent use as fuel or for other wood products such as paper.

B. Society

B1. Employment

Our employees are one of the most vital assets of the Group, and are the keys to success and sustainable development. The Group has in place a series of policy and process in respect of human resources management, including but not limited to recruitment and promotion, remuneration and resignation, working hour, holiday, equal opportunity, diversity, anti-discrimination, benefit, prohibition of employing child labor, forced labor, etc.

The Group determines reasonable working hours and break time in accordance with the local employment laws and the employment contracts. In addition to statutory holidays, such as paid annual leave, set out by the local employment laws, our employees have extra holidays, like maternity leave, emergency leave, etc.

The Group strives to provide a safe and comfortable environment for our employees to advance their careers and raise the standards within the professions. To safeguard the interest of our employees, the human resources policy of the Group strictly complies with the employment laws and regulations applicable to Hong Kong, the PRC and Cambodia, including the Employment Ordinance, the Mandatory Provident Fund Ordinance and the Minimum Wage Ordinance of Hong Kong and the Labor Law, the Labor Contract Law, the Social Insurance Law and the Regulation on Work-Related Injury Insurances of the PRC and applicable laws in Cambodia in relation to labour. The Group complies with the Social Insurance Law of the PRC to provide our employees with social welfare protection, including pension, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. The Human Resources Department of the Group regularly reviews and updates the relevant policies of the Group in accordance with the latest laws and regulations.



The Group has in place a detailed employee selection process to ensure that only eligible employees are recruited. We have also prepared different employee training guidelines and programs. To provide better incentives and equal opportunities to our employees and assess their performance so as to ensure that their are acting in line with the goals of the Group, we have set up a comprehensive performance appraisal system. With the powerful information system of our Group, we compute the key performance indicators (the “KPI”) of our employees of all hierarchies as well as the Management based on actual statistics and have in place a series of reward mechanism based on the KPI. Also, the bonus, share options and shares awarded by the Group to its employees are based on the KPI.

The Group also commits itself to promoting equal opportunities to create a fair and just working environment, which can put forward all the anti-discrimination and equal opportunity decisions regarding the human resources and employment. For example, the Group does not take into account the race, social hierarchy, nationality, religion, disability, gender, sexual orientation, membership of trade union or political relationship when considering the issues of employment, remuneration, training, promotion, dismissal or retirement. The Group also respects the freedom of all employees to form and join trade union and their rights to collective bargaining.

During the Reporting Period, the Group was not aware of any material breach of the employment-related laws and regulations which had significant impact on the Company.

B2. Health and Safety

The Group implements the safety production policy of “safety, prevention and comprehensive governance”, always puts safety work first. We have formulated safety operation rules and standardized operation standards for each working position, and regularly provide relevant labor protection materials to ensure the safety of our employees. The Group dedicates itself to implementing every measure to ensure our employees’ safety and health, including (among others):

- Conducting before-service and on-the-job safety training;
- Regularly arranging body checkups for employees at the positions with occupational hazards and instructing them to wear protective products;
- Giving priority to the safety of the equipment when making the equipment purchase and devices that minimize work injuries being used during the production process;
- Reinforcing the inspection of on-site hidden safety risks and the follow-up actions and the Group assumes all the liability to safeguard the employees’ health and safety;
- Assigning the Manager of the Administration Department to take up all the work relating to the employees’ health and safety and execute the requirements of the Company relating thereto;
- Conducting occupational health and safety training, including emergency management and machine guarding, and affixing safety signage, slogan and warning labels to remind the employees of preventing from accidents and raising the safety awareness.

The Group also includes safety risks control in the KPI assessment to raise the safety risks awareness of the person-in-charge.

During the Reporting Period, the Group's human resources management had no material breach of or non-compliance with the applicable laws and regulations (including the prohibition of employing child labor or forced labor) which had material impact on the Group.

B3. Development and Training

The Group places a great emphasis on employee training and has prepared a set of Training and Management Regime for both internal and external training and the relevant requirements. We provide orientation training to all new employees, including lectures in the classroom and practices in the factory in order to give a better understanding of our corporate culture, business procedures, work safety requirements, management policies and the development strategies of the Group. For our existing employees, the Group also arranges different training programs every month. In spite of the regular work and internal training, the Group also appoints external professionals from time to time to provide different training programs to our employees.

