

# 《Environmental, Social and Governance Report 2017》

**Fulum Group Holdings Limited**

(Stock Code: 1443)

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# ABOUT THIS REPORT

## Purpose of the Report

This report is the first “Environmental, Social and Governance Report” (the “ESG Report”) released by Fulum Group Holdings Limited (“Fulum Group” or the “Group”) to disclose the Group’s measures and performance on different sustainability issues over the past year in a transparent and open manner. It also shows the Group’s strategies and commitment on sustainable development, in order to increase the stakeholders’ confidence and understanding of the Group.

To Fulum Group, this report is not only a review of its corporate performance but also a tool to push forward with management reform. In this connection, the Group appointed Carbon Care Asia Limited (“CCA”), an independent professional consultant, to compile the report. In the course of preparation, CCA assisted the Group to measure its performance on environmental management and social responsibility and identify the important topics that the Group should be most concerned about. On this basis, the Group will be able to continue to make progress and improve its performance.

Fulum Group hopes to strengthen communication with stakeholders through the report, using the report as a platform for communication. The report presents the Group’s current situation and future goals, and discloses the Group’s non-finance performance and overall development strategies to stakeholders. The Group hopes to receive feedback on the disclosure from its stakeholders, and will respond to stakeholders’ suggestions in a timely manner, so as to utilise the report as an efficient communication channel.

## Reporting Year

All the information in the report has reflected Fulum Group’s performance on environmental management and social responsibility during the period from 1 April 2016 to 31 March 2017. Going forward, the Group will publish the ESG Report on an annual basis for public access to enhance the transparency in information disclosure continuously.

## Scope of Report

The report covers the operation of all restaurants, the central kitchen and logistics center of Fulum Group in Hong Kong. In the report, key performance indicators are shown as far as possible together with descriptions so as to establish a benchmark and allow easy comparison. When the Group’s data collection system becomes more mature and the work on environment, society and governance intensifies, the Group will extend the scope of disclosure to fully cover all operations of the Group.

## Reporting Criteria

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “Guide”) issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The last chapter contains a complete index for readers’ quick reference. In the future, Fulum Group will consider compiling its reports with reference to the Global Reporting Initiative (“GRI”) standards established by GRI as far as practicable. By using the standards as a reference, the Group hopes to cover substantive topics in a more comprehensive way to demonstrate its determination in following the best international practices.

## Reporting Principles

The Stock Exchange provides four reporting principles in the Guide, which include materiality, quantitative, balance and consistency, as the basis for preparation of the ESG Report. Fulum Group has applied these principles during the preparation of this report. The following table presents the Group’s understanding of and response to these reporting principles.

Reporting Principles	Meaning	Fulum Group's Response
Materiality	The report contains environmental and social topics which are material to stakeholders.	The report placed a special emphasis on the most concerned issues relating to core businesses and the stakeholders.
Quantitative	The report should disclose key performance indicators in ways that can be measured.	The Group strived to present quantitative information together with explanation as far as practicable.
Balance	The report should be unbiased in presenting the performance of the Group.	The report identified and described the achievements made and challenges faced by the Group.
Consistency	The report should use consistent statistical and disclosure methods so that meaningful comparison can be performed in future.	No comparison can be made to its data as this is the first report delivered by the Group. However, the Group will continue to use the existing statistical and disclosure methods in the future in order to enable the stakeholders to make year-on-year comparison on the performances of the Group.

### Information Collection Method

The information presented in this report are derived from the statistics provided by different functional departments of the Group as well as official documents, and are compiled from the monitoring, management and operation information provided by relevant subsidiaries in accordance with the relevant system of the Group. The Group has established an internal monitoring mechanism and formal review procedures to ensure that the information presented in this report are as accurate and reliable as possible.

### Publication

The report is prepared in both Chinese and English and has been uploaded to the Group's website at [www.fulumgroup.com](http://www.fulumgroup.com). If there are any contradictions or inconsistencies between the Chinese and English versions, the Chinese version shall prevail.

#### Feedback

Our continuous improvement relies on your precious comments about this report in terms of contents and formats. If you have any enquiries or suggestions, please send your opinions by email to [info@fulum.com.hk](mailto:info@fulum.com.hk). This would be helpful to us in continuously enhancing our environmental, social and governance performances.

## MESSAGE FROM THE MANAGEMENT

Since its establishment, Fulum Group has been adhering to the spirit of “The Rationale of Three Excellence - Excellent Environment, Excellent Supply, Excellent Service” with its dedication to innovation and ongoing commitment to excellence from start to finish. In the course of development, we strive to actively assume corporate social responsibility based on the principles of people-oriented and quality as priority. I am pleased to announce the first ESG Report of the Group, which marks a new milestone for our development in environmental, social and governance. We value stakeholders’ demands and expectation, and wish to continuously improve the transparency of the disclosure of corporate sustainable development performance in order to respond to the stakeholders’ attention. In preparing the report, we endeavored to explore new momentum for the sustainable development of the Group through business reviews in various fields.

We believe employees are the foundation and the most important assets for corporate growth. We always put the safety of employees in the first place in our operation, and endeavor to provide healthy and safe working environment to all employees. We provide clear guidelines and training to our employees to ensure that the employees possess the knowledge and skills of safe operation. We highly value the employees’ development and growth and provide various specific trainings based on the actual needs of different departments and functions. We strongly believe that nurturing and retaining outstanding talent is crucial for a company to sustain its development and enhance its competitiveness.

