



# 天福(開曼)控股有限公司

## Tenfu (Cayman) Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 6868**

### Environmental, Social and Governance Report

## 2018

# Environmental, Social and Governance Report

## About the report

### Reporting scope

With Tenfu (Cayman) Holdings Company Limited as the subject, this report covers the Group's principal business endeavors including the sales and marketing of various tea products. This reporting period is from January 1, 2018 to December 31, 2018. As compared with the Environmental, Social, and Governance Report 2017 published on April 12, 2018, this report contains no material coverage adjustments. This report fully complies with the disclosure requirement of "Comply or Explain" and explains the disclosure rules not applicable.

### Reporting Standard

This report is prepared according to the Appendix 27 "Environmental, Social and Governance Reporting Guide" in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX").

### Data

All data referenced in this report comes from the official documents and statistical reports of Tenfu (Cayman) Holdings Limited. The disclosure of key performance indicators in the area of environment during the reporting period covers the Group's three factories, including Zhangzhou Tenfu Tea Industry Co., Ltd., Jiajiang Tenfu Tourism Tea Garden Co., Ltd., and Zhejiang Tenfu Tea Industry Co., Ltd., which is consistent with that of Environmental, Social, and Governance Report 2017.

### Abbreviations

For the purposes of expression and reading, Tenfu (Cayman) Holdings Limited is referred to as the "Company" in this report, and also as "Tenfu", "Group", or "we/us" together with its subsidiaries.

### Publication

This report is published online and available on the website of HKEX (<http://www.hkexnews.hk/>) and the Group's official website (<http://www.tenfu.com>).

## About us

Tenfu (Cayman) Holdings Limited was established by Mr. Lee Rie-Ho and went public on HKEX in 2011 (stock code: 6868). The Company is specialized in sales and marketing of various tea products and the development of product concepts, flavors, and package design business. With decades of development, Tenfu's Tea has become an all-around tea brand combining tea processing, sales, research, culture, and tourism.

Our major products include tea, tea snacks and tea ware, which are sold via our own and third party retail outlets and national network of specialty stores. Tenfu is one of the most recognizable brands among Chinese consumers of tea products. With its high brand awareness and over 25 years of reputation on the market, the Group believes that it holds a favorable position on continuing to grasp the situation of growth expectations on traditional Chinese tea market. In 2016, the Group ranked first on the China Tea Marketing Association's list of Top 100 Enterprises of Comprehensive Strength of China's Tea Industry.

With respect to marketing patterns, the Company adopts a multi-brand strategy of market segmentation and has made its presence in every market segment of China's traditional Chinese style tea products. Our tea products under the brand "Tenfu" are sold mainly through our own and third party outlets and specialty stores, with an aim of providing our customers with customized shopping experience. We also have a specially designed product line with brands such as "Tenfu Ten Sin" and "Uncle Lee", which are sold mainly through the franchised stores in China's large scale supermarkets. We have been introducing innovative new tea products, which have been recognized and enjoyed by the consumers and become leaders of the tea consumption.





# Environmental, Social and Governance Report

With regard to product portfolio strategy, the Company's major business of traditional Chinese tea products combines China's tea resources with as many as over 1,800 Tenfu series products, including packaged tea and tea bags of oolong tea, green tea, black tea, Pu'er tea, scented tea, and white tea, as well as tea snacks, tea ware, tea art utensils and incense lore.

At present, we offer over 1,300 different kinds of traditional Chinese tea products. On a retail basis, our brand traditional Chinese tea products are holding the biggest market share among China's all brand traditional Chinese tea products, among which the oolong tea and green tea all rank first in corresponding market segments. We also offer over 300 kinds of tea snacks, most of which are tea flavor snacks and produced with our own manufacturing facilities. Our business includes the marketing of the tea ware with our own brands.

## ESG governance

### ESG management strategy

As a well-known food and beverage enterprise, while paying attention to our own development, the Group has been devoted to exploring how to better combine business success with social development, coding sustainable development into the Group's development strategy, and making the fulfillment of corporate social responsibility the priority of the Group's development and the value orientation of each manager and employee.

The Group exercises strict control over food safety and quality and provides its employees with safe and healthy working environment and scientific and practical training programs. The Group has been devoted to energy saving and emission reduction and actively promoting the construction of transparent and regular environment-friendly supply chains and healthy industry environment.

The board of directors of the Group is the supreme decision-making body of the environmental, social and governance ("ESG") management and is fully responsible for the Group's ESG management strategy. It is also responsible for making sure that the Group has appropriate and efficient ESG risk management and internal monitoring systems in place. The board of directors reviews the Group's ESG performance on a regular basis and approves the Group's annual ESG reports.









The Group's management is responsible for evaluating and determining the Group's relevant ESG risks, making sure that appropriate and efficient ESG risk management and internal control systems have been established, reporting to the board of directors on ESG related risks and opportunities, and providing the confirmation of whether relevant ESG systems are effective.

For the purpose of effective implementation of ESG management, the Group has assembled a special ESG working team consisted of the Group's major department heads, and designated full-time staff for the implementation of ESG management and reporting, and reporting to the management on the working progress on a regular basis.

For further details on governance, please refer to Tenfu (Cayman) Holdings Limited Annual Report 2018.

### Stakeholder communication and materiality assessment

The Group strongly believes that the effective engagement and continuous support of stakeholders play a pivotal role in its long-term development. Therefore, the Group has been actively communicating with the core stakeholders, building diversified and smooth communication channels, and encouraging them to monitor the implementation of the Group's ESG management strategy and express their opinions and advice on sustainable performance and future development strategy. The Group's stakeholders come from different categories and levels, including shareholders and investors, governments and regulators, customers, suppliers, industry, employees, community, and environment etc.

