



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 2019

Environmental, Social and Governance Report

About the Report

Tenfu (Cayman) Holdings Company Limited (stock code: 6868) hereby releases the 2019 Environmental, Social and Governance (“ESG”) Report (the “Report”) of the Company and its subsidiaries to present the Group’s concepts and practices in ESG to all stakeholders.

Reporting Scope

The Report has covered the Group’s principal business endeavors and the reporting period is from January 1, 2019 to December 31, 2019. The disclosure of key performance indicators in Environmental Subject Area during the reporting period covers the Group’s Zhangzhou Tenfu Tea Industry Co., Ltd., Zhangpu Tenfu Tourism Tea Garden Co., Ltd., Jiajiang Tenfu Tourism Tea Garden Co., Ltd., Zhejiang Tenfu Tea Industry Co., Ltd. and Guiding Tenfu Tourism Tea Garden Co., Ltd. As compared with the ESG report for the year of 2018 published on April 4, 2019, the Report contains additional disclosure on Zhangpu Tenfu Tourism Tea Garden Co., Ltd. and Guiding Tenfu Tourism Tea Garden Co., Ltd. The Report fully complies with the disclosure requirement of “Comply or Explain” and explains the disclosure rules not applicable.

Reporting Standard

The Report is prepared according to the Appendix 27 “Environmental, Social and Governance Reporting Guide” (“ESG Reporting Guide”) in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”), accordingly explaining the environmental and social impacts arising from the business and operating activities of the Company in Environmental and Social Subject Area. The Report adheres to the “Materiality”, “Quantitative”, “Balance” and “Consistency” principles of the ESG Reporting Guide.

- “Materiality” principle: the Group identifies material ESG issues through stakeholder engagement and materiality assessment;
- “Quantitative” principle: the Report has quantitatively reported on the Group’s key performance indicators in Environmental Subject Area;
- “Balance” principle: the Report should provide an unbiased picture of the Group’s environmental and social performance;
- “Consistency” principle: the statistical method for the disclosure of key performance indicators in Environmental Subject Area used in the Report is consistent with that of 2018.

Abbreviations

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

Publication

The 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>).

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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. In 2019, the Group ranked second 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.

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.



Environmental, Social and Governance Report

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 ESG management and is fully responsible for the Group's ESG management strategy, and identifying, assessing and managing important issues related to ESG. 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 establishing appropriate and efficient ESG risk management and internal control systems, 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 Group's management on the working progress on a regular basis.

For further details on governance, please refer to Tenfu (Cayman) Holdings Limited Annual Report 2019.

Environmental, Social and Governance Report

Stakeholder communication

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, industries, employees, communities and the environment etc.

Stakeholders	Expectation and Requirements	Communication mechanism
Governments and regulators 	<ul style="list-style-type: none"> • Compliance with laws and regulations • Paying taxes according to the law 	<ul style="list-style-type: none"> • Daily communication • Monitoring and evaluation • Government and enterprise cooperation • Active tax payment
Shareholders and investors 	<ul style="list-style-type: none"> • Continued development and return to shareholders • Information disclosure • Investor relations • Corporate governance 	<ul style="list-style-type: none"> • Company's annual reports, interim reports and announcements • General meetings of shareholders • Special reports • Field investigation
Customers 	<ul style="list-style-type: none"> • Quality services • Protecting consumer's rights and interests 	<ul style="list-style-type: none"> • Member activities • Transparent factories • Service hotline • Online platforms
Suppliers 	<ul style="list-style-type: none"> • Keeping promise • Equal, open and fair procurement • Win-win development 	<ul style="list-style-type: none"> • Project cooperation • Daily business communication • Regular review • Meetings and negotiations
Industries 	<ul style="list-style-type: none"> • Mutual benefit • Joint development 	<ul style="list-style-type: none"> • Research and cooperation • Communication conferences • Surveys and reciprocal visits • Communication activities
Employees 	<ul style="list-style-type: none"> • Salaries and welfare • Healthy and safety working environment • Equal opportunities for promotion and development 	<ul style="list-style-type: none"> • Recruitment and Decruitment • Staff welfare activities • Training and exchanges • Health and safety training and drills
Communities 	<ul style="list-style-type: none"> • Enhancing public benefit awareness • Facilitating the harmonious development of the community 	<ul style="list-style-type: none"> • Community activities • Public benefit and charity activities • Community project cooperation • Reciprocal visits
Environment 	<ul style="list-style-type: none"> • Environmental protection • Improving the energy consumption efficiency 	<ul style="list-style-type: none"> • Environmental information disclosure • Online monitoring • Communication with local environment authorities • Communication with local residents

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Materiality assessment

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



Relevant issues

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

Environmental, Social and Governance Report

Operating practices

The Group adheres to scientific and stringent management to ensure excellent and stable quality, striving to provide customers with quality products.