As a company in catering industry, ensuring the safety and quality of food is our primary concern. We also believe that standardised quality control system is the key to ensuring the quality and safety of food in the Group’s restaurants. We have established a series of standards covering food production, equipment maintenance, personal conducts, staff training and supervision to implement standardisation. We highly value the cooperation with our suppliers and hope to facilitate sustainable development through close cooperation and collaboration. We contribute to the sustainable development of community through continuous support to charitable activities and projects. We also encourage our staff to actively participate in the charitable activities in the community so as to bring more positivity into the society.

While improving operating efficiency, we are also highly concerned about the impact of our business operations on the environment. We strongly believe that proper performance of social responsibility will help the Group in utilising resources in a more efficient manner and improving the quality of customer service. We strive to improve the energy efficiency in our operation and realise that there is growing awareness of environmental protection in the society. We will start from reducing our emission of greenhouse gas, and extend our influence to the supply chain through a series of measures such as environmental purchasing.

Sustainable development is a long-term process of continuous improvement for corporates. We will take practical measures to perform corporate social responsibility and take into account the impact from our operation on the environment and the society. In the future, facing the challenge from the intensifying market competition, we are confident that we can turn our client base, brand and experience into our competitive advantage to complete the transition of our sustainable business model with the joint efforts of our staff, customers and working partners.

Fulum Group Holdings Limited  
Mr. Yeung Wai  
Chairman, Executive Director and Chief Executive Officer

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE AND COMMUNICATION WITH STAKEHOLDERS

Fulum Group strives to integrate the concept of sustainable development into the Group's overall strategies, policies and business plans. All functional departments of the Group actively participated in the preparation of the first ESG Report, including but not limited to project meetings, communication with stakeholders and information collection. The content of this report is also reviewed and approved by the Board of Directors of the Group. The Group will consider setting up a steering committee on sustainable development in the future to carry out in-depth assessment on the impact of the Group's business on the environment and society, which may be incorporated into business decisions, and report to the Board of Directors on the progress of sustainable development on a regular basis, thereby further facilitating the sustainable business development.

## Internal Control and Risk Management

The Board of Director of Fulum Group is committed to maintain a high standard of corporate governance practices, and is responsible for formulating internal control measures, supervising its implementation and assessing the effectiveness of risk management mechanism. The Audit Committee of the Group shall supervise the auditing process, risk management system and internal control procedures. The Board of Directors, with the assistance of the internal audit department, had performed a review on the efficiency of the Group's internal control mechanism on different aspects such as compliance and risk management of environmental and social matters.

## Awards and Recognition

Fulum Group has been adhering to the "Rationale of Three Excellence" to operate restaurant business based on the operating guidelines of excellent environment, excellent supply and excellent service so as to utilise the Group's competitive strengths.

### Competitive Strengths of the Group



Fulum Group has been well recognised for the quality of its catering services and received various awards over the years, including "Hong Kong Famous Brand — Golden Award", "Best of the Best Culinary Awards — Gold with Distinction Award", "Famous Brands Hong Kong" and "U Magazine U Favorite Food Awards".

In addition, Fulum Group was also awarded the "CarbonCare® ESG Label" by CarbonCare InnoLab to recognise the Group's efforts to build a sound foundation for environmental policies and key performance indicators, which is not only an essential step for compliance with the Rules Governing the Listing of Securities on the Stock Exchange, but also makes it a company that implements credible plans for further reporting improvements.

## Communication with Stakeholders

Fulum Group attaches great importance to the views of stakeholders, and is committed to establishing long-term relationship with stakeholders. The Group is well aware that maintaining close communication with the stakeholders will help the Group understand their various expectations. The Group has been collecting and prioritising issues that are most relevant to stakeholders through various channels on a regular basis, and considers such issues as basis for formulating sustainable development strategies.

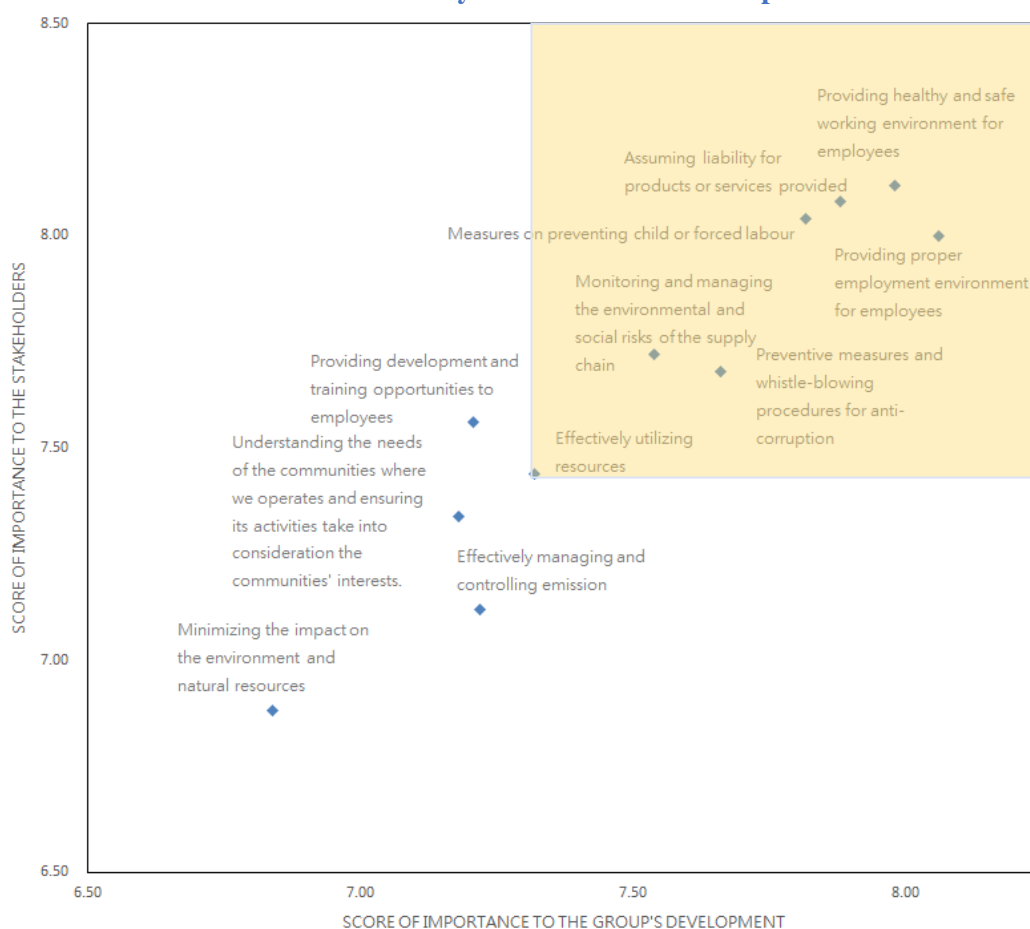
Stakeholders refer to groups or individuals that have significant impact on the Group's business or are affected by the Group's business. The Group's stakeholders include not only internal staff, management and Directors but also external customers, business partners, investors, regulatory authorities and various types of community groups. The Group hopes to receive feedback from stakeholders on the information disclosure of the Group, and will respond to stakeholders' suggestions in a timely manner, so as to utilise the report as an efficient communication channel.



