

未來發展控股有限公司 Prosperous Future Holdings Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1259



ENVIRONMENTAL,
SOCIAL AND
GOVERNANCE
REPORT

2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Prosperous Future Holdings Limited (the “Company” together with its subsidiaries, hereinafter referred to as the “Group”) is pleased to present our Environmental, Social and Governance Report (the “Report”) for year ended 31 December 2021 to provide an overview of the Group’s management of significant issues affecting the operations, including environmental, social and governance (“ESG”) issues. Both English and Chinese versions of this Report are available on the Company’s website at www.pfh.hk. If there is any conflict or inconsistency, the English version shall prevail. For the corporate governance section, please refer to the Group’s 2021 Annual Report on page 19 to 34 therein.

Statement of the Board of Directors

The Group places business sustainable development at the top of its long-term development goals, and incorporates climate-related issues and environmental, social and governance elements into its long-term planning of business strategies. Taking the most important leadership role of the Group, the board of directors (the “Board”) of the Company has overall responsibility for supervising and directly managing the Group’s ESG issues and progress.

The Group has set clear and definite short-term and long-term sustainable development goals, and is making continuous progress in emission reduction under the requirements of local governments. Emission reduction goals and strategies have been established. Sustainable development factors have been incorporated into the Group’s strategic planning, business model and other decision-making processes. The Board regularly inspects and reviews management effectiveness, including reviewing the Group’s ESG performance and adjusting corresponding action plans. Effective implementation of ESG policies depends on cross-department cooperation. To this end, the Group has established an Environment, Occupational Health and Safety Management Committee (with the Environment & Safety Center under it) (hereinafter referred to as the “ESG Working Group”) for coordinating and promoting department cooperation, striving to achieve consistent work performance, meet the expectations of stakeholders, and contribute to the sustainable development goals.

The Group endeavours to ensure its risk management and internal control systems are appropriate and effective for identifying and assessing ESG and climate-related risks and opportunities, and responding to the challenges and impacts of different times. In the future, the Board will continue to review and monitor the Group’s ESG performance, provide stakeholders with important, reliable, consistent and comparable ESG information, and make our society and environment better and greener.

ESG Structure

The Group keeps integrating ESG factors into its operations, in order to create sustainable value for its stakeholders and fulfil its responsibilities as a corporate citizen. The ESG Working Group consists of core members from different departments of the Group. It is responsible for reviewing and evaluating the effectiveness of the Group’s sustainable development framework, and managing ESG issues that are important to the Group and ESG performance. All performance and relevant recommendations will be reported to the Board on a regular basis.

The Board is responsible for developing the Group's sustainable development strategy and emission reduction goals, assessing actual and potential climate-related risks and opportunities that affect the Group's operations, and ensuring the appropriateness and effectiveness of the Group's ESG management and internal control systems. The management is responsible for reviewing the risks in these areas and the effectiveness of the internal control system and reporting to the Board.

Reporting Period

The Report illustrates the Group's policies and performance regarding the environmental and social aspects from 1 January 2021 to 31 December 2021 (the "Reporting Period").

Reporting Scope

As manufacturing and sale of personal care products accounts for the largest part of both the Group's revenue and its investment in human resources, the Report covers it as the core business considered material by the Group unless otherwise specified. Revenue from the manufacturing and sale of personal care products business in the People's Republic of China (the "PRC") accounted for approximately 49% of the total revenue of the Group, and the number of employees in this business accounted for approximately 92% of the total number of employees of the Group during the Reporting Period. The Group will keep assessing major ESG aspects of different businesses and major subsidiaries to determine whether covering such in the ESG report. The scope of this Report is the same as the scope of the ESG report in previous year.

Data Collection and Confirmation

This Report is prepared based on the official documents, statistical data and management and operation information of the Group. The Group has internally reviewed the disclosed information to ensure its accuracy, completeness, and compliance with the ESG Reporting Guide, so that this Report can fairly reflect the overall situation.

This Report was reviewed and approved by the Board on 29 March 2022.

Reporting Basis

This Report is prepared in accordance with the Appendix 27 "ESG Reporting Guide" of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Group has complied with the "comply or explain" provisions set out in the Listing Rules. The key performance indicators ("KPIs") considered material in this Reporting Period by the Group are disclosed in this Report. The Group will continue to optimize its disclosure KPI. The content of this Report follows the four reporting principles of "Materiality", "Quantitative", "Balance" and "Consistency".

Reporting Principles Interpretation

The Group's Application

Materiality

The report should disclose an organization's aspects that have significant impacts on the environment and society, or on stakeholders' evaluation on the organization and their decision-making.

The Group conducts questionnaires to understand stakeholders' expectations. The Group identifies and reports its material sustainability issues based on the results of the questionnaires.

Reporting Principles	Interpretation	The Group's Application
Quantitative	The KPIs disclosed in the report shall be calculable and comparable where applicable.	Under feasible situations, the Group records, calculates and discloses quantitative information and compares it with previous performance.
Balance	The issuer should objectively and truthfully report its ESG performance in the current reporting period.	The Group follows the principles of accuracy, objectivity, and fairness to report its achievements and challenges in sustainable development.
Consistency	The ESG report should be prepared in a consistent manner, and the KPIs therein should be comparable to understand corporate performance.	The Group ensures consistency in report preparation and manages its ESG data for future comparison.

Contact Information

The Group welcomes your feedback on the Report for our sustainability initiatives. Please contact us by email to ir@pfh.hk.

Sustainability Vision and Focus

The Group takes an integrated approach to sustainability, incorporating environmental and social considerations into our decision-making and actions. We focus on minimizing the impact of our manufacturing operations in Fujian Province, PRC on the environment and creating positive impact in the community through our business. We are guided by a set of core sustainability values and an effective governance structure.

The Group believes that promoting sustainability is as important as achieving medium and long-term business growth. It has therefore made continuous efforts to maintain a high level of sustainability in its Group Office & the subsidiaries in Hong Kong, as well as Head Office and manufacturing site in Zhangzhou City, Fujian Province, PRC. Moreover, it values opportunities to learn more about the needs and expectations of the communities in which it operates, as well as those of other stakeholders.

STAKEHOLDERS ENGAGEMENT

Stakeholders engagement is an integral part of our business development and commitment to corporate sustainability. We develop medium and long-term relationships with stakeholders and consider their views on our business development through various formal and informal, independent and internal stakeholders engagement exercises.