Besides, the Group has also launched a campus recruitment program, through which outstanding fresh degree graduates from popular institutions are recruited every year.

To support the continuous education of the employees, the Group funds the continuous education fund every year to subsidize the employees to educate themselves continuously or acquire professional qualifications, and offers them paid leave regarding thereto.

B4. Labor Standards

The Group has been striving to establish a harmonious relationship with mutual respect with our employees in order to safeguard their interest well. In this regard, we adopt a series of measures including the prohibition of forced labor by the use of violence, threats or other illegal acts and the prohibition of employing child labor in strict accordance with the relevant requirements of the Labor Law.

Before recruiting, all eligible recruits shall not be minors and have obtained identity documents issued by the public security authorities, and shall execute a labor contract to mitigate the risk of forced labor. All recruitments shall be voluntary and lawful.

During the Reporting Period, the Group was not aware of any material breach of laws and regulations regarding the prohibition of employing child labor or forced labor which had significant impact on the Company.

B5. Supply Chain Management

We have strict requirements on the suppliers and the stability of the supply chain. Before working with our Group, all the suppliers which supplies timber for production shall pass the supplier assessment. We will review their business license, certified qualifications, certifications and safety management. Besides, our staff will also carry-out on-site assessment and sampling of their products. Only the suppliers fulfilling and passing all the above requirements could be included in the eligible list of suppliers.

The Quality Control Center of the Group's Supply Chain Management Department is responsible for regular sampling of the raw materials and finished goods of all factories and the delivery to the examination center. If the certified qualifications or product quality of a supplier are found unsatisfactory, the supplier is subject to a penalty and corrective measures or even the cessation of cooperation to ensure the quality and safety of the products of the Group. We will also conduct annual review of the suppliers to ensure their products and services fulfil the quality requirements and the principle of sustainable development.

The Group is a founding member of the Global Forest Trade Network (China) (GFTN-China), a program established by the World Wide Fund to promote forest product purchasing from legitimate sources and responsible forest management. Since our joining of GFTN-China in 2005, we have received various training and information from GFTN-China relating to chain of custody management to ensure legitimate timber sourcing and forest management in compliance with FSC standard.

In respect of the timber sources, as one of the first member unit of the Global Forest Trade Network (China), the Group has formulated a responsible timber product purchase policy, selecting suppliers with sound forest management consciousness as our long-term partner. The Group requires all timber suppliers to provide a certificate of their timber source when delivering raw materials to ensure traceable sources.

B6. Product responsibility

Our own brand, "Nature", was established in 2001, and has successfully created an image representing quality and safe products, healthy life as well as environmental protection among consumers. As a leading enterprise in the home decoration product industry, the Group is always committed to promoting and developing environment-friendly home decoration products. In 2010, the Group launched the zero-carbon flooring, and was awarded "Zero-carbon Certificate" from Shanghai Zero-carbon Information Technology Center, which made the Group the first wood flooring enterprise obtaining this certificate. In 2013, the Group launched the brand new natural soybean plastic flooring. The natural soybean plastic is a natural soybean adhesive made by soybean protein, which was extracted from natural soybean, which underwent active dissolution and a series of physical reactions. The natural soybean plastic was invented to replace the traditional chemical adhesive. During the Reporting Period, the Group launched zero-aldehyde-emission underfloor heating flooring products and water-based paint door products. Compared with traditional paint, water-based paint is a coating with water as diluent, without organic solvent, benzene, toluene, xylene, formaldehyde and toxic heavy metals, and also non-toxic and non irritating odor.

The Group greatly values the quality of our home decoration products. Each of the factories (including our own factories and the factories of our authorised manufacturers) of the Group has obtained the relevant authoritative certifications regarding product quality in its own field, including ISO9001, ISO14001, FSC and China Environment Labelling Product Certificate, etc.

The Group's home decoration products business strictly complies with the laws and regulations related to product safety and hygiene, including the Product Quality Law and the Law on the Protection of Consumers' Rights and Interests in PRC. Particularly during the production process, the Group has formulated a series of strict regulations for the control over the formaldehyde of home decoration products. During the production of the products, our factories (including our own factories and third party authorised factories) are required to test the amount of formaldehyde in the semi-finished products whenever the products are made of materials containing formaldehyde. The semi-finished products are allowed to be put into use only when they have passed the test. The factories must conduct formaldehyde tests on the finished products which contain formaldehyde before delivering the products, and issue testing reports on them. Unqualified products must not be delivered. The factories also have to check the relevant records on a daily basis. The Quality Control Center of the Supply Chain Management Department verifies the relevant records from time to time to ensure the effective control over procedures. We also arrange regular training for the employees of quality control department in order to ensure the employees' knowledge and skills being in compliance with the enhancing quality requirements.