During the preparation of this report, Fulum Group commissioned CCA to act as an independent consultant to assist the Group in identifying substantive issues in a fair and equitable way. Through in-depth interviews with senior management, the independent consultant explored the Group's sustainable development orientation in the industry with the management, as well as future sustainability visions, goals and plans. The independent consultant conducted focus group discussions and questionnaire with the Group's internal stakeholders which covered employees at different levels including general staff, administrative officers and management, to help the Group understand the concerns of stakeholders about the Group's environmental and social impact through multi-perspective discussion and multi-channel consultation. The independent consultant distributed a total of 104 questionnaires to the Group's internal stakeholders, and received 50 valid questionnaires.

Based on the views of different stakeholders, CCA conducted a substantive assessment for Fulum Group to identify the critical reporting issues as the main subject areas of the Group's "Environmental, Social and Governance Report 2017", as well as the key points of improving sustainable development performance in the future.

**ESG materiality matrix of Fulum Group in 2017**



<u>Areas</u>	<b>“Substantive Issues” of Fulum Group</b>	<b>Reporting Chapter</b>
Employment and Labour Practices	Providing healthy and safe working environment for employees Providing proper employment environment for employees Measures on preventing child or forced labour	Value the Employees
Operation	Assuming liability for products or services provided Monitoring and managing the environmental and social risks of the supply chain	Responsible Operation
Environmental	Effectively utilising resources	Environmental Protection

Fulum Group’s business affects different stakeholders, and the stakeholders have different expectations for the Group. The Group wants to continue to expand the breadth and depth of communications with stakeholders in the future. The Group will not only invite more diverse stakeholders, including business partners, customers, community groups, etc., to participate in this process; but also apply different forms of communication, such as workshop and community interviews, to exchange ideas on sustainable development with more stakeholders, thereby expand the scope and depth of substantive analysis.



# VALUE THE EMPLOYEES

## Health and Safety of Employees

Fulum Group regards occupational health and safety as an important part of corporate risk management. The Group strives to provide a safe working environment for its employees, strictly comply with relevant laws and regulations, and actively formulate internal policies and standards related to specific business departments of the Group. With the introduction of the “5S” approach in 2006, the Group manages its operation based on “Structure, Systematise, Sanitise, Standardise and Self-Discipline” to achieve the operation target with focus on “safety, hygiene, quality, efficiency and image”. The Group has established a safety policy committee to formulate and implement safety procedures and guidelines which contain work safety policies and advocate safety in working premises.

For potential safety threats from business operation such as knife wound, burns, mechanic operation, use of stoves and fire prevention, Fulum Group has formulated the Working Safety Rules for Occupational Safety and Health for the production department. The new staff in production department shall understand the requirements of such rules and sign for confirmation before starting of operation. The Group also provides training on occupation safety and health to all employees in order to enhance the employees’ awareness of working safety and minimise work-related injury. The Group launches the “Zero Work-related Injury Scheme”, under which bonus is provided to restaurants with continuous record of zero work-related injury in order to incentivise the employees to comply with the working safety guidelines. The Group will continuously assess the sufficiency and effectiveness of the existing measures. For example, assessment on 5S items is carried out on a monthly basis to monitor and review the implementation of measures on a regular basis.

### **Key Points on Employees’ Health and Safety in the Group’s Management System**

System establishment	Formulate and implement the safety management system, identify and rectify potential threats in a timely manner;
Identification of safety threats	Identify the safety threats and prevent the occurrence of accidents and occupational diseases;
Safety measures and plans	Specify the safety notice and guidelines for use of equipment and facilities based on the safety plan;
Training	Continuously provide training on occupational health and safety to employees;
Protection	Provide safety protection devices and supervise the operation staff to use such devices properly.

Fulum Group determines the work-related injury of its employees based on the Employees’ Compensation Ordinance and handles the issues in strict compliance with relevant laws and regulations of the Labour Department of the Hong Kong Government. For any accidents occurred in the restaurants, central kitchen and logistics center, the relevant department will prepare the Investigation Report on Accident of Work-related Injury which contains all details of the accident and submit to the human resources department of the Group on the same date of accident. During the reporting period, there is no work-related accident that caused death nor non-compliance related to health and safety identified within the Group.