Through these stakeholders engagement exercises in the Report and regular exchange activities, we are able to keep an ongoing dialogue with our stakeholders, which allows us to make more informed decisions, and better assess and manage any resulting impact.

(1) Investors and shareholders

- Annual General Meeting
- Investor briefings and press conferences
- Face-to-face meetings
- Conference calls
- Corporate website

(2) Customers

- Annual customer satisfaction survey
- Organization of public events
- Periodic campaigns to raise service standards and maintain customer satisfaction
- Guest comment card and client feedback survey
- Designated customer hotline
- Corporate website
- Social media (e.g. mobile apps)

(3) Business partners

- Face-to-face meetings
- Individual interviews
- Briefings and seminars

(4) Suppliers

- Face-to-face meetings
- Daily work review
- Supplier evaluation
- Individual interviews

(5) Employees

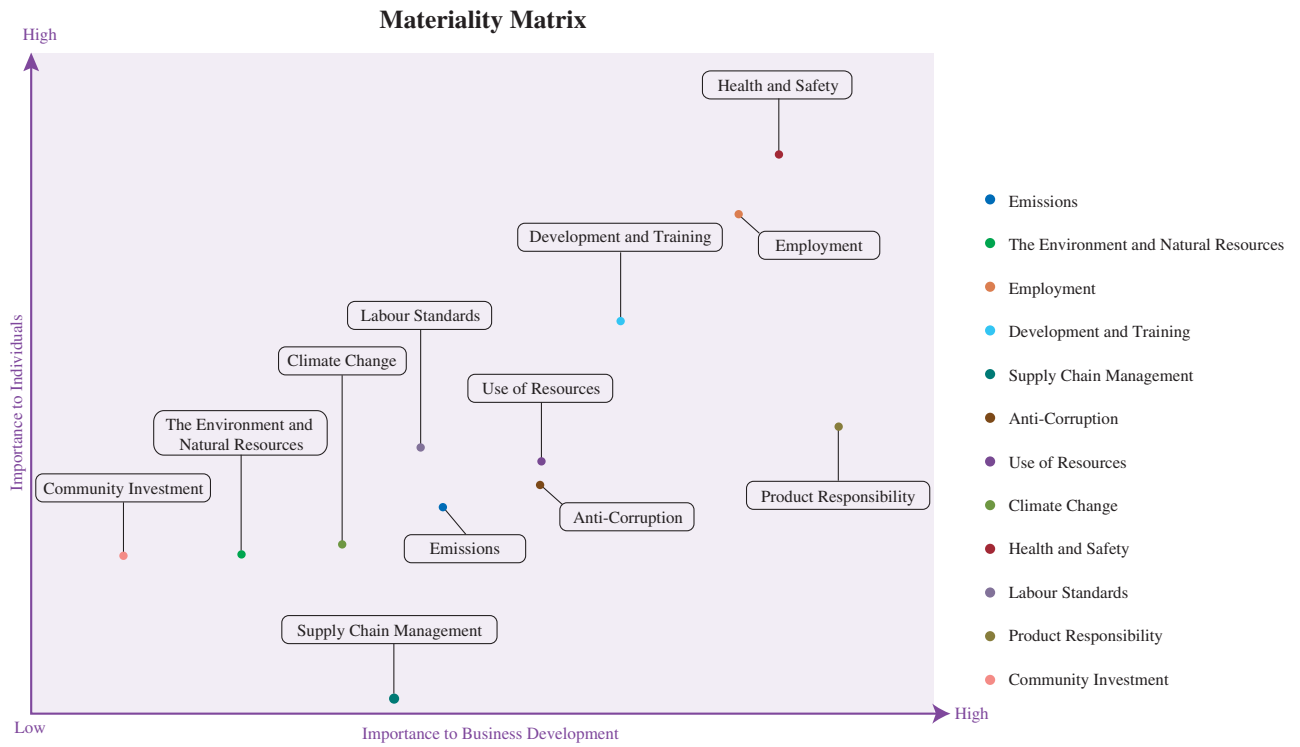
- Training, seminars, briefings
- Social club activities
- Face-to-face meetings
- Independent focus groups and interviews
- Recreational and volunteering activities

(6) Communities and non-government organizations (“NGOs”)

- Employee volunteering activities
- Participation in programs initiated by NGOs
- Organization of public events
- Individual interviews

EVALUATION OF MATERIAL SCOPE

In order to better understand the opinions and expectations of stakeholders on our ESG performance, the Group conducted a systematic annual assessment of the material scope and invited stakeholders related to the Group to participate in materiality surveys, rated potential material issues, and referred to the Group’s business development strategies and industry practices. The Group analyzed the materiality survey results into a materiality matrix. The identified material issues and stakeholder concerns were reviewed and discussed with the management, and are disclosed in this ESG report. For this Reporting Period, the Group’s materiality matrix is as follows:



ENVIRONMENTAL ASPECTS

The Group is committed to protect the environment. Environmental impacts are considered very seriously during our decision-making processes. The Board has overall responsibility for group-wide environmental considerations, while each business segment has its own responsibility to implement appropriate environmental measures. The Group's environmental management system was awarded the ISO 14001: 2015 certificate.

A1 Emissions

The Group's production facilities and business operations strictly comply with PRC laws and regulations, including but not limited to the Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* (《中華人民共和國大氣污染防治法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* (《中華人民共和國固體廢物污染環境防治法》), the Law of the People's Republic of China on the Prevention and Control of Water Pollution* (《中華人民共和國水污染防治法》), and other laws and regulations. The Group treated waste gas, waste water and solid waste to ensure they meet relevant standards.

The air pollutants produced by the Group mainly include nitrogen oxides ("NOx"), sulphur oxides ("SOx"), and respiratory suspended particles ("RSP", also known as Particulate Matter ("PM")). These pollutants generally come from gaseous fuel consumption and vehicles.

Another area of emission is known as greenhouse gas ("GHG") emissions. The majority of GHGs are indirect emissions from the generation of purchased electricity consumed by the Group. The Group will actively implement energy conservation measures in "Resource Use" to reduce GHG emissions.

The Group has established a series of policies and guidelines to meet local statutory requirement on emission. To comply with relevant PRC laws, the Group obtained a Permission for Pollutant Emission* (《污染物排放許可證》) for our manufacturing site in Zhangzhou City, Fujian Province, PRC, which is valid until 28 May 2025.

