



MORRIS
HOME HOLDINGS LIMITED

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慕容家居控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock code 股份代號: 1575

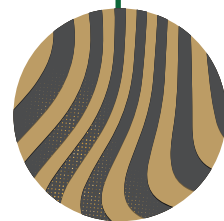
Global Leader in the Upholstered Sofa Industry

軟體沙發行業的全球領導者



EXQUISITE
MORRISOFA

精致慕容



ENVIRONMENTAL, SOCIAL
AND GOVERNANCE REPORT
環境、社會及管治報告

Environmental, Social and Governance Report

ABOUT THIS REPORT

Overview

This is the environmental, social and governance (“**ESG**”) report of Morris Home Holdings Limited (the “**Company**”) for the year ended 31 December 2022. Unless otherwise stated, this report should be read in conjunction with the Corporate Governance Report on pages 38 to 61 of the 2022 Annual Report of the Company. This report will be published on the website of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and on the Company’s website.

Basis of Preparation

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (the “**ESG Guide**”) as set out in Appendix 27 under the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

Scope and Extent of the Report

The data and information as referred to in this report are derived from different files, questionnaires, records, statistics and research of the Company and this report covers the period from 1 January 2022 to 31 December 2022 (the “**Reporting Period**”), same as the financial year of the 2022 Annual Report of the Company.

The policy document, declaration and data set out in this report cover the Company and its subsidiaries (collectively, the “**Group**”).

Reporting principles of Materiality, Quantitative, Balance, and Consistency as set out in the ESG Guide are followed in the preparation of this report.

This report also presents the management’s ESG approach, strategies, goals and targets which has been reviewed and approved by the Board of Directors of the Group.

Contact Information

If you have any query or feedback about this report and its contents, please contact us at:

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Information about the Company

Being one of the leading upholstered sofa manufacturers in the People’s Republic of China (“**PRC**”), the Company is engaged in the design, manufacturing and sales of a wide range of sofas, sofa covers and other furniture products through an integrated business model. Since its establishment, the Company has been focusing on the manufacturing of high-quality sofas and sofa covers. With clear and far-sighted business position and strategic plans, the Company strives to become a leader among the international integrated furniture manufacturers. Currently, the sofas and sofa covers produced by the Company are mainly sold to overseas markets such as the United States of America (“**US**”), while other furniture products are sold in the PRC through our own direct sale stores.

Environmental, Social and Governance Report

Board Statement

Adhering to its vision of sustainability, the Company is committed to generating maximum value for its shareholders as well as balancing interests of the environment, society and other aspects to promote harmony and prosperity for different kinds of stakeholders.

To strengthen our management on sustainable development, an ESG governance structure was established. The Board takes full accountability for the Group's ESG governance and sustainable development. They are responsible for monitoring the Group's material ESG issues, performance, and evaluating the ESG-related risks and opportunities regularly. Under the authorization of the Board, the management considers and evaluates various stakeholders' concerns and interests by materiality assessment to determine the Group's ESG management approach, strategy, priorities, and objectives. The Group has set related ESG targets. In the future, we will conduct a progress review under the goals and improve the work of sustainable development.

Disclosure of Environmental and Social Performance in accordance with Requirements of International Finance Corporation

On 5 January 2018, the Company entered into a convertible loan agreement (the "**Convertible Loan Agreement**") with International Finance Corporation (the "**IFC**"), pursuant to which IFC agreed to lend, and the Company agreed to borrow, a convertible loan (the "**Convertible Loan**"). As one of the conditions of disbursement of the Convertible Loan, the Company and IFC have entered into a policy agreement, pursuant to which the Company will give certain covenants and undertakings to IFC in respect of implementation of an action plan concerning specific social and environmental measures to be undertaken by the Group and periodic review in the form of an annual monitoring report ("**AMR**") in relation to specific social, environmental and developmental impact information in respect of the existing and future operations, activities and facilities of the Group in the Cayman Islands, PRC, Hong Kong and the British Virgin Islands. Accordingly, the environmental and social ("**E&S**") performance in relation to the facilities and operations in China ("**Morris China**") will also be disclosed in section 5 of this report to fulfil the requirements of IFC.

Identification and Communication with Stakeholders

The Company endeavours to become an excellent enterprise which is satisfied by shareholders, admired by employees and recognized by society and tries to facilitate harmonious development among stakeholders including shareholders and investors, the staff, suppliers, customers and the government. While providing different channels of communication for stakeholders, the Company aims to give effective response and feedback to any important concerns of the stakeholders on an active and timely basis. By fully protecting the legal rights of the stakeholders, the Company is able to establish a long-term relationship with them, which together help promote harmony and prosperity among different stakeholders.

By making reference to the information about sustainable development disclosed by the peer companies, the Company has defined the key issues in respect of environmental and social responsibilities to be mentioned in this report and, based on those issues, commenced relevant works regarding environmental and social responsibilities. During the year 2022, the Company organized various activities and meetings to collect comments and feedbacks from stakeholders regarding the Company's performance and approach on ESG aspects so as to optimize the Company's ESG management. Looking forward to 2023, the Company will continue to assess the key concerns of the stakeholders and aim to materialize its operational objectives and strategic plans in order to achieve sustainable development.

Environmental, Social and Governance Report

Key Concerns of Stakeholders and the Corresponding Responses

| Stakeholder | Key Concerns | Major Ways of Communication | Response and Feedback |
|------------------------------------|---|--|---|
| Shareholders/ Investors | <ul style="list-style-type: none"> Sustainable and stable return on investment Timely information disclosure Operation of enterprise in compliance with relevant laws and regulations | <ul style="list-style-type: none"> General information disclosure of listed company General meeting Conference calls/meetings Media communication mechanism Press release Enquiries via telephone/ email/website Investors' on-site visit | <ul style="list-style-type: none"> Issue of notice of annual general meeting and the resolutions as required by the Listing Rules Timely disclosure of company information Issue of announcements and regular reports as required by the Listing Rules |
| Staff | <ul style="list-style-type: none"> Trainings and career path Remuneration and benefits Health and safety in working environment | <ul style="list-style-type: none"> Direct communication Performance assessment Staff recreational activities Staff meeting Safety management | <ul style="list-style-type: none"> Providing healthy and safe working environment Setting up fair promotion system Organizing staff activities |
| Suppliers | <ul style="list-style-type: none"> Standard supplier management and operation flow Timely performance of contractual obligations Company reputation | <ul style="list-style-type: none"> Execution of orders/ contracts Direct communication Supplier management system Information of suppliers | <ul style="list-style-type: none"> Performance of contractual obligations Maintaining long-term cooperation with suppliers Timely payment Ensuring quality and safety of raw materials Comprehensive information of suppliers |
| Customers | <ul style="list-style-type: none"> Sound customer service procedures Comprehensive information sharing mechanism Stable and safe supply of products Timely response to requests | <ul style="list-style-type: none"> Daily communication After sale services Survey on customer satisfaction Customer information Company visit/drop-by | <ul style="list-style-type: none"> Enhancing quality management Performance of contractual obligations Offering marketing support to customers Full communication |
| Government/ Community | <ul style="list-style-type: none"> Legal operation of company Contribution to community development | <ul style="list-style-type: none"> Government meetings, visit and guidance Government projects Social services | <ul style="list-style-type: none"> Strict compliance of laws and regulations Enhancing safety management Active undertaking of social responsibilities |

Environmental, Social and Governance Report

1. EMPLOYMENT AND LABOR PRACTICES

Staff is a cornerstone for sustainable development of enterprises, and the Company believes talent is one of its most valuable assets. Upholding such philosophy, the Company continues to improve the human resources management system and talent development mechanism, through which, staff can enjoy diversified career paths and their potentials can be further explored, thereby helping them realize work values and personal achievement values.