### **Statistics of Work-related Injury of Employees by Gender**

	Female employees	Male employees	Total
Number of cases of work-related injury	35	36	71
Loss of working days due to work-related injury	3,285	3,100	6,385

Note: Statistics as of March 2017

## Working Environment and Atmosphere

Fulum Group believes that employees are the foundation for corporate growth and the key to achieving corporate sustainable development. The Group provides attractive working environment to its employees by establishing human resources management system. In view of the labour shortage in the catering industry in Hong Kong, the Group enhances its recruitment efficiency by participating in job fairs, regular communication with local employment agents, encouraging existing employees to recommend suitable candidates and other measures, and retains talents with competitive salary and benefits, performance incentives, continuous training and internal promotion opportunities.

Fulum Group strictly complies with the laws related to employment in the place where its business operates. The remuneration package provided to employees by the Group comprises of basis salary, allowance, insurance and commission/bonus. The salary and benefits provided by the Group are in compliance with the requirements of the laws and regulations in Hong Kong, and the salary will be adjusted based on the requirements of labour regulations and the local labour market condition to ensure that it is not lower than the statutory minimum wage. Due to the characteristic of catering industry, the proportion of female employees in the Group was at a relatively high level of 64%. For recruitment and promotion, the Group selects employees with emphasis on their skills, abilities and working experiences, and treats every employee equally regardless of gender, marital status, disability and race.

Fulum Group thinks that every employee shall be respected, and employees with different cultures, backgrounds and experiences may increase the valuable diversity and understanding and provide new thoughts at work. The Group has established an employee information platform which can be accessed through our official website, in order to enhance the organisational efficiency and sustainability of the Group. The Group advocates the corporate culture of fair, healthy, caring and balance and creates synergy to retain our employees and enhance the production capacity. The Group endeavors to enhance the employees' dedication to work, creates favorable interpersonal relationship and working atmosphere among the employees, and enhances the employees' satisfaction and sense of belonging. The Group retains its employees through various measures including building corporate value and culture recognition and implementing employee training projects to improve the professional skills of employees.

Number of Employees by Gender and Age

		Under 30	30-50	Over 50	Total	Male to female ratio
Number of employees	Female	144	1,213	1,116	2,473	64:36
	Male	338	556	515	1,409	
Number of new employees	Female	19	68	28	115	55:45
	Male	34	44	16	94	
Number of lost employees	Female	21	87	81	189	50:50
	Male	61	72	53	186	
Employee turnover rate	Female	14.6%	7.2%	7.3%	7.6%	N/A
	Male	18.0%	12.9%	10.3%	13.2%	

Note: Statistics as of March 2017

International Labour Organization (ILO) is a specialized agency of the United Nations that issues labour standards in the form of International Labour Convention and proposals, so as to promote the worldwide workplace and living standards. China is a founding member and permanent member of ILO. In Hong Kong, a total of 41 International Labour Convention applicable to various affairs such as work conditions and employment policies are in force.

Fulum Group fully understands that child or forced labour is in violation of basic human rights and International Labour Convention, and poses threats to the sustainable development of the society and economy. As such, the Group strictly adheres to relevant laws and regulations and prohibits the hiring of teenage workers under 17. During the recruitment process, the Group conducts actual age checking, including checking the identity credentials and making detailed records. The Group will only execute the requirements in the standard employment contract and will not in any manner unfairly restrict the employment relationship between the employees and the company. Subject to laws and regulations, employees have the right and freedom to terminate labour contracts. During the year, the Group was involved in several labour disputes. The Group will review the human resources management system on an annual basis and make gradual improvement. During the reporting period, the Group did not identify any material violation of employment and labour standards.

Fulum Group strongly believes that integrity in business operation is the foundation of corporate social responsibility, corporate competitiveness and sustainable development. In order to prevent bribery, extortion, fraud and money laundering, the Group has formulated the policy of Prevention and Control of Fraudulent Practices to specify relevant risk management and control procedures; and has formulated the Whistleblowing Policy for internal staff to provide detailed procedures for whistleblowing and protect the legitimate rights and interests of the whistleblowers. The Group advocates the corporate culture of integrity and law-abiding as well as fair competition, which may help to enhance the sense of belonging of employees. The Group's anti-corruption measures are effective. During the reporting period, no litigation regarding bribery has been instituted against the Group and its staff.

### **Continuous Advancement and Development of Employees**

Fulum Group believes that nurturing and retaining excellent talents is the core to ensure the Company's development and strengthen the competitiveness of the Company. The human resources department of the Group is responsible for formulating the employee training plans and supervising the implementation of training plans. In order to ensure that all employees possess necessary knowledge and skills for their respective positions, the Group has established a series of standardised training and advancement programs for all employees from serving staff, cashiers, floor managers, chefs, restaurant managers to district managers. The internal advancement programs of the Group also provide its employees with advancement guidelines, and all employees shall have the advancement opportunities only after they complete the relevant training programs. This measure may help to enhance the employees' initiative and dedication to work.

Fulum Group attaches great importance to the development and growth of its employees, and will provide various special trainings based on the actual needs of different departments and functions as well as the stage of employees' career path. The Group sets training objectives for employees through "Training Meetings". Through "Talent Training Program" and other projects, trainings on professional knowledge and skills, occupational safety and health education as well as other comprehensive enhancement activities are provided to employees. In order to facilitate new employees to embrace our corporate culture and gain knowledge and skills, the Group launches the one-to-one "Orientation Ambassador" program, under which existing employees will help new employees by accelerating the learning process of new employees and providing timely and appropriate assistance to new employees shortly after they join the Group. Meanwhile, the Group also hopes to support the employees' career development through systematic training plans so as to enhance their personal value and improve the talent succession planning. Detailed measures include internal training of chefs and provision of training to kitchen staff in our restaurants so as to enable them to gain knowledge and skills required for a chef, and identify potential candidates for managers through special training and occupational guidance.