Hazardous waste mainly includes acidic waste, waste activated carbon and waste mineral oils. Non-hazardous waste mainly includes domestic waste generated/consumed in manufacturing processes. All hazardous and non-hazardous waste produced by our manufacturing site in Zhangzhou are separately stored and recorded. We have applied for relevant approval from the local Environmental Bureau in Zhangzhou City, Fujian Province, PRC* (中國福建省漳州市地方環保局). With the "Transfer Permission"* (「轉讓許可證」), we appointed a professional waste treatment & disposal service provider for waste disposal arrangements.

We try to recycle the waste as much as possible to minimize the adverse impact on the environment in Zhangzhou. For materials unused or unrecyclable, we appointed a professional service provider for disposition.

During this Reporting Period, the Group is not aware of any material violation of all applicable environmental laws and regulations.

* For identification purposes only

Emission of major air pollutants from gaseous fuel consumption and vehicles during this Reporting Period and the corresponding period in 2020 is as follows:

Type of Air Pollutants	Air Pollutant Emission	
	2021 Air pollutant emission (kg)	2020 Air pollutant emission (kg)
SOx	0.09	0.07
NOx	1,855.10	2,258.19
PM	0.22	0.29

During this Reporting Period and the corresponding period in 2020, the GHG emission from our operations is as follows:

Type of GHG Emission	GHG Emission	
	2021 Equivalent CO ₂ emission (tonne)	2020 Equivalent CO ₂ emission (tonne)
Scope 1 Direct emissions	146,273.73	177,966.20
Scope 2 Indirect emissions	6,104.35	8,314.00
TOTAL	152,378.08	186,280.20
Intensity (tonne/revenue RMB'000)	0.15	0.16

Notes:

GHG emission is calculated based on the "Corporate Accounting and Reporting Standard" in The Greenhouse Gas Protocol.

Scope 1: Emissions mainly directly produced by the Group

Scope 2: Emissions mainly produced from the generation of purchased electricity consumed by the Group

During this Reporting Period and the corresponding period in 2020, the hazardous and non-hazardous waste from our operations is set out below:

	Hazardous and Non-hazardous Waste	
	2021	2020
Hazardous waste (tonne)	0.62	0.74
Non-hazardous waste (tonne)	376.85	431.87
Total (tonne)	377.47	432.61
Intensity (kg/revenue RMB'000)	0.37	0.37

The Group generated about 23,609m³ of sewage water for the year ended 31 December 2021 (2020: 18,230m³). The Group developed a sewage treatment system to process the sewage water from our production facilities. The system is composed of several treatment stages: (1) pretreatment process; (2) coagulation and primary sedimentation; (3) upflow anaerobic sludge blanket (UASB) reactor treatment; (4) contact oxidation process; (5) secondary sedimentation process; and (6) discharge of the processed sewage which meets environmental standards. The Group also appointed a solid waste treatment service provider to collect the solid waste produced in the sewage treatment process.

In this Reporting Period, we also set two preliminary directional targets in reducing waste and GHG emission. We will review its progress and explore more opportunities to set diverse environmental protection goals. In the future, we will develop more specific quantitative environmental goals to nurture the environment and cherish natural resources.

Environmental aspect	Target
Waste reduction	– The Group will actively implement material saving plans and measures to maintain or reduce the intensity of waste generation.
GHG Emission	– The Group will actively implement power saving plans and measures to maintain or reduce the intensity of GHG emission.

A2 Use of Resources

The Group's production facilities and business operations strictly comply with PRC laws and regulations, including but not limited to the Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》). We are committed to improving energy efficiency and advocating resource conservation. By implementing appropriate energy and material management programs in each business segment, we can positively influence our environment and economy while also ensuring business continuity.

Our short and medium-term goals are:

- Implement a good system to monitor energy & material usage performance
- Engage third party logistics services providers that meet our environmental standards (as necessary & appropriate)
- Report energy & material usage performance in the annual reporting cycle
- Invest in energy-efficient hardware that is in line with our environmental policies
- Increase staff awareness and commitment

Our long-term goals are:

- Reduce energy & material costs, wherever possible
- Define best practice benchmarks for energy consumption & material usage within the Group
- Measure our performance against the benchmark level
- Give priority to energy efficiency equipment & investment
- Use energy & materials from sustainable sources as much as possible
- Negotiate with utility companies to lower down energy costs as much as possible

* For identification purposes only

Energy Consumption

In our daily operations, the Group mainly consumes electricity and liquefied natural gas. In order to improve our energy consumption efficiency, the Group has taken the following measures:

- Install energy-saving LED lights in all lighting areas, and use single and double switch control to adjust illuminance
- Raise energy saving awareness among employees with posters
- Gradually replace obsolete equipment with new energy-efficient certified equipment
- Use solar energy equipment to preheat pure water, and make full use of off-peak electricity for water heating
- Block windows of the purification workshop to reduce the leakage of cold air and save power consumption for cooling

Water Consumption

The Group uses water mainly for production and daily needs of employees. The Group has been vigorously advocating for water conservation, encouraging all employees and customers to develop a habit of saving water, and guiding employees to use water reasonably. In order to improve our water efficiency, the Group has taken the following measures:

- Recycle water resources in production processes, such as secondary water produced when making pure water
- Recycle water resources generated by refrigeration equipment, such as the water for cooling the main compressor of the central air-conditioner
- Equip the water supply pipelines with a solenoid valve to improve the utilization rate of water resources
- Encourage staff to reduce water wastage, for example, by not running water taps in tea rooms and toilets

Regarding usage of water, the Group did not encounter any problems in sourcing water that is fit for its purpose. In April 2021, we were awarded the title of “Model Organization for Building a State-level Water-Saving City* (國家節水型城市創建工作先進企業)” by Zhangzhou’s Office for Building a State-level Water-Saving City* (漳州市創建國家節水型城市工作領導小組辦公室).

In this Reporting Period, we also set two preliminary directional targets in making energy and water usage more efficient. We will review its progress and explore more opportunities to set diverse environmental protection goals. In the future, we will develop more specific quantitative environmental goals to nurture the environment and cherish natural resources.

Environmental aspect	Target
Energy conservation	– The Group will actively implement power saving plans and measures to maintain or reduce the intensity of electricity usage.
Water conservation	– The Group will actively implement water saving plans and measures to maintain or reduce the intensity of water usage.

