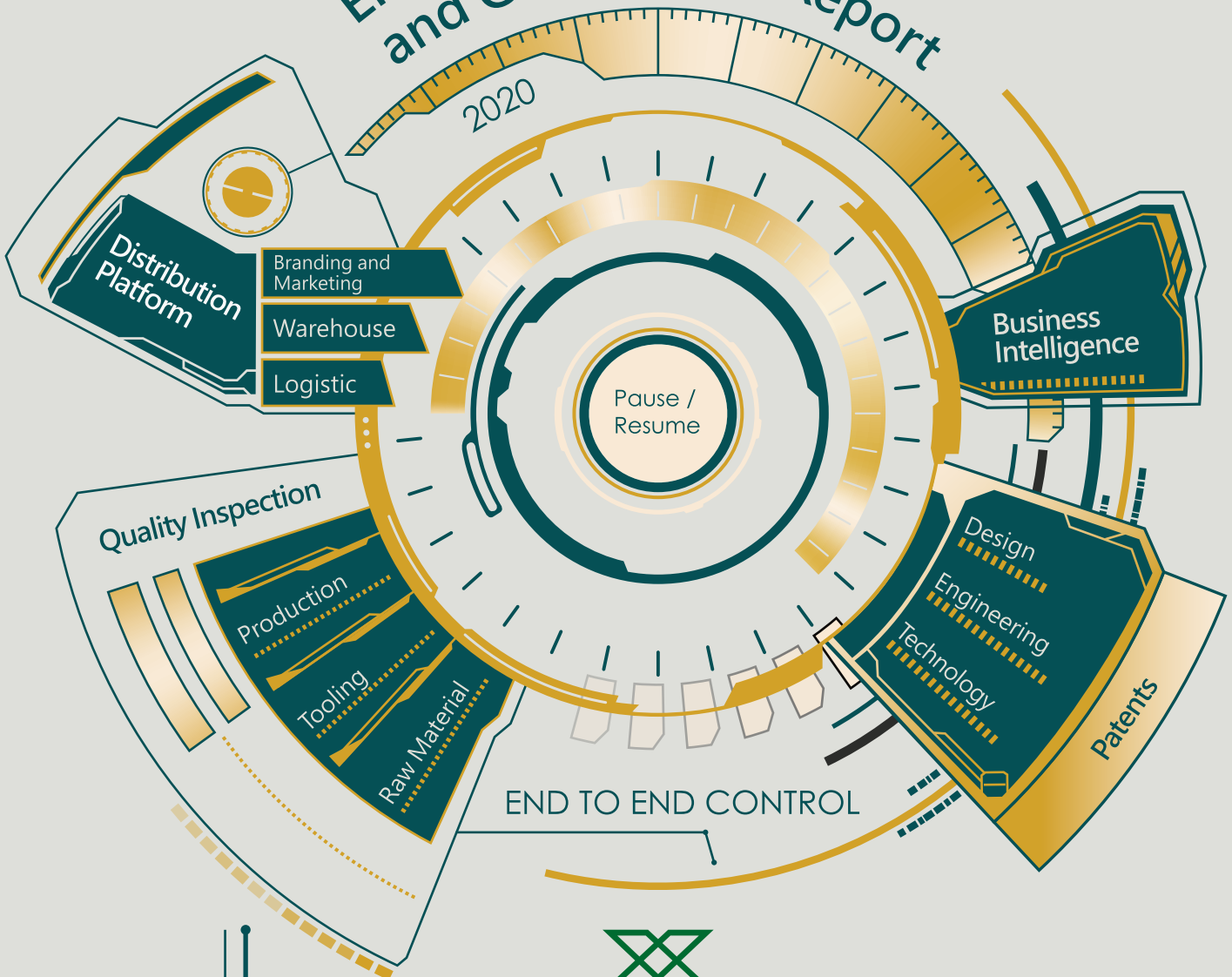


# Environmental, Social and Governance Report



King's Flair International (Holdings) Limited

科勁國際(控股)有限公司

Incorporated in the Cayman Islands with limited liability Stock Code : 6822



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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OUR BUSINESS

Since its establishment in 1989, King's Flair International (Holdings) Limited (the "Company", together with its subsidiaries, "King's Flair" or the "Group") has been an integrated one-stop kitchenware and household product solutions provider, providing quality services including production engineering, supply chain management and warehousing, to renowned kitchenware and household product brands from North America, Europe, and Asia.

The Group aims to deliver five core values through its services, including:

### Trust

King's Flair strives to earn customers' trust and build long-term relationships by providing professional advice, market strategy insights and quality production.

### Extra Care-and-Control

King's Flair believes through tenacious control and intimate knowledge of the production process, the Group can anticipate potential problems and effectively manage risks in the supply chain.

### Extra Creativity

King's Flair provides value-added services to the traditional ODM model by seeking distinctive design solutions.

### Speed

King's Flair thrives in a fast-paced environment without sacrificing quality.

### Expertise

King's Flair sees continuous learning and adapting to the rapidly-evolving market as an essential value in constantly honing its entrepreneurial edge.

### ABOUT THE REPORT

The Environmental, Social and Governance (“ESG”) Report (“Report”) published by the Group reports policies, measures and performances of the Group from the ESG aspects. It allows all stakeholders to understand the progress and development direction of the Group. Available in both Chinese and English, the report has been uploaded to the websites of SEHK and the Group ([www.kingsflair.com.hk](http://www.kingsflair.com.hk)). This Report has been confirmed by the ESG Committee of the Group and approved by the Board of Directors (the “Board”) in June 2021.

The Group welcomes comments and feedback from stakeholders for continuous improvement via email ([ir@kingsflair.com.hk](mailto:ir@kingsflair.com.hk)).