#### Passing on and sharing of experience

As the restaurant network expands rapidly, the Group also continuously cultivates management staff required for business development. The Group normally assigns existing branch managers to newly open restaurants. The branch managers may pass on their knowledge and know-hows to the staff in new restaurants within one or two weeks before the expected open date of new restaurants. With the assistance of human resource managers, the staff in human resources department at the headquarter of the Group will arrange training programs and introduce the Group's standards, procedures and corporate culture to the staff in new restaurants. The Group also implements guidance plan to provide guidance and support to staff in new restaurants.

During the reporting period, 92% of the employees of the Group received relevant trainings with average training time of 3 hours.

#### Statistics related to Staff Training by Gender and Type of Staff

Level of staff	Female staff			Male staff		
	Number of trained staff	Number of staff	Proportion of trained staff	Number of trained staff	Number of staff	Proportion of trained staff
Managemenet	120	144	83%	320	338	95%
Managers	1,200	1,213	99%	550	556	99%
General staff	900	1,116	81%	480	515	93%
Total	2,220	2,473	90%	1,350	1,409	96%

Fulum Group values talent training and actively encourages lifelong education among employees to keep abreast of modern development and achieve "Excellent Supply, Excellent Service". The Qualifications Framework Secretariat also recognises the Group by granting certificate of commendation on the Qualifications Framework Partnerships Commendation Ceremony in recognition of the Group's effort in actively promoting the "Recognition of Prior Learning" mechanism.

## RESPONSIBLE OPERATION

### Creating Value for Customers

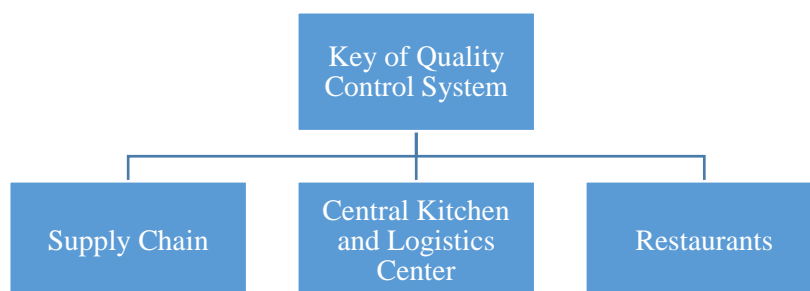
Fulum Group focuses on providing customers with the service experience of “True Passion and True Taste”. The Group has been implementing strict quality standards. The Group has integrated the Food Hygiene Code published by the Food and Environmental Hygiene Department into its business operation and signed the Food Safety Charter developed by the Centre for Food Safety of the Hong Kong Government (“CFS”):

- Support Food Safety Charter
- Keep updated on food safety development, enhance food safety, promote good image of food trade
- Provide safe and healthier food by making reference to CFS guidelines

### Quality Control Structure of the Group



Ensuring the safety and quality of food is the primary concern of Fulum Group, and standardised quality control system is the key to ensuring the quality and safety of food in the Group’s restaurants. During the standardisation process, the Group has formulated a series of standards covering food production, equipment maintenance and personal conducts which integrate with staff training and supervision. The Group also strives to continuously improve the quality of products and services in the operation of food processing, hygiene standard maintenance, staff training and daily management in accordance with the 5S Management Manual formulated internally. The quality control system of the Group mainly comprises of the quality control of supply chain, central kitchen and logistics center and the restaurants.



- Quality control of supply chain

The Group requires the suppliers to comply with the quality standards of regulatory authorities and the internal quality standards of the Group in respect of the packaging, labeling, transportation and storage of food ingredient and other supplies; and requires the suppliers to provide documents related to the hygiene of products. In addition to internal inspection on the quality of all food received by the central kitchen and logistics center, the Group also requires the suppliers to provide food safety certificates and import licenses for all imported food ingredient imported by the Group or purchased from the distributors in Hong Kong, and verifies such licenses. The Group will visit major suppliers every year to inspect their storage facilities, hygiene environment and food processing procedures; and will also assess the quality and volume of products provided by certain suppliers.

- Quality control of central kitchen and logistics center

The Group's central kitchen and logistics center are located in Tsuen Wan with gross floor area of 25,000 square meters and are able to provide support to over 150 restaurants of the Group. The Group applies various food safety and quality management standards published by the International Organisation for Standardisation ("ISO") (including ISO 22000 Food Safety Management System Certification and Hazard Analysis Critical Control Point (the "HACCP")) in the quality control system of the central kitchen and logistics center of the Group.

The Group has established a special inspection team for the central kitchen and logistics center, which is responsible for quality control of food ingredient. The Group provides internal training of ISO 22000 Food Safety Management System to the quality inspection team, and adopts special standards for production, packaging, storage and transportation of semi-processed and processed food in accordance with the HACCP. The laboratory in the central kitchen and logistics center conducts regular sample tests on food. The Group's quality inspection team possesses knowledge and skills required for food quality inspection, and shall be responsible for the implementation of quality control policies and procedures.