1.1 Employment

Recruitments are carried out strictly according to the Company's policies and systems. Opportunities are given to employees with different backgrounds and characteristics so as to build a diversified work force. The "Staff Handbook" (《員工手冊》) formulated by the Company also sets out requirements in relation to trainings, appraisals, deployments and promotions of staff. Through optimization of manpower deployment, a platform with a wide variety of opportunities is created for staff to fully explore their talents and also for the Company to create a harmonious and stable development environment. The Company has adopted key performance indicators ("KPI") system to evaluate the performance of our employees. Good performers will be rewarded with higher compensation adjustments and under-performers may be subject to warning, compensation deduction, demotion or even dismissal. As at 31 December 2022, the aggregate number of staff of the Company was 350 (2021: 1,070), with a balanced proportion between men and women, which accounted for 61.7% (2021: 63.0%) and 38.3% (2021: 37.0%) respectively. During the Reporting Period, the staff turnover rate of the Group was 69.6% (2021: 28.6%).

In order to ensure continuous compliance with the international labor standards and applicable labor regulations, the Company has developed a "Social Responsibility Management System" (《社會責任管理體系》) as a manual for the Company to fulfil its social responsibilities, maintain good labor relations, improve working conditions and constantly enhance wages and benefits for staff in China, Hong Kong, US and UK. The manual applies to all Company's activities in respect of social responsibilities, which include various aspects of staff caring policies, such as prohibition of child labor to protect under-aged workers, prohibition of forced labor, discrimination and improper punitive measures, policies regarding working and rest time, remunerations and benefits. The Company delegates to the senior management to take charge of the management of social responsibilities and regularly arranges internal audit and management reviews to ensure that the Company's business activities are in line with the international labor standards and applicable labor regulations in China, Hong Kong, US and UK.

The Company strictly complies with the nation's relevant employment laws and regulations, including the "Labour Law" (《勞動法》), the "Employment Contract Law" (《勞動合同法》), the "Employment Promotion Law" (《就業促進法》), the "Labour Dispute Mediation and Arbitration Law" (《勞動爭議調解仲裁法》) and other labor laws and regulations of the local governments of the PRC, and the "Employment Ordinance", Cap 57 of the Laws of Hong Kong (《僱傭條例》(香港法例第57章)) and other labor laws and regulations of Hong Kong, US and UK. The Company does not allow any form of discrimination, and provides equal and fair employment opportunities and working environment to all job applicants and staff. During the Reporting Period, the Company did not receive any complaint of any form of discrimination (2021: nil).

Staff can enjoy statutory social insurances and various legal benefits as well as statutory holidays such as annual leave, casual leave, sick leave, marriage leave and maternity leave, etc., in accordance with the "Tentative Provisions on Payment of Wages" (《工資支付暫行規定》), "Regulations on the Administration of Housing Fund" (《住房公積金管理條例》) and "Regulation on the Annual Leave" (《職工帶薪年休假條例》). The Company also provides retirement protection for Hong Kong staff in accordance with the "Mandatory Provident Fund Schemes" (《強制性公積金計劃》) and provides necessary retirement benefits for the staff in US and UK. In addition, according to the "Staff Handbook" of the Company, staff can also enjoy benefits such as accommodation, meal subsidy and performance-related bonus.

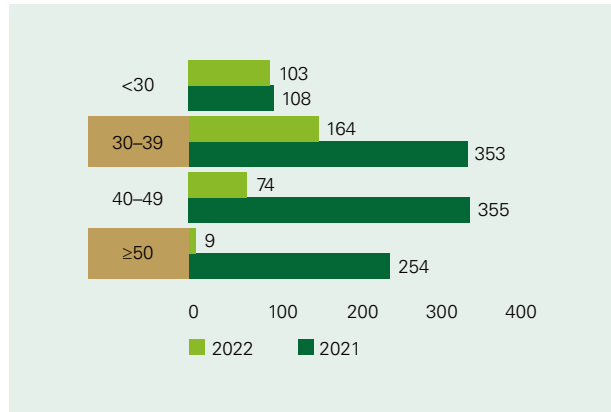
Environmental, Social and Governance Report

Employment Indicators

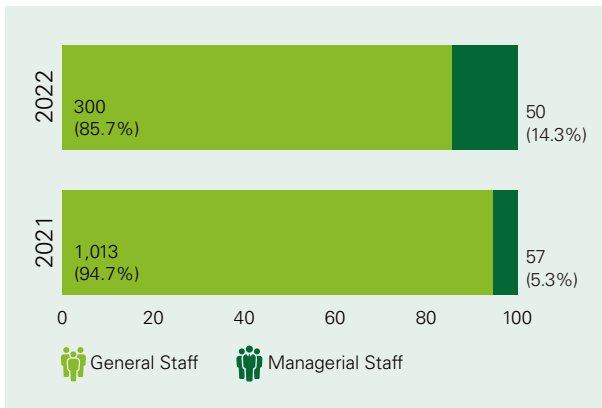
Staff by gender



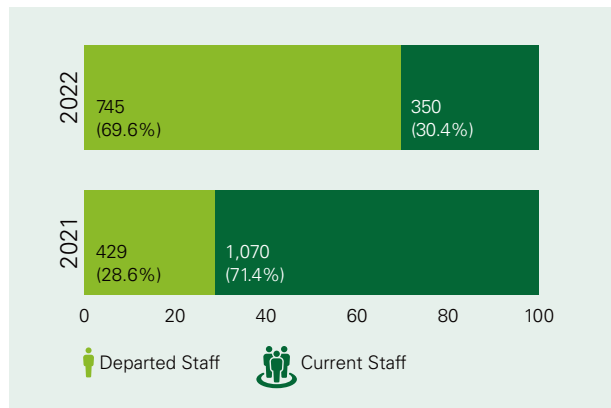
Staff by age



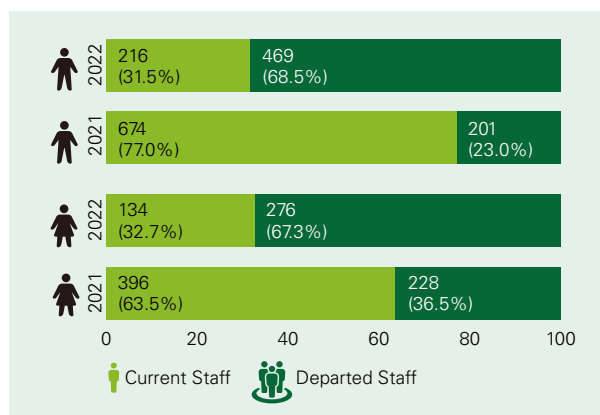
Staff by category



Departure ratio of staff



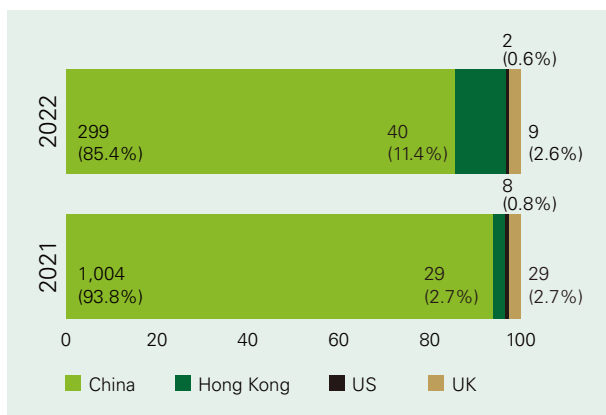
Turnover rate by gender



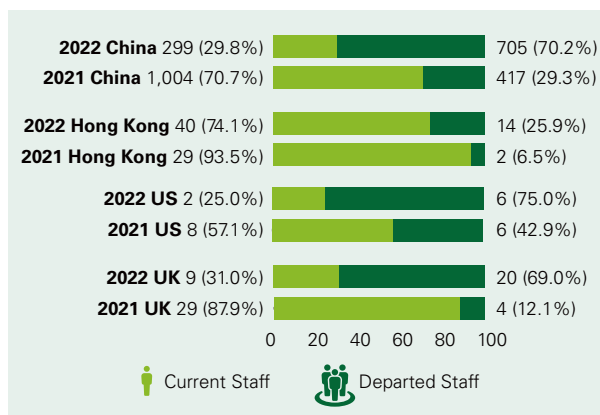
Environmental, Social and Governance Report

