



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 2021

Environmental, Social and Governance Report

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Environmental, Social and Governance Report

About the Report

Tenfu (Cayman) Holdings Company Limited (stock code: 6868) hereby releases the 2021 Environmental, Social and Governance (“ESG”) Report (the “Report”) of the Company to present the Group’s concepts and practices in ESG to all stakeholders. This is the sixth consecutive year for the Group to disclose the ESG report.

Reporting Scope

The Report has covered the Group’s principal business endeavors and the reporting period is from January 1, 2021 to December 31, 2021 (the “Reporting Period”). The disclosure of key performance indicators in Environmental Subject Area and Social 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., Guiding Tenfu Tourism Tea Garden Co., Ltd., Anxi Tenfu Tea Industry Co., Ltd., and Guangxi Tenfu Tea Industry Co., Ltd. As compared with the ESG report for the year of 2020, Anxi Tenfu Tea Industry Co., Ltd., and Guangxi Tenfu Tea Industry Co., Ltd. have been added to the scope of environmental and social data disclosure in the Report. The Report complies with the disclosure requirements of “Mandatory Disclosure” and “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 which has been disclosed in the Report;
- **“Quantitative” principle:** the Report has quantitatively reported on the Group’s key performance indicators in Environmental and Social Subject Area. The quantitative data in the Report has been attached with description explaining its purpose and impacts, and been applicable to valid comparisons;
- **“Balance” principle:** the Report should provide an unbiased picture of the Group’s environmental and social performance;
- **“Consistency” principle:** the disclosure and statistical methods of the key performance indicators in Environmental and Social Subject Area used in the Report are consistent with those of 2020.

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 Tenfu

Company Profile

Tenfu is a professional tea company founded by Mr. Lee Rie-Ho, dubbed Worldwide King of Tea, in mainland China in 1993. After more than a decade, Tenfu Tea has become a comprehensive tea brand with tea leaves processing, sales, research, culture and travel combined into one. From 2013 to 2021, the Company was rated by the “China Tea Leaves Circulation Association” as one of the “Top 100 Tea Enterprises (Overall Strength)”.



With respect to marketing patterns, the Company adopts a multi-brand strategy with brands such as “Tenfu (天福)”, “Tenfu Ten Xin (天福天心)” and “Funnewspot (放牛斑)”, so as to make its presence in every market segment of China’s traditional Chinese style tea products. The brand “Tenfu” makes every effort to provide our customers with customized shopping experience, with high brand awareness among customers. The products under the brand “Tenfu Ten Xin” are sold mainly through the large scale supermarkets, while the products under the brands “Tenfu”, “彼物BEAU”, “JustT 匠心茶” and others are sold through e-commerce platforms, both of which aim to provide more convenience for consumers to buy. The brands “Funnewspot (放牛斑)” and “喫茶趣 ToGo” mainly target the younger generation and offer instant tea beverage products.

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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 1,300 varieties of traditional Chinese tea-leaf products and over 300 varieties of tea snacks, including packaged tea and tea bags of oolong tea, green tea, black tea, Pu'er tea, scented tea, white tea and dark tea, as well as tea snacks, tea ware, tea art utensils, incense lore and TENFU KINMEN KAOLIANG LIQUOR.

We attach importance to quality, safety and environment, and endeavors to fulfill social responsibilities and facilitate sustainable development of the tea industry.

At the beginning of the establishment of Tenfu, Mr. Lee Rie-Ho set the development goal of "promoting tea wide across the country and the world" and the spirit of "using what is taken from tea in tea". We hope that tea will serve as China's image ambassador in carrying the traditional culture and modern civilization of the Chinese nation, spreading a beautiful life along the "Belt and Road" to every corner of the world.