* For identification purposes only

Energy consumption by the Group during this Reporting Period and the corresponding period in 2020 is set out below:

Type of Energy	Energy Consumption	
	2021 Energy consumed (kWh)	2020 Energy consumed (kWh)
Petrol	58,316.05	44,241.08
Purchased electricity	10,005,489.00	9,936,655.00
Liquefied natural gas	858,600,708.67	1,045,123,293.06
TOTAL	868,664,513.72	1,055,104,189.14
Energy Intensity (kWh/revenue RMB'000)	859.67	897.96

Water consumption by the Group during this Reporting Period and the corresponding period in 2020 is set out below:

	Water Consumption	
	2021 (m ³)	2020 (m ³)
Water consumption	170,695.00	171,035.00
Intensity (m³/revenue RMB'000)	0.17	0.15

Packaging material consumption by the Group during this Reporting Period and the corresponding period in 2020 is set out below:

Type of packaging materials	Packaging Material Consumption	
	2021 (tonne)	2020 (tonne)
Plastic	1,289.76	1,638.22
Paper	15,137.12	19,138.04
Glass	1,568.48	837.93
TOTAL	17,995.36	21,614.19

A3 The Environment and Natural Resources

We strive to minimize the environmental impact of our operations by implementing a variety of green measures, including responsible use of resources, reducing carbon emissions, saving energy, managing waste, and preventing pollution.

We recognize that our operations have an environmental impact, particularly through:

- Lighting, heating and cooling of our offices, stores and warehouses
- Fuel consumption of distribution fleets
- Water consumption
- Generation of certain hazardous (e.g. bulb use) and non-hazardous waste
- The manufacturing of chemical products in Zhangzhou City, Fujian Province, PRC

As a result, the Group is committed to:

- Enhancing our contributions to environmental sustainability through sustainable development initiatives and good environmental practices
- Regularly reviewing our business practices to identify how we can use resources like energy, water and other raw materials sustainably and more efficiently, while reducing waste and GHG emissions
- Communicating with suppliers our expectations of responsible and sustainable purchasing and manufacturing
- Recycling program for unused or damaged electrical and electronic equipment
- Reduction of printing paper and finished good packing paper usage
- Encouraging employees to reduce water wastage, for example, by not running water taps in the pantry and toilet
- Various energy savings initiatives, including LED light usage
- Reducing distribution of single-use plastic carrier bags and encouraging the use of more environmentally-friendly carrier bags

For our Head Office and manufacturing site in Zhangzhou City, Fujian Province, PRC, we successfully obtained ISO 14001 Environmental Management Systems certificate* (「環境管理體系認證證書」) which is valid and effective up to 5 July 2024.

A4 Climate Change

Climate change leads to frequent extreme weather, which has a significant impact on business operations. So, the Group has developed working mechanisms and related policies to identify and mitigate climate change issues that may have significant impacts. In the meantime, we should adjust the use of resources and energy. We have always improved employees' response capabilities to disasters and accidents that are easily caused by extreme weather.

* For identification purposes only

Acute physical risks

The Group confirms that acute risks may arise from extreme weather such as typhoons, rainstorms, floods and lightning. Potential consequences include damage to electronic documents, equipment, materials and buildings. The above potential consequences will cause economic losses to the Group and increase its operating costs.

The Group has established the following different measures to prevent or minimise the negative impact of extreme weather:

Extreme weather Measures to prevent or reduce negative impacts

Typhoons	<ul style="list-style-type: none"> – To notify all departments in advance to close doors and windows – To move open-air materials, equipment and facilities to safe and rain-proof areas in advance – To stop outdoor work
Rainstorms and floods	<ul style="list-style-type: none"> – To move sewer cover – To remove or reinforce structural components, equipment and facilities that may be washed away by water in advance
Lightning	<ul style="list-style-type: none"> – To control mobility and high-altitude and outdoor operations before lightning coming – To remind office workers to save data and shut down computers

Chronic physical risks

The Group confirms that extreme weather, such as very hot weather, may cause chronic risks. Potential consequences include an increased risk of heat stroke, high turnover and work-related injuries for employees working outdoors. The needs to cool down the working environment will increase, which may lead to a rise in the Group’s electricity demand and operating costs.

The Group has established the following different measures to prevent or minimise the negative impact of extreme weather:

Extreme weather Measures to prevent or reduce negative impacts

Hot weather	<ul style="list-style-type: none"> – To sprinkle water on the ground frequently – To make reasonable arrangement of working hours to ensure adequate sleep for employees – To stop outdoor and high-altitude operations
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SOCIAL ASPECTS

B1 Employment

The Group believes that employees are the most valuable wealth and resources, and that they are the driving force for corporate growth. So, the Group is committed to providing employees with a diverse working environment with equal opportunities and inclusiveness, so as to attract and retain suitable talents in a highly competitive labour market to maintain the Group's competitiveness in the industry. The Group continuously evaluates the available manpower and determines whether additional manpower is required to support its business development. The Group's employee handbook* (員工手冊) sets out criteria for recruitment and onboarding, attendance and leave, compensation and performance, training and development, resignation and dismissal, and other benefits and welfare.

The Group strictly complies with labour laws and regulations of the PRC, including but not limited to the Labour Law of the PRC* (《中華人民共和國勞動法》), the Contract Law of the PRC* (《中華人民共和國合同法》), the Social Insurance Law of the PRC* (《中華人民共和國社會保險法》) and the Employment Promotion Law of the PRC* (《中華人民共和國就業促進法》) in business operations.

The Group enters into independent labour contracts with its employees in accordance with PRC's applicable labour laws. Compensation packages include post pay, skill-based pay, performance bonuses and other allowances and benefits, such as transportation and communications allowances. All our employees are evaluated once a year. This evaluation gives us the opportunity to assess each employee's strengths and areas for improvement, allowing us to effectively train each employee.

In general, the Head Office and manufacturing site in Zhangzhou City, Fujian Province, PRC have established a series of written policies and guidelines on the following areas for reference:

- Compensation & dismissal
- Recruitment & promotion
- Working hour
- Rest period
- Equal opportunity
- Diversity
- Anti-discrimination
- Other benefits & welfare

The Group keeps caring its employees with sincerity. Apart from the welfare stipulated by laws, the Group also provides other benefits and welfare to fulfill its social responsibilities. The Group prohibits discrimination and has formulated the Anti-Discrimination Management Regulations* (《反歧視管理規定》), which makes it clear that employees should not be treated unfairly due to personal characteristics such as age, gender, religion, nationality and pregnancy. Opportunities for promotion, training, resources and recruitment should be provided on an equitable basis. At the same time, the Group emphasizes to build a culture of diversity, and actively recruits employees with different backgrounds, which will enable it to develop into a diversified and integrated big family. The Employee Grievance Management System* (《員工申訴管理制度》) was established to provide guidance and channels for employees to complain to human resources department.