Employment Indicators

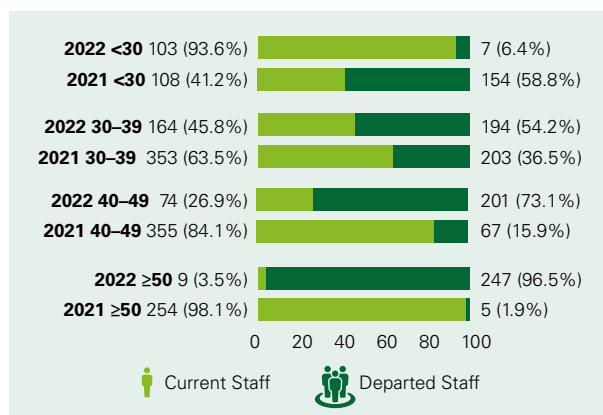
Staff by geographic region



Turnover rate by geographic region



Turnover rate by age group



All the employment indicators above refer to the Company's operation in China, Hong Kong, US and UK.

1.2 Health and Safety

As a listed company specializing in sofa manufacturing, the occupational health and safety (“OHS”) of our staff have always been the key focus of the Company. In terms of the health of staff, the Company strictly abides by the relevant laws and regulations such as the “Labour Law” (《勞動法》), the “Occupational Health and Safety Management System” (《職業健康安全管理體系》), the “Measures for the Ascertainment of Work-related Injuries” (《工傷認定辦法》) and the “Regulation on Work-related Injury Insurances” (《工傷保險條例》) of the PRC and other relevant laws and regulations in Hong Kong, US and UK, and is committed to providing healthy, safe and hygienic working and living conditions for staff. Concerning production safety, the Company has formulated the “Contingency Plans for Production Safety Accidents” based on the applicable laws, such as the “Work Safety Law of the PRC” (《中華人民共和國安全生產法》), the “Regulation on the Reporting, Investigation and Handling of Work Safety Accidents” (《生產安全事故報告和調查處理條例》), the “Safety Production Regulations of Zhejiang Province” (《浙江省安全生產條例》), the “Guidelines for Enterprises to Develop Emergency Response Plan for Work Place Accidents” (《生產經營單位安全生產事故應急預案編製導則》) and the “Classification for Casualty Accidents of Enterprise Staff and Workers” (《企業職工傷亡事故分類》) and other applicable laws and regulations in Hong Kong, US and UK, to enhance its capability to cope with, and prevent occurrence of, any incident relating to production safety, thereby minimizing casualties and damages caused by accident.

In addition, the Company has implemented a series of health management measures to provide a safe working environment for our staff and protect them from occupational hazards:

- The human resources department of the Company is responsible for formulating and promoting the safety and health procedures and systems. It regularly reviews the safety and hygiene condition of the Company and provides trainings in this regard so as to ensure the Company’s compliance with local safety and health regulations and to protect the health and safety of our staff.
- With the health of our staff being our main concern, the Company arranges body check for our staff each year. Meanwhile, the Company also purchases medical insurance for our staff. Under the insurance policy, our staff can claim their medical expenses with the insurance company.
- In order to strengthen the supervision and control of the operational activities of the Company which involve significant risks and to ensure that the activities are carried out in accordance with the Company’s policies, objectives and standards, to avoid accidents as well as to achieve continuous improvement on safety and health, the Company has set out the detailed “Safety and Health Control Procedure” (《安全與衛生控制程序》) in the “Social Responsibility Management System”(《社會責任管理體系》). The procedure strictly requires the Company to perform proper supervision and control on the operational activities in relation to safety and health, and implement all the contingency measures addressing the potential health and safety risks, so as to provide a safe and healthy working environment for the staffs to the greatest extent.

Environmental, Social and Governance Report

During the Reporting Period, there was no work-related fatal incident (2021 and 2020: nil). Details of minor non-fatal injuries in Morris China during the Reporting Period were as follows:

| Company or contractor employee | Total workdays lost | Description of injury | Cause of accident | Corrective measures to prevent reoccurrence |
|---|------------------------------------|---|-------------------|--|
| 1 company employee (2021: 6 company employees) | 87 workdays (2021: 12 workdays) | Mainly cuts and hurts and traffic accidents (Rate of injuries: 1.1%) | No specific cause | Enhance health and safety training provided to staff |

Fatalities and vehicle accidents

There was no fatality and vehicle accident during the Reporting Period (2021: nil).

Significant OHS Incidents

There was no significant OHS incident during the Reporting Period (2021: nil).

During the Reporting Period, there were no new initiatives implemented in relation to community health and safety. The Company established measures to ensure infrastructure and equipment safety, explosion minimization and control and minimize gas leakage in factories in China. If incidents occurred, the incidents will be analysed and come up with possible solutions to prevent such incidents to happen again. In addition, the Company conducted 1 fire drill in 2022 to enhance the awareness of safety and emergency response management.

1.3 Development and Training

A well-developed training system not only can help the staff to improve their overall ability and enhance their professional skills, but is also an essential way for enterprises to strengthen their core competitiveness. Currently, the staff development and training program set up by the Company mainly includes the following two categories:

- **Induction Training**

Induction trainings will be provided to new staff when they join the Company to enable them to understand our culture, principles, disciplines and rules and regulations etc., and to more quickly adapt to their new positions. Based on the specific duties of the relevant position, the Company will provide trainings on the basic knowledge and professional skills, program planning, work attitude and courteous communication for new staff.

- **On-the-job Training**

With regard to our business needs, the Company organizes internal and external training programs from time to time for our staff to gain a better understanding of the Company's business and to keep them abreast of the latest knowledge and skills thereby increasing their job performance. The Company also arranges additional safety training for staff in specific positions, for example, staff dealing with special operations are required to undergo statutory training and obtain relevant operation permits.

In 2022, trainings were provided to a total of 370 (2021: 815) staff and to a total of 73 (2021: 98) senior workers.

Environmental, Social and Governance Report

Percentage of employees trained

| By gender | 2022 | 2021 |
|-----------|------|------|
| Male | 55% | 39% |
| Female | 45% | 61% |

| By category | 2022 | 2021 |
|------------------|------|------|
| Managerial staff | 20% | 12% |
| General staff | 80% | 88% |

Average training hours per staff

| By gender | 2022 | 2021 |
|-----------|------|------|
| Male | 1.0 | 10.0 |
| Female | 1.0 | 8.0 |

| By category | 2022 | 2021 |
|------------------|------|------|
| Managerial staff | 5.0 | 34.0 |
| General staff | 1.0 | 4.0 |

In order to ensure smooth proceeding of various training programs, the Company has established clear requirements on staff development and training in the “Staff Training Procedure” (《員工培訓程序》) under the “Social Responsibility Management System” (《社會責任管理體系》). Under which, a comprehensive staff training management system has been built, which helps enhance the efficiency and effectiveness of the training. After setting out the training requirements for the staff, our human resources department will formulate and implement an annual training plan at the beginning of each year and ensure that the training programs are put in place. This can effectively encourage our communication with, and feedback from, staff members, which in turn improves their integrated capabilities and professional skills levels.