### Reporting Period and Scope

Upholding the principle of materiality, this report focuses on the operation of the Group’s primary business segment of trading of kitchenware and household products during the Year, with such segment accounted for approximately 92% of the total revenue of the Group. On top of the boundary of the Group’s ESG Report published in the previous year, covering three offices in Hong Kong<sup>1</sup> (“head office and branch offices”), namely the Sheung Wan headquarter, Sheung Wan Office and Tsuen Wan Office, the Group has expanded its boundary to include the social performance of its Tai Po Office.

The Group understands that the Report has not covered all operations of King’s Flair. The Group is planning to expand its reporting boundary in the future, in order to better reflect the Group’s impact on the environment and society.

### Reporting Standard

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as contained in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The four reporting principles form the backbone of this report.

### Materiality

The Group focuses on reporting topics that it has significant impacts on the environment and society.

### Quantitative

The Group ensures the Key Performance Indicators (“KPIs”) are measurable and accompanied by a narrative explaining its purpose, impacts and calculation methodology. The Group has also commissioned an independent consultant in assessing emissions and other environmental KPIs in accordance with local and international guidelines.

### Balance

The Report strives to provide an unbiased picture of the Group’s performance and avoid presentation formats that may inappropriately influence a decision or judgement by the report readers.

### Consistency

The Group adopts consistent data collection and calculation methodologies, and provides historical data where appropriate.

In order to allow shareholders to fully understand the ESG of the Group, this Report discloses not only KPIs about the environmental aspect in compliance with the “Comply or Explain” provisions, but also reports certain KPIs about social aspects as stated in “Recommended Disclosures” in the ESG Reporting Guide.

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<sup>1</sup> Due to the nature that the Tai Po office is shared with a business partner, the office’s environmental performance is not included in the reporting scope.

### MESSAGE FROM THE MANAGEMENT

As the COVID-19 epidemic continued to spread in 2020, the Group faced challenges in maintaining operating efficiencies. The Group's supply chain suffered from temporary disruptions, as a result of the temporary factory shutdowns in China and Southeast Asian countries, as well as other social distancing measures implemented by governments. Amongst these obstacles, the Group is aware of the importance of building resilience against environmental, social and governance risks.

In its strive to improve the Group's environmental and social performance, the Group sees sound governance practices as the cornerstone of relevant management. The Board appoints the ESG committee to assist the Board in managing ESG issues which have significant impacts on the environment and society. During the Year, King's Flair also established an ESG landscape, which focuses on three pillars, namely the environmental pillar, social pillar and governance pillar, to govern and guide our ESG development and progress.

Faced with the risks of the epidemic, King's Flair focused on protecting the employees' health and safety while maintaining supply chain efficiency. During the Year, King's Flair strived to combat the disruption brought by the epidemic, through measures such as setting up a contingency plan that allows flexible work arrangement of employees and audits of the supply chain on ESG performance.

Looking into the future, the Group is committed to building resilience based on its ESG landscape, addressing the risks by strengthening its governance structure, and enhancing its environmental and social performance. King's Flair will maintain active communication with its stakeholders on its ESG progress.

### **ENVIRONMENTAL, SOCIAL AND GOVERNANCE APPROACH**

Over the years, King's Flair has been working on strengthening its management on ESG issues. Under the Board's management, the Group attempts to incorporate ESG considerations into its business strategies whenever possible. King's Flair strives to cope with the risks brought by ESG issues, and at the same time, welcomes the opportunities identified during ESG management.

#### **Governance Structure**

The Board is committed to holding the ultimate responsibility for the Group's ESG management. The ESG Committee is delegated with the authority from the Board to be primarily responsible for overseeing ESG related issues that are significant to the Group's operation and the interest of its stakeholders. The ESG committee meets four times a year and the Board is engaged in ESG performance monitoring once a year. The ESG committee meets to discuss the following issues in relation to ESG management:

- The overarching ESG policy;
- Key ESG risks and opportunities faced by the Group;
- Key ESG KPIs reported at board level and performance monitoring.

During the Reporting Year, King's Flair has formulated an ESG landscape, which includes the issues that the Group has significant impacts on the environment and society. Through managing these issues, King's Flair aims to consistently act in the best interests of its stakeholders, and believes that effective management of ESG issues can potentially impact long-term shareholders' returns.

## Environmental, Social and Governance Report

Environmental Pillar	ESG Landscape of King's Flair		Governance Pillar
	Social Pillar		
<p><i>Climate Change</i></p> <ul style="list-style-type: none"> <li>• Carbon emissions</li> <li>• Product carbon footprint</li> <li>• Financing environmental impact</li> <li>• Climate vulnerability</li> </ul>	<p><i>Human Capital</i></p> <ul style="list-style-type: none"> <li>• Labour management</li> <li>• Health &amp; safety</li> <li>• Human capital development</li> <li>• Supply chain labour standards</li> </ul>		<p><i>Corporate Governance</i></p> <ul style="list-style-type: none"> <li>• Board diversity</li> </ul>
<p><i>Natural Resources</i></p> <ul style="list-style-type: none"> <li>• Raw material sourcing</li> </ul>	<p><i>Product Liability</i></p> <ul style="list-style-type: none"> <li>• Product safety &amp; quality</li> <li>• Chemical safety</li> <li>• Privacy &amp; data security</li> <li>• Health &amp; demo risk</li> </ul>		<p><i>Corporate Behaviour</i></p> <ul style="list-style-type: none"> <li>• Business ethics</li> <li>• Anti-competitive practices</li> <li>• Corruption &amp; instability</li> </ul>
<p><i>Pollution &amp; Waste</i></p> <ul style="list-style-type: none"> <li>• Toxic emissions &amp; waste</li> <li>• Packaging material &amp; waste</li> <li>• Electronic waste</li> </ul>	<p><i>Stakeholder Opposition</i></p> <ul style="list-style-type: none"> <li>• Controversial sourcing</li> </ul>		
<p><i>Environmental Opportunity</i></p> <ul style="list-style-type: none"> <li>• Opportunities in cleantech</li> <li>• Opportunities in renewable energy</li> </ul>	<p><i>Social Opportunity</i></p> <ul style="list-style-type: none"> <li>• Access to communication</li> <li>• Access to finance</li> <li>• Access to health care</li> <li>• Opportunities in nutrition &amp; health</li> </ul>		