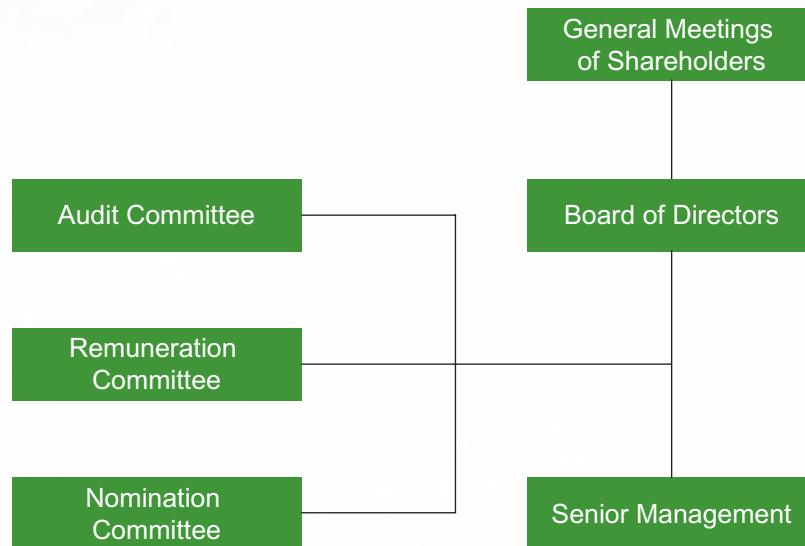
Tenfu, with the mission of promoting Chinese tea brands, has written a brilliant page for Chinese tea in the 21st century, a century belonging to the Chinese.



Environmental, Social and Governance Report

Corporate Governance

The Group is committed to maintaining a high standard of corporate governance in order to enhance shareholder value and protect shareholders' interests. The Group's corporate governance principles emphasize the importance of a high-quality board of directors, effective internal controls and accountability to shareholders.



1) Board of directors

The board of directors is responsible for leading and controlling the Company and overseeing the Group's business, strategic decision-making and performance. The board of directors has delegated authority to the chief executive officer and the directors have also assumed responsibility and have delegated powers and responsibilities to senior management through the chief executive officer for the day-to-day management and operation of the Group. In addition, the board of directors has established board committees and has delegated various responsibilities to these committees, which are set out in their respective terms of reference.

2) Nomination Committee

The main duties and responsibilities of the Nomination Committee include regularly reviewing the structure, size and composition of the board of directors, recommending director appointments and succession planning to the board of directors, and assessing the independence of independent non-executive directors. The Nomination Committee will give due consideration to the board diversity policy when performing its duties of identifying appropriately qualified candidates for membership of the board of directors. The Nomination Committee has sufficient resources to discharge its responsibilities.

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3) *Remuneration Committee*

The main objectives of the Remuneration Committee include providing recommendations and giving approvals with respect to the remuneration policy and framework and the remuneration packages of executive directors and senior management. The Remuneration Committee is also responsible for formulating transparent procedures for the development of relevant remuneration policies and frameworks, ensuring that directors or any of their associates will not be involved in making decisions on their own remuneration. Such remuneration will be determined with reference to individual and the Company's performance as well as market practices and conditions.

4) *Audit Committee*

The main duties and responsibilities of the Audit Committee are as follows:

- reviewing the consolidated financial statements and reports and reviewing any material or unusual matters raised by the internal or external auditors before submitting them to the board of directors;
- reviewing the relationship with the external auditors in light of their work and fees and the terms of engagement and making recommendations to the board of directors on the appointment, re-appointment and removal of the external auditor; and
- reviewing the adequacy and effectiveness of the Group's financial reporting system, internal control system, risk management system and related procedures.

Risk management

The board of directors understands its responsibility to ensure that the Group establishes and maintains an appropriate and effective risk management and internal control system, and reviews the effectiveness of the system on an annual basis. As the highest decision-making body for comprehensive risk management, the board of directors bears the ultimate responsibility for the integrity and effectiveness of the comprehensive risk management system. The board of directors has authorized the Internal Audit Department under it to perform part of its overall risk management duties and responsibilities, supervising the effectiveness of the overall risk management system.