1.4 Labor Standards

The Company prohibits the employment of child labor and forced labor under the Company’s “Social Responsibility Management System” (《社會責任管理體系》) and has established stringent punitive measures. We also oversee employment related information on a regular basis to assure no employment of any child labor or forced labor. Recruitment and employment of the Company are carried out in strict compliance with relevant national and local regulations, which include the Labor Law (《勞動法》), the Protection of Minors (《未成年人保護法》) and the Prohibition of Using Child Labor (《禁止使用童工規定》) of the PRC and the “Employment Ordinance”, Cap 57 of the Laws of Hong Kong (《僱傭條例》(香港法例第57章)) and other labor laws and regulations of Hong Kong, US and UK. Any occurrence of non-compliance in rules and regulations related to child or forced labor will be immediately stopped and rectified, investigations will be conducted in order to summarise and report the practices discovered.

2. OPERATING PRACTICES

2.1 Supply Chain Management

As one of the leading manufacturers of sofas and sofa covers in the PRC, the Company acknowledges the importance of supply chain management to its daily manufacturing operations. Our key suppliers mainly provide raw materials and production equipment such as multilayer board, foam, metallic stand, electrical machinery, sofa fabric and sofa leather. When selecting suppliers, in addition to reviewing their qualification certificates, the Company also conducts integrated reviews on several aspects, namely their production capacities, product quality, production environments and staff capabilities, to ensure the quality of raw materials. On the basis of strictly enforcing the purchase control procedure under the selection criteria of suppliers set out in “Purchase Control Procedures” (《採購控制程序》), the Company will take into account of the E&S risk factors; for example, the solid wood suppliers shall obtain tree cutting licenses and the sofa leather suppliers shall have certificates of animal welfare. The Company strives to maintain long-lasting relationships with each supplier. Once suppliers are selected under the “Purchase Control Procedure”, the Company will arrange a dedicated department to carry out strict review and control on some aspects of the supplier such as price, quality and environmental. Suppliers who fail to comply with the requirements of the Company will be removed from our supplier list. Currently, 96 suppliers (2021: 86 suppliers) of raw materials and production equipment of the Company are situated in the Mainland China. The Company reviewed suppliers’ performance during the Reporting Period and 96 suppliers (2021: 86 suppliers) with good quality were screened and remained in our supplier list.

The Company will first perform a questionnaire to investigate the controls performed by the suppliers to identify possible E&S risks, the Company will visit the suppliers regularly to perform further inspections. Environmentally friendly certificates and quality report of the goods issued by third parties will also be obtained to ensure that the suppliers meet the Morris’ E&S corporate requirements.

The Company has a ranking system on the environmental aspects of the suppliers, related departments will examine the suppliers and gives them a score on each respective aspects, only suppliers with ranking over the average score of 60 could be selected as a supplier of the Company.

The Company also places great emphasis on the protection of the suppliers’ privacy and information security. Under the “Purchase Control Procedures”, the Company archives the information of suppliers in a timely manner to protect the privacy and security of suppliers and prevent leakage of their information. Furthermore, the Company allows well-positioned suppliers to make paperless electronic order to reduce the use of paper, enabling best conservation on resources and protection on social environment.

2.2 Product Responsibility

Based on its principle of “Quality Products, Quality Life”, the Company has established a robust product management system under the “Product and Service Quality Control Procedure” (《產品及服務品質控制程序》) and uses our best endeavor to accommodate the customers’ requirements for products and services. The Company also actively works with regulatory authorities on various inspections to ensure full compliance with relevant regulations in terms of production, products and services. For the sofas and sofa covers produced by our Company, we are in compliance with the laws and regulations of the PRC, including the Product Quality Law of the PRC (《中華人民共和國產品質量法》), the Trademark Law of the PRC (《中華人民共和國商標法》), the Advertisement Law of the PRC (《中華人民共和國廣告法》), the Patent Law of the PRC (《中華人民共和國專利法》), and the Foreign Trade Law of the PRC (《中華人民共和國對外貿易法》), etc.

In respect of production, the Company has set up a specialized quality control department and arranged dedicated examiners to conduct rigorous monitoring of every production stage, from procurement of raw materials to semi-finished products and finished products, so as to ensure the quality of the products. Moreover, the Company has specifically established the “Product Identification, Quality Tracing and Product Recall Control Procedure” (《產品標識、品質追蹤和產品召回控制程序》), under which, an effective product tracing system has been formulated to enable retrieval of detailed information about the responsible production workers of our products and the relevant batch of raw materials and thus prevents the potential threat that any defective product may cause to our customers and/or their properties. The system also ensures successful recall and effective disposal of unqualified products. During the Reporting Period, no products sold or shipped was subjected to recalls for safety and health reasons.

In terms of customer services, the Company established the all-rounded “Customer Complaints Handling and Control Procedure” (《客戶投訴處理控制程序》) to deal with customer complaints and product return matters, so as to fulfil customers’ requirements on product quality and services, and enable communication with customers and problem handling in a timely and effective manner. In the meantime, by addressing the specific information obtained from customer complaints, the Company constantly refines its internal management and customer service model, and endeavors to provide customers with quality products and services. The Company is one of the largest manufacturers which export sofas and sofa covers to the US, and the products produced and exported meet the requirements under the formaldehyde emission standards and the fireproofing standards for production materials in the US. During the Reporting Period, 12 products or service-related complaints were received, a discount had been offered and repairment service were provided to deal with the complaints.

The Company carefully safeguards its own intellectual property rights and has staff to ensure that the Company has registered its patents and trademarks in time. The Company respects the intellectual property of others and has raised the awareness of intellectual property observation and protection of the employees. The Company has registered 67 trademarks (2021: 67 trademarks) and 118 patents (2021: 118 patents) in accordance with the requirements of laws and regulations including the Patent Law of the PRC (《中華人民共和國專利法》), and its implementation rules (《中華人民共和國專利法實施細則》), the Anti-Unfair Competition Law of the People’s Republic of China (《中華人民共和國反不正當競爭法》) and the Trademark Law of the PRC (《中華人民共和國商標法》). It has also registered 2 trademarks and 10 trademarks (2021: 2 trademark and 10 trademarks) in accordance with the legal requirements of the US and Hong Kong respectively. Meanwhile, the Company continued to strengthen the promotion of products and the labelling of the products in order to provide high-quality sofas and establish a good corporate brand image. The Company’s advertising and labelling policies strictly govern the conformance of such activities to the related local rules and regulations in US, China, Hong Kong and UK.

Environmental, Social and Governance Report

Customer Data Protection and Privacy Policies

The Company understands that data privacy is a significant concern for customers and implemented strict control in protection of customer data and privacy to gain the trust from our customers and stakeholders. The Company requires all employees to keep all internal information such as consumer data and employee data confidential. Only specific personnel appointed by the Company are authorised to access or manage confidential information. In case of any information leakage is noticed, the Company will set up an investigation to ascertain the source of leakage to prevent any further leakage of information.

During the Reporting Period, the Company had not recalled any product due to quality issues and had not received any significant complaint against the Company (2021: nil).

2.3 Anti-corruption

The Company is continuously optimizing its internal guidelines and code of conduct in respect of anti-corruption, aiming at cultivating a culture of high integrity, and incorporating anti-corruption mechanism into enterprise management system. Currently, the Company has specifically set up the measures to prevent commercial bribery in form of "Anti-commercial Bribery Undertaking" (《反商業賄賂承諾書》) in strict accordance with the relevant laws and regulations, namely the "Criminal Law" (《刑法》), the "Judicial Interpretation of Criminal Law" (《刑法司法解釋》), the "Criminal Procedure Law" (《刑事訴訟法》), the "Judicial Interpretation of Criminal Procedure Law" (《刑事訴訟法司法解釋》), the "Interpretation of Several Issues Concerning the Application of Law in the Criminal Cases of Corruption and Bribery" (《關於辦理貪污賄賂刑事案件適用法律若干問題的解釋》) and the "Anti-Money Laundering Law" (《反洗錢法》), to ensure independent operation of all departments of the Company without administrative interruption from any relations and department heads, and fair judgement of the staff free from any concern of economic benefit.