### Risk Management

An effective risk management system would enable King's Flair to strengthen its resilience against ESG risks, such as climate-related risks, health and safety-related risks and risks in relation to supply chain labour practices. As part of King's Flair risk management framework, risks reviews are collated by the compliance officer and risk managers on a quarterly basis. For ESG risks rated with high impact, it would be captured in the Group's risk inventory, and will be conveyed to the ESG committee for review. Key sustainability risks that have been incorporated into King's Flair's inventory during the Year include:

#### ESG Risks Identified in 2020

In 2020, COVID-19 was a threatening risk to all mankind. The Group is concerned about its employees' health and safety, especially when commuting to work and in the offices' area.

Under COVID-19, there were the risk that suppliers' factory may shut down due to lockdown of cities. It could potentially cause the delayed delivery of products.

#### The Group's Response

The Group's contingency plan allows employees to work from home where necessary. Masks were also distributed to employees on a monthly basis.

In addition to the supply chain forecast conducted by the Group regularly, the Group maintained active communication with customers and suppliers in order to estimate product demand under the epidemic. Through working with both parties closely, the Group was able to manage the potential risks in its supply chain.

### Compliance Management

Complying with all relevant laws and regulations is the minimum requirement for the Group's operation. The Board has established a framework for managing internal controls and business risk management processes. Under the framework, the Group identifies laws and regulations that are significant to its operation. Management policies and measures are established to ensure the Group is compliant with all relevant laws and regulations at all times. Thus, risks of repercussions such as enforcement actions, fines, penalties and lawsuit due to non-compliance with relevant laws and regulations are then minimised. There was no incidence of non-compliance with relevant laws and regulations from King's Flair during the Year.



## Environmental, Social and Governance Report

The following lists out laws and regulations that have significant impacts on King's Flair's operations categorised in aspects:

Aspect	Relevant laws and regulations significant to the Group's operation
Environment	Air Pollution Control Ordinance, Waste Disposal Ordinance, Water Pollution Control Ordinance, Product Eco-responsibility Ordinance, Motor Vehicle Idling (Fixed Penalty) Ordinance
Employment	Employment Ordinance, Minimum Wage Ordinance, Employees' Compensation Ordinance
Health and safety	Occupational Safety and Health Ordinance
Product responsibility	<b>USA</b> Federal Food, Drug, and Cosmetics Act  <b>PRC</b> General Product Safety Directive, Registration, Evaluation and Authorisation and restriction of Chemicals, Product Quality Law  <b>Hong Kong</b> Personal Data (Privacy) Ordinance, Copyright Ordinance, Trade Descriptions Ordinance, Registered Design Ordinance
Anticorruption	<b>USA</b> Foreign Corruption Practices Act  <b>Hong Kong</b> Prevention of Bribery Ordinance

## STAKEHOLDER ENGAGEMENT

The Group values stakeholders' opinion on the road to sustainable development, and has been seeking to create value for them in which it operates. The Group strives to improve its environmental, social and governance performance through regular engagement with stakeholders. The Group collects feedback and opinion from stakeholders from different sectors, including internal stakeholders such as directors and employees, as well as external stakeholders, such as customers, suppliers and community etc.

### Communication with Stakeholders

The Group maintains communication with stakeholders through various channels, and aims to gain a better understanding of their feedback on the Group's environmental, social and governance strategy and performance. The comments and feedback from stakeholders allow the Group to develop its ESG strategies in response to their expectation.

Engagement Channels of Key Stakeholders		
<b>Employees</b>	<b>Customers</b>	<b>Suppliers</b>
Employee grievance channels, employee training and performance assessment	Customer satisfaction survey, customers' complaint mechanism and industry activities	Factory visits, supplier management meetings and supplier performance evaluations
<b>Shareholders</b>	<b>Investors and Analysts</b>	<b>Community</b>
General meetings, annual report and financial report, corporate communications	Investor presentations and business development meetings	Community partnerships and services

### Materiality Analysis

During the Year, the Board has validated material issues through a Board survey. Through the Board survey, Board members rated the 12 aspects listed under the ESG Guide, based on its importance to the Board member and its impact on the environment and society. Below are the material issues that have been identified and the Group's responses towards the material issues:

Material Aspects	Group's Response
Anti-corruption	The Group upholds the highest standard of ethical operation and does not tolerate any form of corruption within its operation. While policies are implemented stringently, the Group has conducted anti-corruption training for Board members and employees during the Year.
Health and Safety	The Group sees employees' health and safety as one of its top priorities. During the Year, the Group does not only set up a contingency plan to protect its employees, but it also expanded its medical insurance coverage to provide more comprehensive protection for its employees.
Product Responsibility	The Group seeks to provide top quality products for its customers. In its Tai Po office, King's Flair conducts research to continuously improve its product quality.
Employment	The Group cares about its employees and seeks to provide a fair working environment. During the Year, the Group has renewed its Procedure of Recruitment, Termination and Resignation to ensure equal opportunities.