Stakeholders	Communication channels and response ways	Stakeholders	Communication channels and response ways
Shareholders and investors 	Company's annual reports , interim reports and announcements General meetings of shareholders Special reports Field investigation	Industry 	Research and cooperation Communication conferences Surveys and reciprocal visits Communication activities
Governments and regulators 	Daily communication Monitoring and evaluation Government and enterprise cooperation Active tax payment	Employees 	Recruitment Training and exchanges Health and safety training and drills Benefit activities
Customers 	Member activities Transparent factories Service hotline Online platforms	Community 	Community activities Reciprocal visits Public benefit and charity activities Community project cooperation
Suppliers 	Project cooperation Daily business communication Meetings and negotiations Regular review	Environment 	Environmental information disclosure Online monitoring Communication with local environment authorities Communication with local residents

## Environmental, Social and Governance Report

The Group has been continuously improving its corporate social responsibility management. Based on the results of communication among stakeholders, the Group identifies and selects the material issues important to both the stakeholders and the Company's development. Then through discussions with the management and considering expectations of stakeholders and current year's business operation, the Group finally determines the degree of the substantive impact of those issues and develops the following results, which serve as the basis of this report's information disclosure. Based on the evaluation results, we have identified the following important issues:

### Important issues

- |   |   |   |   |
|---|---|---|---|
| <ul style="list-style-type: none"> <li>• Good management of supply chain</li> <li>• Establishment of product retrospect system</li> <li>• Improvement of customer services and communication</li> <li>• Improvement of product quality and safety</li> <li>• Promotion of product innovation</li> </ul> | <ul style="list-style-type: none"> <li>• Attention to occupational health and safety</li> <li>• Sticking to compliance operation</li> <li>• Providing training and development opportunities</li> <li>• Building favorable working environment</li> </ul> | <ul style="list-style-type: none"> <li>• Management of packing materials</li> <li>• Management of water resources and sewage</li> <li>• Energy consumption and management</li> <li>• Management of greenhouse gas emission</li> </ul> | <ul style="list-style-type: none"> <li>• Charity and public benefit activities</li> <li>• Communication and publicity of tea culture</li> </ul> |
|---|---|---|---|

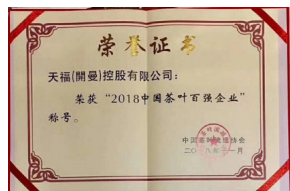


### Relevant issues

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"> <li>• Diversified employment</li> <li>• Reducing employee turnover rate</li> <li>• Raising employee remuneration</li> </ul> | <ul style="list-style-type: none"> <li>• Environment-friendly activities</li> <li>• Waste management</li> </ul> | <ul style="list-style-type: none"> <li>• Promoting regional economy</li> <li>• Promoting cross-strait talent exchanges</li> </ul> |
|--|---|---|

## Product Responsibility

The Group maintains excellent and stable quality with scientific and strict management. We comply with relevant laws and industrial standards on product quality, health and safety such as Food Safety Law of the People's Republic of China (the "PRC") and Product Quality Law of the PRC.



Honors awarded on tea brand ceremony

In November 2018, the Group was listed as 2018 Top 100 Chinese Tea Enterprises and 2018 Top 10 Chinese Tea Brand Communication Enterprises on 14th Annual China Tea Economy Conference Opening Ceremony and 2018 China Tea Brand Grand Ceremony held in Mount Wuyi, Fujian. The honors are a confirmation of the Group's management levels in product quality and food safety.

### Source guarantee

The Group guarantees product safety and quality starting from the sources with a whole process control. The Group has established a complete supply chain management system to control the purchase process of raw materials such as tea leaves, tea ware, and fresh fruits. Meanwhile, the Group carries out rigorous management on its tea plantations to guarantee the quality of fresh tea leaves.

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### Supply chain management

The Group attaches great importance to the management of supply chain, exercising strict control over the procurement process and imposing corresponding requirements for each critical process of the procurement process with Procurement Management Policy. With Form of Supplier Capacity Survey and Evaluation, Directory of Qualified Suppliers, and Record of Supplier Delivery, we select outstanding suppliers on an impartial, objective, and timely basis. In determining suppliers, the Group strictly reviews their registration documents, production certificates, and relevant product test reports issued by national test institutions based on their enterprise nature, and carries out field visits to review the suppliers' comprehensive capacities and evaluate their performance on product quality, product supply capacity, product transportation effectiveness and after-sale services.

In order to continuously strengthen and improve the management of procurement process, the Group has formulated Tea Procurement Policy and Process and Tea Procurement Management Policy of Quality Control Department, specifying the standard process of purchasing tea leaves for the tea purchasing staff and the processes and detailed requirements for sampling and warehousing of tea leaves and finished products,

and imposing a strict control over the quality of raw materials with the requirement of inspection on each lot of tea leaves purchased.

In order to monitor and specify supplier management, the Group has set up a hierarchical management process to establish corresponding assessment standards based on the classification of suppliers and perform inspections on their raw materials and soils. By classifying our suppliers into three categories of A, B, and C, we review the suppliers regularly each year with a 100% of review coverage on important suppliers, fill out Form of Supplier Capacity Survey and Evaluation and update the rating of suppliers. In 2018, the Group's traceable tea plantation system has been put in place and the policy of "one code for one product" has been successfully implemented. As an important process in the product manufacturing, the information of suppliers will also be demonstrated through the QR code in the whole process to supervise the suppliers in a traceable way.