The Company will constantly keep itself updated with the regulations in relation to the prevention of commercial bribery, money laundering, fraud and extortion. It will also enhance education to all staff of the Company in this regard in order to forbid different kinds of commercial misbehaviours.

The Company has engaged quality supervisor to conduct tracing, supervision and examination of the implementation of the measures to prevent commercial bribery, money laundering, fraud and extortion, to identify, understand any sign of these misbehaviours and to take preventive measures on a timely basis, to study and formulate strategies and measures against these commercial misbehaviours and to ensure implementation of anti-corruption measures across all departments and hierarchies.

A whistleblowing system and a reporting hotline have been set up by the Company to encourage report of different kinds of corruption by our staff and business partners. Any issue in relation to violation of rules and regulations will be curbed, handled and reported, while the suspect will be transferred to the competent judiciary authorities for further action.

The Company has provided 4 training sessions to managerial staff and directors with a total of 4 training hours during the Reporting Period to enhance their awareness and knowledge on anti-corruption matters.

During the Reporting Period, the Company had not received any report of corruption, threat, fraud and money laundry and there were no concluded legal cases regarding corrupt practices brought against the Group or its employees (2021: nil).

3. COMMUNITY INVESTMENT

Community benefit is one of the important considerations of the Company in regard to business operation. Based upon the implementation of its established "Social Responsibility Management System" (《社會責任管理體系》), the Company plays an active role in various kinds of community activities, demonstrating its core value of serving, assimilating into, and taking part in, the community, and its dedication to make contributions to the community.

Staff Activities

Being a sofa manufacturer, the Company has a diversified workforce. While respecting and protecting the interests of each staff, the Company is devoted to establishing an ideal working environment and a harmonious working atmosphere. By launching corporate cultural activities such as caring and greeting activities, travelling trips, sports event and career development and trainings for all the staff, we have shown our care to our staff through a wide variety of activities. In addition to fully understanding the needs of our labor, we train up our staff in terms of their willpower and teamwork spirit through different team activities, so as to enhance the overall quality of our staff.

During 2022, the Company has carried out voluntary activities in the community.

The Company has proactively participated in voluntary services in the community and, in 2022, has participated in the following voluntary service monthly:

The Company organized a team of 63 epidemic prevention volunteers. They helped in the epidemic prevention and control in various positions and contributed heart-warming strength to the city, community and residents.

Environmental, Social and Governance Report

4. ENVIRONMENT

In the operation of the Company's business, it has formulated a set of policies to enhance the efficiency of energy and resources utilization, and to achieve the objectives of environmental protection and sustainable development. In the course of its operation, the Company has strictly complied with the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》), the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Pollution From Environmental Noise (《中華人民共和國環境噪聲污染防治法》), and other relevant environmental protection laws and regulations. In addition, the Company has been dedicated to fulfill its commitments in environmental protection in accordance with relevant policies and requirements.

4.1 Emissions

As the Company is principally engaged in the manufacture of sofas and sofa covers and purchase the necessary raw materials from third party suppliers, no substantial emissions are produced from direct burning or usage of any gas fuel and no material hazardous waste is produced in the course of manufacture. During the year of 2022, in respect of the uncontrolled exhaust gas, waste water and noise arising from operation, the Company has complied with all the national standards such as the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》), the Integrated Wastewater Discharge Standard (《污水綜合排放標準》) and the Emission Standard for Industrial Enterprises Noise at Boundary (《工廠企業廠界環境噪聲排放標準》) and did not exert material impacts on the environment. The current emission of the Company is mainly automobile exhaust generated by its self-owned vehicles and hence the air emission is insignificant.

No substantial direct emission of greenhouse gas is generated from the Company's business activities. The greenhouse gas is mainly discharged from our self-owned vehicles and indirect resources consumed during its daily operation, such as electricity, waste water and paper. Greenhouse gases emissions associated with electricity purchase was approximately 327.27 tCO₂e (2021: 2,335.87 tCO₂e). In 2022, the Company tried to keep reduction of emission by replacing the old machines with more efficient machines to reduce greenhouse gas emissions.

| Greenhouse Gases Emission | 2022 | 2021 ^(Note 1) |
|---|--------|--------------------------|
| Total Greenhouse Gases Emission (tCO ₂ e) | 351.34 | 2,384.11 |
| Total Greenhouse Gases Emission per employee (tCO ₂ e) | 1.0 | 2.22 |
| Direct emissions (tCO ₂ e) | 24.07 | 48.24 |
| Indirect emissions (tCO ₂ e) | 327.27 | 2,335.87 |
| Quantity of purchased electricity (MWh) | 536.4 | 3,828.7 |
| Emission factor (kg/KWh) | 0.61 | 0.61 |

Note 1: Emission data has been updated as reporting capacity has matured and more accurate fuel and energy data have become available.

Environmental, Social and Governance Report

The Company has exercised strict control over the waste discharge during its daily operation and continuously improved its environmental monitoring capability. The wastewater produced during the production process is mainly the domestic wastewater from the daily activities of employees. As to the wastewater treatment, all the wastewater discharged by the Company has been processed by a localized public wastewater treatment plant, by which a total of approximately 9,674 m³ (2021: 149,338 m³) of wastewater was processed throughout 2022. The Company does not generate much waste paper and household garbage during its operation, all of which will be collected and disposed by cleaning personnel and afterwards, will be processed by the Environmental and Sanitary Administrative Department of Haining City (海寧市環衛管理所). Such arrangement will not cause material impact on the environment. The solid wastes such as leftover woods, fabrics and leather, etc. will be recycled and reused by the Company with an aim to save material consumption costs and enhance the resources efficiency. The quantity of non-hazardous waste of the Company representing leftover woods fabrics and leather for the Reporting Period was approximately 306 tonnes (2021: 385 tonnes) and the said waste did not exert any significant impact on the environment. Besides, using dust treatment equipment in the manufacturing and cutting procedures can effectively reduce dust concentration in the air and the waste air emission, thereby improving the working environment and safeguarding the employees' health.

4.2 Use of Resources

The Company has adopted proactive measures in reducing the energy and resources consumption and vigorously promoting the philosophy of energy-saving and emission-reducing. The Company has specifically formulated a Policy of Energy Statistic Management, aiming to conduct research and statistical works in respect of its energy consumption in a scientific way and ensure a reasonable usage of its resources. During the year of 2022, the major energy consumption of the Company is as follows:

| Energy Consumption | Unit | Total Consumption in 2022 | Total Consumption in 2021 |
|---|----------------------------|---------------------------|---------------------------|
| Total electricity consumption | MWh | 536.4 | 3,828.7 |
| Electricity consumption per capita | MWh/per person | 1.53 | 3.58 |
| Consumption of non-renewable fuels | L | 10,160.0* | 20,360.0* |
| Consumption of non-renewable fuels per capita | L/per person | 29.0* | 19.0* |
| Total water consumption | m ³ | 9,674 | 149,338 |
| Water consumption per capita | m ³ /per person | 27.6 | 139.6 |

* The company's non-renewable fuel is mainly gasoline and diesel.

Environmental, Social and Governance Report

During the year of 2022, in order to achieve reasonable utilization of resources and energy, the Company continued to use the solar panels and installed the more LED lights. The total electricity consumption for the year 2022 reduced accordingly. As the electricity consumption has substantially decrease in 2022 against 2021. The Group has set electricity consumption target by achieving a 5% deduction in GHG emission by consuming less electricity by end of 2030. The Company's motor vehicles had been regularly repaired and the drivers were encouraged to turn off the car engines during parking. The Company also used more alternative fuel vehicles in order to reduce the use of gasoline and diesel. As a result, the consumption of non-renewable fuels is lower than the previous year. By analysing and monitoring the statistics, the energy usage efficiency will be enhanced. As our water resource is provided by water supply companies, the Company has not encountered any water sourcing problem. By posting water-saving signs, employees are encouraged to save water resources. The Company also designated the employee to check the water pipes and faucets regularly in order to reduce the waste caused by water leaks.