**OPERATING RESPONSIBLY**

The Group upholds the highest standard of business integrity within its operating boundary, where corruption activities are prohibited, and customers’ rights are protected under sets of policies and procedures. King’s Flair strives to provide its customers with top quality products by maintaining a close relationship with both customers and suppliers. This is to ensure customers are engaged throughout the production process and suppliers are able to deliver products that meet customer’s expectation.

**2020 Highlights**

Conducted random supplier audits on their ESG performance	Established Supplier Selection, Approval and Evaluation Procedure and Customer Feedback Handling Procedure in the SOP <sup>2</sup>	Arranged anti-corruption training for the Board and employees
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**Honest Business**

With anti-corruption being the most material issue of the Year, the Group strives to maintain a fair and honest operation. As guided in the Staff Handbook, corruption activities and conflict of interest are prohibited throughout the Group’s operation. Moreover, the Group requires its business partners to abide by the Code of Business Conduct at all times to maintain ethical business operation.

The Group’s Whistleblowing Policy allows employees and partners to report any improper conduct, fraud and non-compliance activity in relation to the Group. The report is handled by the Whistleblowing Committee to ensure the whistleblowers are protected in confidentiality, and that the investigation is conducted in a fair manner. The Group also believes that raising awareness is an effective way to prevent corruption in any form. During the Year, the Group has arranged anti-corruption training for Board members and employees. There was a total of 34 employees participated in the anti-corruption training.

King’s Flair is committed to protecting and respecting intellectual property rights and customers’ privacy at all times. The Code of Business Conduct and Staff Handbook sets out policies to safeguard the rights of the Group and customers. To prevent leakage of design layout of patented products, confidential measures are strictly implemented. For example, potential suppliers are required to sign a confidentiality agreement for a quotation.

In addition, the Group’s Policy on IT Access Control and User Access Management safeguards customers’ intellectual property and data. The policy restricts access of employees and business partners to customers’ data in the Group’s system, and requires the Group to review employees’ authority to data access regularly to avoid excessive authorities.

<sup>2</sup> Standard Operating Procedures.

### Managing Suppliers' Performance

The Group relies on the close relationship with its suppliers to provide quality products for its customers. Therefore, the service quality of suppliers is crucial to customer satisfaction. During the Year, King's Flair has established the Supplier Selection, Approval and Evaluation Procedure in the SOP, where suppliers' environmental and social performance will be evaluated from time to time.

#### Procedures of Supplier Management

##### Supplier Selection

The Group draws references from industry sources including relevant regulatory agencies, international trade organisations, and manufacturers for new supplier proposals. King's Flair assesses suppliers based on suppliers' quotation, as well as its engineering, product development, and quality control capability.

Due to the Group's business nature, the quotation from suppliers may include confidential information from customers. Therefore, the Group requires all suppliers to sign a Confidentiality Supplier Agreement before quoting services.



##### Approving Suppliers

All new manufacturing suppliers are required to complete the Factory Evaluation Form including supporting documents to prove its capability in providing services as listed in the quotation.



##### Supplier Evaluation

The Group has established a rating system in assessing suppliers' performance. Every year, the Group evaluates existing suppliers according to its engineering and product development capability, as well as purchasing, shipping and logistics, quality control and financial performance.

For suppliers which receive a "Poor" rating, improvement measures are required for suppliers, and the Group will monitor its performance quarterly until improvement has been seen. For suppliers which receive an "Unsatisfied" rating, no new projects will be awarded and King's Flair will seek alternative sourcing.

As a key player in the Group's product life cycle, suppliers are required to follow the Quality Handbook for Suppliers' Products and the Code of Business Conduct. The two policies are formulated in order to regulate the performance of suppliers, and to reduce potential environmental and social risks in the supply chain. In the Code of Business Conduct, the Group has specified its expectation on suppliers in managing issues including human rights, the prohibition of child or forced labour, occupational health and safety, environmental compliance and business integrity.

### **Review of Suppliers' ESG Performance**

The Group also conducts ad-hoc supplier audits, in order to ensure the suppliers follow the Code of Business Conduct. In the Year, the Group conducted an audit with a supplier in Shenzhen for its performance on environmental compliance and occupational health and safety, where the supplier was rated with grade B and A respectively.

Looking into the future, the Group plans to incorporate the promotion of environmentally-preferable raw materials and production techniques into its supplier selection requirement. The Group will also explore the use of environmental-friendly raw materials via re-engineering process.

### **Enhanced Product Delivery**

King's Flair has been actively pursuing product quality improvement. As stipulated in the Group's Supplier Quality Manual, the Group has listed its requirement and expectation, covering quality, health and safety during raw material selection, production, warehousing management and inspection.

The Supplier Quality Manual strictly requires suppliers to maintain the required local and international health and safety requirements. In the selection of raw materials, a list of qualified raw materials is provided by the supplier, where all materials used for production have to be certified under the list of raw materials. Before production, the product specification list, material safety data sheet, REACH<sup>3</sup> report, and the food-grade compliance certificate are inspected.

During production, the Group's quality assurance professionals are appointed to the station in the production plants to monitor the production processes. The Group has also assigned separate machines to produce BPA-free materials to ensure that they are not contaminated by other materials. Prolonged storage of finished goods is prevented using the first-in, first-out warehousing management system, and sensitive materials such as polycarbonate, are separately stored in a designated location in the warehouse. Throughout the production process, the Group keeps close contact with the suppliers to ensure the products are compliant with applicable laws and regulations.