Supply chain management

The Group has established a rigorous supply chain management system to strictly manage the process of purchasing raw materials such as tea leaves, tea ware and fresh fruits, and has imposed corresponding requirements for each critical point of the procurement process in the Procurement Management Policy.



Supplier selection mechanism: With Form of Supplier Capacity Survey and Evaluation, Directory of Qualified Suppliers, and Record of Supplier Delivery, we strictly review suppliers' registration documents, production permits, and relevant product inspection reports issued by national inspection institutions based on their enterprise nature in selecting outstanding suppliers on an impartial, objective, and timely basis.

Implementation of procurement activities: In order to continuously strengthen and improve management of the procurement process, we have formulated procedures and policies including Tea Procurement Policy and Process and Tea Procurement Management System of QC 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.

Periodic assessment of supplier: In order to monitor and specify supplier management, the Group has set up a comprehensive supplier evaluation mechanism, to evaluate supplier's capacity, product quality, availability of supply and after-sale services based on the Form of Supplier Capacity Survey and Evaluation, and finally select outstanding suppliers to be included in the Directory of Qualified Suppliers.

Risk control of sustainability of supply chain: We pay 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.

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Quality 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. 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. We has formulated 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.

Four Major Safety Certification

Visible Quality

- ① HACCP certification**
It is to ensure food safety during production, processing, manufacturing, preparation, consumption, etc. By monitoring and controlling each step of the process, there is less chance for hazards to occur.
- ② ISO 22000 certification**
ISO 22000 was developed with the participation of experts in the food sector. It incorporates the principles of hazard analysis and critical control points, and covers the requirements of key standards developed by various global food retailers, in a single document.
- ③ US NOP certification**
The National Organic Program (NOP) is responsible for regulating the US organic market. The regulation came into effect on October 21, 2002. Since then, all products labeled "Organic", "100% Organic", or "Made with Organic..." that are sold in the US must be certified by a certification agency accredited by the United States Department of Agriculture (USDA).
- ④ EU certification**
EC certification, also known as CE certification, indicates that the product has met the safety requirements set by the EU directives. It is considered as a passport that has been opened for manufacturers to enter the European market. It is a kind of commitment from enterprises to consumers, which has increased consumers' trust in products.

The Group has established the Hazard Analysis and Critical Control Point ("HACCP") system and the food safety management system (ISO22000), and has passed the system certification of third-party companies. In 2019, the Group successfully completed the annual review of the dual systems. Some of the Group's export products have also obtained the US National Organic Program (NOP) certification and the EU EC certification. These certifications have effectively advanced the Group's quality and safety management standards.

With regard to quality control, we have an in-house inspecting 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.

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• **Production**

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 The General Hygiene Rules for Food Production (GB 14881-2013), Sanitary Standard for 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**

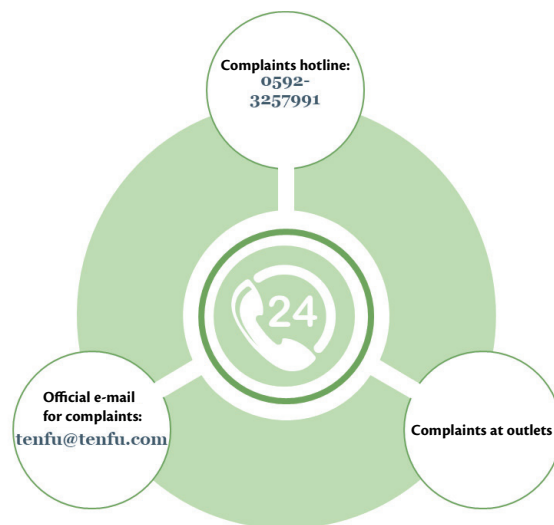
In order to prevent raw materials and products from damage, deterioration or missing during storage and learn the information and status of products in a prompt and accurate way, we have formulated Product Storage and Protection Management Control Procedures and Product Lot Traceability Management Policy 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.