The Company mainly uses paper boxes, plastic bags and sponge scraps as packaging materials for its products. The amount of various types of packaging materials used in 2022 was approximately 3,662 tonnes (2021: 840 tonnes) in total and approximately 4.2 kg (2021: 4.3 kg) packaging materials were used per sofa and approximately 0.5 kg (2021: 0.5 kg) packaging materials were used per sofa cover. The Company used the packaging materials reasonably and effectively to minimize its impact on the environment.

4.3 Environment and Natural Resources

The Company and its subsidiaries are adhering to the principles of environmental protection and conservation of the natural resources during its ordinary operation, to ensure the environment and natural resources would not be materially impacted by its sofa manufacture activities. During its decision-making process, the Company also takes the potential influences on the environment and natural resources into consideration, and constantly improves its environmental protection management system, so as to reduce the possible threats arising from its business activities on the environment and natural resources. In addition, the Company proactively implemented the paperless office policy, thereby minimizing the adverse impacts of its operation on the environment.

4.4 Climate Change

Due to tightening carbon legislation, changing weather patterns, and rising fuel costs, enterprises from all business segments are facing the most emerging risk – climate change. Evaluating and determining climate-related risks is a prerequisite to formulating an effective business strategy toward climate change. The Group referenced the recommendations of the Task Force on Climate-Related Financial Disclosures and conducted a preliminary climate-related risk analysis.

In doing so, potential climate-related risks were further categorized into physical and transition risks.

By adopting a risk assessment matrix, we assessed these risks from two perspectives – severity and frequency. A list of short and mid-term risks was subsequently identified. The physical risks faced by the Group included extreme precipitation, typhoons, flood, heat waves and thunderstorm. Transition risks faced by the Group included enhanced emissions-reporting obligations, and procuring products which were made from materials with a longer durability and a lower carbon footprint and consequently increasing the Group's cost of goods sold.

The Company mainly produces traditional products such as design, manufacturing and sales of a wide varieties of sofas, sofa covers and other furniture products, the Company does not consider significant climate-related issues and risks identified to have a material impact on the business.

5. ENVIRONMENTAL AND SOCIAL PERFORMANCE ANNUAL MONITORING REPORT

IFC's Convertible Loan Agreement requires the Company to prepare a comprehensive AMR on the E&S performance of its facilities and operations. The scope of reporting of AMR includes the Company's compliance of its operations in China with IFC's Performance Standards (PS) as follows:

PS1: Assessment and Management of Environmental and Social Risks and Impacts

PS2: Labor and Working Conditions

PS3: Resource Efficiency and Pollution Prevention

PS4: Community Health, Safety and Security

PS5: Land Acquisition and Involuntary Resettlement

PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

PS7: Indigenous Peoples

PS8: Cultural Heritage

The information below comprises IFC's preferred format for E&S performance reporting.

Environmental, Social and Governance Report

Section A:

5.1 Summary of Key E&S Aspects During the Reporting Period

Project status

Morris China was operating during the Reporting Period.

The list of all operating facilities and locations is as follows:

| | Name of Facility | Location | Start of operation (mm/yy) |
|-------------------------|---|--|----------------------------|
| Morris China | Zhejiang Morris Fashion Home Co., Ltd | No. 258, Shengli Road, Maqiao Street Haining City, Jiaxing City Zhejiang Province, PRC | 05/15 |
| | Zhejiang Apollo Leather Products Co., Ltd | No. 258, Shengli Road, Maqiao Street Haining City, Jiaxing City Zhejiang Province, PRC | 10/01 |
| | 慕容沙發(上海)有限公司 | Room 103, Building 4, No. 68 Qinzhou North Road, Xuhui District, Shanghai | 10/07 |
| | Zhejiang Morrisofa Furniture Co., Ltd. 浙江慕華家居有限責任公司 | No. 258, Shengli Road, Maqiao Street Haining City, Jiaxing City Zhejiang Province, PRC | 06/20 |
| Morris Hong Kong | Mstar International Trading (HK) Limited | No. 52, Fu Hang Road Tuen Mun Hong Kong | 01/14 |
| | Morris Fashion Home HK Limited | No. 52, Fu Hang Road Tuen Mun Hong Kong | 03/17 |
| Morris US | Morrisofa Global Inc. | 130 Enterprise Way, Mocksville, NC 27028 | 03/17 |
| Morris UK | Royale Home Living Limited (Formerly known as Morrisofa Europe Limited) | Unit 9, James Freel Close, Barrow-in-Furness, Cumbria LA14 2NW | 06/19 |

Note: During the year ended 31 December 2022, the Group completed restructure of operating facilities in Morris China. The facilities of Zhejiang Morris Fashion Home Co., Ltd Factory No. 1, No. 2, No. 3 and No. 4 had been grouped as Zhejiang Morris Fashion Home Co., Ltd Factory.

PS1. Assessment and Management of Environmental and Social Risks and Impacts

Status of the following voluntary management systems certification schemes at the facility

Morris China has implemented ISO9001, ISO14001 and OHSAS18001 in June 2019.

Updates to the Company's E&S management system, and E&S aspects of the Group level procurement policies

The manual of "Social Responsibility Management System" (《社會責任管理體系》) of the Company is updated by appointing a senior vice president as the representative of social responsibility of the Company and a senior manager being responsible for standard of labor, business ethics and trade policy.

The Company's latest internal supplier E&S audit report/results, and reports prepared by external E&S auditors as commissioned by and required by the Company's overseas buyers

All the suppliers of Morris China are local suppliers in China and there is no requirement to conduct E&S audit in China. Therefore, supplier E&S audit report is not applicable. Several overseas buyers conducted external E&S audits on Morris China with satisfactory results. Morris Hong Kong and Morris US only carry out sales activities, supplier E&S audit report is also not applicable for these locations.

To the extent that the Company can exercise commercial leverage, any information for the Company's direct plywood, hardwood, and bovine hide suppliers with respect to their suppliers-at-origin (farms and plantations):

- (i) an annual Forest-Stewardship-Council (FSC) Forest Management (FM) audit report by a FSC-accredited auditor of wood plantations, and implementation outcomes of audit-identified corrective actions;
- (ii) following the FSC-FM audit, undertaking a dedicated labor audit as needed and duly implementing audit-identified corrective actions; and
- (iii) an external accredited audit report of bovine hide suppliers (slaughter houses) to verify compliance with Morris' E&S corporate requirements.

Morris China mainly sources processed wooden brackets and processed bovine hide instead raw timber or bovine hide and therefore the audit report for local suppliers in China is not applicable. Morris China will ensure its suppliers to comply with Morris' E&S corporate requirements.

Environmental, Social and Governance Report

Any changes in the organizational structure to manage environment, health and safety, labor and social aspects during the Reporting Period and number of personnel in charge of E&S issues

There is no change in the organizational structure to manage environment, health and safety, labor and social aspects during the Reporting Period. There are one senior vice president and one senior manager in charge of E&S issues.

The level of environmental, social and health and safety training provided to staff

The human resources department provides trainings to ensure the Company's compliance with local safety and health regulations and to protect the health and safety of the staff.

The Company set up various staff development and training programs, includes induction training and on-the-job training for new staff and senior workers respectively. The Company also has clear requirements on staff development and training under "Social Responsibility Management System". Details and number of the said trainings provided to the staff are set out in section 1.3 of this report.

Any events that may have caused damage, brought about injuries or fatalities or other health problems, attracted the attention of outside parties, affected project labor or adjacent populations, affected cultural property, or created liabilities for the Company during the Reporting Period

During the Reporting Period, only insignificant non-fatal injuries were incurred in the ordinary manufacturing process and there was no event that have caused damage, brought about fatalities or other health problems, attracted the attention of outside parties, affected project labor or adjacent populations, affected cultural property, or created liabilities for the Company.