#### **Major Responsibilities of the Quality Inspection Team**

Food inspection	Operation quality control	Production quality control
<ul style="list-style-type: none"> <li>• Quality inspection staff inspect the quality of all food received by the central kitchen and logistics center in accordance with the established quality inspection procedures and standards.</li> </ul>	<ul style="list-style-type: none"> <li>• Quality inspection staff and production staff jointly supervise the quality control of food processing procedures. Food that are not complied with the established food processing procedures and requirements will be re-processed or destroyed.</li> </ul>	<ul style="list-style-type: none"> <li>• Processed food shall pass the food inspection and the sample test by quality inspection staff in the laboratory before delivering to the restaurants.</li> </ul>

The Group has adopted hygiene standards for inventory management process in storage facilities at our central kitchen and logistics center as well as storage at our restaurants, which will be implemented and closely monitored by the quality inspection team. The Group has also formulated relevant quality control measures for logistics process. The Group delivers food from the central kitchen and logistics center to the restaurants at least twice a day to ensure the freshness of food. The Group has formulated procedures and requirements for the hygiene and temperature of refrigerated trucks. Upon delivery to the restaurants, the food will be stored by the staff of the

Group's restaurants at appropriate temperature and storage conditions in accordance with the established procedures.

The Group has upgraded the business and operation information management system and is assessing the feasibility of establishing a corporate resource planning system. System upgrade will facilitate the Group to conduct comprehensive assessment on the whole food preparation procedure that can be applied in the Group's restaurant network in Hong Kong, thereby enhancing the efficiency of inventory management and logistics control.

- Quality control of restaurants

Fulum Group has formulated the Working Process of Administrative Department, which specifies the working guidelines for the production department of the Group in respect of six major aspects of restaurants. The Group has established operation procedures and quality standards to standardise every cooking step, thereby ensuring the consistency of flavor and quality of food. The Group's restaurants and central kitchen and logistics center apply the same quality control standards for food and other supplies. For any food and supplies that are identified as below standard during on-site inspection, the restaurant staff shall report to the production director and reject to receive. The Group also controls the quality of restaurants through various measures such as engaging independent inspection companies, providing staff training, conducting internal control of food safety and hygiene and engaging third party consultants for investigation.

#### **Six Aspects in the Guidelines of Production Department**



#### **Emergency and Customer Relationship**

- Emergency handling

Fulum Group has formulated various preparing and responding measures for potential accidents and emergency such as accidents occurred in operation or disruption of utility supply and equipment malfunction, and included such measures in the Working Process of Administrative Department. The Group also organises occupational safety and health training such as fire drills to facilitate the enhancement of safety awareness and responsiveness of employees.

- Customer relationship management

Fulum Group understands the importance of establishing a channel for smooth communication with customers, and highly values the feedback from customers. The Group collects comments through various channels including feedback forms placed at conspicuous spots in the restaurants, service hotlines, company website and social media, and carries out appropriate follow-up actions and conducts comprehensive analysis and review. The Group will make timely investigation for complaints submitted to audit department and compile "Cases Summary Sheet" on a monthly basis for discussion at the Group's review and summary meetings, in order to understand the customers' expectation and service demand and strengthen internal management.



- Privacy of customer data

Fulum Group believes that protecting the customer data is one of the key to develop long-term trust with customers. The Group endeavors to provide comprehensive protection for personal data of customers in every aspect, and complies with the Personal Data (Privacy) Ordinance and protect the privacy of customer data in a practical manner. During the reporting period, the Group did not identify any material violation related to product responsibility.

### Creating Value for Partners

Fulum Group deeply understands that proper management of supply chain is the key for the Group to maintain its brand reputation, ensure the business sustainability and manage operating costs. Quality control of supply chain is also an important element for the Group's quality control. The Group has formulated procurement procedures and supplier management measures for all procurement demands for food and other supplies (including collective procurement by the procurement department and individual procurement by restaurants). The Group selects suppliers mainly based on the scale, business condition, product quality, service quality and supply stability of suppliers and whether their overall reputation meet the requirements of the Group. For new suppliers, the procurement department will carry out direct on-site visits to get more information and fill in the Supplier Account Opening Information Record after being satisfied with the products. The Group will engage the supplier only after such document is approved. Supplier Assessment Questionnaire is an important basis for annual assessment of suppliers, which focuses on the following aspects:

Qualification	Equipment and production process in the factory and workshop	Assessment
<ul style="list-style-type: none"> <li>• Possess business license, qualification certificates, hygiene permits, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Raw material control</li> <li>• Storage of finished products</li> <li>• Transportation of finished products</li> <li>• Others (such as on-site temperature control)</li> </ul>	<ul style="list-style-type: none"> <li>• Quality</li> <li>• Service quality</li> <li>• Price competitiveness</li> <li>• On-site hygiene</li> <li>• On-site appearance</li> </ul>

In addition to considering the technical capabilities, delivery time, price competitiveness and other factors of the business partners, the Group will extend its consideration to environmental and social requirements and places the emphasis on supply chain by requiring its business partners to pay more attention to sustainability performance. During the reporting period, the Group participated in the "Green Purchasewise Performance Scheme" launched by the Hong Kong Federation of Restaurants and Related Trades ("HKFORT"), actively responded to the concept of environmental purchasing, and planned to start from the food sources and continue to strengthen the management of environmental impact from the supply chain.



## Creating Value for Community

As a socially responsible entity, Fulum Group deeply understands the importance of meeting the expectation of the community where it operates. The Group believes that employees are the major force to improve social well-being and create more social value. The Group has established a volunteer team called “Positive Energy Team” which adheres to the spirit of “Creating, Delivering and Promoting Positive Energy” and cares for disadvantaged groups in the society. The Group organises voluntary activities regularly and donates money and other supplies to charitable organisations to help those in need and contribute to the society.

For the long-term development of the corporation, the Group places an emphasis on balancing shareholder interests with that of all other stakeholders to attain long-term, stable and healthy business growth. The Group also encourages its employees to participate in community charitable activities and serve the community as volunteers, and promotes the culture of caring the society and the concept of contributing to the society.