The Group adopts the "Three Lines of Defense" model to manage risks. Operations managers are at the heart of the first line of defense and are responsible for identifying, reporting and initially managing risks in day-to-day operations. The second line of defense aims to drive and monitor the efficient implementation of risk management measures by operations managers, assist risk owners to define risk exposures and report adequate risk information to the entire group. The internal audit function is the core of the third line of defense and is mainly responsible for checking, auditing and monitoring the work of the first and second lines of defense.

According to the comprehensive risk assessment method established by us, the Group carries out risk identification starting from the business process. We select the main responsible persons in each business process as interviewees, identify the risks in the process, and aggregate them to form a final risk list. Each risk in the risk list is assessed on the basis of likelihood of occurrence and degree of impact, taking into account the internal controls currently in place to mitigate those risks. The results of the risk assessment are reported to senior management and the board of directors to confirm our risk response strategy based on factors such as their risk appetite, resources available to mitigate risks and existing internal controls.

We promptly communicate identified significant internal control deficiencies and carefully assess potential impacts. The department responsible for monitoring is required to propose corrective actions and obtain management approval prior to implementation. The management and the Internal Audit Department monitor the implementation to ensure that monitoring deficiencies are properly addressed in a timely manner. The Group also has policies and procedures for handling and disseminating inside information. Information to be disclosed is duly reviewed and approved by the Compliance Department and management to ensure appropriateness and accuracy, and is closely monitored after disclosure. The Group intends to make every effort to continuously optimize the internal control system as and when necessary.

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Code of conduct and compliance

• *Anti-corruption and business ethics*

The Group attaches great importance to business ethics, and has always firmly believed that a good anti-corruption mechanism is the cornerstone of the Group's healthy development. In 2021, Tenfu joined the Zhangzhou City's Association for Contract-honoring and Credit-Reliable Enterprises, and actively practiced clean operation. We strictly comply 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. Our 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. These training courses include commercial ethics and codes such as anti-corruption and anti-bribery, anti-official embezzlement, anti-money laundering, and other relevant legal knowledge. In 2021, we also conducted online training for the Group's board of directors and key (finance and warehouse management) positions to enhance the integrity awareness of the Company's management.

During the Reporting Period, there was no major corruption incident in the Group.



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• **Intellectual property protection**

The Group believes that intellectual property is an important symbol of an enterprise's core competitiveness. We strictly abide by all laws and regulations related to intellectual property rights, such as Trademark Law of the PRC, Patent Law of the PRC, and Copyright Law of the PRC. In terms of intellectual property protection, the Legal Department of the Group conducts professional audits at the legal level and provides feedback to various business departments to ensure the validity of the Company's intellectual property rights.

As of 31 December 2021, the Group has accumulated approximately 700 trademarks and 102 patents (including design patents, invention patents and utility model patents).

• **Label management**

The Group performs advertising and product trademark, package and label design strictly according to requirements of relevant laws and regulations such as Advertising Law of the PRC. We consolidate and promote intellectual property management and protection measures, develop corresponding trademark licensing specification documents and process lists and establish a complete label approval process to ensure comprehensive protection for intellectual property rights such as trademarks. 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.



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Responsible Governance with Practicing Sustainable Management

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 combine business success with social development better, 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.

We established a three-level ESG governance structure, which consists of the board of directors, the senior management and the ESG working group, to clarify their corresponding ESG governance functions, in order to achieve top-down supervision of ESG matters and ensure the smooth development of the Group's ESG work.

- The board of directors assumes full responsibility for the Group's ESG strategy and reporting. In charge of assessing and determining the ESG risk exposure and corresponding opportunities, the board of directors also ensures that the Group establishes appropriate and effective ESG risk management and internal control systems, formulates ESG management policy, strategy, priority and targets, as well as reviews regularly the performance of the Group in relation to ESG-related targets and approves the disclosure of information in ESG reports.
- It is the responsibility of the senior management to assess and determine the Group's ESG risk exposure, ensure that the Group establishes appropriate and effective ESG risk management and internal control systems, report to the board of directors on ESG related risks and opportunities, and ensure the effective operation of risk management and internal control systems.
- The ESG working group is composed of the major departments of the Group. It is responsible for implementing the ESG management policies approved by the senior management, carrying out ESG management and reporting, and reporting the progress of ESG management and reporting to the senior management of the Group.

