



HUISEN GROUP

Huisen Household International Group Limited
匯森家居國際集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 2127



HUISEN GROUP

**Environmental, Social and
Governance Report**
2020

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ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

The Board of directors (the “Board”) of Huisen Household International Group Limited (the “Company”), together with its subsidiaries, (the “Group”) is pleased to present the environmental, social and governance report (the “ESG Report”) for the year ended 31 December 2020 (“FY2020”), summarises the environmental, social and governance (“ESG”) initiatives, plans and performances and demonstrates its commitment to sustainable development.

We are a manufacturer of furniture products based in the People’s Republic of China (“PRC”) with a primary focus on the Original Design Manufacturing (“ODM”) of panel-type furniture, upholstered furniture and other types of furniture. Our products are mainly sold directly on a wholesale basis to overseas retail chains, and by furniture traders in the U.S. and other markets. Moreover, we offer comprehensive manufacturing solutions to customers and have the ability to design, develop and manufacture functional and economical panel-type furniture, upholstered furniture, and other furniture such as outdoor and sports-type furniture. As at 31 December 2020, the Group had five self-owned production facilities located in Longnan and Nankang of Ganzhou, Jiangxi Province.

The Group implements the principles of sustainable development at all business levels including but not limited to daily operations, strategic planning and investments. Through adhering to the management policies of sustainable ESG development, the Group is committed to managing its ESG affairs effectively and responsibly. This has become a core part of the Group’s business strategy as we believe it is key to our continued success in the future.

The ESG Governance Structure

The Group has established its ESG Task Force (the “Task Force”). The Task Force comprises core members from different departments within the Group and is responsible for collecting relevant information on all areas of ESG for the preparation of the ESG Report. The Task Force reports to the board of directors of the Company (the “Board”), assists in identifying and assessing the Group’s ESG risks, and evaluates the effectiveness of the Group’s ESG internal control mechanisms. The Task Force also examines and assesses our performance in different areas such as environment, health and safety, labour standards, and product and service responsibility in the ESG area. The Board sets the general direction of the Group’s ESG strategy and ensures the effectiveness of our ESG risk controls and internal control mechanisms.

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Reporting Scope

As the manufacture and sales of furniture is the Group's largest revenue source, unless otherwise stated, this ESG Report mainly covers the business operations of the Group's five self-owned production facilities and its office in Jiangxi Province, PRC which the Group directly manages and controls. The Group continually assesses the significant ESG areas of its different businesses and major subsidiaries to determine whether they should be included them in its ESG reporting.

Reporting Framework

This ESG Report is prepared according to the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (the "ESG Reporting Guide"). The Group's corporate governance practices are set out in the Corporate Governance Report on pages 18 to 33 of Annual Report 2020.

Reporting Period

This ESG Report covers the ESG activities, challenges faced and measures taken by the Group from 1 January 2020 to 31 December 2020.

Contact and Feedback

The Group welcomes stakeholders' opinions and suggestions. You can provide valuable advice and suggestions about this ESG Report or the Group's performance in sustainable development using the following contact information:

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STAKEHOLDER ENGAGEMENT

The Group values stakeholder engagement and seeks their opinions on the business or any ESG concerns. To understand and respond to stakeholders' concerns, the Group closely communicates with key stakeholders including shareholders and investors, the Board and management, employees, customers, suppliers, social communities and the public. While formulating operational strategies and ESG measures, the Group considers the expectations of stakeholders and continuously improves its performance through cooperation, thus creating greater values for the community.

Through different stakeholder engagement and communication channels, the Group caters for stakeholder expectations in the Group's operation and ESG strategy. Stakeholder engagement and communication channels and their expectations are as follows:

Stakeholders	Communication Channels	Expectations
Shareholders and investors	<ul style="list-style-type: none"> • Annual general meeting and other general meetings • Financial reports • Announcements and circulars 	<ul style="list-style-type: none"> • Financial performance
The Board and management	<ul style="list-style-type: none"> • Board meetings • Regular meetings 	<ul style="list-style-type: none"> • Corporate sustainable development • Talent retention
Employees	<ul style="list-style-type: none"> • Training and seminars • Internal announcements and communication 	<ul style="list-style-type: none"> • Competitive salary and benefits • Healthy and safe working environment
Customers	<ul style="list-style-type: none"> • Customers service hotline • Company's website 	<ul style="list-style-type: none"> • Protection of customer rights and interests
Suppliers	<ul style="list-style-type: none"> • Site visits • Tele-conference 	<ul style="list-style-type: none"> • Cooperate with integrity • Responsible supply chain management
The society and the public	<ul style="list-style-type: none"> • ESG reports 	<ul style="list-style-type: none"> • Perform environmental protection

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MATERIALITY ASSESSMENT

To better understand stakeholders' opinions and expectations about its ESG performance, the Group has adopted a systematic approach and conducted an annual materiality assessment. Stakeholders can participate in the survey and rate potentially important topics associated with the Group's business development strategies and industry practices.

ESG Issues

Material Topics		
Low	Medium	High
Greenhouse gas ("GHG") Emissions	Waste Management	Energy Management
Water Management	Corporate Social Responsibility	Use of Packaging Materials
		Recruitment, Promotion and Dismissal
		Compensation and Benefits
		Occupational Safety Training
		Training Management
		Prevention of Child and Forced Labour
		Supply Chain Management
		Quality Assurance
		Customer Satisfaction
		Anti-corruption

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A. Environmental**A1. Emissions***Environmental Protection Policy and Compliance*

The Group is aware of the potential negative environmental impact caused by its operations and has taken initiatives to establish a range of environmental protection measures. The Group strives to nurture and strengthen employee awareness of environmental protection in their daily work processes. The Group embraces social responsibility to ensure sound environmental management initiatives and consistently pursue sustainable development.