<sup>3</sup> Registration, Evaluation and Authorisation and Restriction of Chemicals

**Electrospinning Nanofiber Machine**

The Group’s endeavours to improve its product quality through innovative breakthroughs. At the Group’s Tai Po office, an electrospinning nanofiber machine is installed. The needleless electrospinning technology allows the production of nanofiber from polymer solutions. Its automated function does not only significantly reduce maintenance cost, but also allows the scale-up of production lines at consistent quality. The nanofiber technology could be applied to water filtration, air filtration, smart textile and facial products of the Group’s business.

The Group sees customers’ feedback as the motivation for continuous improvement. During the Year, King’s Flair has included the Customer Feedback Handling Procedure into its SOP:

Customer Feedback Handling Procedure			
<p><b>Cause Identification</b></p> <p>Upon receiving complaints from customers, the Group immediately categorise the complaint and identify its cause.</p> <p>Complaint Category:</p> <ul style="list-style-type: none"> <li>• Operation</li> <li>• Customer services</li> <li>• Cost</li> <li>• Product quality</li> <li>• Engineering</li> </ul>	<p><b>Investigation</b></p> <p>The Group then appoints the relevant department to investigate the cause of the issue.</p>	<p><b>Correction</b></p> <p>The Group requires the relevant department to address the customers’ concern with a workable solution within 72 hours upon receiving the complaints</p>	<p><b>Communication</b></p> <p>Throughout the entire process, the Group shall maintain active communication with customers to keep them updated on the progress, and ensure the complaining issues are settled with a satisfying solution.</p>

### BUILDING A FAIR AND ENJOYABLE WORKPLACE

The Group strives to provide a fair and friendly working environment for employees. The Group is committed to providing employees with a healthy and safe working environment that enables them to develop their career according to their strengths and interests.

#### 2020 Highlights

Updated Procedure of Recruitment, Termination and Resignation

Hired two employees from Employment Programme for the Elderly and Middle-aged

Set up a contingency plan for the handling of COVID-19

### Caring for Employees

The Group has stipulated policies relating to remuneration, dismissal, working hours, holidays, anti-discrimination, benefits and welfare in the Staff Handbook. Employees are welcomed to refer to the Staff Handbook for their rights and obligations.

#### Remuneration

The remuneration of employees is set with reference to market standards and individual performance.

#### Working hours and holiday

The Staff Handbook sets out guidance on the working hours and leaves system. In addition to statutory holidays, employees can enjoy paid annual leave, wedding leave, maternity leave, paternity leave, birthday leave and other holidays according to their rank and service years.

#### Anti-discrimination and anti-harassment

The Group is committed to creating a harassment-free corporate environment. Guidance on anti-discrimination and anti-harassment have been set out in the Staff Handbook for employees to follow.

In case of reported discrimination or harassment incidents, the Group's senior management will participate in the incident investigation.

#### Benefits and Welfare

The Group aims to support employees and their family, as well as their future generations in pursuing tertiary education. King's Flair has established an interest-free loan for employees' children for education purpose. Each employee who has worked in the Group for ten years or more can apply for a loan of up to HK\$200,000



### Labour Standards

The Group verifies the age and other qualification by collecting the candidates' personal information during recruitment. The Group ensures alignment with employees on issues including human rights, employees' interests with employment contracts and the Code of Business Conduct.

### Equal opportunity

The Group is committed to treating all employees equally, regardless of their gender, race, religion, illness, mental or physical disability, family status, sexual orientation or political status. King's Flair has updated the Procedure of Recruitment, Termination and Resignation during the Year to ensure the entire recruitment process adheres to the principles of equal opportunities.

The Group is a participant of the Government's Employment Programme for the Elderly and Middle-aged. During the Year, the Group hired two employees from the programme. The Group recognises the employees' ability regardless of their age.

The Group understands that promoting diversity enables a more sustainable working environment. King's Flair is actively seeking measures suitable for the Group's operation in promoting diversity. For example, the Group will consider the possibility in add a lactation room in the offices.

In the Year, the Group's employee ratio (male to female) was 1.54:1.

### Ensuring Occupational Health and Safety

The Group has put in place the Environmental, Health and Safety Policies, which clearly states its commitment and responsibility in safeguarding employees' health and safety. The Group has implemented measures including placing air purifiers to improve indoor air quality, participation in the fire drill and regular inspection of safety equipment at the head office and branch offices. In case of work injury incidents, employees should report injury cases to supervisors immediately. The department head has the discretion to decide or assess the severity of the accident, and to arrange proper treatment for the employee.

During the rough times of COVID-19, the Group's priority is to protect the health and safety of its employees. In the Year, the Group has set up a contingency plan that allows employees who are pregnant or with chronic diseases to work from home, which lowered their risk of infection from daily commuting. For employees with symptoms, work from home is recommended until they have been tested negative. In addition, the Group also distributed face masks regularly.

The Group recognises the importance of promoting well-being within the working environment. As an office-based operation, the Group cares for the mental health of the employees. Although well-being activities are restricted in the Year due to the epidemic, the Group hopes to resume these activities gradually to encourage a work-life balanced environment.

### Supporting Employees' Career Advancement

The Group supports employees' career advancement and encourages continuous learning from employees. The Staff Handbook stipulated the Group's commitment and guidelines regarding training, and has set out programmes for employees in pursuing continuous professional education.

Due to the epidemic, the Group has reduced the frequency of external training during the Year, while maintaining internal training sessions for employees. During the Year, total employee training hours of the Group reached 111 hours. Highlights of training programmes are described as below:

#### Sponsorship Programme

The Group offers sponsorship for master or bachelor degree programmes to its employees. All employees who worked at the Group for two years or more are eligible for training sponsorship with a maximum amount of HK\$150,000.