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In August 2021, the board of directors of the Group held a board meeting to provide guidance on ESG management of 2022.

For further details on governance, please refer to Tenfu (Cayman) Holdings Limited Annual Report 2021.

Statement of the board of directors

The board of directors and all directors of the Group undertake that the content of this report contains no false records, misleading statements or major omissions, and make the following statement with respect to the ESG supervision and management of the board of directors:

The board of directors, the Group's highest responsible body for ESG strategy and management, regularly discusses and reviews the Group's ESG risks and opportunities, performance and progress. To further strengthen the management of ESG matters, we have established a three-level ESG governance structure to ensure the smooth implementation of the Group's ESG efforts.

We have conducted extensive and in-depth communication with all stakeholders through various channels, summarizing the issues of concern, and continuing to make response to key issues. The Group has carried out active management targeting key issues such as product quality management, customer satisfaction management, and integrity and compliance operations, and will focus on how the above issues are managed in this report.






The Group has established ESG strategies and objectives to examine and manage the Group's impact on the ESG, and will integrate the concept of sustainable development into relevant operational aspects.

Looking ahead, the board of directors will continue to optimize ESG governance, actively respond to the concerns of stakeholders, formulate corresponding action plans, and regularly review the progress of relevant goals to promote the improvement of ESG management.

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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, partners, industries, employees, communities and the environment etc.

Stakeholders	Expectations and Requirements	Communication mechanism
Governments and regulators 	<ul style="list-style-type: none"> Compliance with laws and regulations Paying taxes according to the law Contributing to society 	<ul style="list-style-type: none"> Direct communication Monitoring and evaluation Government and enterprise cooperation Meetings
Shareholders and investors 	<ul style="list-style-type: none"> Continued development and return to shareholders Information disclosure Corporate governance Risk control 	<ul style="list-style-type: none"> Company's annual reports, interim reports and announcements General meetings of shareholders Meetings, road show and field investigation
Customers 	<ul style="list-style-type: none"> Quality services Protecting consumer's rights and interests Product quality and safety 	<ul style="list-style-type: none"> Member activities Transparent factories Service hotline Online platforms
Partners 	<ul style="list-style-type: none"> Keeping promise Equal, fair and open procurement Win-win development Anti-Corruption 	<ul style="list-style-type: none"> Project cooperation Daily business communication Regular review and field investigation 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 safe working environment Equal opportunities for promotion and development Ability enhancement 	<ul style="list-style-type: none"> Performance assessment Staff welfare activities Training and team building Internal meetings
Communities 	<ul style="list-style-type: none"> Facilitating the harmonious development of the community 	<ul style="list-style-type: none"> Community activities and cooperation Public benefit and charity activities Direct communication Social media

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Materiality assessment

Material issues analysis method

Step 1: Identify ESG issues

Comprehensively considering the Group's industry, operating characteristics and strategic direction, we selected 16 ESG issues based on the ESG strategic objectives of the Group and the ESG Reporting Guide issued by HKEX:

ESG aspects set out in ESG Reporting Guide			ESG-related issues identified by the Group	
A. Environment	A1	Emissions	1.	Emissions management
			2.	Wastes management
	A2	Use of Resources	3.	Water resources management
			4.	Energy management
	A3	Environment and natural resources	/	
	A4	Climate changes	5.	Response to climate changes
B. Society	B1	Employment	6.	Diversity and equal opportunity
			7.	Employee rights and welfare
	B2	Health and safety	8.	Employee health and safety
	B3	Development and training	9.	Training and development opportunities
	B4	Labor Standards	10.	Prohibition of child and forced labor
	B5	Supply chain management	11.	Supplier environmental and social risk management
	B6	Product responsibility	12.	Product quality management
			13.	Customer satisfaction management
	B7	Anti-corruption	14.	Intellectual property management
			15.	Integrity and compliance in operations
	B8	Community investment	16.	Public benefit and charity