Any ongoing public consultation and disclosure, liaison with non-governmental organizations (NGOs), civil society, local communities or public relations efforts on E&S aspects

The Company discloses its activities performed and efforts spent on E&S aspects to public in its published annual ESG report. Details are set out in section 3 of this report.

New initiatives implemented during the Reporting Period or additional managerial efforts on E&S aspects

No new initiatives implemented during the Reporting Period and the existing measures on energy/water savings, sustainability and waste minimization are effective.

The existing policies of the Company on E&S aspect are effective, especially in energy and resources utilization, environmental protection and sustainable development. Details of the Company's initiatives implemented are set out in section 4 of this report.

Environmental, Social and Governance Report

Comments and/or grievances received by the Company in relation to E&S Issues

No comments and/or grievances received during the Reporting Period.

E&S impact assessment (corporate) and E&S due diligence during the Reporting Period

Not applicable.

Stakeholder engagement activities by the Company in the past year and how the Company communicated relevant aspects of project implementation status to local affected communities, and sought, documented, and incorporated stakeholder feedback

The Company actively contributed to the society, devoted itself to various service campaigns, and made best efforts to help promote community development. During the Reporting Period, the Company communicated with stakeholders about the project status by taking part in various stakeholder engagement activities that are set out in section 3 of this report.

PS2. Labor and Working Conditions

Any change of the Company's human resources (HR) policies, procedures or working conditions during the Reporting Period

No change of the Company's HR policies, procedures or working conditions during the Reporting Period.

Information regarding the workforce of the Company during the Reporting Period

| Site | Number of direct employees | Number of female direct employees | Number of employees terminated | Number of employees hired | Number of contractor employees |
|-------------------------|----------------------------|-----------------------------------|--------------------------------|---------------------------|--------------------------------|
| Morris China | 299 | 110 | 705 | – | – |
| Morris US | 2 | 0 | 6 | – | – |
| Morris Hong Kong | 40 | 24 | 14 | – | – |
| Morris UK | 9 | 0 | 20 | – | – |

The Company's internal audit of the labor and working conditions of major suppliers and external audit commissioned by the Company's overseas buyers

All the suppliers of Morris China are local suppliers in China and there is no requirement to conduct internal audit on labor and working condition in China. Therefore, internal audit report of supplier is not applicable. Several overseas buyers conducted external labor and working conditions audits on Morris China with satisfactory results. Morris Hong Kong, Morris US and Morris UK only carry out sales activities and therefore internal audit report of supplier is also not applicable.

Environmental, Social and Governance Report

Key elements of the Company's program to manage and minimize occupational health and safety (OHS) risks during construction and operation of the project

The key elements are prevention of fire and mechanical injury and ensure effective implementation of occupational protection.

Main changes implemented in terms of OHS during the Reporting Period

There is no change in implementation in terms of OHS during the Reporting Period.

Occupational health and safety indicators

| Report Total numbers for each parameter | Reporting Period | | 2021 | |
|--|------------------|----------------------|------------------|----------------------|
| | Direct employees | Contractor employees | Direct employees | Contractor employees |
| Total number of Workers | 299 | – | 875 | 2 |
| Total man-hours worked – Annual | 52,926 | – | 3,230,672 | 1,868 |
| Total number of lost time occupational injuries | 696 | – | 96 | – |
| Total number of lost workdays due to injuries | 87 | – | 12 | – |
| Number of fatalities | – | – | – | – |
| Total number of near misses | – | – | – | – |

Details for the non-fatal injuries during this Reporting Period

The details for non-fatal injuries during this Reporting Period are set out in section 1.2 of this report.

Environmental, Social and Governance Report

PS3. Resource Efficiency and Pollution Prevention

1. Liquid Effluent

Liquid effluent refers to all types of liquid waste which is discharged from the site. Types of liquid effluent include process, sanitary, storm water, and thermal discharges.

Liquid effluent monitoring point location during the Reporting Period

| Name of facility | Liquid Effluent Parameters | Collection Frequency | WBG*/IFC Maximum Levels (in mg/L except for pH) | Maximum Levels (Units) | Morris China Actual Performance Data (Units) Annual Average |
|------------------|----------------------------|----------------------|---|------------------------|---|
| Morris China | Total residual chlorine | N/A | 0.2 | N/A | N/A |
| | Chromium total | N/A | 0.5 | N/A | N/A |
| | Copper | N/A | 0.5 | N/A | N/A |
| | Iron | N/A | 1 | N/A | N/A |
| | Zinc | N/A | 1 | N/A | N/A |
| | Lead | N/A | 0.5 | N/A | N/A |
| | Cadmium | N/A | 0.1 | N/A | N/A |
| | Mercury | N/A | 0.005 | N/A | N/A |
| | Arsenic | N/A | 0.5 | N/A | N/A |
| | Oil and grease | N/A | 10 | N/A | N/A |
| | pH | N/A | 6.0–9.0 | N/A | N/A |
| | Total suspended solids | N/A | 50 | N/A | N/A |

* World Bank Group

Note:

The operations of the Morris China do not generate serious water emissions problems as no liquid effluent is generated from the sofas and sofa covers manufacturing process. The wastewater produced is only domestic wastewater from the daily activities of employees.

During the Reporting Period, in respect of the wastewater, Morris China has complied with all the national standards such as the Integrated Wastewater Discharge Standard (污水綜合排放標準) and did not exert material impacts on the environment. Details of wastewater discharge data and treatment are set out in section 4.1 of this report.

Morris Hong Kong, Morris US and Morris UK only carry out sales activities and therefore the wastewater generated is insignificant.

Any technical and management upgrades/changes/retrofits made to wastewater management and treatment systems and procedures

There is no technical and management upgrades/changes/retrofits made to wastewater management and treatment systems and procedures during the Reporting Period.

Environmental, Social and Governance Report

2. Ambient Noise

Ambient noise refers to noise levels outside of the Company's boundaries. The maximum levels in units in the table below.

Ambient noise residential point location and industrial or commercial monitoring point location during the Reporting Period

| Name of facility and monitoring location | Ambient Noise Parameters | Collection Frequency | WBG/IFC Maximum Levels (WBG/IFC Units) | Maximum Levels (Units) | Morris China Performance (Units) Annual average of quarterly samples |
|--|--------------------------------|----------------------|--|------------------------|--|
| Morris China | Noise at the facility boundary | Semi-annually | 70 dB | 58 dB | 45 dB |

Morris Hong Kong, Morris US and Morris UK only carry out sales activities and therefore no significant ambient noise is generated.

3. Point Source Air Emissions

Point source air emissions refers to air flow out from a specific location on a project site. These emissions can come from points such as process stacks, power generation stacks and vents.

Point source air emissions at key emission locations for all parts of the production facility as given above and the maximum levels in units in the table below.

Point source air emissions monitoring point location during the Reporting Period

| Name of production facility and monitoring location | Point Source Air Emission Parameters | Collection Frequency | WBG/IFC Maximum Levels (WBG/IFC Units) | Maximum Levels (Specify Units) | Morris Performance (host country units) Annual Average of Quarterly Samples |
|---|--------------------------------------|----------------------|--|--------------------------------|---|
| Morris China | NO _x | Quarterly | 600 mg/Nm ³ | N/A | N/A |
| | PM ₁₀ | Quarterly | 50 mg/Nm ³ | N/A | N/A |
| | SO _x | Quarterly | 400 mg/Nm ³ | N/A | N/A |

Environmental, Social and Governance Report

Note:

Morris China has no substantial air emissions produced as no direct burning or usage by its self-owned vehicles and hence the air emission is insignificant. Morris China also has no direct emission of greenhouse gas and its indirect emission from purchase of electricity is not material. Details are set out in section 4.1 of this report.