*Field visits of suppliers*



*Tea ware suppliers invited to participate in teapot exhibition*



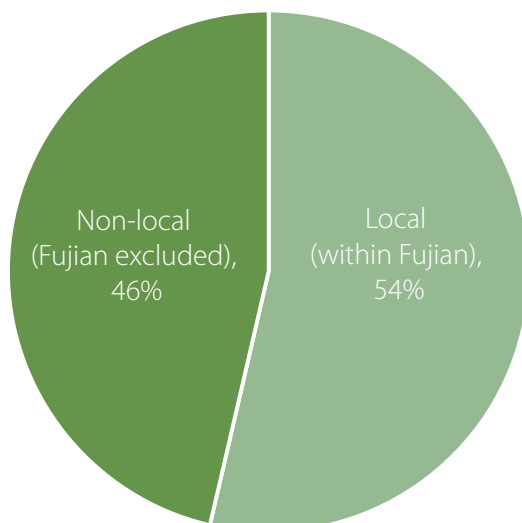
## Environmental, Social and Governance Report

The Group pays a lot of attention to the sustainability of supply chain and maintains good and effective communication with its suppliers. In communicating with its suppliers, the Group passes on various improvement requirements on environment and social risks and the idea of sustainability to them, in an attempt to improve and grow together with the suppliers and in turn to promote the development and improvement of provincial and even national industry.

We communicate with our suppliers at irregular intervals and carry out safety instructions and inspections on tea plantations with regard to pesticide and fertilizer use to prevent the soils from heavy metal pollution and ensure zero risk of raw materials from the sources. In dealing with the environmental pollution caused by tea planting, the Group actively responds to the national target of pesticide reduction and tries its best to reduce the use of pesticides through technical training on suppliers and farmers and publicity of the concept of going green.

While ensuring product quality, the Group purchases the raw materials and ingredients such as tea ware and packing materials as much as possible from local suppliers in order to support the development of local economy. During the reporting period, the Group has 69 suppliers of tea ware and packing materials.

**Number of suppliers of  
tea ware and packing materials in 2018**



*Local purchases during the reporting period*

### **Tea plantation management**

With respect to the tea plantations managed by the Group, we:

- Carry out regular inspections on their soils, water quality and surroundings to make sure safety, cleanliness and good ecology;
- Scientifically strengthen the management of tea plantations and tea leaves and comprehensively regulate the quality safety management of the production of tea plantations and tea via tea seedling trimming, weeding and cultivating, and prevention of diseases and pests;
- Require to implement the harvest principles of pick and leave combination, balanced emphasis on quality and quantity and harvest based on the nature of tea plantations; and
- Stick to the principle of scientific medication to maintain the balance and biodiversity of the ecosystem.

### **Quality management**

The Group attaches great importance to the development idea of quality, safety, and environment, the food safety concept of prevention, risk management, full-process control and social governance, and the establishment and continuous improvement of complete food quality and safety management system.

With the food quality management systems such as Tea Leave Processing System, Tea Leave Storage System, Food Safety Management System and Instructions on Product Processing Operation, we has formulated the production technology requirements, determination methods, sampling methods, and delivery inspection methods to ensure that food production is under strict safety control and prevent and deal with any potential food safety threats.

In order to guarantee food quality and safety, we strictly comply with relevant laws and regulations and pay high attention to changes of industrial practices to ensure the compliance of operation and production practices. During the reporting period, the Group has completed in a timely manner the alteration of the number of our food production license according to relevant requirements of Notice on Implementation of Measures for Management of Food Production License issued by Food and Drug Administration.

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We have established the Hazard Analysis and Critical Control Point ("HACCP") management system and ISO 22000 food safety management system and some export products have obtained the international certificates of organic tea processing. In July 2018, the Group passed the spot auditing of ISO 22000/HACCP by China Quality Certification Center. By strictly following ISO 22000/HACCP, we identify in a timely manner the critical control points in the operations such as inspection of raw materials and ingredients, production process control, product storage and protection, and product delivery and sales, and has set up a series of practical prevention and corrective measures, to safeguard food quality safety in an all-around manner and ensure that the products sold comply with national laws, regulations and technical requirements.



### Production

The Group monitors and controls product quality on each critical control point in the whole process of production and, together with the whole-process traceability system, truly implements the policy of accessible production records, available information, traceable distribution, accountable responsibilities and recallable products.

With regard to quality control, we have an in-house monitoring laboratory with professional quality inspection capacities to perform self-inspections for 48 chemical residue indicators on tea products such as pesticide residue, pigments and lead. Meanwhile, we also commission qualified third party inspection institutions to ensure that each indicator complies with national standards such as Maximum Residue for Pesticides in Food (GB 2763-2016) and Pollutant Limits

in Food (GB 2762-2017). The candied fruits and food factories follow National Food Safety Standards for Preserved Fruits (GB 14884-2016) and General Rules for Preserved Fruits (GB/T 10782-2006) to ensure that production materials meet relevant requirements and that the product quality is stable.

In the process of production, we have formulated Measures for Management of Food Production Sanitation applicable to all employees, facilities and environment of the Group according to relevant standards and regulations such as General Sanitation Specifications for Food Enterprises (GB 14881-2013), Standards for Sanitation of Food and Drinking Water (GB 5749-2006), and Requirements for Safety and Sanitation of Export Food Production Enterprises, with specific requirements for:

- Sanitation of workshops
- Hand washing and sterilizing and washroom facilities
- Labeling, storage, and use of hazardous chemicals
- Health and hygiene and employees
- Insect and pest control

### Storage

In order to prevent raw materials and products from damage, deterioration or missing during storage and learn the information and status of products in a prompt and accurate way, we have formulated Product Storage and Protection Management Control Procedures and Product Lot Traceability Management Policy to strengthen the storage and flood control management of raw materials and ingredients, products, and spare parts. The production workshops store the raw materials and ingredients and the semi-finished products and finished products in production in designated areas for storage and process transfer, label their status and batches, record their input and output in a timely manner and verify records against materials and products to ensure their agreement. Meanwhile, the workshops are responsible for labeling and isolating unqualified semi-finished or finished products for further treatment by relevant responsible units.