In addition to GHG emissions and sewage discharge, the Group's business operations also generate solid waste and noise pollution during the manufacturing process of furniture. These may potentially impact the environment and also create related compliance risks for the Group. The Group has therefore formulated its Environmental Health and Safety Policy (環境健康安全政策) to ensure that emissions generated during its business operations fulfil national safety standards, thereby preventing and reducing environmental pollution by pollutants, protecting and improving the environment, and safeguarding the health of employees. Its Environmental Health and Safety Policy requires all workshops to install an exhaust system to ensure that exhaust gases are discharged through a purification filtering device to comply with safety, environmental protection and hygiene standards. We have established a management committee to oversee the implementation and effectiveness of this policy, promote its implementation, encourage all departments to adopt the system, and formulate the corresponding goals, guidelines and policies. Moreover, to continuously reduce the negative impact of its business on the environment, the Group has developed its 2021 Environmental Targets and Management Scheme (2021年環境目標指針及管理方案). This sets out both the issues that are likely to significantly impact the environment, and the corresponding goals, indicators, financial budgets, and related measures. These include issues arising from compliant processing of hazardous wastes, prevention of accidental fires, reducing noise emissions from factories, and limiting the discharge of exhaust gases and wastewater.

During FY2020, the Group was unaware of any material non-compliance with the laws and regulations relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste that would have a significant impact on the Group including but not limited to the Law on Environmental Protection of the People's Republic of China (《中華人民共和國環境保護法》), the Regulation on Prevention and Control of Environmental Noise Pollution of the People's Republic of China (《中華人民共和國噪聲污染防治條例》), the Law on Prevention and Control of Water Pollution of the People's Republic of China (《中華人民共和國水污染防治法》), the Law on Prevention and Control of Atmospheric Pollution of the People's Republic of China (《中華人民共和國大氣污染防治法》), Law on Prevention and Control of Environmental Pollution by Solid Waste of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) and the Law on Environmental Impact Assessment of the People's Republic of China (《中華人民共和國環境影響評價法》).

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Dust Emissions

The Group's principal activities involve the manufacture of furniture. During wood processing (such as cutting, drilling and other processes), dust and gas emissions are inevitable. To monitor the potential environmental impact caused by such operations, and to ensure that the corresponding emission levels meet the requirements of all relevant laws and regulations, our factories have obtained the necessary emission permits and the quality of exhaust gases is regularly checked.

To reduce dust emissions during the manufacturing process, the Group has developed the following measures:

- Use a central vacuum cleaner or cloth bag to handle wood dust generated by cutting and drilling;
- Maintain good indoor ventilation;
- Ensure ventilation systems operate normally;
- Regularly clean dust from the floor;
- Perform regular dust testing and keep detailed records of the results; and
- Implement dust-proof regional management. This requires that the persons in charge of each jurisdiction sprinkle, clean and maintain the operational efficiency of dust-proof facilities.

Exhaust Gas Emissions

The exhaust gas emissions generated during the business operations of the Group mainly come from vehicle emissions. The Group has adopted the following measures to reduce exhaust gas emissions, including:

- Switch off engines while waiting;
- Use unleaded fuel and low sulphur-content fuel according to legal requirements;
- Eliminate non-compliant vehicles according to the national emission policies and standards; and
- Optimise operational procedures to increase loading speeds and reduce the idling rate of vehicles.

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During FY2020, the performance summary of exhaust gas emissions of the Group was as follow:

Types of exhaust gas	Unit	Emissions
Nitrogen Oxide (NOx)	kg	1,112.55
Sulfur Oxide (SOx)	kg	0.95
Particulate Matter (PM)	kg	87.50

GHG Emissions

The major sources of the Group's GHG emissions are direct GHG emissions from the combustion of gasoline and diesel by vehicles (Scope 1) and energy indirect GHG emissions from purchased energy (Scope 2). The Group actively adopts electricity conservation and energy-saving measures to reduce GHG generation and emissions. Details are provided in the "Energy Consumption" section in Aspect A2.

During FY2020, the performance summary of the Group's GHG emissions was as follows:

Indicator ¹	Unit	Emissions
Direct GHG Emissions (Scope 1)	tCO ₂ e	345.97
Energy Indirect GHG Emissions (Scope 2)	tCO ₂ e	34,179.44
Total GHG emissions	tCO₂e	34,525.41
Total GHG Emissions Intensity ²	tCO ₂ e/million revenue	8.86

Notes:

1. The calculation of GHG emissions is based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development; "Emissions Factors from Cross-Sector Tools" published by the Greenhouse Gas Protocol; "2006 IPCC Guidelines for National Greenhouse Gas Inventories" published by the Intergovernmental Panel on Climate Change; "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 (AR5); "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by HKEX and "the 2019 Emission Reduction Project China Regional Power Grid Baseline Emission Factor".
2. During FY2020, the total revenue of the Group was approximately RMB3,895,548,000, which would also be used for calculating other intensity data.

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Waste Management

The Group believes that waste is most effectively reduced at source. We strive to reduce waste generation from the product design stage to the selection of raw material, and optimize processes through production controls. The Group has also formulated a Waste Management Plan (廢物管理計劃) that sets out the precautions and treatment methods for disposing of waste to minimise environmental impact. In addition, the Group rigorously manages waste treatment and has formulated specific treatment methods for non-hazardous and hazardous waste to comply with all relevant laws and regulations.