High-quality and safe products are the core strength of the Group. We will continue to develop new products based on the principles of health and environmental protection. For example, in 2020, the Group launched the nano antibacterial flooring products, for which natural mineral anion antibacterial agents are used and evenly integrated into the wear-resistant layer on the surface of floorings.

In respect of the promotion materials and product labels, the Group strictly conforms to the laws and regulations regarding advertising labeling. Promotion and advertisement materials shall be examined and approved by the legal department of the Group, and all the content of promotion and advertisement materials must be recognized to be legal and impartial before their publication. In addition, the Group has adopted a real-name system for its flooring products, meaning the wood species are indicated beneath the flooring products and every wood species is rigidly identified by the Group.

During the Reporting Period, the Group was not aware of any material breach of laws and regulations relating to our products and having significant impact on the Company.

B7. Anti-corruption

The Company is strongly convinced that integrity management is the basis of corporate social responsibility, so we are committed to establishing and keeping on improving the internal control system to prevent bribery (including offering and accepting bribe) and fraud. The management of the Company must not tolerate bribery and fraud. The Group formulated and implemented the Corruption Prevention Management Regulations and the Code of Conduct for Employees and Senior Management of the Company (the "Regulations") in 2014 and 2016, respectively, in order to regulate the integrity conduct of all employees of the Group, strengthen the mechanism of advocating anti-corruption and promoting moral cleanliness, protect the employees' interests, and create a fair, impartial, honest and transparent business environment. The Regulations regulate the conducts of all employees of the Group. In respect of anti-corruption, the Regulations specify (including but not limited to) that:

- Employees shall not accept any excessive hospitality provided by business related parties such as suppliers and distributors;

- Employees must strictly perform the undertaking of integrity, and reject any precious property offered by business related parties such as suppliers and distributors;
- Employees must be scrupulous in separating public from private interests, and shall not embezzle the property and fund of the Company in any manner;
- Employees shall not use their position to connive or collude with suppliers or distributors to transfer benefits or impair the interests of the Company;
- Employees shall not induce or please their superiors with property or benefits to gain the opportunity or advantage such as transfers, promotion or resource allocations. Employees shall not induce or spite their subordinates with the opportunity or advantage such as transfers, promotion or resource allocations to gain property or benefits;
- Employees must not engage in for-profit operations and pay agency activities that are related to the businesses of the Company, or invest in the capital of the enterprises engaging in similar businesses or affiliated enterprises of the Company, or the enterprises maintaining business relationship with the Company;
- Employees shall not divulge the contracts of the Company including invitations to bid, opening of bid and determination of bid, and shall keep all kinds of information confidential;
- Employees shall not extort or accept any property of the Company or other persons, or occupy the property of the Company or other persons in the name of borrowing;
- Employees and their spouses, children and other specific related persons shall not invest in the capital of or conduct economic transactions with the affiliated enterprises of the Company or the enterprises maintaining business relationship with the Company;
- Employees shall not provide favorable conditions to their spouses, children and other specific related persons for their engagement in for-profit business activities related to the Company's businesses; and
- Employees shall not collude with procurement officers to pay higher prices to purchase products or to purchase unqualified products which causing damage to the Company's interests.

To make the overall mechanism more effective, the audit and monitoring department of the Group has set comment boxes in the appropriate locations of different working places. The department issues integrity commitment questionnaire to all business partners (such as suppliers and distributors) each quarter to receive their opinions, suggestions and reports on the supervision system of integrity formed by the Company. The audit and monitoring department will immediately handle the reports and accusations related to the integrity professional conducts, and settle or propose settlement according to the details of the complaints.

In respect of the operation, the Group also includes proper provisions into the contracts entered into with the third party suppliers in order to specify the anti-corruption requirements of the Group.

The Group holds regular internal meetings and training seminars to promote the relevant knowledge and requirements regarding anti-corruption, and carries out regular inspection and reviews of the compliance with the relevant policy procedures.