## Environmental, Social and Governance Report

### Delivery

The Group stringently executes delivery inspections according to relevant standards and regulations. Each batch of products must pass the inspections of the Quality Control Department before delivery. Products that fail the microorganism tests are not allowed for retests but will be directly labeled ineligible and not allowed to be delivered.

### Quality services

As a responsible enterprise, the Group has been continuously improving customer services and devoted to providing quality products and service experiences for the consumers. The Group complies with applicable laws and regulations with regard to consumer rights and privacy protection, advertizing, and product labels, such as Law of the PRC on the Protection of the Rights and Interests of Consumers, Measures for Management of Food Recall, Advertizing Law of the PRC, Trademark Law of the PRC, and National Standards for Food Safety – General Rules for Prepackaged Food (GB 7718-2011).

### Protection of consumer rights and interests

The Group listens to and receives customer feedbacks and complaints via various communication channels such as telephone and mails. Our complaint management is carried out according to Procedures for Customer Service Hotline Operation of the Business Department and Customer Complaints Handling Procedures, which specify the subsequent operations for each customer complaint scenario. For the purpose of dealing with customer questions and making customers satisfied, the complaint management ensures customer feedbacks can be heard and understood the first time and their problems are addressed professionally and rapidly. We record and analyze all complaints received and summarize the cases with guiding significance for further improvement of our production activities.

With regard to outlet customers, in order to correctly understand and satisfy our customers' current and future needs and expectations and continuously increase their satisfaction, the Group has established an outlet satisfaction service system based on Customer Satisfaction Measurement and Control Procedures, to specify:

- The Delivery Department is responsible for assessing customer satisfaction, identifying customer needs and potential needs, receiving outlet customer complaints and passing on services and feedbacks to relevant departments;
- The Quality Control Department is responsible for analyzing product information and the Production Technology Department is responsible for tracking treatment of product quality defects or improvement suggestions; and
- The factory manager or deputy manager is responsible for coordination of the service activities carried out by relevant departments and important customer complaints.





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In order to improve service efficiency and further increase customer satisfaction, the Group collects the real-time sales and inventory data of our retail outlets through our ERP (Enterprise Resource Planning) system for more efficient resource management and distribution. With the integration of online and offline sales and logistics through digitalized and intelligent retail and long-term cooperation with the online shopping platforms such as Tmall and JD.com, the system aims to provide our customers with the convenience of independent selection of products and ensure the quick delivery of our products to the customers.

The Group fully respects our customers' rights and interests and privacy and has put relevant protection clauses into Protection of Consumer Information and Privacy Policy. We treat the privacy information of our customers acquired through sales channels with due care and make public and transparent statements, without any causal dissemination or use.

### Product recall

In order to protect consumer rights and interests, the Group carries out investigations on the production chain for any causes of unqualified products and records the production quantity and the quantity for marketing, distribution scope of sales areas and factory inventory of the unqualified batches of products into product recall plans as a basis for recall operations. Simulated traces are carried out on a yearly basis to ensure the sound operation of the traceability system and effectiveness of the recall process. During the reporting period, the Group has no product recall issues.



### Advertizing and labeling

The Group performs advertizing and product trademark, package and label design strictly according to requirements of relevant laws and regulations. We have developed corresponding trademark licensing specification files and process lists and established a complete label approval process to ensure the compliance of product labels. At the same time, the Group carries out regular training courses on legal knowledge of food labels and marks for packing, design and business planning personnel from the tea, food and candied fruits factories, in an attempt to raise the employees' legal awareness and prevent risks by the interpretation of the legal rules on prepackaged food labels and of practical cases.

### Win-win cooperation

The Group firmly believes that maintaining a good relationship with its employees is one of the keys to business success. Each employee is a valuable resource and asset to the Group. The Group fully respects each of its employees and champions a staff employment philosophy based on "mutual respect, mutual love, mutual reverence, mutual trust, mutual understanding, mutual patience, mutual help and mutual encouragement", in order to create a harmonious working environment for our employees.

### Protecting employee rights and interests

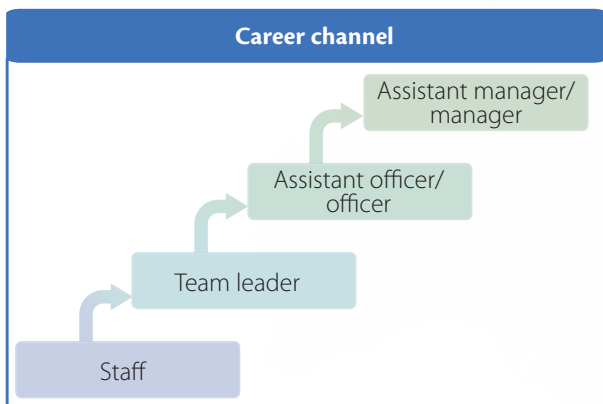
According to applicable labor laws and regulations such as Labor Law of the PRC, Labor Contract Law of the PRC, and Social Insurance Law of the PRC, the Group has compiled with Employee Handbook to specify its recruitment policy, human resource system, attendance checking system, and welfare system and helped its employees better understand its employment policy.

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## Recruitment and dismissal

With regard to employee recruitment and dismissal, the Group strictly complies with Labor Contract Law of PRC to sign labor contracts with employees and fulfill its obligations under such contracts. In signing and terminating labor contracts, the Group strictly complies with legal procedures and protects legal labor rights and interests.