Step 2: Identify key stakeholders

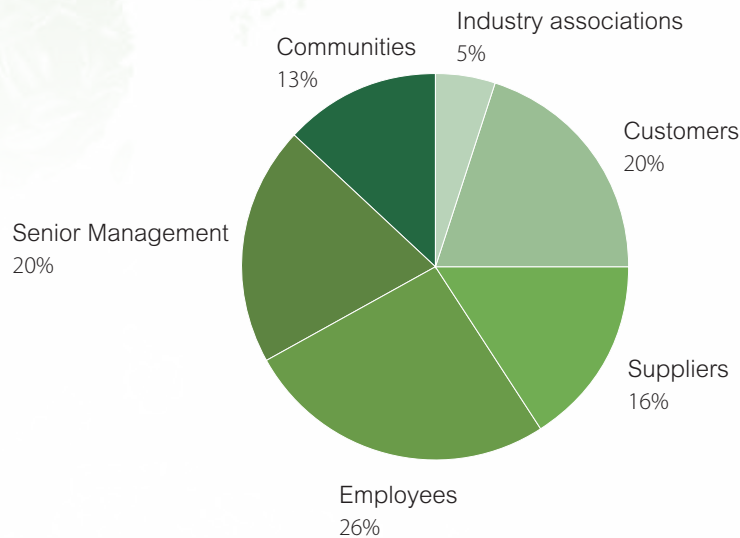
We identified the categories of stakeholders participating in the materiality assessment, taking into account the extent to which stakeholders are "affected by our business" and "affecting our business".

Step 3: Conduct stakeholders survey

We invited representatives of the internal and external stakeholders to participate in the materiality assessment of the ESG issues. Such survey activities were carried out from two perspectives namely "importance to the business of the Company" and "importance to stakeholders", through which we learnt about stakeholders' expectations and focus.

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The stakeholders participating in this materiality assessment are shown in the following chart:



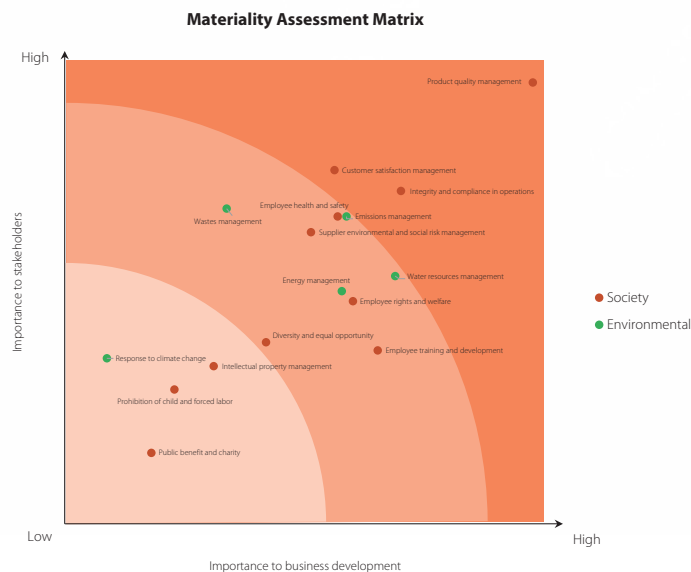
Step 4: Formulating materiality assessment matrix

Through analyzing the results of materiality assessment questionnaires completed by internal and external stakeholders, we identified the priority of materiality of each ESG issues, and formulated materiality assessment matrix.

Step 5: Internal confirmation

The results of materiality assessment were reviewed and confirmed by the management of the Group and ESG working group. In the course of preparing the 2021 report, the management of the Group and the ESG working group discussed the previous assessment results again and determined that the issues mentioned above still apply to the current state of ESG management of the Group.

Results of Materiality Assessment



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Response to SDGs

The Group is supportive of the United Nations Sustainable Development Goals (UN SDGs). Through planning the Group's sustainable development strategy, we identify SDGs related to our business, contributing to the realization of the UN SDGs in 2030 from multiple dimensions.