In conclusion, the Company is convinced that integrity management is the basis of corporate social responsibility and also the mainstay of corporate competitive strengths and sustainable operation.

During the Reporting Period, the Group was not aware of any material breach of laws and regulations relating to anti-corruption and having significant impact on the Company.

B8. Community investment

While adhering to the corporate development, the Group also shoulders the corporate social responsibility by actively participating in community service activities.

In 2006, we held the activity of “China Green Territory” aiming to protect the environment by tree planting. Since launching the activity, we held tree planting activities in different places every year, such as “Planting Trees for Yellow River”, “Planting Trees for Yangtze River” and “Planting Trees for Consumers”. The activities covered places including Shanxi, Guangdong, Beijing, Shandong, Gansu, Guizhou, Sichuan and Shaanxi. In 2015, the Company carried out the tree planting activity in Washington, D.C., the capital city of the United States, becoming the first Chinese enterprise carrying out tree planting in the United States.

On 22 April 2019, being the 50th Earth Day, and the 13th anniversary of “China Green Territory” launched by the Company, as we did in last year, with the theme of “Nature Force, One Plant Forward” (自然力量、一植向前), the Group continued to hold a joint charitable tree planting activity in Alxa, a major source of sand dust. Alxa is located in the western part of Inner Mongolia, with a desert area of nearly 200,000 square meters, this marks the twenty-third ecological forest of the Group’s public welfare project, and also the Group’s second-stage charity tree (*Haloxylon ammodendron*) plantation project in Alxa. The Group expects that the project will enhance the desert management in Ulanbu and the edge of the desert and provide ecological protection for economic development along the mountain.

In addition, we have held and participated in different charity activities that promote health and environmental protection for many years, including the “Shanghai International Interactive Rope Grand Prix” co-organized by the Group during the Reporting Period and “Earth Hour”, “Nature Charity Jumping Festival”, etc, held every year. The Group also occasionally donates to charity organizations and participates in donation activities (for example, we participated in the “Nanning Economic Development Caring Enterprise Donation Activities for Poverty Alleviation” (南寧經開愛心企業扶貧捐贈活動) during the Reporting Period). During the Reporting Period, the Group totally donated RMB1,484,000 to charitable organizations.

Hong Kong Stock Exchange Environmental, Social and Governance Reporting Guide Index

ESG Index	Key Performance	Description	Chapter
Environment			
A1	Emissions	The policies; and compliance with relevant laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	A1
A1.1	Types of emissions and data	The types of emissions and respective emission data.	A1
A1.2	Greenhouse gas	Greenhouse gas emissions in total.	N/A
A1.3	Hazardous waste	Total hazardous waste produced.	A1
A1.4	Non-hazardous waste	Total non-hazardous waste produced.	N/A
A1.5	Measures to mitigate emissions	Description of measures to mitigate emissions and result achieved.	A1
A1.6	Waste disposal methods	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	A1
A2	Use of Resources	Policies on the efficient use of resources including energy, water and other raw materials.	A2
A2.1	Energy consumption in total and intensity	Direct and/or indirect energy consumption by type in total and intensity.	A2
A2.2	Water consumption and intensity	Water consumption in total and intensity.	A2
A2.3	Energy use efficiency	Description of energy use efficiency initiatives and result achieved.	A2
A2.4	Water efficiency initiatives	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	A2
A2.5	Total packaging material	Total packaging material used for finished products.	A2
A3	The Environment and Natural Resources	Policies on minimizing the Group's significant impact on the environment and natural resources.	A3
A3.1	Activities	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	A3

ESG Index	Key Performance	Description	Chapter
Social			
B1	Employment	The policies; and compliance with relevant laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	B1
B2	Health and Safety	The policies; and compliance with relevant laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards.	B2
B3	Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	B3
B4	Labor Standards	The policies; and compliance with relevant laws and regulations that have a significant impact on the Group relating to preventing child and forced labour.	B4
B5	Supply Chain Management	Policies on managing environmental and social risks of the supply chain.	B5
B6	Product Responsibility	The policies; and compliance with relevant laws and regulations that have a significant impact on the Group relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	B6
B7	Anti-corruption	The policies; and compliance with relevant laws and regulations that have a significant impact on the Group relating to bribery, extortion, fraud and money laundering.	B7
B8	Community Investment	Policies on community engagement to understand the needs of the communities where the Group operates and to ensure its activities take into consideration the communities' interests.	B8