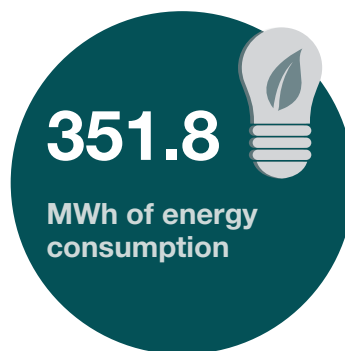
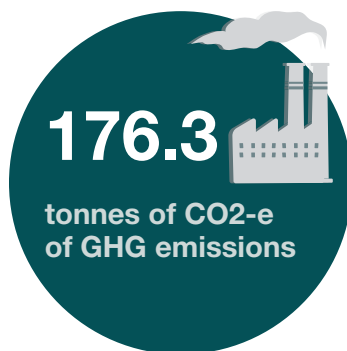
Training Activities	Description
Training on Labour Laws and employees' rights	Two training in relation to labour laws and employees' rights were delivered in the Year. The training aimed to ensure the Group's policies adhere to the latest laws and regulations.
Laboratory Safety Workshop	A workshop for laboratory safety was conducted to raise awareness.

Every year, performance appraisal will be conducted by the employees themselves, as well as their supervisors. Details of the Group's performance management system could be found in the previous year's ESG Report.

## PROMOTING ENVIRONMENTAL PROTECTION

As stipulated in the Environment, Health and Safety Policy, the Group is committed to supporting environmental protection in Hong Kong. The Group strives to minimise its impact on the environment through implementing measures on emissions, and use of resources.

### 2020 HIGHLIGHTS



#### Reducing Emissions

Emissions of the Group's operation mainly come from the use of electricity at the head office and office branches. Hence, the Group strives to reduce emissions by managing its electricity usage. Further details on the measures implemented to conserve energy are described in the "Conserving Resources" section. The Group also understands that a reliable quantification of greenhouse gas ("GHG") emissions would enable King's Flair to compare emissions on a year-on-year basis, and thus, evaluating the effectiveness of measures implemented. As a result, the Group commissioned a professional sustainability consultant to conduct carbon assessment<sup>4</sup> during the Year.

In the Year, the total GHG emissions of the head office and office branches was 176.3 tonnes of CO<sub>2</sub>-e. The major source of emissions was Scope 2 emissions from purchased electricity, accounted for 136.9 tonnes of CO<sub>2</sub>-e, or 78% of the total emissions. It is followed by Scope 1 emissions of combustion of fossil fuels, which accounted for 24.8 tonnes of CO<sub>2</sub>-e, or 14% of the total emissions. Scope 3 emissions include business trips by air, paper waste disposal and electricity used for freshwater and sewage processing, which accounted for 14.6 tonnes of CO<sub>2</sub>-e, or 8% of the total emissions.

<sup>4</sup> The quantification was carried out according to 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, and with reference to international standards such as ISO14064-1 and the Greenhouse Gas Protocol.

Scopes <sup>5</sup>	GHG emissions	
	Emissions (tonnes of CO <sub>2</sub> -e)	
	2020	2019
Scope 1: Direct GHG emissions	<b>24.8</b>	90.3
Scope 2: Indirect GHG emissions	<b>136.9</b>	119.1
Scope 3: Other indirect GHG emissions	<b>14.6</b>	75.7
GHG emissions in total	<b>176.3</b>	285.1
GHG intensity (per square foot floor area)	<b>0.018</b>	0.027

Comparing with 2019, the total GHG emissions were reduced by 38%, while the GHG intensity was reduced by 33%. Due to the COVID-19, the Group has reduced business travels, which resulted in the reduced usage of passenger cars and leisure yacht. It contributed a significant reduction on Scope 1 emission of 73%. As a result of the restricted business travel, there was also an 81% reduction of Scope 3 emissions.

The usage of mobile vehicles would also generate air emissions including nitrogen oxides, sulphur oxides and respirable suspended particles. In the Year, the Group has emitted 257.2 kg of nitrogen oxides, 3.9 kg of sulphur oxides and 20.3 kg of respirable suspended particles, where all three air emissions were reduced by over 66%. King's Flair understands that the reduction of customers reception due to restricted visits to Hong Kong contributed largely to the reduction of emissions in the Year. Yet, the Groups strives to avoid a drastic increase in emissions after business travel is allowed again.

### Managing Waste Generation

During the Year, the Group generated 0.057 tonnes of hazardous waste and 4.70 tonnes of non-hazardous waste. In order to better reflect the environmental impact of the Group's operation, it expanded the scope of hazardous waste to include the disposal of electronic waste, resulting in the increase of hazardous waste disposal. As mentioned earlier, business travel was restricted in the Year, resulting in a larger number of employees working in the office, which causes an 18% increase in the non-hazardous waste generation when comparing to 2019.

<sup>5</sup> Scope 1 GHG emissions include emissions produced directly from combustion of fuels in mobile sources; Scope 2 GHG emissions include emissions produced by purchasing electricity from power companies; Scope 3 GHG emissions include methane gas generation from the disposal of wastepaper, emissions due to electricity used for fresh water and sewage process by the Water Supplier Department ("WSD") and the Drainage Services Department ("DSD") respectively, and business trips by air.

## Environmental, Social and Governance Report

The head office and branch offices have installed on-site waste separation bins to sort plastic bottles, metal and waste paper, which are regularly recorded by the administration and personnel department. During the Year, 339 kg of used paper is recycled. The recycled waste is collected and treated by certified recyclers.