Hazardous Waste

To handle hazardous waste in an appropriate manner, the Group has formulated a Waste Management Plan and Environmental Protection Management Procedures (環境保護管理程序) to ensure the health and safety of employees and protect the environment. The Group's hazardous waste includes waste from production such as used silicon rubber as well as office waste such as toner cartridges. To ensure that all hazardous waste is handled properly, Waste Management Plan provides employees with guidance on the classification, storage, transfer and disposal of hazardous waste. The personnel of each department that generates hazardous waste must classify and assemble centrally in the designated storage locations and engage qualified hazardous waste treatment units approved by the environmental protection authority for disposal of these hazardous waste. Also, storage barrels for hazardous waste should have lids, lid hoops, and barrel plugs to prevent waste from leaking if they are overturned, and rainwater from entering.

To reduce waste generation, we strive to optimise production processes, strengthen management, and provide employee training. We also devise contingency plans for environmental emergencies at each factory to prevent any spillage or leakage of hazardous materials, thereby enhancing employee crisis consciousness when handling such materials. During FY2020, the hazardous waste disposal performance of the Group was summarised as follows:

Types of Hazardous Waste	Unit	Disposal
Waste from Production	Tonnes	1.57
Office Wastes	Tonnes	0.05
Total Hazardous Waste	Tonnes	1.62
Total Hazardous Wastes Intensity	Tonnes/million revenue	0.0004

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Non-hazardous Waste

The Group has developed its Waste Management Process to control non-hazardous waste management procedures. According to the Waste Management Process (廢棄物管理流程), all non-hazardous waste is properly classified and placed in the appropriate recycling bins by category. Responsible personnel will conduct regular checking on the recycling process. Through the above measures and policies, employee awareness on waste reduction has been increased. During FY2020, the Group's non-hazardous waste disposal performance was summarised as follows:

Types of Non-hazardous Waste	Unit	Disposal
Household Waste	Tonnes	150.00
Total Non-hazardous Waste	Tonnes	150.00
Total Non-hazardous Waste Intensity	Tonnes/million revenue	0.04

Sewage Discharge

The Group does not discharge large amounts of sewage during its production processes. However, the Group actively manages domestic sewage in its operations by separating rainwater and sewage disposal to avoid water pollution. The Group strictly prohibits employees from disposing of non-domestic sewage (such as used diesel, engine oil or edible oil) into domestic sewage and rainwater pipes.

A2. Use of Resources

To actively promote using resources effectively, the Group monitors the potential impact of its business operations on the environment in real time and encourages a green office and operating environment that minimises environmental impact and improves environmental sustainability. The Human Resources Department is responsible for analysing the trends on how the Group uses water, electricity, oil and other resources, checking for abnormal usage, continuously adjusting and improving all the time, and promoting employee environmental awareness.

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Energy Management

The Group is committed to optimising energy consumption in its business operations to reduce GHG emissions. To effectively reduce energy consumption, the Group has formulated an “Energy Use Policy (能源使用政策)” that enhances energy efficiency through various energy-saving measures.

Measures formulated by the Group to reduce energy consumption include:

- Prioritising the purchase of energy conservation equipment or products with national certifications;
- Replacing traditional incandescent lights with energy-saving lights;
- Encouraging employees to get into the habit of always turning off lights in unoccupied areas; and
- Turning off power outside working hours to reduce standby power consumption and avoid accidents.

Employee awareness of energy-saving has been strengthened with the above measures. The energy consumption performance of the Group during FY2020 was summarised as follows:

Types of Energy Sources	Unit	Energy Consumption
Direct Energy Consumption	MWh	1,350.15
Petrol	MWh	525.76
Diesel fuel	MWh	824.39
Indirect Energy Consumption	MWh	39,803.71
Electricity	MWh	39,803.71
Total Energy Consumption	MWh	41,153.86
Energy Consumption Intensity	MWh/million revenue	10.56

Water Management

The Group mainly consumes water for factory cleaning and daily use by employees. The Group has strengthened its water conservation campaign which encourages all employees and customers to develop the habit of “reasonable and conscious water conservation”. To improve water efficiency, the Group has developed its Water Conservation Management (節約用水管理) that clearly set out the objectives and management methods. The Group actively implements the following measures:

- Replacing or modifying high wastage water taps;
- Conducting regular checks on water pipes and taps to prevent long-term leakage;
- Promoting new technologies for water conservation such as reuse, efficient cooling, dry cleaning, spray cleaning, etc.; and
- Putting up water-saving signs in pantries and restrooms to remind employees to save water.

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Awareness of water conservation has been improved through the above measures. In FY2020, the Group's water usage (i.e. sewage disposal) was summarised as follows:

	Unit	Water Usage
Water Usage	Cubic meter	185,817.00
Water Usage Intensity	Cubic meter/million revenue	47.70

Due to the geographical location of its offices and factories, the Group has no issues in obtaining suitable water sources during FY2020.

Use of Packaging Materials

Sealing and protecting products with packaging materials is part of the Group's daily operations. To optimise packaging methods, all production projects come with a list of materials that specify the most suitable and cost-effective packaging material to use to keep packaging at a minimal. Packaging materials are mainly plastics and cartons. In FY2020, the Group consumed 1,394.96 tonnes of packaging materials for its furniture products.

A3. Environment and Natural Resources

The Group strives to realise corporate social responsibility, sustainable development and creates long-term value for communities and stakeholders at the same time. The Group seeks to mitigate the potential impact on the environment from its operations, pursues best practices to reduce natural resources consumption and develops effective environmental management. In addition, the Group conducts environmental impact assessments on its operation to evaluate the environmental risks, continuously adopts preventive measures to reduce potential risks, and complies with the relevant laws and regulations.