• **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.

Customer 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).



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• **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:

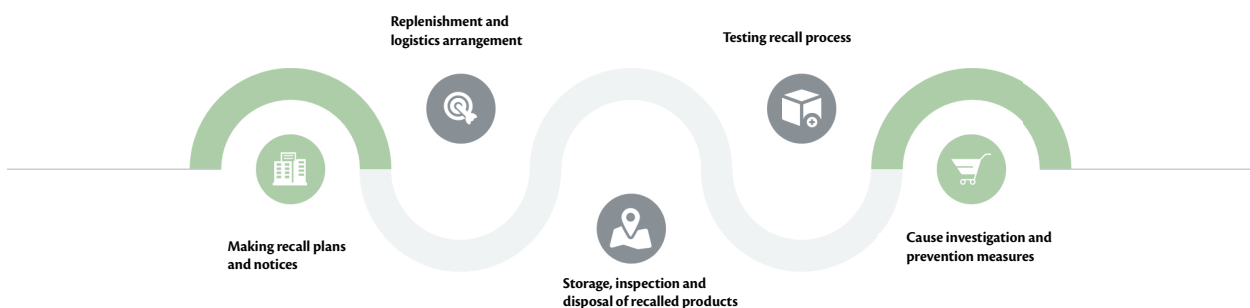
- The Delivery Department is responsible for assessing customer satisfaction, identifying customer needs and potential needs, receiving outlet customer complaints and passing on services and feedbacks to relevant departments;
- The Quality Control Department is responsible for analyzing product information;
- 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.

In order to improve service efficiency, 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. We integrate online and offline sales and logistics through digitalized and intelligent retail. The Group ensures the quick delivery of our products to the customers through the long-term cooperation with the online shopping platforms such as Tmall and JD.com.

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 by us 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.



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• *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 documents 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.

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, Anti-Money Laundering Law of the PRC, 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.

In order to avoid violations of laws and disciplines for improper benefits, we require our business partners to sign a Letter of Commitment to Business Integrity at the same time when concluding the business cooperation contract to regulate the business conduct of both parties to the contract and maintain fair competition, thus establishing and improving a long-term mechanism for preventing and treating commercial bribery, and intensifying the work of fighting corruption and upholding integrity.

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.

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Employee care

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 its employees.

Protecting employees’ rights and interests

The Group strictly abides by relevant laws and regulations including but not limited to Labor Law of the PRC and Labor Contract Law of the PRC, and has specified in Employee Handbook its recruitment policy, human resource system, attendance checking system, salary and welfare system and reward and punishment system, so that employees can better understand its employment policy.

* *Recruitment and Dismissal*

The Group recruits employees via the society and campus. Regardless of nationality, race, religion or gender, the Group provides equal opportunities of employment and promotion, insists on equal pay for equal work and promotes employment for multiple nationalities. The Group signs Labor Contract with employees according to law and fulfill its obligations under such contracts. It also specifies the conditions for the termination of labor contracts.

The Group prohibits any employment of minors 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 did not employ any child labor.

• *Remuneration & Benefits and Promotion*

Having formulated the Salary Table, the Group adheres to the principles of distribution according to work and attention to efficiency and fairness in establishing a sound performance-based pay system and provides competitive salaries based on employees’ positions, performance and capabilities. Employee remuneration consists of salary and increments taking into account academic upgrading, seniority, position allowances, technical upgrading, job-related allowances, performance, etc. The Group boasts a smooth internal promotion channel with a specified promotion process and respects the occupational development plans of its employees.

• *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.

During the reporting period, there was no forced labor existed in the Group.