Chapter	Issue	UN SDGs
About Tenfu	Economic performance	
Responsible governance Practicing sustainable management	Business ethics Regulated corporate governance Enterprise risk management	
Food safety assurance Jointly building health and quality	Product quality and safety Customer service and satisfaction Information security and privacy protection	 
Care for the Earth Promoting sustainable development	Climate change Energy management Water resource management Emissions management	  
A people-oriented approach Building a healthy workplace	Employee rights and care Talent development Health and safety	  
Collaborative development Promoting win-win cooperation	Sustainable supply chain	 
Care from Tenfu Facilitating community development Tradition as the root Promoting Chinese tea culture	Community charity	 

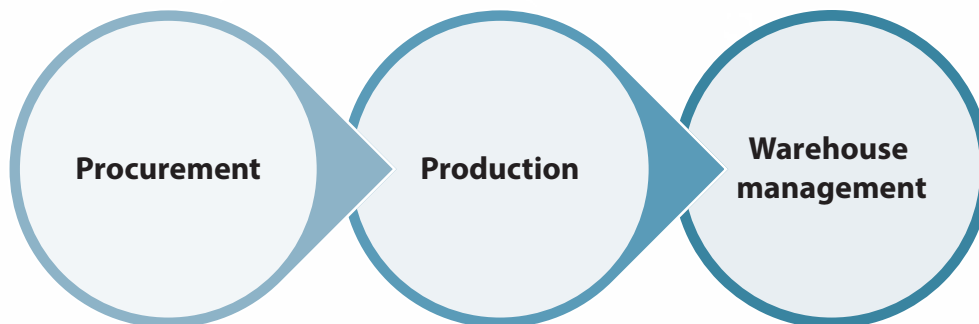
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Food safety assurance Jointly building health and quality



Product quality and safety

With the application of the scientific blockchain technology, since 2019, Tenfu has been committed to creating one product, one barcode for all products whereby “each single item is given a unique and traceable anti-counterfeiting QR code label”, combined with intelligent “Internet+” omni-channel management, to ensure the excellent and stable quality of products, and to create the digital development of the tea industry. The Group puts the national food safety strategy into practice, and implements a number of food safety practices in three aspects, namely procurement, production and warehouse management, to ensure product quality and safety.



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The Group complies strictly with relevant laws and industrial standards such as Food Safety Law of the People's Republic of China (the "PRC"), Product Quality Law of the PRC, Consumer Protection Law of the PRC and Technical Regulations for Tea Production. 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.

Procurement under strict control

In its raw materials purchase agreements, the Group clearly requires that all the product quality indicators provided by suppliers comply with the requirements of national laws and regulations as well as food safety and hygiene standards and national industry standards, and that official product inspection reports and product qualification certificates shall be furnished. The Group carries out testing of 106 pesticide residues in tea to ensure that they are within a reasonable range. In addition, the Group imposes corresponding requirements on the use of pesticides and fertilizers by suppliers.

Requirements for the use of pesticides

- Use pesticides according to the list of pesticides recommended by Tenfu or Regulations on Tea Production Technologies

Requirements for the use of fertilizers

- Create a fertilizer purchase list
- Standardize the storage of fertilizers
- Formulate a plan for the use of fertilizers

Systematic production

In the process of production, the Group has formulated Measures for Management of Food Production Sanitation according to relevant standards and regulations such as The General Hygiene Rules for Food Production, Sanitary Standard for Drinking Water, 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, management of hazardous chemicals, employees' health and hygiene and insect and pest control.

The Group attaches great importance to food safety and conducts multiple quality inspection procedures during the production process to ensure compliance with applicable quality regulations promulgated by the relevant authorities. The Group has formulated the Food Safety Management Manual to improve the effectiveness and suitability of the food safety management system and provide customers with high-quality and safe food.