Noise Management

The vehicles and machines at the Group's production facilities inevitably produce noise. By conducting monthly noise level checks, the Group strictly complies with the noise standards according to the laws and regulations. To reduce noise levels and disturbances to the surrounding environment, the Group has developed a Noise Management Policy (噪音管理政策) to identify noise management measures, including but not limited to:

- Prevent noise caused by improper operations when powering on the equipment by strictly following the operating procedures;
- Use, repair and maintain equipment strictly in accordance with management systems;
- Prohibit the use of sirens by external transportation vehicles at production sites;
- Monitor and minimise noise from any works conducted by external workers;

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- Set up noise standards for soundproofing with soundproofing materials and soundproofing rooms;
- Operate equipment in proper condition and promptly resolve any problems to reduce noise; and
- Conduct noise monitoring by professional environmental monitoring agencies.

B. Social

B1. Employment

The Group clearly recognises that employees are its core asset and are essential to maintaining its competitive advantage. To enhance its ability to attract, develop and retain employees, the Group is committed to people-oriented employment, respecting and protecting the legitimate rights and interests of every employee, standardising the labour and employment management, and establishing a healthy and safe working environment. The Group fully respects and values the interests of employees and has developed its Employee Handbook in accordance with relevant laws and regulations. This helps build harmonious labour relations and provide for a decent working atmosphere to help employees integrate into the Group's blueprint for long-term development.

The Group complies with all laws and regulations relating to the remuneration and termination, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other treatment and benefits, including but not limited to, the Companies Law of the People's Republic of China (《中華人民共和國公司法》), the Contract Law of the People's Republic of China (《中華人民共和國合同法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), and the Labour Security Supervision Regulations (《勞動保障監察條例》). In FY2020, the Group did not find any violations of local employment laws and regulations that had a material impact on it.

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As of 31 December 2020, the Group employed 3,161 full-time employees in total with details as follows:

	Number of Employees	Percentage of All Employees
By Gender		
Male	2,146	67.89%
Female	1,015	32.11%
By Age		
Below 30	462	14.61%
30–50	2,194	69.41%
Above 50	505	15.98%
By Employment Category		
Top Management	7	0.22%
Middle Management	12	0.38%
General staff	3,142	99.40%
By Geographical Location		
China	3,159	99.94%
Others	2	0.06%

Recruitment, Promotion and Dismissal

The Group firmly believes that employees are key to its success. To establish and improve the recruitment and selection system of talent, the Group formulated its Employment Agreement Model (僱傭合約範本) to standardise the recruitment process and set benchmarks for professional knowledge, capabilities, work experience and presentation ability. This incorporates the principles of fairness, justice, equality and openness to continuously attract and hire talented employees.

The Employee Handbook (員工手冊) sets out the rights and obligations of employees, promotion mechanisms, the transfer and demotion of management, and the rules for termination and dismissal to safeguard the interests of both employees and the Group. Based on the appraisals of production, operation and management of various departments, the Group objectively assesses the performance, technical skills, work attitude, performance targets and the annual merit/demerit record etc. of employees. According to performance and internal assessment results, the Group rewards outstanding employees, providing promotions and opportunities to develop potential and excel.

Details of dismissal procedures are laid down in the Employee Handbook. All dismissal procedures must be completed as required by the relevant laws and regulations, as well as occupational regulations to complete the handover. The dismissal process will only take place in a reasonable manner and the issue is adequately communicated prior to the formal dismissal.

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Compensation and Benefits

The Group has established a fair, just, reasonable and competitive compensation system and paid employees according to the principles of fairness, competition, incentive, reasonableness and legality. Remuneration of the Group's employees consists of basic wages, overtime pay, full-time awards and various bonuses and subsidies. In addition, the Group evaluates the changes of macro factors every year such as national policies and price levels, industry and regional pay levels, changes in the Group's development strategy and overall business performance, then adjusts employee compensation accordingly.

In accordance with the Labour Contract Law of the People's Republic of China, the Group has fulfilled the labour contracts with its employees. The labour contract signing rate is 100%. The Group pays "Five Insurances and One Housing Fund" (五险一金) to employees in accordance with the law, namely, endowment insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and housing provident fund to ensure that employees are fully protected with social insurance.

As required by the Labour Law of the People's Republic of China and other relevant national and local laws and regulations, the Group effectively protects the legitimate rights and interests of employees, respects the rights of employees to rest and vacation, and regulates the working hours of employees and the rights to all kinds of rest time and vacations they are entitled to. In accordance with the Labour Law of the People's Republic of China, the Group has formulated a leave system that's published in the Employee Handbook. This provides the details of paid and unpaid leave to which employees are entitled. The Group also pays overtime wages for any work that exceeds the statutory working hours in accordance with national laws and regulations.

Equal Opportunities, Diversity and Anti-discrimination

The Group strictly abides by national and local government regulations to adopt a fair, just and open recruitment process. It formulates relevant systems to eliminate discrimination in the recruitment process against race, gender, colour, age, family background, ethnic tradition, religion, physical fitness and nationality etc. Employees can enjoy equal treatment at all stages of recruitment, remuneration, training, promotion, termination of labour contracts, retirement etc. The Group gives its best efforts to attract talents and is committed to providing equal opportunities and diversity in all areas. Any unfair treatment is strongly prohibited.

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B2. Health and Safety

The Group is committed to creating and maintaining a safe working environment for its most important asset — the employees. The Group has developed its Occupational Health and Safety Policy (職業病健康安全政策) to manage all operational practices involving safety risks, health and hygiene, and regulations. The Group also conducts an annual risk assessment at least once a year to safeguard against any health and safety issues identified and to suggest improvements. The Group has set up a Health and Safety Management Committee at various production sites to conduct periodic inspections of health & safety practices in various departments and to ensure safety at work is being properly implemented.