Waste Types	Waste generation (tonnes)	
	2020	2019
Hazardous waste	<b>0.057</b>	0.019
Hazardous waste intensity (per 1,000 square foot floor area)	<b>0.006</b>	0.002
Non-hazardous waste	<b>4.70</b>	3.99
Non-hazardous waste intensity (per 1,000 square foot floor area)	<b>0.492</b>	0.382

The Group noticed there is an increase in takeaway meal packaging waste due to the restriction of dining in restaurants. In addition to the ongoing separation of waste, the Group promotes a “reducing waste at source” culture in the offices by replacing disposable utensils with reusable utensils during the COVID-19 period.

### Conserving Resources

The major consumption of resources at head office and branch offices are electricity, petrol, diesel, paper and water. The Group sends out reminders regularly to promote environmental protection and electricity saving at head office and branch offices. The Group encourages employees to switch off lights and air conditioning systems while not in use, as well as switching off computers, monitors and electronic equipment when possible.

During the Year, the Group’s total energy consumption was 351.8 MWh, 28% less when compared to the previous year, while the energy intensity was 0.037 MWh per square foot floor area. The reduction of energy consumption was mainly due to the reduced usage of petrol and diesel from mobile vehicles.

As a corporate that provides product design services, the Group uses a significant amount of paper during its operations. While the Group endeavours to encourage customers' in using electronic copies for design documents as much as possible, it also promotes a culture to avoid unnecessary paper usage in the offices.

Use of Paper	2020 (kg)
A4	1,452.0
A3	29.9
Coloured Paper	64.9

There was a 13% reduction in paper usage when comparing to the previous year.

### Embracing the Environment

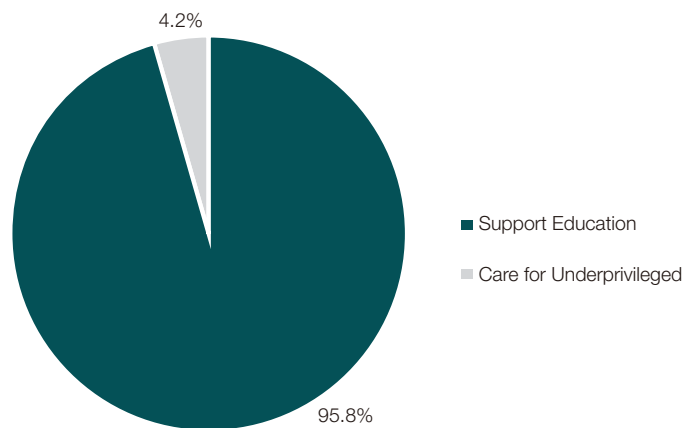
The Group is aware that the production of its products could cause significant impacts on the environment without proper supply chain management. The Quality Handbook for Suppliers' Products and Supplier Code of Conduct guide the raw material used, transportation, waste and chemical management and production emission of the suppliers' plants. The guidelines aim to reduce impact on the environment caused by products during their entire its life cycle. The Group also understands that climate change poses risks on its operations and supply chain. For example, extreme weather events could interrupt its supply chain logistics, which could delay project delivery leading to potential financial losses. The Group is committed to understanding and managing the risks posed by climate change, by setting up management policy and relevant measures in the future.

The Group's design team design products with environmentally friendly materials whenever possible, and aims to avoid unnecessary use of materials. The Group proactively identifies material parts that are durable in order to extend product life cycle.

### CARING FOR THE COMMUNITY

Investment in the community is a significant part of the Group’s efforts in promoting a caring culture within the Group. Due to the COVID-19, restriction of social distancing does not allow the Group to meaningfully assess its impact and potential contribution to the community. Therefore, the Group’s plan of community engagement policy was unfortunately postponed. However, the Group has a clear vision of contributing. During the Year, the Group focuses on helping the underprivileged, caring for the elderlies and promoting education.

In the Year, a total of over HK\$6.27 million were donated to organisations working for the furtherment of meaningful causes. Caring for the elderly has been the focus of King’s Flair community work. During the Year, the Group supported Christian Family Service Centre’s event for caring elderlies during the Chinese New Year 2020, by donating and distributing a total of HK\$9,000 coupons during the event. In addition, the Group also participated in the activity organised by the Hong Kong Young Industrialists Council, in distributing lucky bags to individuals in need.



King’s Flair believes that knowledge is a powerful tool to enhance people’s life. Over the years, the Group has been contributing regularly to support institutions and schools. In the Year, donations were made to the Hong Kong Polytechnic University, the Hong Kong University of Science and Technology, and other local schools. A total of HK\$5.78 million were donated to support Hong Kong’s education, where HK\$1.5 million was donated to support students who were facing hardship during COVID-19. Looking forward, the Group is planning to focus its community strategy on education, including sponsoring institutions on research and technology development projects.