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• *Employee Care*

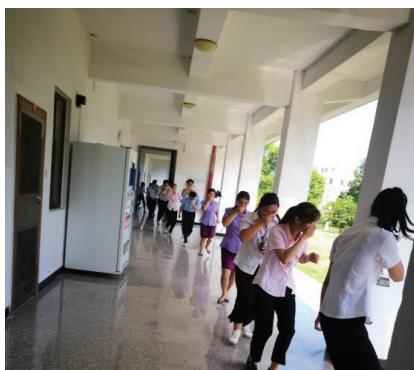
The Group cares about its employees. The Group gives gifts to its employees in traditional holidays and organizes regular vacation tours for the employees as a part of staff benefits. We timely visit and offer assistance to the employees suffering from sickness or in need, giving them a sense of belonging and making them happier. In January 2019, leaders of the Group and members of Tenfu Labor Union paid visits to the neighboring villages of Zhangzhou Tianfu Tea Industry Co., Ltd.*, conveying Chinese New Year greetings.

Safety and health protection

The Group strictly complies with relevant national laws and regulations, including Work 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.

Fire drill



In order to improve the safety awareness of employees and effectively prevent various kinds of fires, on January 18, 2019, the Group's subsidiary held a safety and fire drill which was attended by over 100 staff. Through the drill, employees mastered basic safety skills, thus improving safety quality.

According to Regulation on Work-Related Injury Insurance, 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.

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We regularly organize employees to carry out sports activities to enrich their lives and strengthen their physical fitness. On October 19, 2019, the Group held the fifth “Flying Fish Cup” and the second “Little Fish Cup” swimming competitions. More than 100 players took part in a total of nine events. This activity raised the health awareness among employees, strengthened the sporty atmosphere within the Company and enhanced team cohesion.

Tenfu successfully held the Fifth “Flying Fish Cup” and second “Little Fish Cup” swimming competitions



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.

New employee orientation training	Department pre-job training	External training for administrative staff	Outward bound for administrative staff
<ul style="list-style-type: none"> Enterprise culture and management systems Legal knowledge Awareness of energy saving and emission reduction Experience of tea culture 	<ul style="list-style-type: none"> Technical pre-job training Tea ceremony training Tea specialist training 	<ul style="list-style-type: none"> Colleges and universities Workshops Tea culture seminars 	<ul style="list-style-type: none"> Management basics Project management methods Group management system

The Group values and encourages its employees to improve their professional skills and knowledge required by the positions they hold. The Group has formulated a “binary system” policy, encouraging employees to study further and improve their academic qualifications. 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 for the Group.

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Tea culture lecture with the theme “Charming Chinese Tea and Building Core Team”



In early July 2019, we held a tea culture lecture with the theme “Charming Chinese Tea and Building Core Team”, and 118 managers attended the lecture.

Comprehensive training for new employees



In late July 2019, we launched a comprehensive training for new employees to allow them to learn and understand our corporate culture and management system more fully, and to spread workplace safety knowledge, cultivate team spirit, and promote tea culture knowledge and etiquette. Evaluation of the training effectiveness shows that 99% of the employees achieved excellent grades, and the training has achieved positive results.

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 tea 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 related course of energy saving and emission reduction, so as to enhance the awareness and keep in mind the requirements of energy saving and emission reduction in the course of their work, and jointly promote the cause of energy saving and emission reduction.

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The Group's operation involves resource consumption, including water resources, production power and boiler 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.

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



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, 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 Law of the PRC on the Prevention and Control of Water Pollution. During the reporting period, all factories under the Group were equipped with sewage treatment stations, and all production wastewater met the discharge standards of Integrated Wastewater Discharge Standard (GB 8978-1996) after being treated by the sewage treatment stations. In addition, in order to further enhance the sewage treatment capacity, Zhangzhou Tenfu Tea Industry Co., Ltd. is currently constructing a new sewage treatment station with a designed wastewater treatment capacity of 1,300 tons/day which is expected to be put into operation in early 2020.

With regard to waste gas, the Group strictly abides by the Law of the PRC on the Prevention and Control of Atmospheric Pollution, 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. In addition, the Group is vigorously promoting photovoltaic power generation projects to optimize the energy use structure to attain the goal of reducing greenhouse gas emissions.

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Tenfu's photovoltaic power generation in energy-saving and emission-reduction practices



Under the guidance of the “Green China” initiative, the Group vigorously develops new energy photovoltaic power generation projects in its factory area. Zhangzhou Tenfu Tea Industry Co., Ltd. makes great effort in developing distributed photovoltaic power generation projects with an estimated installed capacity of 3.5MW. At present, a capacity of 2,011.35KWp has been installed in Phase I, and the mode of grid-connected remaining power generation is adopted. Upon completion of installation, as of the end of the reporting period, a cumulative amount of 664,000 KW of power was generated from photovoltaic equipment, equivalent to reducing 482 tons of carbon dioxide 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 (GB 18599-2001), Standard for Pollution Control on Hazardous Waste Storage (GB 18597-2001) and Technical Specifications of Collection, Storage, Transportation of 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 party company for incineration, landfill and other harmless treatment.