During the reporting period, Fulum Group actively participated in a variety of charitable activities including:

- “Senior Citizen Home Safety Association” Territory-wide Flag Day
- Mid-Autumn Festival Caring Activity – In addition to donating mooncakes to different charitable organisation, the Group also organised its staff to visit the elderly and children in the community and celebrate the festival with them.
- Support the “Cyber-Run for Rehab” organised by the Hong Kong Society for Rehabilitation for eight consecutive years and became the Ruby Sponsor for the event to support the Hong Kong Society for Rehabilitation’s efforts in rehabilitation and build an inclusive society.
- Chinese New Year Caring Activity – Through cooperation with different stakeholders, we visited the Yan Oi Tong Neighbourhood Elderly Centre in Yuen Long and Shatin Districts to send new year greetings to the elderly.

# ENVIRONMENTAL PROTECTION

## Use of Resources

Due to the nature of Fulum Group's business, the energy consumption with closest connection with the Group includes externally sourced electricity, potable water and gas. The Group is well aware that resources management is closely related to environmental protection and the target of corporate sustainable development. In order to strengthen resources management, the Group has formulated the "Consumption Reduction Management" measures to specify the responsibility of staff at different levels on implementation and management. The measures cover detailed methods of management of electricity, potable water, gas, furniture and other consumables and establish different consumption reduction targets based on the actual situation of different restaurants.

In the implementation of "5S Management Method", Fulum Group also adopts the executive strategies of "Participation by All, Visual Management, Continuous Improvement, Exchange and Sharing" to enhance the efficiency of use of resources. The Group achieves optimisation of use of resources through a series of measures such as introduction of knowledge on environmental protection and consumption reduction, training for all staff, regular review, internal audit and communication and sharing with other restaurants of the Group. During the reporting period, the Group conducted energy audit for four pilot restaurants, and made feasibility study on the improvement suggestion in the research report and follow-up plans. The Group has gradually replaced the old lights with LED lights, and plans to consider devices with higher energy efficiency as its first choice in the future.

The major fossil fuel consumed in the operation of the Group includes gas and diesel used by transportation vehicles. The Group directly consumed fossil fuel of 71,074 MWh during the year. The Paris Agreement took effect during the year, which signified the start of profound change for the global energy landscape. In order to achieve the objective of the Paris Agreement, use of fossil fuels as energy sources will be phased out in the second half of this century. To reduce and eventually stop the use of fossil fuels, regulatory authorities may impose resource taxes, consumption taxes, or other regulatory measures with respect to fossil fuels, in which case, the Group's operations may be subject to increased costs. Use of fossil fuels as energy sources will be phased out in the second half of this century. In view of this, the Group currently focuses on addressing changes in international trends by enhancing resource utilisation and gradually shifting to the low-carbon business model.

Another major resource consumed by the Group is potable water. The Group has set the objective of reducing the use of water by 0.5% every year, and reduces the consumption of potable water by reuse. The Group also consumes paper which includes office paper and paper used in restaurant operation. In the catering business, paper is still an important means of communication (e.g. the ordering sheets for taking orders). The Group will make further study on measures of reducing the consumption of paper resources such as the possibility of using digital ordering interface.

Type of resources	Usage	Unit
Diesel	66,318	Litre
Gas	253,396	Gigajoule
Electricity	135,212	Megawatt hour
Potable water	104,523,158	Cubic meter
Paper	428	Metric ton

## Emissions

Fulum Group believes that due performance of environmental responsibility will improve the effectiveness of the utilisation of the Group's resources and the quality of customer service, and will enhance the economic efficiency to the Group. The Group complies with all applicable laws and regulations on environmental protection in Hong Kong.

- Wastewater discharge

Fulum Group has obtained the water pollution control license issued by the Environmental Protection Department of the Hong Kong Government and complies with the Water Pollution Control Ordinance in respect of its restaurants and central kitchen in Hong Kong. During the reporting period, the Group discharged wastewater of 73,166,210 cubic meters. The Group engages qualified service providers included in the Registration Lists of "Waste Cooking Oils" Parties published by the Environmental Protection Department to collect waste cooking oils. As of March 2017, the Group recycled waste cooking oils of 37,667 litres during the reporting period.

- Exhaust gas emission

Fulum Group's effort in exhaust gas management mainly focuses on management and control of equipment, which includes the design of cooking fume purification facilities and ventilation equipment, to comply with the requirements on cooking fume emission of the Air Pollution Control Ordinance of Hong Kong and prevent from affecting the surrounding community. During the reporting period, due to fugitive emission, the refrigerating and air conditioning equipment of the Group's central kitchen was refilled with refrigerant (R404A) of 120 kilograms. In the future, the Group will strengthen the monitoring of fugitive emission of refrigerant and take preference over the refrigerant with less impact to the environment.

- Solid waste

The waste generated from the operation of Fulum Group can be categorised into general garbage, recyclable material and kitchen waste. The Group engages third party companies for centralised collection and treatment. Currently, the Group controls the recyclers mainly through qualification review. For example, the Group requires the recyclers to provide valid qualification certificates. However, the Group does not monitor the treatment process of recyclable material. In order to ensure effective recycling, the Group will conduct regular review on the quality of recycling services used by the Group and strengthen the supervision on business partners.

Certain restaurants of the Group have participated in the “Food Wise Eateries Scheme” launched by the Environmental Protection Department, and actively promote the following measures:

- Convey food wise message to customers using promotional materials;
- Promote the message for consuming all ordered foods or taking away leftovers;
- Adopt at least one of the following food portioning option/food waste reduction measures.

Fulum restaurants and Sportful Garden restaurants of Fulum Group were granted the Leap Progress Award of “Food Wise Eateries Scheme” by the Environmental Protection Department in recognition of the Group’s active support and participation in environmental protection.