## KEY PERFORMANCE INDICATORS SUMMARY

### Environmental Key Performance Indicators

	2020	2019	2018	Unit
<b>Emissions</b>				
<b>Types of emissions and respective emissions data<sup>6</sup></b>				
Nitrogen oxides	257.2	781.8	823.8	kg
Sulphur oxides	3.9	11.6	12.2	kg
Respirable suspended particles	20.6	62.5	65.9	kg
<b>Total GHG emissions and intensity</b>				
GHG emissions in total	176.4	285.1	328.2	tonnes of CO <sub>2</sub> -e
Scope 1	24.8	90.3	102.2	tonnes of CO <sub>2</sub> -e
Scope 2	136.9	119.1	153.0	tonnes of CO <sub>2</sub> -e
Scope 3	14.6	75.7	73.0	tonnes of CO <sub>2</sub> -e
Greenhouse gas intensity	0.018	0.027	0.029	tonnes of CO <sub>2</sub> -e/ square foot floor area
<b>Total hazardous waste and intensity</b>				
Total hazardous waste	0.057	0.019	0.018	tonnes
Hazardous waste intensity	0.006	0.002	0.002	tonnes/1,000 square foot floor area
<b>Total non-hazardous waste and intensity</b>				
Total non-hazardous waste	4.70	3.99	3.85	tonnes
Non-hazardous waste intensity	0.492	0.382	0.339	tonnes/1,000 square foot floor area
<b>Use of Resources</b>				
<b>Total direct/indirect energy consumption by type and intensity</b>				
Total energy consumption	351.8	487.1	567.4	MWh
Direct energy consumption	150.0	312.4	347.6	MWh
Petrol	85.9	116.1	141.2	MWh
Diesel	64.1	196.3	206.4	MWh
Indirect energy consumption	201.8	174.7	219.8	MWh
Purchased electricity	201.8	174.7	219.8	MWh
Energy Intensity	0.037	0.047	0.050	MWh/square foot floor area
<b>Total water consumption and intensity</b>				
Total water consumption	300.5	188.0	238.0	m <sup>3</sup>
Water consumption intensity	0.031	0.018	0.021	m <sup>3</sup> /square foot floor area

<sup>6</sup> Emissions from vehicles and vessels included, emissions were calculated in accordance with 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.



## Social Key Performance Indicators<sup>7</sup>

### Employment<sup>8,9</sup>

Number of Employees		2020	
By Gender	Male	77	
	Female	50	
By Rank	Level C Senior Management	9	
	Senior Management	25	
	Middle Management	62	
	General Staff	31	127
By Age Group	30 and below	29	
	31–40 years old	46	
	41–50 years old	33	
By Employment Category	Above 50 years old	19	
	Full-time	124	
	Part-time	3	
Gender Ratio (male to female)			1.54:1

### New Hire<sup>10</sup>

		2020	
By Gender	Male	19	
	Female	24	
By Age Group	30 and below	21	43
	31–40 years old	12	34%
	41–50 years old	6	
	Above 50 years old	4	

<sup>7</sup> Social Key Performance indicators includes employees from Tai Po office.

<sup>8</sup> Based on employees as at 31 December 2020.

<sup>9</sup> Other than employees employed by the Group, the Group also has workers that provides services for King's Flair and work at the Group's office from time to time. Workers includes consultants, courier staff, auditors and other maintenance staff. The Group does not contain records of number of workers of the Group, therefore, relevant could not be report.

<sup>10</sup> New hire rate = number of new employees during the Year/ number of employees as at 31 December 2020.

## Health and Safety

Fatality or injury rate		2020	
Employee suffered from work-related fatality or injury	Male	0	0
	Female	0	0
Lost days due to work injury	Male	0	0
	Female	0	0

## Training<sup>11</sup>

Number and percentage of employees trained <sup>12</sup>				2020	
By Gender	Male	46	60%	64	50%
	Female	18	36%		
By Rank	Level C Senior Management	13	144%	64	50%
	Senior Management	37	148%		
	Middle Management	13	148%		
	General Staff	1	3%		

Average Training Hours (hours) <sup>13</sup>			2020	
By Gender	Male		0.9	0.9
	Female		0.8	
By Rank	Level C Senior Management		2.1	0.9
	Senior Management		2.3	
	Middle Management		1.1	
	General Staff		0.2	

<sup>11</sup> Includes employees who have left the Group during the Year, therefore, training percentage of specific category could exceed 100%.

<sup>12</sup> Among the employees trained, the percentage of male and female are 72.7% and 27.3% respectively. Among the employees trained, the percentage of Level C Senior Management, Senior Management, Middle Management and General Staff are 24.2%, 51.5%, 22.7% and 1.5% respectively.

<sup>13</sup> Average training hours = total training hours of the particular category/ total number of employees of the particular category.

## REPORT CONTENT INDEX

Material Aspect	Content	Page Index/ Remarks
<b>A. Environmental</b>		
<b>A1 Emissions</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	
A1.1	The types of emissions and respective emissions data.	
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	
A1.3	Total hazardous waste produced and, where appropriate, intensity.	
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	
A1.5	Description of measures to mitigate emissions and results achieved.	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
<b>A2 Use of Resources</b>		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	
A2.2	Water consumption in total and intensity.	
A2.3	Description of energy use efficiency initiatives and results achieved.	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	No issue in sourcing water
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	
<b>A3 The Environment and Natural Resources</b>		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	

Material Aspect	Content	Page Index/ Remarks
<b>B. Social</b>		
<b>B1 Employment</b>		
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.	
B1.1	Total workforce by gender, employment type, age group and geographical region.	
<b>B2 Health and Safety</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	
B2.1	Number and rate of work-related fatalities.	
B2.2	Lost days due to work injury.	
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	
<b>B3 Development and Training</b>		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	
B3.1	The percentage of employees trained by gender and employee category.	
B3.2	The average training hours completed per employee by gender and employee category.	

Material Aspect	Content	Page Index/ Remarks
<b>B4 Labour Standards</b>		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	
B4.1	Description of measures to review employment practices to avoid child and forced labour.	
<b>B5 Supply Chain Management</b>		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	
<b>B6 Product Responsibility</b>		
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.	
B6.3	Description of practices relating to observing and protecting intellectual property rights.	
B6.4	Description of quality assurance process and recall procedures.	
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	

Material Aspect	Content	Page Index/ Remarks
<b>B7 Anticorruption</b>		
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.	
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.	
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	
<b>B8 Community Investment</b>		
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.	
B8.1	Focus areas of contribution.	
B8.2	Resources contributed to the focus area.	