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 launched 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

Meeting friends over tea has been a Chinese tradition since ancient times. Grasping the characteristics of tea leaves and fully leveraging the “diplomatic advantages” of tea, the Company makes friends with people from all walks of life to carry forward Chinese tea culture, fostering the development of social civilization through the promotion of tea culture, thus realizing an ideal human society which is “rich and courteous, peaceful and happy”.

The Group established two tea museums in Zhangpu, Fujian and Jiajiang, Sichuan, respectively to popularize tea culture among the general public, promoting the Chinese tea industry. Zhangpu Tenfu Tea Museum, being classified as a national AAAA class tourist attraction, was one of the first batch of national agricultural tourism demonstration sites. After the opening of Tenfu Tea Museums, the Group has set up tea ceremony classrooms, tea ceremony performance halls and an international tea ceremony exchanges department with the tea museums as bases, actively exploring traditional treasures in the art of tea. It also hosted and participated in various international and domestic tea ceremony exchanges and activities.

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On October 14, 2019, the 9th International Tea Culture Symposium cum the 2019 International Tea Education Forum, organized by Tenfu Tea Museum, was held in Zhangpu. Experts and scholars from more than ten countries and regions at home and abroad gathered together to talk over tea under the theme of “holding tea events”, building a platform and bridge for international tea cultural exchanges, striving to turn the forum into a collaborative and innovative platform for dialogue and interaction among governments, enterprises and research institutions having a presence in Southeast Asia.

Cross-strait Exchanges

Since its establishment, the Group has given full play to its own advantages and characteristics in boosting the “Belt and Road” strategy with “embracing Zhangzhou, joining hands across the strait and going global” as its development goal, actively carrying out the plan of recruiting talents from Taiwan, making Tenfu an important window and bridge for cross-strait exchanges. As the Chairman and one of the founders of the Group, Mr. Lee Rie-Ho has put forward that, in response to the national “Belt and Road” initiative and the call for “One Generation and One Stratum” on Taiwan, the Group needs to do a good job in tea education and training so that the Chinese tea culture can go to the world. Zhangzhou Vocational College of Science and Technology has established an ESG tea class for Taiwanese youth which is open for enrollment on an annual basis, opening a new model of cross-strait win-win cooperation and customized school-enterprise education adopting the mode of alternating theoretical study in schools and practical training in factories and stores of Tenfu.

2019 “Tenfu Cup” Cross-strait Famous Tea Invitational Competition

The awards presentation ceremony of the 2019 “Tenfu Cup” Cross-Strait Famous Tea Invitational Competition was held in Zhangzhou Institute of Science and Technology. Tenfu has held the competition for many consecutive years and this was the ninth year.

Tea experts across the Straits gathered together to display their tea samples, showing the good results of the integrated development of the tea industry on both sides of the Straits. Through just, fair and open competition, it has not only deepened the relationship between tea experts on both sides of the Straits, thereby promoting the continuous improvement of cross-strait tea production standards, but it has also allowed the cross-strait tea industry to enjoy the fruitful results brought about by joint developments.



Public benefit and charity

The Group actively contributes to the cause of education. As the Chairman and one of the founders of the Group, Mr. Lee Rie-Ho, upholding the concept of “using what is taken from tea in tea to benefit the society”, established Zhangzhou Lee Rie-Ho Tea Culture and Education Foundation in 2008. We have also signed an employment

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agreement with Zhangzhou Institute of Science and Technology. Every year, Zhangzhou Institute of Science and Technology will dispatch interns or graduates to the business units of Tenfu. The Group has also set up a “Tenfu Star Scholarship” to encourage students to study hard. In addition, to support the education of its employees’ children, rewards are given to outstanding ones as an encouragement.

The Group takes the social responsibility of respecting the elderly and caring for the children, always paying attention to the lives of the elderly and children. As of the end of 2019, the Group cumulatively donated RMB25,000 to the Senior Citizens Association, RMB12,800 on academic subsidy, and RMB10,000 for poverty alleviation.