The Group complies with all laws and regulations relating to the provision of a safe working environment and the protection of the employees from occupational hazards in mainland China, including but not limited to, the Occupational Disease Prevention and Control Law of the People's Republic of China (《中華人民共和國職業病防治法》), the Safety Production Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Declaration and Administration of Occupational Disease Hazards Projects (《職業病危害項目申報管理辦法》). During FY2020, the Group did not aware of any violations of local health and safety regulations that had a material impact on the Group and did not record any work-related fatalities and lost days due to work.

Coronavirus Disease 2019 ("COVID-19") Pandemic Prevention and Control

The COVID-19 pandemic poses a serious threat to health. The Group is extremely concerned about the potential health and safety impact of COVID-19 on employees and customers. To mitigate the risk of cross-infection, the Group has closely monitored the outbreak from the beginning, and taken a number of preventive measures. During the outbreak, the Group provided sufficient pandemic prevention and disinfection materials at various production sites. Thanks to these strict pandemic prevention and control measures, there had not been any cases of COVID-19 infection among the employees working in the production facilities during FY2020.

Occupational Safety Training

To prevent, control, eliminate occupational hazards and diseases, and protect their health, the Group provides employees with annual occupational safety education and training to strengthen their occupational safety awareness and prevent accidents or injuries at work. The Group has formulated its Occupational Safety and Health Management Programme (職業安全衛生管理方案) to standardise safety education and training, and enhance the safety awareness of employees. The Group annually conducts on-the-job training for all employees, and ensures that all employees have access to safe and hygienic working environment to reduce the risk of accidents. The Group provides health and safety training for new recruits and transferred employees to ensure that all employees have knowledge of safe production in their relevant departments.

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B3. Development and Training

The Group promotes the values of loyalty, responsibility, gratitude and service, and our highly qualified workforce is closely related to the growth of the business. Apart from recruiting talent, the Group is also committed to establishing an internal management training and development system. From on-boarding to in-house training and technical skills development through other diversified training models, the Group meets the needs of employees at all levels to advance skills and to continuously provide quality service, supporting the Group's sustainable development.

Training Management

The Group established a Training System (培訓制度) to manage training procedures and specify the rights and responsibilities to the Administration Department and the Human Resources Department. The Administration Department sets up and maintains the training records, inducts and trains new recruits, and oversees, maintains and tracks the annual training plan. The Human Resources Department is responsible for providing and tracking technical skills, and safety operations training for the respective departments. The Group also specified that the Administration Department must prepare the Annual Training Programme (年度培訓計劃) at the beginning of the year as per the training needs of each department to establish the procedures and management of employee training. The Group will provide appropriate training courses for employees at different levels according to the programme. Management regularly reviews the effectiveness of the training courses and programmes to keep the Training System up to date.

New recruits are required to undergo short-term on-boarding training, as the induction of the Group's business, rules and regulations, basic health and safety knowledge and code of conduct. All new recruits engaged in special operational procedures are required to complete additional pre-employment training and guidance approved by the respective department head before they officially commence for work safety reasons.

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B4. Labour Standards*Prevention of Child and Forced Labour*

The Group complies with all laws and regulations on the prevention of child or forced labour in mainland China, including but not limited to, the Labour Law of the People's Republic of China, the Provisions on the Prohibition of Child Labour of the People's Republic of China (《中華人民共和國禁止使用童工規定》) and the Convention on the Abolition of Forced Labour (《廢除強迫勞動公約》).

The Group strictly prohibits any child or forced labour. The Group formulated its Employee Recruitment Guide (員工招聘管理辦法) which stipulates that only employees of legal age are employed. It requires that new recruits provide authentic and accurate personal data when joining the company. The Recruitment Team diligently reviews the various documents of candidates to ascertain their authenticity to prevent any child labour in the workforce. The Group enters labour contracts with employees in accordance with the laws which clearly states the contents and the obligations of the work, and therefore does not impose any forced labour. If any employee is found to have used false data or violated the Group's labour provisions, the Group will immediately terminate their probation or labour contract according to company policies.

In addition, employees work overtime on a voluntary basis to avoid violating labour standards and effectively safeguard the rights and interests of employees. The Group also prohibits punitive management practices and behaviours such as verbal abuse, physical punishment, and violence and mental oppression against employees for any reason.

In FY2020, the Group did not find any non-compliance with the laws and regulations relating to the employment of child or forced labour that materially impacted the Group.

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B5. Supply Chain Management

The Group's suppliers mainly comprise suppliers of production materials, packaging materials and furniture components. Apart from its own production, the Group also sources materials from suppliers such as medium density fiberboard, particleboards, steel pipe, plastic components etc. Managing potential environmental and social risks in the supply chain is extremely important to the Group. The Group established a rigorous, standardised procurement system and supplier selection process. The Supplier, Subcontractor Assessment Control Process (供應商、分包商評估控制流程) was developed to systematically assess the suppliers and had long-term, stable compliance with the Group's requirements for the implementation of the SA8000 system. The Group also has a list of approved suppliers and selects suppliers according to a number of criteria such as pricing, product quality, ability to deliver production materials on time. In addition, the Business Department oversees implementing the Social Responsibility Questionnaire for Suppliers (供應商社會責任調查表) to evaluate suppliers against the social responsibility performance to determine adding or removing them from the list — a measure which encourages suppliers to improving their social responsibilities. Selected suppliers are added to the SA8000 Qualified Suppliers, Subcontractors List (SA8000合格供應商、分包商一覽表). The Business Department also arranges an onsite audit at least once a year to follow up on the improvement progress in term of social responsibility measures.