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The Group actively participates in quality management system and food safety management system certification activities. The Group has established the Hazard Analysis and Critical Control Point (“HACCP”) system, the food safety management system (ISO22000:2018) and the quality management system (ISO9001:2015), and has passed the certification of third-party. In addition, some of the Group’s export products have also obtained the US National Organic Program (NOP) certification and the European Conformity (EC) certification.

The Group has implemented one product, one Bar-code label management since November 2019. Upon completion of production, the products will be checked and confirmed by designated personnel, given an anti-counterfeiting label for one product, one Bar-code, and performed entry and traceability management.



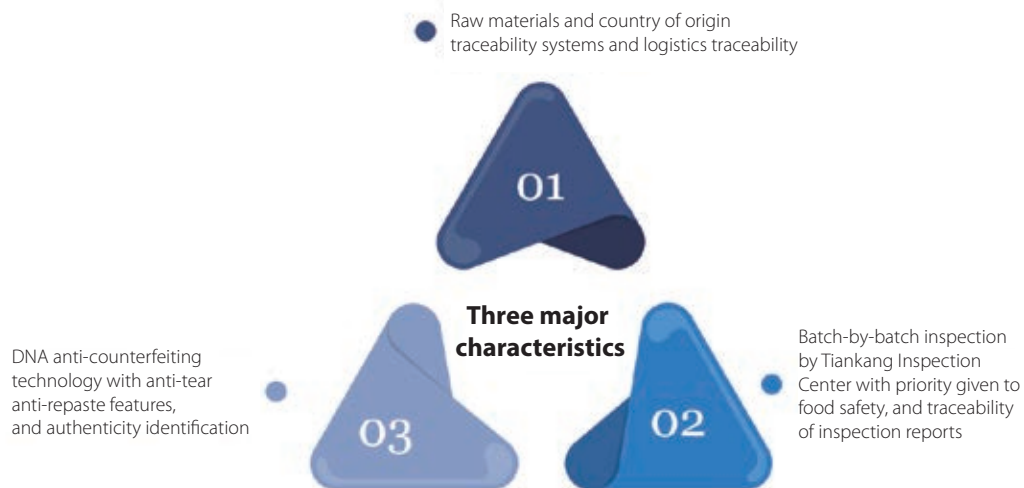
Warehouse management

In order to regulate the management of raw material warehouse and finished product warehouse in food factories, prevent raw materials and ingredients 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 Warehouse Management Measures, 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 at intervals during the storage and process flow, label their status and batches, record their input and output in a timely manner and verify records against materials and products to ensure that the accounts match with the goods. In addition, finished products are required to pass the inspection of the inspection room, and will be given an anti-counterfeiting label of their own before leaving the factory, and all products that do not meet the standards will not be allowed to leave the factory.

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One product, one barcode

In order to ensure food safety and improve product quality, the Group's food safety team, in cooperation with the data center, took the lead in establishing a "one product, one barcode" product anti-counterfeiting traceability system for all products, giving each product a unique product identification code. Consumers may quickly learn the relevant information such as product inspection reports by scanning the QR code to ensure that "the origin can be checked, the distribution process can be traced, and the responsible person can be held accountable", thus achieving the traceability of products throughout the process to effectively protect the rights and interests of consumers.



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Intimate service

As a responsible enterprise, the Group strictly complies with applicable laws and regulations related to consumer rights and privacy protection, such as Law of the PRC on the Protection of Consumer Rights and Administrative Measures for Food Recalls, to continuously improve its customer service. Through one product, one barcode anti-counterfeiting labeling, consumers may scan the barcode to obtain the product inspection report, product information, problem feedback and other functions. We are committed to providing consumers with high-quality product and service experience.

Service quality improvement

In order to better guarantee the quality of its customer service, the Group has established an audit work mechanism and has provided relevant training for internal trainers, store managers, young cadres, etc. with focus on group culture and requirements, service norms and etiquette, tea culture, and so forth, with the aim of standardizing the management of stores. The audit office of our headquarters conducts regional training, and through the progressive method of “training, audit, assessment and retraining”, delivers the training content to the stores in various regions so as to gradually improve the customer service level of the stores. Regional trainers may also learn relevant courses on the online learning platform “Magic Academy” (魔學院) according to their own needs so that their knowledge base can be updated in a timely manner. In 2021, a 100% training participation rate for store staff was recorded.