Event with the theme of “Celebrating National Day – Carrying Forward Chinese Traditional Virtues”



Celebrating the Chongyang Festival on October 7, 2019, the Group’s Party Committee in collaboration with government departments in Zhangzhou organized an event with the theme of “Celebrating National Day – Carrying Forward Chinese Traditional Virtues” to send caring messages to the local elderly.

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Appendix: Table of Key Performance Indicators

The key performance indicators in Environmental Subject Area as disclosed in the Report cover the Group's Zhangzhou Tenfu Tea Industry Co., Ltd., Zhangpu Tenfu Tourism Tea Garden Co., Ltd., Jiajiang Tenfu Tourism Tea Garden Co., Ltd., Zhejiang Tenfu Tea Industry Co., Ltd. and Guiding Tenfu Tourism Tea Garden Co., Ltd. Given the expansion of the reporting scope, data of the quantified key performance indicators in Environmental Subject Area during the reporting period has increased to a certain extent compared with that in the year of 2018.

1) The quantified key performance indicators in Environmental Subject Area are shown in the following table:

Key performance indicators for Emissions	2019	2018	2017
Emissions			
Waste water (10,000 tons)	26.4	22.0	21.3
Chemical oxygen demand COD (tons)	26.0	20.0	21.8
Ammonia nitrogen N-NH ₃ (tons)	4.3	2.9	3.4
Suspended particulate matter SS (tons)	17.1	12.9	14.4
GHG¹			
Direct GHG emissions (Scope 1) (tCO ₂ e)	1,488.7	1,243.6	1,136.0
Of which: fossil fuel combustion (tCO ₂ e)	1,488.7	1,243.6	1,136.0
Energy indirect GHG emissions (Scope 2) (tCO ₂ e)	8,859.4	5,605.9	5,361.0
Of which: purchased electricity (tCO ₂ e)	8,859.4	5,605.9	5,361.0
Total GHG emissions (Scope 1 and Scope 2) (tCO₂e)	10,348.1	6,849.5	6,487.0
GHG emission intensity (tCO₂e/million RMB income)	5.8	4.2	4.1
Hazardous wastes			
Waste paint (tons)	0.056	0.07	0.68
Nickel-cadmium battery (tons)	0.005	0.01	0.02
Total hazardous wastes (tons)	0.061	0.08	0.70
Emission intensity of hazardous wastes (tons/million RMB income)	3.4×10 ⁻⁵	4.8×10 ⁻⁵	4.0×10 ⁻⁴
Non-hazardous wastes			
Domestic wastes (tons)	732.0	344.5	574.4
Used materials (tons)	56.7	26.1	4.4
Scrapped iron (tons)	33.4	124.7	18.7
Waste cartons (tons)	217.1	382.8	217.8
Sludge (tons)	6.3	5.4	7.1
Total harmless wastes (tons)	1,045.5	883.5	822.3
Emission density of harmless wastes (tons/million RMB income)	0.58	0.54	0.52

Note:

1. 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.

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Key performance indicators for Use of Resources	2019	2018	2017
Energy consumption			
Total energy consumption (MWh)¹	20,211.9	14,311.8	13,420.2
Of which: natural gas (10,000 cubic metres)	36.6	36.8	32.2
Of which: diesel (10,000 litres)	18.4	12.1	12.3
Of which: gasoline (10,000 litres)	9.7	6.0	5.6
Of which: purchased electricity (MWh)	13,531.7	8,584.7	8,223.6
Energy consumption intensity (MWh/million RMB income)	11.2	8.7	8.5
Water resource consumption			
Water consumption (tons)	341,567.9	236,384.8	235,666.7
Water consumption intensity (tons/million RMB income)	190.1	144.5	149.5
Packaging material consumption			
Packaging material consumption (tons)²	517.6	547.3	416.3
Packaging material used per unit produced (tons/tons)	37.3%	44.8%	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 40 items sold in 2019. The disclosure scope in 2018 is the top 30 items of the year's sales. During the reporting period, due to the decline in packaging material used per unit produced, packaging material consumption also decreased. In the future, the Group will gradually improve the weight statistics of packaging materials, and enhance the level of data disclosure.
3. 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 the Report.

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