The Group maintains extensive channels to recruit employees via the society, internet, and internal staff recommendations. Regardless of nationality, race, religion or gender, the Group provides equal opportunities of employment and promotion, and insists on equal pay for equal work and employment for multiple nationalities. The Group boasts a smooth internal promotion channel with a specified promotion process and respects the occupational development plans of its employees.



## Remuneration and benefits

The Group pays for relevant insurances such as social security and health insurance for its employees, in accordance with Social Insurance Law of PRC. In addition to meeting basic living needs, we add income increments such as academic upgrading, years of experience, position allowances, technical upgrading, job-related allowances, and performance, and provide our employees with basic remuneration and a number of additional benefits. In 2018, the Group reviewed each position for further classification and restructured the remuneration system for better motivation.

## Working hours and leaves

The Group strictly complies with relevant national laws and regulations on working hours and its employees are entitled to legal right to take leaves. Apart from statutory national holidays, our employees are entitled to paid annual leaves which shall accrue as they rise in seniority, paid sick leaves, paid condolence leaves, paid marriage leaves and maternity leaves. The Group calls for its employees to finish their work tasks within statutory working hours. Any overtime for unfinished works must be approved and compensatory time-offs or overtime pays will be arranged.

## Child or forced labor

The Group prohibits any employment of child labors aged lower than legal requirements. During the interview, the Human Resource Department will require job seekers to provide valid identification documents to ensure that their actual ages meet relevant requirements.

During the reporting period, the Group has not employed any child or forced labor.



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### Employee care

The Group cares about its employees. The Group gives gifts to its employees in traditional holidays and organizes regular vacation tours for the employees as a part of staff benefits. The Group regularly visits and offers assistance to the employees suffering from sickness or in need, giving them a sense of belongings and making them happier.



*In April to May 2018, the Group organized the 9th employee benefit tour, providing a good opportunity for its employees to relax after their stressful works, demonstrating the Group's people oriented culture, and strengthening the team spirit and cohesion.*



## Environmental, Social and Governance Report

### Safety and health protection

The Group strictly complies with relevant national laws and regulations, including Production Safety Law of the PRC, Law of the PRC on the Prevention and Control of Occupational Diseases, and Measures for Management of Emergency Response Plans for Product Safety Accidents.

Subject to Tenfu Health and Safety Management Policy, we strengthen the management of production safety and occupational health and perform pre-assessment over occupational disease risks, evaluation of control performance and acceptance inspection of prevention measures for the operation areas with risks of occupational diseases. Based on the requirements of such pre-assessment, the Group takes a number of measures to protect the health and safety of the employees within operation areas, including providing necessary labor protection supplies, firefighting devices, first-aid kits and warning signs and strengthening routing inspection and maintenance on safety facilities, to ensure the solid implementation of production safety and occupational disease prevention and build a safe and comfortable working environment for our employees. The Group organizes regular activities for its employees, such as annual physical examinations, firefighting training and emergency response drills, and traffic safety knowledge and first aid training.



Firefighting and evacuation drills

According to Regulations on Insurance for Work-related Injuries, the Group has set out the range, process and mechanism for identification of work-related injuries, making sure the employees suffering from injuries or occupational diseases due to work-related accidents receive medical treatment and financial compensations in a timely manner.

We hold regular sports activities for our employees to make their lives more colorful and healthy. On July 14, 2018, Tenfu's 4th Flying Fish Cup swimming games were held with over 100 players contesting in 9 events. The games increased the employees' health awareness and the Company's sports atmosphere, and strengthened its team cohesion. On September 22, 2018, Tenfu held Little Fish Cup swimming games for the employees' children, enhancing the children's willpower and making their parent-child lives more colorful and healthy.



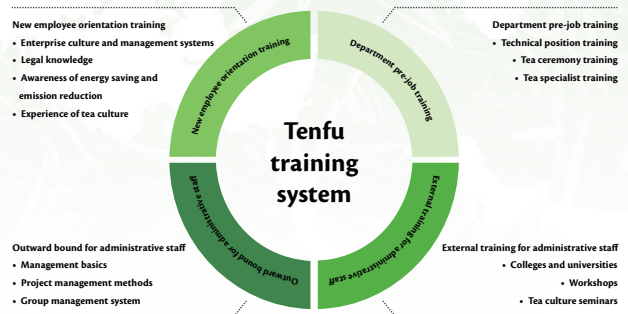
Swimming games for employees and their children

## Environmental, Social and Governance Report

### Growth and development support

Tenfu sticks to the policy of joint growth by the employees and enterprise. Based on its own development strategy and the employees' development needs, Tenfu sets up yearly training plans and assigns training targets to each department. It has also established a layered, classified and hierarchical all-around training system targeting all employees and introduces relevant regulations to the employees through relevant chapters in Employee Handbook. Tenfu encourages the employees to improve their capabilities and actively arranges them to attend external training courses, in an attempt to expand their career development room, comprehensively uplift their occupational capacity and quality and professionalism, build a good platform for their growth and development, and prepare a large number of excellent talents for Tenfu's sound operation.