The Group was not aware of any material non-compliance with related laws and regulations during the Reporting Period.

* For identification purposes only

Below is a detailed breakdown of employees by gender, age group, employment category, geographical region and employment type under our reporting scope as at 31 December 2021 and 31 December 2020:

	2021		2020	
	Number of employees	Percentage of total employees	Number of employees	Percentage of total employees
By gender				
Male	299	31	301	32
Female	657	69	634	68
Total	956	100	935	100
By age group				
30 years old or below	269	29	275	29
31 to 40 years old	442	46	428	46
41 to 50 years old	202	21	193	21
51 years old or older	43	4	39	4
Total	956	100	935	100
By employment category				
Normal	921	96	901	96
Middle	34	3	32	3
Senior	1	1	2	1
Total	956	100	935	100
By geographical region				
Mainland, PRC	956	100	935	100
Hong Kong	–	–	–	–
Total	956	100	935	100
By employment type				
Full-time	956	100	935	100
Part-time	–	–	–	–
Total	956	100	935	100

The Group adopted average employee number as the calculation base for employee turnover. Below is a detailed breakdown of employee turnover rate by gender, age group and geographical region under our reporting scope for the year ended 31 December 2021 and 31 December 2020:

	2021	2020
Employee turnover rate by gender		
Male	37%	21%
Female	37%	24%
Employee turnover rate by age group		
30 years old or below	63%	37%
31 to 40 years old	29%	18%
41 to 50 years old	19%	16%
51 years old or older	37%	6%
Employee turnover rate by geographical region		
Mainland, PRC	37%	23%
Hong Kong, PRC	–	–

B2 Health and Safety

The Group values the health of its employees and strives to create a safe and healthy working environment for them. Health and safety issues are important focus areas across all our operations in Zhangzhou City, Fujian Province, PRC. The Group strictly complies with labour laws and regulations of the PRC, including but not limited to the Labour Law of the PRC* (《中華人民共和國勞動法》), the Law on Prevention and Treatment of Occupational Diseases of the PRC* (《中華人民共和國職業病防治法》), the Fire Protection Law of the PRC* (《中華人民共和國消防法》) and the Production Safety Law of the PRC* (《中華人民共和國安全生產法》), in business operations. For our Head Office and manufacturing site in Zhangzhou City, Fujian Province, PRC, we successfully obtained ISO 45001 Occupational Health and Safety Management Systems certificate* (「職業健康安全管理體系認證證書」) which is valid and effective up to 5 July 2024.

The Group is committed to:

- Creating a safe, healthy and supportive environment for all employees
- Providing a working environment that is free from all forms of discrimination
- Ensuring employees at all levels receive an appropriate induction so that they have the best possible start in our organisation
- Providing ample opportunities to enhance one's skill, optimise performance and progress one's career through on-the-job training and well-defined career pathways
- Maintaining proper systems to ensure equal opportunities and competitiveness in employee remuneration and recognition
- Ensuring the Group sets clear expectations for individual behaviour. This is an integral part of the Group's Human Resources Policy

* For identification purposes only

In order to ensure the physical and mental health of its employees, the Group implemented the following measures to create a pleasant and healthy working environment for them:

- Organising fun sports meetings, basketball games and other activities for employees
- Installing fitness equipment and building a basketball court for employees
- Raising employees' awareness of occupational hazards by providing various types of training
- Providing employees with prescribed labour protection supplies, such as helmets, earplugs, masks and gloves

Head Office and Manufacturing site in PRC

In Mainland China, our Head Office in Zhangzhou City, Fujian Province, PRC, organised periodic training on safe operation for child care products, so as to reinforce the culture of safe operation, strengthen employees' awareness on safety and broaden their knowledge of production safety laws. We also published safety management regulations and guidelines which were distributed to relevant employees.

Our Head Office in Zhangzhou City, Fujian Province, PRC set mid- and long-term targets on the overall operation safety and established an Occupational Health and Safety Committee* (職業健康及安全委員會). The committee comprises senior management of the Head Office, and is responsible for Internet security, road safety, fire safety, occupational safety and health, risk management and safety training. We held various training activities and workshops during the year, covering dangerous operation training, hygiene and disinfection management, production abnormality handling and operation safety training.

During the Reporting Period, there were 9 work-related injury accidents but no work-related fatalities. Moreover, there were no non-compliance cases noted in relation to laws and regulations for health and safety.

	2021	2020	2019
Number of work-related fatalities	–	–	–
Rate of work-related fatalities	0%	0%	0%
Number of work-related injuries	9	11	13
Lost days due to work-related injuries	77	63	271

* For identification purposes only

B3 Development and Training

We aim to recruit the best talents who fit our business needs. We create an environment where employees can develop their full potential and contribute their skills and experiences to our medium & long-term development:

- Organising internal and external training sessions and seminars for employees
- Emphasising health and safety
- Encouraging work-life balance
- Offering employee assistance programme
- Stress management and wellness-related training and counselling services
- Creating a new internship program to provide job training and career coaching opportunities

To meet the urgent needs for building a team of talents to cope with the development of the Group, the Head Office in Fujian Province, PRC set up an internal department in 2013 to provide training for employees and help them master relevant skills. The college offered 7,102 hours of courses in 2021, which comprised 1,029 hours of courses in business school, 3,237 hours of internal training, 2,645 hours of other training, and 191 hours of health and safety training, covering corporate strategy and culture, industry overview, professional knowledge, etc.

Considering the Group's strategic goals and job competencies, the college joins hands with branches, teaching and research groups and departments to lay down the Annual Training Plan for Departments* (《部門年度培訓計劃》) according to their respective business development needs. The plan is submitted to the human resources department for review, which will prepare the Annual Training Plan* (《年度培訓計劃》) by integrating the training resources of departments. In addition to on-the-job training, the Group organises onboarding for new employees based on their job categories to help them quickly understand corporate culture and effectively master system job skills, etc.