In FY2020, the Group had 337 suppliers which are all in the PRC.

Supply Chain Environmental and Social Risk Management

The Group expects suppliers to meet the Group's standards in environmental, quality, social, corporate governance, business ethics and other areas. The Group has developed a procurement management process with environmental, social and ethical standards that requires suppliers to generate positive impacts on the environmental and social issues to ensure that they are consistent with the Group's direction and objectives in operational compliance, human rights protection, employee health and safety, social responsibility, business ethics, and environmental protection. To this end, the Group has developed a Pledge of Suppliers (供應商承諾書) that lays down the basic guidelines for assessing suppliers, including but not limited to, compliance with all provisions of social responsibility standards and local labour laws and regulations (e.g., prohibition of child or forced labour, provision of healthy and safe working environment, respect for workers' freedom of association, collective bargaining rights and basic human rights, provision of an equal and fair working environment, etc.), the onsite audit and verification, and cooperation with the Group to implement remedial procedures to correct any non-compliance of social responsibility standards.

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Fair and Open Procurement

The procurement process of the Group is conducted in an open, fair and impartial manner in strict reference to the provisions of the Tendering Law of the People's Republic of China (《中華人民共和國招標投標法》). The process will not be treated in a discriminatory manner by any supplier and will not allow any act of corruption and bribery. Employees and other individuals who have interests in the relevant supplier are not allowed to participate in the relevant procurement activities.

The Group recognises the importance of a good relationships with its suppliers. The Group has been working with them, particularly their major suppliers, for many years. Although the Group has established a long-term relationship with its suppliers, it has not lowered quality standards for raw materials and treats all suppliers equally to ensure the safety of the products at the source. The purchase price of production materials is generally negotiated by the Group and suppliers according to the current market price. The Group generally identifies, pre-approves several suppliers of major production materials, and compares different offers for specific categories of production materials. The Group also verifies the business license and other permits or approvals relating to the operations of the suppliers, and conducts onsite visits to the production facilities of the main suppliers before placing an order with the suppliers concerned. The Group reviews the list of approved suppliers every quarter and for any pre-approved suppliers who fail to meet the Group's standards are removed from the list. The Group is very concerned about the integrity of its suppliers and partners and only select those with good business records and without neither serious violations nor business ethics violations. To avoid over-dependence on any single supplier, the Group generally maintains more than one supplier for the main raw materials.

B6. Product Responsibility

The Group greatly values the quality of its products and services, and its corporate reputation. The Group constantly assures product quality through internal controls and is committed to provide products that meet industry standards. The Group maintains communication with its customers to ensure that their needs and expectations are understood and met. The Group also wants to understand the satisfaction level of customers to continuously improve product quality.

The Group strictly abides by relevant laws and regulations, including but not limited to, the provisions of consumer protection laws and regulations in mainland China such as the Consumer Rights and Interests Insurance Law of the People's Republic of China (《中華人民共和國消費者權益保法》) and the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》). As the Group does not sell its products in Hong Kong, it does not involve laws and regulations in Hong Kong that have a material impact on the Group. In FY2020, the Group did not find any material violations of laws and regulations relating to the quality of its products and services.

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Quality Assurance

The Group provides professional, high-quality and efficient products and services to different customers in a variety of ways to actively create value for them. The Group pays attention to, explores and responds to customer needs, and strives to provide services that exceed expectation.

To maintain product quality, the Group has developed the Quality Management Manual (質量管理手冊) according to the ISO9001:2015 Quality Management System Certification to ensure that all stages of production comply with the quality standards as per the manual to implement strict quality assurance procedures. All products must pass the Group's internal quality tests prior to delivery. The Group was awarded ISO9001:2015 Quality Management System Certification which recognises its commitment to quality assurance. The Group has implemented a quality management system with the overall objective of preventing defects and continuously improving.

As to product safety, the Group ensures that all furniture is California Air Resources Board ("CARB") certified prior to delivery to the customer, that panel-type furniture sold to the United States complies with the relevant formaldehyde release regulations, and that products comply with the relevant local product safety regulations and tests accredited by third-party testing laboratories.

Product Recall

The Group has developed its Product Recall Procedures (產品召回程序) to avoid or mitigate the impact of hazards and to ensure that relevant parties are promptly informed of the information and the implementation of product recalls when delivered products may have inappropriate batch problems (or even represent a safety hazard). These Product Recall Procedures set out the responsibilities of different departments and employees whereby the Quality Control Department monitors and implements the recall, while the General Manager is responsible for approving the recall plan. When the Group discovers a batch of non-conforming products that are no longer within its control — e.g., they have been delivered — or receives a customer complaint, the managing departments will immediately convene a meeting to review the recall and, if necessary, request the participation of top management and legal counsel, as well as the department heads.

The contents of the review mainly involve information sources, credibility, degree of harm and past product safety records to determine whether to initiate the emergency recall process, to treat the recall product corresponding to the batch of products or even adjacent batches for product review, and to confirm unsafe and the unsafe reasons to avoid any recurrence of the same incident. When supported by accurate information, the recall should not be reviewed for more than half a working day. To ensure the effectiveness of the procedures, the Group validates them by using validation tests, simulated recalls or actual recalls, and uses the results to correct and take precautions. In addition, the Group has developed its Non-conforming Products Control Procedures (不合格品控制程序) to supervise the procurement of raw materials and products arising from the disposal of non-conforming products, and to standardise the disposal of non-conforming products and responsibilities in the event of non-conforming products or customer complaints to handle in a timely manner and minimize the impact on the customers, and to avoid the recurrence non-conforming products.

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In FY2020, the Group did not recall any sold or shipped products for safety and health reasons.