- Greenhouse gas

In November 2016, the Paris Agreement came into effect with the aim of keeping the increase in global average temperature to well below 2 degrees Celsius above pre-industrial levels and endeavoring to further limit the increase to 1.5 degrees Celsius.

Climate change has brought unprecedented challenges to global economic development. The extreme weather brought about by climate change directly or indirectly affects the ability of different entities to access resources and maintain operation. Reducing greenhouse gas emissions is the most important mitigation tool for tackling climate change, and quantifying greenhouse gas emitted by the entities may provide a basis for further reduction of emissions. Consistent with the global commitment to tackle with climate change, the Chinese government is actively promoting climate change mitigation efforts and has announced carbon reduction commitment to cut its carbon intensity by 60% to 65% below 2005 levels by 2030. The Hong Kong Government has also set its carbon reduction target in the Policy Address 2017 which proposed to cut its carbon intensity by 65% to 70% below 2005 levels by 2030.

Fulum Group pays great attention to its carbon footprint, and has been committed to reducing the impact of our operation on the environment. During the year, the Group commissioned CCA, a professional consultant, to assess the Group’s greenhouse gas emissions for the first time. The carbon assessment is based on the guideline<sup>1</sup> prepared by the Environmental Protection Department and the Electrical and Mechanical Services Department of the Hong Kong Government with reference to international standards such as ISO 14064-1 to quantify the greenhouse gas. The inventory process enabled the Group to better understand its use of resources and help the Group formulate specific action plans to increase the benefit and set the Group’s target of carbon reduction. During the reporting year, the Group’s total carbon emission was 156,039 metric tons of carbon dioxide equivalent.

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<sup>1</sup> Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong

Details of greenhouse gas emissions are as follows:

Scope	Greenhouse gas emissions (metric tons of carbon dioxide equivalent)
Scope 1	14,047
Scope 2	84,031
Scope 3	57,961
Total	156,039

Scope 1: Direct emissions of greenhouse gas from the fuels used by vehicles, gas consumed by stoves and refrigerant in the refrigerating and air conditioning equipment owned or controlled by the Group.

Scope 2: Indirect emissions of greenhouse gas from purchased electricity and gas.

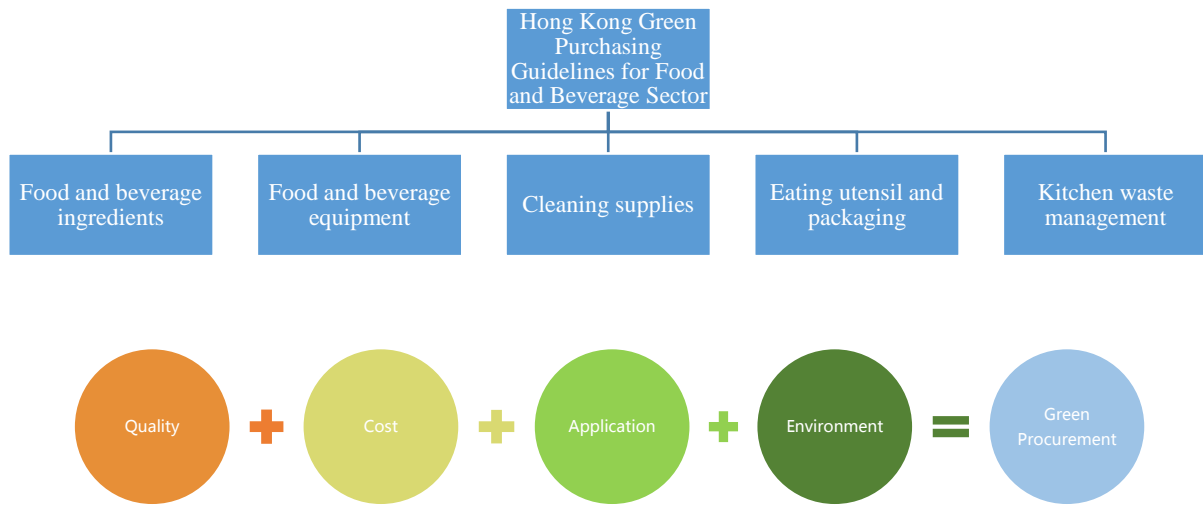
Scope 3: Other indirect emissions of greenhouse gas from disposal of paper waste, use of water and discharge of wastewater.

In the future, Fulum Group will adopt a more cost effective operating model and endeavor to reduce the Group's use of resources and carbon emissions. During the reporting period, the Group was not aware of any non-compliance related to emissions.

### Environment and Natural Resources

During the reporting period, certain restaurants of Fulum Group signed the Charter on External Lighting launched by the Environment Bureau of the Hong Kong Government to shorten the operating hours of external lighting installations or signboards, so as to reduce the energy consumption and save electricity, and fulfill our corporate social responsibility to reduce the light nuisance caused to nearby residents. The Group also organises training workshop on a regular basis to continuously enhance the awareness of environmental protection among the employees. The Group will also encourage its employees to participate in a diversity of environmental protection activities and promote the concept of environmental protection across the Group.

With the growing attention to sustainable development among the public, Fulum Group will pay more attention to environmental protection and impact on ecological environment in respect of the product life cycle and supply chain management (e.g. energy saving in the cooking process and support to sustainable fishery and green procurement). In addition to participating in the "Green Purchasewise Performance Scheme" launched by HKFORT, the Group also supports the "Hong Kong Green Purchasing Guidelines for Food and Beverage Sector" formulated by HKFORT and the Green Council.



In the long run, the Group is willing to work closely with all business partners and conduct effective communication on sustainable development standards. The Group expects that it will be able to facilitate sustainable development of the industry by sharing experience with business partners.

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