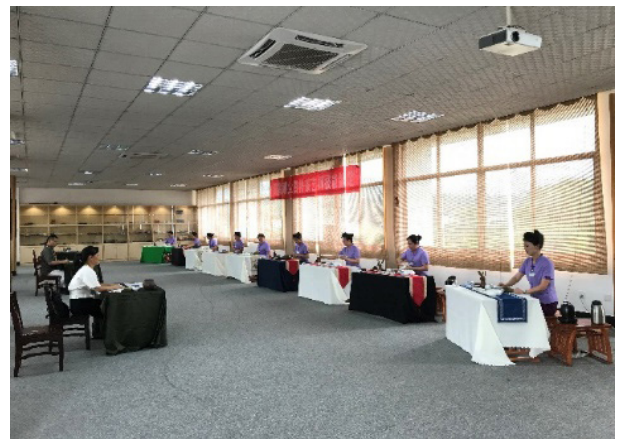
The Group values and encourages its employees to improve their professional skills and knowledge required by the positions they hold. If employees obtain relevant professional certificates for academic elevation and job-related professional knowledge exam grades (tea tasters, tea artisans, accountants, and human resources professionals), the Group will provide them with incentive payment. In addition, the Group has established a good collaborative relationship with Zhangzhou College of Science and Technology, which offers a continuous supply of talents.



In 2018, apart from the routine training such as new employee orientation training and pre-job training, we focused on training the staff at Tenfu outlets and teaching them tea ceremony knowledge to improve the shopping experience of the outlet customers, and organized our employees to systematically understand the tea culture by applying for national professional qualification certification for tea specialists.



Teaching tea ceremony knowledge



National professional qualification certification for tea specialists



## Environmental, Social and Governance Report

### Integrity management

The Group firmly believes that integrity is one of the most important principles for business operations and that a good anti-corruption system is the cornerstone of the Group's positive development. The Group strictly complies with relevant laws and regulations, including Criminal Law of the PRC, Law of the PRC on Anti-money Laundering, Anti-Unfair Competition Law of the PRC, and Contract Law of the PRC. Employee Handbook explicitly states that any employees must not engage in malpractices for personal gains, embezzle public funds, corrupt, and take bribes, and we have entered into anti-corruption agreements with our business partners and require our suppliers and customers to follow relevant requirements for anti-corruption.

We prohibit any employees from engaging in any illegal activities using personal positions, including but not limited to engaging in malpractices for personal gains, embezzling public funds, corruption, and taking bribes. Any employees may report such illegal activities to relevant administrative staff by telephone or email.

The Group has a Legal Department responsible for instructing, supporting and monitoring compliance and anti-corruption works. It leads the liaison with the functional departments, and holds regular anti-corruption and anti-commercial bribes training courses for new employees and all levels of the management. These training courses include commercial ethics and codes such as anti-corruption and anti-bribery, anti-official embezzlement, and anti-money laundering, and other relevant legal knowledge. During the reporting period, the Group did not involve in any corruption lawsuits or cases.



*Internal training on anti-corruption*

### Green development

The Group adheres to the green and low-carbon production and operation mode and purchase principle, continuously creates a green and low-carbon industrial environment, promotes the sustainable development of the industry, and establishes a good enterprise ethics outlook.

### Resource saving

The Group has strictly complied with applicable laws and regulations, such as the Energy Conservation Law of the PRC, and has accordingly formulated the Tenfu Energy Saving Management Policy, and has actively taken measures to improve the efficiency of the use of energy, water resources and materials. We have set up a special post to collect the data of resource utilization regularly, and through comparative analysis, we have worked out the plan and target of resource use, continuously enhanced the level of resource management, and continuously improved the performance of resource utilization of the Group.

In order to minimize the use of all natural resources, the Group should train all new employees with regard to the knowledge of energy saving and emission reduction, so as to enhance the awareness and keep in mind the requirements of energy saving and emission reduction, and jointly promote the cause of energy saving and emission reduction.

The Group's operation involves resource consumption, including water resources, production power and fuel and packaging materials. We work out recycling water plans, carry out facilities renovation, continuously improve the use efficiency of water resources in enterprises, actively promote energy-saving measures, plan to replace diesel oil and gasoline with natural gas step by step, and reduce the consumption of traditional energy. We continue to pay attention to the reasonable use of packaging materials, and improve the utilization rate of packaging materials.



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During the reporting period, the Group adopted the following specific energy-saving measures:

### Management measures of water resources

- Reinforce the recycling of water resources, use the reclaimed water that meet standards after the treatment of wastewater of the production line of preserves for factory area greening and crop spaying, and recycle the cooling water in the air-conditioning cooling tower
- Reinforce the water use management in the production workshops and office area, daily record the water consumption
- Post water-saving marks and signs in the water use area, and reinforce water-saving publicity



### Energy management measures

- Lamps in some workshops are replaced with LED energy-saving ones
- Traditional fuels are replaced with natural gas for boilers
- Timely switch off the electrical appliance and equipment not in the use state, and arrange for special persons to inspect them



### Management measures of packaging materials

- Abide by laws and regulations, and put an end to excessive packaging
- Select the best package suppliers, and reduce the use and loss of packaging materials
- Encourage customers to replace traditional paper coupons with electronic tickets



## Environmental, Social and Governance Report

During the reporting period, the Group quantified key performance indicators at the resource utilization level as follows:

	2018	2017
<b>Energy consumption<sup>1</sup></b>		
<b>Total energy consumption (MWh)</b>	<b>14,311.8</b>	13,420.2
Of which: natural gas (10,000 cubic metres)	<b>36.8</b>	32.2
Of which: diesel (10,000 litres)	<b>12.1</b>	12.3
Of which: gasoline (10,000 litres)	<b>6.0</b>	5.6
Of which: purchased electricity (MWh)	<b>8,584.7</b>	8,223.6
<b>Energy consumption intensity (MWh/million RMB income)</b>	<b>8.7</b>	8.5
<b>Water resource consumption</b>		
<b>Water consumption (tons)</b>	<b>236,384.8</b>	235,666.7
<b>Water consumption intensity (tons/million RMB income)</b>	<b>144.5</b>	149.5
<b>Packaging material consumption<sup>2</sup></b>		
<b>Packaging material consumption (tons)</b>	<b>547.3</b>	416.3
<b>Packaging material used per unit produced (tons/ton)</b>	<b>44.8%</b>	38.5%