Customer Satisfaction

The Group actively extends customer service and communicates with customers. To ensure customers' complaints can be resolved quickly and securely maintain customer satisfaction and our corporate image. To allow customers to experience and regain confidence in the products and services we provide through complaint handling process, the Group has developed its Customer Complaints Handling Process (客戶投訴處理流程程序) which standardises the process of handling customer complaints. The Group is committed to identify gaps and areas for improvements in the process that we can improve by correcting or remedying. After receiving customer complaints, the Sales and Marketing Department is responsible for collecting feedback, tracking various information, providing timely feedback to the relevant departments, and furnishing monthly analysis reports based on the returned information. The relevant department manager is responsible for confirming the effectiveness of the implementation of the settlement measures until the results are satisfactory to the customer, and at the same time filling out and signing the Customer Complaint Information Feedback Form (客戶投訴信息反饋單), and then providing the results back to the Sales and Marketing Department. After receiving the feedback form, the Sales and Marketing Department gets back to the customer to understand the customer's satisfaction with the outcome of the complaint handling to ensure the customer is satisfied with the results before the complaint is closed.

In FY2020, the Group received 16 minor complaints about defective products which do not have a material adverse effect on the business and operation. The Group immediately investigated the complaints, issued product supplements regarding the contents of the complaints, and implemented quality improvements to avoid any recurrence of sub-standard products.

Customer Data Protection

The Group exercises strict and diligent management of customer files to avoid customer data leaking. The Group strictly abides by laws and regulations such as the Law of the People's Republic of China on the Protection of State Secrets (《中華人民共和國保守國家機密法》), the Regulations on the Confidential Management of State Secrets Carriers (《國家秘密載體保密管理的規定》) and undertakes to implement strict security measures against the personal information of the customers collected through business operations being disclosed and abused.

To safeguard the rights and interests of the Group, respect the privacy of customers and ensure the confidentiality of customer information, the Group has formulated its Customer Privacy Handling Procedures (客戶隱私處理程序) laying down strict access rights management to query, use and download information and effectively prevent disclosing and abusing. The Group also provides incentives to employees to take the initiative in protecting data and improving security technology and measures to protect customer privacy. Customer information cannot be sold, shared or disclosed for any purpose. All employees must protect customer information in accordance with the Group's policies. The Group's communications, transaction history, documents and reports with customers (if not made public) are kept confidential. Employees are strictly prohibited to disclose customer information to third parties without the customer's consent. The Group is firmly committed to protect the privacy of customers, gain their trust and maintain the Group's competitiveness in the market.

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Intellectual Property ("IP") Rights

The Group's research and development expertise in furniture products enables us to turn complex concepts into end products that meet customer needs. In addition to original equipment furniture manufacturing, the Group also has an Internal Design Team that creates new products. We will actively promote the technological development of formaldehyde-free panel boards and seek development through technological innovation. We intend to set up a research and development ("R&D") center in Dongguan with our own research, design, testing center and showroom for commercialization for our furniture products, also including the development of functional and smart furniture products, and by cooperation with academic institutions such as Chinese Academy of Sciences Lihua Institute of Technology, Jiangxi University of Science and Technology, and Jiangxi Environmental Engineering Vocational College. The R&D on new materials and smart furniture products serves as a foundation for the Group's further business development, the continuous R&D of new product will be a revenue driver for the Group on a continual basis.

The Group believes that IP rights in trademarks, technical knowledge, product formulation and processes are invaluable business assets. The Group strives to protect its brand, the rights and the interests of the business. The Group has not only applied for full patents on its IP to prevent infringement of those rights and interests of the enterprise against others' preemptive applications, the Group also enters into non-disclosure agreements with its employees to clarify the scope, means and liability for breach of contract to prevent disclosures due to employee turnover.

IP is part of the enterprise's intangible assets. The Group respects the IP rights of third parties and is committed to protecting both ours and theirs from infringement. To exercise consistent and effective control and management of IP rights, the Group has developed its IP Control Procedures (知識產權控制程序), which set out the guidelines and procedures for the exchange and sharing of IP within the company, the management of external IP and the rights of the enterprises, and clearly set out the responsibilities of IP management of each department. The responsibilities of the Technical Department mainly include coordinating IP management, procedural documents and data management, intangible assets management, information systems construction, and management and project documents management. All procedural documents and data should be archived in the Research & Development Department, while materials involving a high degree of professionalism should be archived, stored by the Professional Department and handed over to the R&D Department for safekeeping at the end of the year.

Advertising and Labelling

As a furniture manufacturer, the business of the Group does not heavily involve advertising and labelling. However, the Group is committed to ensuring that any labels on the Group's products pertain to the product facts. The Group strictly abides by the relevant laws and regulations on advertising marketing such as the Advertising Law of the People's Republic of China. The Group formulates and implements relevant practices for regulating advertising and marketing, strictly reviews publicly released promotional materials and sales propositions, prevents false or misleading content, and protects consumer rights and interests from being infringed.

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B7. Anti-corruption*Prevention of Corruption and Fraud*

As the Group believes that a prudent corporate culture is key to business success, it attaches great importance to establish anti-corruption practices and corporate policies. The Group is committed to build a culture of integrity, openness and transparency, as well as reinforce the professional ethics of its employees. In FY2020, the Group conducted 2 hours of anti-corruption training with the four executive directors of the Company and 1,210 employees.