Below is a detailed breakdown of the percentage of employees trained by gender and employment category during the Reporting Period and the corresponding period in 2020:

	2021	2020
Employees trained by gender		
Male	80%	43%
Female	74%	30%
Employees trained by employment category		
Normal	75%	32%
Middle	100%	100%
Senior	100%	100%

* For identification purposes only

The average training hours completed per employee by gender and employment category during the Reporting Period and the corresponding period in 2020 are as follows:

	2021 Training hours completed per employee	2020 Training hours completed per employee
By gender		
Male	9.33	3.89
Female	6.56	2.95
By employment category		
Normal	6.84	2.54
Middle	22.94	13.37
Senior	21.50	14.20

B4 Labour Standards

The Group strictly complies with national and local labour laws and regulations, including but not limited to the laws and regulations set out in the Employment section of this Report and other laws and regulations including the Law on the Protection of Minors of the PRC* (《中華人民共和國未成年人保護法》). In addition, the Group clearly states that it prohibits any use of child labour and forced labour in the Regulations on Rescue for Children and Protection of Underage Workers* (《拯救童工及未成年工保護處理規定》) and the Forced Labour Management Regulations* (《強迫性勞動管理規定》). The Group will check the actual age of the candidates during recruitment, including checking their ID cards and other records, so as to prevent the recruitment of children. Once any violation is found, the Group will follow up with a serious attitude and deal with it according to national and local laws and regulations and its internal code of conduct depending on the actual situation. The Group has formulated recruitment and dismissal standards in accordance with the labour-related laws and regulations in the Fujian Province, PRC.

In particular, the Group is committed to ensuring that all goods and services produced/provided by our operations in Fujian Province, PRC do not involve the employment of child labour or illegal employees/workers.

The following outlines the steps we have taken to ensure that there are no child labour or illegal/forced labour in our supply chain under all circumstances.

- *Engaging consumers & customers*

It is the Group's belief that most consumers and customers around the world are willing to pay more for goods produced and services provided responsibly. If a corporation can demonstrate to consumers that its production does not involve child labour or illegal/forced labour, the corporation could benefit from this growing demand.

* For identification purposes only

- *Supporting employee & worker feedback*

Listening to employees and workers is one of the most effective ways for a corporation to monitor its supply chain. The Group respects the employees and workers in its supply chain and strives to ensure that any labour abuse in its supply chain is eliminated and prohibited.

- *Be transparent*

It is the Group's belief that comprehensive disclosure can effectively demonstrate the Group's commitment to doing things in the right way.

- *Practicing know-your-supplier procedures*

We conduct risk and impact assessments to help us better understand our partners in the supply chain. These assessments are an integral part of the supplier accountability investigation process and are an important tool for the Group to seek sustainable development of its supply chain.

- *Establishing meaningful grievance mechanism*

It is the Group's belief that it should ensure that all employees and workers are provided with safe and convenient channels to lodge complaints on any issues related to the code of conduct. We have also established standard procedures for handling and following up complaints to protect employees and workers from retaliation.

- *Incorporating with other supplier incentives*

The Group is committed to incorporating the consideration of child labour and other human rights issues into the dealings with suppliers where appropriate, so that the terms proposed on different occasions for those considerations would complement and reinforce each other.

The following outlines the steps taken to eliminate such practices when child labour or illegal/forced labour is discovered.

- If there are child labour, they will be sent away after being paid in full;
- If there are child labour, they will be sent away and escorted back to their original place of residence by the Group at its own expense while it ensures their health and safety;
- If a child labourer is sick or disabled before being sent back to the original place of residence, the Group shall be responsible for medical treatment and bear all the expenses and liabilities arising therefrom;
- Employees can apply for resignation in advance in accordance with contracts or labour law-related regulations;

During the Reporting Period, the Group has complied with policies and relevant laws and regulations regarding prevention of child labour or illegal/forced labour.

B5 Supply Chain Management

In the process of supply chain management, the Group has formulated the Supplier Approval Management Regulations* (《供應商准入管理規定》) and the Supplier Evaluation Workflow* (《供應商評鑒工作流程》) to strengthen the internal control over the supplier approval and evaluation in relation to the procurement business and prevent errors and fraud in the procurement process, so as to minimise potential environmental and social risks in the supply chain. A site review must be conducted on suppliers that provide key and important materials before the start of procurement. The review covers suppliers' legal business status, quality assurance system, sample testing, technical capabilities, qualifications for environmental impact assessment on pollutant discharge, and environmental systems.

The Group attaches great importance to the cooperation with suppliers, and believes that establishing a cooperative relationship with suppliers will help it continuously improve its operational processes and product quality. The Group conducts comprehensive evaluation of suppliers on a regular basis. In addition to reviewing factors such as brand and product quality, the environmental and social responsibility performance of suppliers is one of our primary considerations in establishing strategic relationships. We will give priority to enterprises that have obtained ISO 14001 Environmental Management Systems certificate* (《環境管理體系認證證書》) as our partners.

In order to manage the environmental and social risks in the supply chain, suppliers need to affix their seals to the Notice on Quality, Environment, Occupational Health and Safety Behaviour of Relevant Parties* (《相關方質量、環境、職業健康安全行為告示書》) provided by the Group, which stipulates that ordinary suppliers shall undertake to provide raw and auxiliary materials that meet the quality requirements and environmental protection requirements of national standards; to offer production equipment that meets the national quality standards, environmental protection standards and safety standards; and to take effective control measures to ensure the waste generated during material production meets the national and local discharge standards. As stipulated in the notice, suppliers of hazardous chemicals are required to use transportations and vehicles that meet safety specifications according to the product category during transportation to ensure that there is no leakage or pollution. In terms of social responsibilities, suppliers need to affix their seals to the Supplier Social Responsibility Commitment* (《供應商社會責任承諾書》) provided by the Group. Suppliers shall undertake to provide employees with a safe and healthy working environment, comply with relevant labour laws and regulations, including preventing and curbing any form of child labour and forced labour, and operate with integrity and lawfulness. Moreover, the contract templates signed by the Group and suppliers all stipulate terms on anti-commercial bribery, and include strict requirements for suppliers to strengthen honest cooperation.