Morris Hong Kong, Morris US and Morris UK only carry out sales activities and therefore no significant air emissions are produced. No direct emission of greenhouse gas is generated from business activities of Morris Hong Kong, Morris US and Morris UK and the indirect emission from purchase of electricity is insignificant.

Any technical and management upgrades/changes/retrofits made to air emission control and treatment systems and procedures

No technical and management upgrades/changes/retrofits is made to air emission control and treatment systems and procedures.

4. *Solid Waste, Hazardous Waste and Oils Management*

Solid and hazardous wastes and oils management summary

| Solid Waste Type (description) | Annual Quantity | Method of Storage, Solid Handling and/or Treatment |
|--|------------------------|---|
| Leftover woods fabrics and leather (Leftover raw materials produced during manufacturing process) | 306 (tonnes) | Recycle by outside professional recycling companies |

| Solid Waste Type (description) | Method of Recycling, Reuse or Disposal |
|--|---|
| Leftover woods fabrics and leather (Leftover raw materials produced during manufacturing process) | Reuse for manufacturing other products after recycled by professional recycling companies |

Any Environmental, Health and Safety (“EHS”) guidelines or local regulatory limits are exceeded

No EHS guidelines or local regulatory limits are exceeded during the Reporting Period.

Environmental, Social and Governance Report

5. Energy and Water Consumption Management

| Utility Type | Units | Annual Consumption | | | Total |
|-----------------------|----------------|---------------------------------------|---|---|---------|
| | | Zhejiang Morris Fashion Home Co., Ltd | Zhejiang Morrisofa Furniture Co., Ltd.* | Zhejiang Appollo Leather Products Co., Ltd* | |
| Grid electricity | kWh | 536,422 | – | – | 536,422 |
| Natural gas | m ³ | – | – | – | – |
| Diesel | L | 360 | – | – | 360 |
| Other fuel (gasoline) | L | 9,800 | – | – | 9,800 |
| Water | m ³ | 9,500 | – | – | 9,500 |

* Zhejiang Morris Fashion Home Co., Ltd, Zhejiang Morrisofa Furniture Co., Ltd. and Zhejiang Appollo Leather Products Co., Ltd are located at the same location at No. 258, Shengli Road, Maqiao Street Haining City, Jiaxing City, Zhejiang Province, PRC. The above figures of Zhejiang Morris Fashion Home Co., Ltd includes those of Zhejiang Morrisofa Furniture Co., Ltd. and Zhejiang Appollo Leather Products Co., Ltd.

Morris Hong Kong, Morris US and Morris UK only carry out sales activities and the energy and water consumption is insignificant when compared with the Morris Group and therefore the annual consumption of these locations is not mentioned above.

Key areas/sections of the project facility where each of the above resources experienced the heaviest consumption/usage

The key consumption of electricity is for lighting and manufacturing in factories. The water is consumed for domestic use only. Natural gas is only consumed for cooking at staff canteen.

Energy, water, and resource efficiency measures in the past year and annual savings achieved

The Company is adhering to the principles of conservation of the natural resources and has adopted proactive measures in reducing the energy and resources consumption. Details of the implementation of energy and water saving measures and the savings achieved are set out in sections 4.2 and 4.3 of this report.

PS4. Community Health, Safety and Security

The initiatives implemented by the Company in relation to community health and safety, emergency drills, engagement with private/public security forces and the technical and management upgrades/changes/retrofits in ensuring infrastructure and equipment safety, explosion minimization and control and minimize gas leakage scenarios are set out in section 1.2 of this report.

Any new initiatives implemented in relation to community health and safety

No new initiatives implemented in relation to community health and safety during the Reporting Period.

Any emergency drills conducted with community participation

Morris China conducted 1 fire drill in 2022.

Any changes in the Company's engagement with private/public security forces during the Reporting Period and any corresponding agreements

No change in the Company's engagement with private/public security forces during the Reporting Period and hence no corresponding agreements.

*Any technical and management upgrades/changes/retrofits and any new measures to:
(i) ensure infrastructure and equipment safety; (ii) ensure explosion minimization and control; (iii) minimize gas leakage scenarios*

The Company established measures to ensure infrastructure and equipment safety, explosion minimization and control and minimize gas leakage scenarios in factories in China.

Environmental, Social and Governance Report

Life & fire safety (L&FS)

| Name of facilities | Morris Fire Safety Verification Activities | Mandatory frequency | Date(s) performed | Observed deficiencies | Corrective actions and Schedule For Implementation |
|---|--|-----------------------------------|--------------------|-----------------------|--|
| Zhejiang Morris Fashion Home Co., Ltd | Fire Drills | Minimum: one (1)/year | 2022/6 | No | N/A |
| | Inspect and certify fire detection and suppression electrical and mechanical systems | Minimum: two (2)/year | 2022/6 and 2022/11 | No | N/A |
| | Inspect, refill/recharge portable fire extinguisher | Minimum: two (2) inspections/year | 2022/6 and 2022/11 | No | N/A |
| Zhejiang Morrisofa Furniture Co., Ltd. | Fire Drills | Minimum: one (1)/year | 2022/6 | No | N/A |
| | Inspect and certify fire detection and suppression electrical and mechanical systems | Minimum: two (2)/year | 2022/6 and 2022/11 | No | N/A |
| | Inspect, refill/recharge portable fire extinguisher | Minimum: two (2) inspections/year | 2022/6 and 2022/11 | No | N/A |
| Zhejiang Apollo Leather Products Co., Ltd | Fire Drills | Minimum: one (1)/year | 2022/6 | No | N/A |
| | Inspect and certify fire detection and suppression electrical and mechanical systems | Minimum: two (2)/year | 2022/6 and 2022/11 | No | N/A |
| | Inspect, refill/recharge portable fire extinguisher | Minimum: two (2) inspections/year | 2022/6 and 2022/11 | No | N/A |

Measures by the Company to ensure life and fire safety at the project premises

The occupational health of staff and safe production environment have always been the key focus of the Company. The Company has formulated various guidelines, procedures and contingency plans to enhance its capability to cope with, and prevent occurrence of, any incident relating to production safety, thereby minimizing casualties and damages caused by accident. Details of the measures adopted by the Company in respect of safety of project premises are set out in section 1.2 of this report.

PS5. Land Acquisition and Involuntary Resettlement

There were no new land acquisition activities during the Reporting Period.

PS6. Biodiversity Conservation and Sustainable Management of Living Natural Resources

The Company implemented an E&S procurement policy to ensure that effective biodiversity conservation and sustainable management of living natural resources could be achieved.

PS7. Indigenous People

There are no indigenous people at or near the China facilities.

PS8. Cultural Heritage

There is no cultural property discovered in the course of project activities during the Reporting Period.

Section B:

5.2 New Development/Corporate Financing Social and Environmental Screening

There is no project which have come under active consideration for development during the Reporting Period.

5.3 Projects Completed or in Progress During the Reporting Period

There is no project completed or in progress during the Reporting Period.

5.4 Pre-Development Project Screening

There is no pre-development project during the Reporting Period.

Section C:

5.5 Action Plan Status and Update Implementation status of the E&S action plan

All E&S action plan had been implemented during 2022.

Section D:

5.6 Deviation/Non-Compliances

There is no deviation/non-compliances by the Company in respect of IFC's Performance Standards, ESAP, nor non-compliance with local E&S regulations and WBG EHS Guidelines.

6. IFC PROJECT INFORMATION

Client Company: Morris Home Holdings Limited

Project Name: Morris Hong Kong

Country of Investment: China

IFC Project Number: 40057

REPORTING PERIOD: 01/2022 through 12/2022



MORRIS
HOME HOLDINGS LIMITED

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慕容家居控股有限公司