Further to the Code of Conduct stipulated in the Employee Handbook, the Group has an Anti-Fraud and Bribery Policy (反欺詐和反賄賂政策) to strengthen internal controls against corruption and fraud. The policy strictly requires that all business interactions meet the highest standards of integrity and expressly prohibits any form of corruption, extortion, misappropriation of public funds or the provision or acceptance of bribes. The Group has established an Ethics Committee to monitor the Group's operations to ensure compliance with national and industry regulations. The Group has a zero-tolerance policy for any corruption and fraud committed by company personnel. Such personnel will be dismissed and held liable in accordance with the law in cases of violating the Group's anti-corruption and bribery policies including engaging in corruption, extortion, misappropriation of public funds, acceptance or offering of bribes, excessive gifts or gifts. Such procedures are also implemented to protect the confidentiality and the identity of suppliers and whistleblowers.

The Group complies with all laws and regulations relating to the prevention of bribery, extortion, fraud and money laundering, including but not limited to, the Companies Law of the People's Republic of China, the Tendering Law of the People's Republic of China and the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》). In FY2020, the Group did not find any material breaches or offences relating to the prevention of bribery, extortion, fraud and money laundering, nor was it convicted of any violation of the relevant laws and regulations.

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B8. Community Investment*Corporate Social Responsibility*

The Group firmly believes that it is responsible for contributing to the community while pursuing business development. As part of our strategic development to be a responsible corporate citizen, the Group is committed to support and participate in public welfare and community activities and hopes to give back to the community professionally. The Group actively fosters a sense of social responsibility among its employees by encouraging them to participate in social welfare activities during their working hours and private time, and to make greater contributions to the community. The Group believes that by joining activities that give back to the community, employee's civic awareness can be enhanced and a positive value system established.

In FY2020, the Group donated RMB50,000 to the Longnan Municipal Finance Bureau to support school-enterprise cooperation and scholarships. Looking ahead, the Group will continue to embrace social responsibility and strive to serve the community.

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HKEX ESG REPORTING GUIDE CONTENT INDEX

Aspects, General Disclosures and KPIs	Description	Relevant Chapter/ Explanation
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had 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.	Emissions — Environmental Protection Policies and Compliance
KPI A1.1 “comply or explain”	The types of emissions and respective emissions data.	Emissions — Dust Emissions, Exhaust Gas Emissions, GHG emissions, Waste Management, Sewage Discharge
KPI A1.2 “comply or explain”	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — GHG Emissions
KPI A1.3 “comply or explain”	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Hazardous Waste
KPI A1.4 “comply or explain”	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions — Non-hazardous Waste
KPI A1.5 “comply or explain”	Description of emissions target(s) set and steps taken to achieve them.	Emissions — Exhaust Gas Emissions, GHG Emissions, Waste Management
KPI A1.6 “comply or explain”	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions — Waste Management

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Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1 “comply or explain”	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Energy Management
KPI A2.2 “comply or explain”	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources — Water Management
KPI A2.3 “comply or explain”	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources — Energy Management
KPI A2.4 “comply or explain”	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources — Water Management
KPI A2.5 “comply or explain”	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Use of Resources — Use of Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer’s significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1 “comply or explain”	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources — Noise Management
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had 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.	Employment — Recruitment, Promotion and Dismissal, Compensation and Benefits, Equal Opportunities, Diversity and Anti-discrimination
KPI B1.1 “Recommended disclosure”	Total workforce by gender, employment type, age group and geographical region	Employment
KPI B1.2 “Recommended disclosure”	Employee turnover rate by gender, age group and geographical region	Employment

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Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer.	Health and Safety — Occupational Safety Training
KPI B2.1 “Recommended disclosure”	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2 “Recommended disclosure”	Lost days due to work injury.	Health and Safety
KPI B2.3 “Recommended disclosure”	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees’ knowledge and skills for discharging duties at work. Description of training activities.	Development and Training — Training Management
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards — Prevention of Child and Forced Labour
KPI B4.1 “Recommended disclosure”	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards — Prevention of Child and Forced Labour
KPI B4.2 “Recommended disclosure”	Description of steps taken to eliminate such practices when discovered.	Labour Standards — Prevention of Child and Forced Labour

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Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management — Supply Chain Environmental and Social Risk Management, Fair and Open Procurement
KPI B5.1 “Recommended disclosure”	Number of suppliers by geographical region.	Supply Chain Management — Supply Chain Environmental and Social Risk Management, Fair and Open Procurement
KPI B5.2 “Recommended disclosure”	Description of practices relating to engage suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management — Supply Chain Environmental and Social Risk Management, Fair and Open Procurement
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had 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.	Product Responsibility
KPI B6.1 “Recommended disclosure”	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility — Product Recall
KPI B6.2 “Recommended disclosure”	Number of products and services related complaints received and how they are dealt with.	Product Responsibility — Customer Satisfaction
KPI B6.3 “Recommended disclosure”	Description of practices relating to observing and protecting intellectual property rights	Product Responsibility — Intellectual Property Rights
KPI B6.4 “Recommended disclosure”	Description of quality assurance process and recall procedures.	Product Responsibility — Quality Assurance
KPI B6.5 “Recommended disclosure”	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product Responsibility — Customer Data Protection

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Aspects, General Disclosures and KPIs	Description	Relevant Chapter/Explanation
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that had a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption — Prevention of Corruption and Fraud
KPI B7.1 “Recommended disclosure”	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.	Anti-corruption Prevention of Corruption and Fraud
KPI B7.2 “Recommended disclosure”	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption—Prevention of Corruption and Fraud
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities have been taken into consideration the communities’ interests.	Community Investment — Corporate Social Responsibility
KPI B8.1 “Recommended disclosure”	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment — Corporate Social Responsibility
KPI B8.2 “Recommended disclosure”	Resources contributed (e.g. money or time) to the focus area.	Community Investment — Corporate Social Responsibility