We are committed to promoting the procurement and use of more environmentally-friendly products and materials. Suppliers shall seal the Notice on Quality, Environment, Occupational Health and Safety Behaviour of Relevant Parties* (《相關方質量、環境、職業健康安全行為告示書》) to ensure that the materials and products meet the international environmental requirements, that restricted substances have a level lower than the specified standard or are not used in raw materials and all production processes, and that no other hazardous chemical substances are used in finished products and packaging materials. The Group extensively purchases and uses recyclable or degradable materials. For instance, the plastic caps currently used in the Group's products are made from recyclable products, and the outer packages are mainly recyclable or degradable materials such as cartons and cardboard boxes. Furthermore, in the export orders of the Group, the previously used PVC pallets have been gradually replaced by paper pallets to achieve energy conservation, emission reduction and environmental protection.

* For identification purposes only

During the Reporting Period, the Group identified 16 (2020: 16) major suppliers from the PRC. The Group is committed to:

- Supporting the interests of our customers by focusing on product and service quality, value and safety
- Providing products and service that comply with all applicable legislation in their distribution markets
- Maintaining clear and constant customer communications channels, listening actively to feedback and responding swiftly to complaints
- Safeguarding our operations against unfair business practices
- Ensuring business contracts clearly set out the agreed terms, conditions and the basis of our relationship
- Communicating to our suppliers the importance of responsible sourcing and social compliance in the areas of health, safety and worker welfare
- Encouraging suppliers and contractors to adopt responsible business policies and practices for mutual benefit
- Offering more sustainable own brand products and choices to our customers

Own Brand Product Packaging

The Group readily reports information on packaging waste generated by own brand products as legally required in various markets. Together with our internal development teams and suppliers, we aim to reduce the amount of packaging used in our own brand products, wherever possible, while ensuring they still perform two essential functions:

- To contain and preserve our products throughout their lifetime
- To provide all required legal written information to our customers

B6 Product Responsibility

The Group strongly believes that the only way to win the trust and support of customers is to create the greatest value for them. In the face of rapid market changes and an increasingly growing demand, the Group will continue to stick to the development direction of putting high quality, innovative R&D and customer needs first and keep improving its management systems.

Business Segment: Manufacture and Sale of Personal Care Products

- All our products manufactured by our manufacturing site in Zhangzhou City, Fujian Province, PRC, we go through rigorous quality controls, both internally and externally, with ISO9001, ISO14001, ISO22716 and OHSMS/ISO45001, accredited third party laboratories and other quality experts.
- We make use of a mix of controls before shipment and upon reception in our warehouses. Controls include labeling review, product conformity and other safety checks.
- We conduct internal audits with our qualified engineers and external audits with independent auditors.

Post-Market surveillance for own brand products: Ongoing post market surveillance is conducted with regular assessment of our own brand products in store. Our product sampling program ensures on-going quality and safety by rechecking selected products against original specifications.

Product Safety and Health and Quality Control

The public has become increasingly aware of personal care products and increasing expectations for product safety. As a responsible personal care product company, we have obtained ISO 9001:2015 and ISO 14001:2015 certification and strictly monitor the quality and safety of our products. We are committed to complying with local product safety rules and safeguarding the health of consumers when they use our products. The Group strictly implements internal rules and procedures related to quality inspection in accordance with requirements of ISO 9001:2015 and ISO 14001:2015 during manufacturing. Any non-conforming products must be properly handled, including being labeled and recorded. Raw materials are the premise for ensuring the safety and quality of personal care products. To control the safety risk substances that may be introduced by raw materials in products, we have formulated the Compliance Assessment System for Raw Materials* (《原輔料合規性評估制度》) to evaluate and control the compliance of the raw materials used by the Group to ensure their safety and compliance.

During the Reporting Period, the Group did not find any material non-compliance with or violation of relevant laws and regulations in terms of product quality.

Product Return and Recycling Policy and Customer Complaint Handling

Although the Group ensures its products are of high quality, it also requires the return of or compensation for products with quality problems in accordance with the terms of the sales contract. The Group provides that product returns, recalls or compensation shall be made to all affected customers in a consistent manner and procedure.

We have policies in place to handle product complaints received from customers and/or distributors. If our customers have opinions or complaints about the quality of our products or services, they can contact our customer service staff or sales staff via hotline or email, and relevant departments such as production, quality control, R&D center and purchasing departments will be notified of the details of the opinions or complaints recorded. Corrective or remedial actions will be implemented as necessary.

To minimize or reduce the harm to users when a product is found to be defective or dangerous and pose a potential safety threat to the users, the Group has developed the Non-conforming Product Recall and Handling Rules* (《不合格產品召回及處理制度》) to recall products according to the degree of a hazard. A detailed response plan has been put in place for three different recall levels, including contacting buyers, determining the remaining and sold inventory, issuing recall messages, analyzing causes, and developing feasible preventive and corrective measures.

During the Reporting Period, the Group did not receive any complaints regarding its products or services and no products sold or shipped had to be recalled for safety and health reasons.

Product Advertising/Labeling

The Group understands customers' rights and interests and is committed to providing them with accurate product and service information for reference during their purchase or use. The Group requires the careful review of advertising materials to safeguard customers' rights and interests. The Group has developed the Procedure for Writing/Correction of Sales Product Instructions* (《銷售產品說明書編寫/整改流程》). It lays emphasis on providing customers with sufficient and correct safety information and product labels and regards it as an extended responsibility for product safety management. The Group provides clear and easy-to-follow instructions, including main ingredients, usage, precautions, storage methods, emergency treatment and contact methods for personal care products.

* For identification purposes only

Intellectual Property Protection and Data Protection and Privacy

The Group strictly complies with national and regional laws and regulations, including but not limited to the Patent Law of the People's Republic of China* (《中華人民共和國專利法》), Copyright Law of the People's Republic of China* (《中華人民共和國著作權法》), and Trademark Law of the People's Republic of China* (《中華人民共和國商標法》). To protect the information of customers and the Group (including information about intellectual property rights), we have formulated behavior guidelines to ensure that office equipment such as laptop computers are properly kept and all documents and electronic materials of the Group, including training materials, employees will not be circulated externally without authorization. All undisclosed business information, financial information, personnel information, contracts, customer information, research and statistical information, technical documents, planning and marketing plans, management documents, meeting content, etc., are corporate secrets and employees are obligated to keep them confidential. We have also formulated the Intellectual Property Management Rules* (《知識產權管理制度》). According to the Rules, all rights and interests of the business and technical information, inventions, and research results obtained by employees by virtue of their positions belong to the Group and no one may copy, imitate, reproduce, extract, or disseminate such information without written authorization. The Group is committed to protecting customers' data and privacy. Without the consent of customers, the collected customer information will not be used for publicity purposes.