Notes:

1. The calculation of the total energy consumption is based on the quantities of electricity purchased, natural gas, diesel, gasoline consumption, and the Guidelines for Greenhouse Gas Emission Accounting and Reporting for Food, Tobacco and Wine, Beverage and Refined Tea Enterprises, issued by the National Development and Reform Commission, Calculation of Default Values of Fossil Fuel Related Parameters in Appendix 1 and Default Values of Fuel Density in Appendix 2.
2. Because internal statistics are in units of quantity, it is impossible to disclose the weight of all packages for the time being. The calculation of the disclosures is based on the top 30 items sold in 2018. The disclosure scope in 2017 is the top 20 items of the year's sales. In the future, the Group will gradually improve the weight statistics of packaging materials, and enhance the level of data disclosure.
3. To ensure consistency, the 2017 data on energy and packaging material consumption have been recalculated on the basis of disclosures in the reporting period.
4. The production activities of the Group are the production and processing of tea, food and preserves, and do not involve any other environmental or natural resources. Therefore, the aspect A3 (environment and natural resources) and A3.1 (Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.) are not applicable and are not disclosed in this report.

## Environmental, Social and Governance Report

### Environmental protection and emission reduction

The Group adopts the measures of “reduction, innocuity and resource utilization” to deal with waste water, waste gas and solid waste produced in the production process, promulgates and implements the Tenfu Environmental Protection and Management Policy, issues some regulations on the treatment and discharge of the three wastes, focuses on reducing the discharge of pollutants produced in the process of production and operation, and through a series of training and environmental protection activities, improves the awareness of environmental protection among employees. According to the national laws and regulations, the Group provides corresponding environmental protection equipment and professional management personnel for each pollutant production process to ensure that pollutants are discharged after treatment to meet the requirements of local laws and regulations, and to minimize their impact on the environment.

With regard to wastewater, the Group strictly complies with laws and regulations such as the Water Pollution Prevention and Control Law of the PRC. During the reporting period, Zhangzhou Tenfu Tea Industry Co., Ltd. upgraded its supporting sewage treatment station to separate domestic sewage from production sewage in order to further promote its treatment capacity and efficiency, and ensure that the treated wastewater complies with the Integrated Wastewater Discharge Standard (GB8978-1996).

With regard to waste gas, the Group strictly abides by the Law on the Prevention and Control of Atmospheric Pollution in the PRC, and other laws and regulations. The main component of waste gas produced in tea production is dust, which is discharged by bag dust collector, so that dust emission can be reduced. The boiler uses natural gas as fuel and commissions a third party to carry out periodic inspection to ensure that the boiler tail gas emission concentration meets the emission requirements of Emission Standard of Air pollutants for Boiler(GB13271-2014).

With regard to greenhouse gases (GHG), the Group has actively taken energy-saving measures to improve the efficiency of electricity use, such as advocating saving electricity, using energy-saving LED lamps in production workshops, and so on. At the same time, the Group is vigorously promoting photovoltaic power generation projects to optimize the energy use structure to attain the goal of reducing greenhouse gas emissions.

With regard to solid wastes, the Group clearly classified the management of hazardous wastes and harmless wastes in accordance with Standards for Pollution Control on The Storage and Disposal Site for General Industrial Solid Wastes (GB18599-2001), Standard for Pollution Control on Hazardous Waste Storage (GB18597-2001) and Technical Specifications of Collection, Storage, Transport for Hazardous Waste (HJ 2025-2012), and set up the standardized temporary storage rooms. Hazardous wastes identified according to the National List of Hazardous Wastes are entrusted to qualified third party companies for innocuous treatment in order to reduce the impact of hazardous wastes on the environment. For harmless wastes with recycling values, such as waste materials, waste cartons and scrapped irons, the recycling is carried out for export-oriented comprehensive utilization. The waste residue and sewage sludge produced in the production process were treated by composting and used as organic fertilizer for fertilization in tea gardens. Domestic wastes and other harmless wastes without recycling values will be contracted by a third company for incineration, landfill and other harmless treatment.



## Environmental, Social and Governance Report

During the reporting period, the Group quantified key performance indicators at the Emission Aspect as follows:

	2018	2017
<b>Emissions</b>		
Waste water (10,000 tons)	22.0	21.3
Chemical oxygen demand COD (tons)	20.0	21.8
Ammonia nitrogen N-NH <sub>3</sub> (tons)	2.9	3.4
Suspended particulate matter SS (tons)	12.9	14.4
<b>GHG<sup>1</sup></b>		
Direct GHG emissions (Scope 1) (tCO <sub>2</sub> e)	1,243.6	1,136.0
Of which: fossil fuel combustion (tCO <sub>2</sub> e)	1,243.6	1,136.0
Energy indirect GHG emissions (Scope 2) (tCO <sub>2</sub> e)	5,605.9	5,361.0
Of which: purchased electricity (tCO <sub>2</sub> e)	5,605.9	5,361.0
<b>Total GHG emissions (Scope 1 and Scope 2) (tCO<sub>2</sub>e)</b>	<b>6,849.5</b>	<b>6,487.0</b>
<b>GHG emission intensity (tCO<sub>2</sub>e/million RMB income)</b>	<b>4.2</b>	<b>4.1</b>
<b>Hazardous wastes</b>		
Waste paint (tons)	0.07	0.68
Nickel-cadmium battery (tons)	0.01	0.02
<b>Total hazardous wastes (tons)</b>	<b>0.08</b>	<b>0.7</b>
<b>Emission intensity of hazardous wastes (tons/million RMB income)</b>	<b>4.8×10<sup>-5</sup></b>	<b>4.0×10<sup>-4</sup></b>
<b>Non-hazardous wastes</b>		
Domestic wastes (tons)	344.5	574.4
Used materials (tons)	26.1	4.4
Scrapped iron (tons)	124.7	18.7
Waste cartons (tons)	382.8	217.8
Sludge (tons)	5.4	7.1
<b>Total harmless wastes (tons)</b>	<b>883.5</b>	<b>822.3</b>
<b>Emission density of harmless wastes (tons/million RMB income)</b>	<b>0.54</b>	<b>0.52</b>