During the Reporting Period, the Group did not find any material non-compliance or breach of relevant laws and regulations in respect of intellectual property rights, product quality and safety, advertising, labeling and privacy.

B7 Anti-corruption

Anti-corruption is one of the basic principles used by the international community to define corporate social responsibility. The Group has a set of anti-corruption policy to ensure compliance by all employees, officers and directors of the Group, and its subsidiaries and affiliates, with the Foreign Corrupt Practices Act (FCPA) and related anti-corruption laws of Hong Kong and PRC in which the business segment does or intends to do business, including but not limited to the Company Law of the People's Republic of China* (《中華人民共和國公司法》), Law of the People's Republic of China on Anti-money Laundering* (《中華人民共和國反洗錢法》), Law Against Unfair Competition of the People's Republic of China* (《中華人民共和國反不正當競爭法》), and Anti bribery Rules* (《防止賄賂條例》). We have a zero-tolerance policy on any form of corruption, including bribery and extortion, fraud and money laundering and promise to conduct our business with honesty, ethics and integrity, update relevant requirements and remind all directors and employees of the requirements.

The Group's employee handbook stipulates a strict code of conduct for employees to prohibit employees from abusing their position or taking advantage of their powers to seek personal gains. The employee handbook also sets out that employees may report complaints, if any, to the human resources department. During the Reporting Period, we delivered training for employees at the supervisory level and above and from the purchasing department and financial department to enhance their awareness of integrity and prevent job-related crimes and require employees to work with suppliers and potential suppliers in a manner that complies with professional ethics and avoid all forms of commercial bribery. Looking into the future, we will continue to increase resource investment in anti-corruption training and expand the scope of disclosure on anti-corruption training data.

Bribes, Kickbacks or Other Corrupt Payments

All employees are prohibited from directly or indirectly offering, giving, soliciting or receiving any form of bribe, kickback or other corrupt payment, or anything of value, to or from any person or organization, including government agencies, individual government officials, private companies and employees of those private companies under any circumstances.

* For identification purposes only

Facilitation Payments

In general, the Group prohibits the payment of facilitation payments except under very exceptional special occasions and only with prior approval by the Board (or, if prior approval is not reasonably possible given the circumstances, as soon as possible following such payment).

Relationships with Third Parties

The Group prohibits offering bribes, promises and payments made through partners, intermediary agents, joint ventures, or third parties. In addition, contracts with agents or third-party representatives and joint venture partners should, to the extent possible, include provisions to mitigate against the risk of potential illicit payments.

During the Reporting Period, the Group did not find any material non-compliance in terms of corruption or any concluded legal cases regarding corrupt practices brought against the Group or its employees.

B8 Community Investment

Through our Social & Community initiatives, the Group is committed to supporting and encouraging our Head Office in Zhangzhou City, Fujian Province, PRC, to:

- Initiate dialogue with local communities for mutual benefits
- Develop programs with local community organizations that are relevant to our business and beneficial to local community needs
- Get employees involved in local community organizations and activities
- Establish a long-term partnership with relevant charitable organization(s) and to make local donations and sponsorships that are in line with the company's policy
- Support and care for the elderly, persons with disabilities, children and women
- Environmental awareness
- Support for child athletes
- Beauty empowerment and self-confidence campaigns
- Cooperated with East China University of Science and Technology to enhance the capability in R&D
- Cooperated with leading raw material suppliers in the industry to develop more natural and moisturizing products
- Cooperated with domestically well-known R&D agencies to develop products designed for alleviating children's skin problems

Core value of sustainability:

- We believe a thriving community facilitates our continuing business success
- We consider ongoing communication with our stakeholders as vitally important to upholding the well-being of the community
- We will continue to engage with our stakeholders' views and work together with them to achieve a win-win scenario

During the Reporting Period, the Group continuously contributed to the sustainable development of the community by serving with care and concern for the underprivileged through the activities as follows:

- The Group has always been concerned about children's health and education.

In January 2021, the Group along with the China Women's Development Foundation*(「中國婦女發展基金會」) launched the "Care in Winter"*(「暖冬關愛行動」) action to send epidemic prevention supplies worth RMB450,000 to children in remote areas of Heilongjiang and Liaoning Province, so that they could feel the warmth of love on cold winter days.

- In July 2021, the Group donated antibacterial and protective supplies worth RMB1,100,000 for flood control and disaster relief in Henan Province through the China Women's Development Foundation*(「中國婦女發展基金會」) to protect the health of women, children and their families in the affected areas.
- In September 2021, to support education in poverty-stricken areas and minority areas and build a better educational environment for children, the Group donated 450 first day of school gift packs worth RMB15,000 or so to boarding primary schools in Ganjia Town, Xiahe County, Gannan Tibetan Autonomous Prefecture, Gansu Province*(甘肅省甘南藏族自治州夏河縣甘加鎮寄宿制小學). Each gift pack included one bottle of repair and moisturizing cream, one bottle of nourishing shampoo and body wash, one toothbrush for kids, and one set of toothpaste for kids.
- In November 2021, to support Ningxia's fight against the COVID-19 epidemic, the Group donated 1,000 bottles of hand sanitizers and 5,000 bottles of children's moisturizers with a value of approximately RMB135,000, to the Ningxia Youth Development Foundation*(寧夏青少年發展基金會) through the Fujian Youth Development Foundation*(福建省青少年發展基金會) to protect the skin of children in the remote areas.
- The Group also emphasizes on supporting the medical operation in PRC in combating the outbreak of coronavirus disease of 2019 ("COVID-19"). To support relevant medical personnel during the COVID-19 outbreak in September 2021, Zhangzhou Infant and Children Industry Alliance Association*(漳州市嬰童產業聯盟協會) called on all corporate members to donate anti-epidemic supplies. Among the eleven companies who responded actively to the call, the Group sent anti-epidemic supplies worth about RMB60,000 in total to the Zhangzhou Red Cross Society*(漳州市紅十字會) in two separate donations.
- In December 2021, the Group donated supplies worth RMB490,000 to the China Women's Development Foundation*(中國婦女發展基金會) to support epidemic prevention efforts in Heilongjiang Province and Liaoning Province and protect the health of women, children and their families in the affected areas.

THE STOCK EXCHANGE OF HONG KONG LIMITED'S ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE

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