Note:

1. The Group's greenhouse gas emission sources are mainly direct GHG emissions from fossil fuel combustion in boilers (Scope 1) and energy indirect GHG emissions from purchased electricity (Scope 2). GHG accounting is presented in terms of carbon dioxide equivalent and is accounted in accordance with the Guidelines for Greenhouse Gas Emission Accounting and Reporting for Food, Tobacco and Wine, Beverage and Refined Tea Enterprises, issued by the National Development and Reform Commission.

## Environmental, Social and Governance Report

### Social welfare

In order to standardize the charity and public welfare activities of the Group and give back to the society better, the Group has formulated the Tenfu Management Policy of Charity and Public Welfare Activities, which combines the business characteristics of Tenfu to support the dissemination of tea culture, community service, environmental protection, knowledge dissemination, social assistance and volunteer activities and other forms of public welfare activities.

### Cultural propaganda

We brew each cup of tea carefully, give it to the guests, and sincerely invite them to taste, which is a sort of real human kindness, the embodiment of the spirit of tea ceremony. The promotion of tea ceremony cannot be delivered by just one cup of tea. Tenfu grasped the characteristics of tea culture, made full use of the “diplomatic advantage” of tea, made friends from all walks of life, carried forward Chinese tea culture, and promoted the idea of “rich and courteous, auspicious and happy” spread by the society through the promotion of tea culture.



The Group set up two tea museums in Zhangpu, Fujian and Jiajiang, Sichuan to popularize tea culture and promote Chinese tea industry. Zhangpu Tenfu Tea Museum is awarded the titles of “National AAAA class tourist attractions” and “one of the first agricultural tourism demonstration sites”. After the opening of Tenfu Tea Museum, the Group set up Tea Ceremony Classroom, Tea Ceremony Performance Hall and International Tea Ceremony Exchange Department, and actively excavated traditional tea art treasures, and hosted or participated in various international and domestic tea ceremony exchange activities.

### Cross-Strait exchanges

Since its establishment, the Group has given full play to its own advantages and characteristics, with “embracing Zhangzhou, holding hands on both sides of the Strait and moving towards the world” as its development goal, boosted the Belt and Road Strategy, and actively carried out the plan of recruiting talents to Taiwan, and made Tenfu an important window and bridge for cross-Strait exchanges. In response to the national policy of “the Belt and Road” and the call of “one generation; one line” to Taiwan, the Group has done a good job in tea education and training, so that the Chinese tea culture can move to the world. Zhangzhou Vocational College of Science and Technology founded the elite class of Taiwan Youth Tea Science and Technology, routinely recruiting students every year, opening a new model of win-win cooperation between the two sides of the Strait, and adopting the mode of alternation of theoretical study in school and practical training in factories and stores of the Group.

In May 2018, the Group’s “Taiwan Youth Practice and Training Base” and “Zhangpu County Tenfu Taiwan Compatriots Service Station” were officially opened to build a bridge for cross-Strait youth exchanges.



*Taiwan Youth Practice and Training Base*

## Environmental, Social and Governance Report

### Charity

The Group actively contributed to the cause of education. As the founder of the Group, Mr. Lee Rie-Ho, in line with the concept of "Use what is taken from tea in tea, benefit the society", founded Zhangzhou City Li Ruihe Culture and Education Foundation in 2008. In 2018, the foundation donated RMB 870,000 to Zhangzhou Institute of Science and Technology. We also signed an employment agreement with Zhangzhou Institute of Science and Technology. Every year, Zhangzhou Institute of Science and Technology will dispatch interns or graduates to various business units of Tenfu. In order to encourage students to study hard, the Group also set up a "Tenfu Star Scholarship". In addition, to support the education of the children of employees, we set up incentives to encourage the children of outstanding employees.

The Group takes the social responsibility of respecting the elderly and caring for the children, and always pays attention to the life of the elderly and children. In June 2018, Zhangzhou Tenfu Tea Industry Co., Ltd. donated RMB 2,800 to Pantuo Center Kindergarten, contributing to creating a better educational environment for the children. In October 2018, in order to carry forward the spirit of "respecting and caring for the elderly", the Party Committee and the Committee of Women Work of Tenfu Group, and the Trade Union and Women Committee of Zhangzhou Tenfu Tea Industry Co., Ltd. jointly sponsored 2018 Double-ninth Day - "Thanksgiving to the Elderly" Tea Party, which was held at Tenfu Tea Museum as scheduled.

The Group is actively concerned with the improvement of medical conditions in local communities. In May 2018, Zhangzhou Tenfu Tea Industry Co., Ltd. donated RMB 10,000 to the Red Cross of Zhangpu County, Fujian Province. In October 2018, the foundation-laying ceremony was held for Tenfu Hospital and the Health and Culture Village Project invested and established by the Group, which will meet the increasing medical and health care needs of the people and enhance the level of medical and health care in Fujian Province after its completion.



*"Thanksgiving to the Elderly" Tea Party*



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