In addition, we have developed an auditing APP, whereby auditors will regularly conduct store audits, and the scope of which covers service norms, food safety, fire safety, epidemic prevention, etc., helping our stores to quickly carry out targeted rectification for the deficiencies found during the audit process. In 2021, the audit coverage rate for the Group’s stores was as high as 100%.

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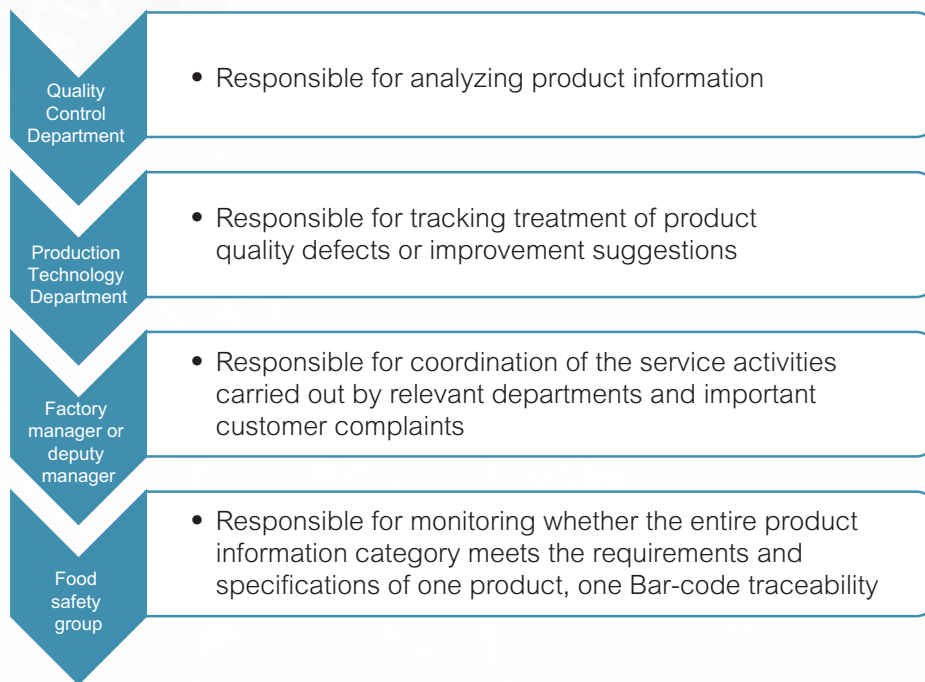
Customer satisfaction

Our customer feedback and complaint management is carried out according to Procedures for Customer Service Hotline Operation of the Business Department, Customer Complaints Handling Procedures and One Product, One Bar-code Anti-Counterfeiting Label-Feedback Procedure, which specify the subsequent operations for each customer complaint scenario. For the purpose of dealing with customer questions and making customers satisfied, the customer feedback and complaint management ensures customer feedbacks can be heard and understood the first time and their problems are addressed professionally and rapidly. Customers can submit feedbacks and complaints via various communication channels such as telephone and mails. In 2021, customers can also give direct feedback on the product by scanning the “anti-counterfeiting label” on the product. Through the customer service center, we ensure that we can listen to the feedback from customers in the first time. We record and analyze all complaints received and summarize the cases with guiding significance for further improvement of our production activities.



Environmental, Social and Governance Report

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:



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 and systematical 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.



Environmental, Social and Governance Report

In terms of product recall, 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.

In 2021, the Group received a total of 1,404 complaints about our products and services from Tianyu e-commerce platform and offline shops, with a 100% customer complaint handling rate.

Information security and privacy protection

The Group fully respects our customers' rights and interests and privacy and strictly abides by privacy laws and regulations, and has put relevant protection clauses into Protection of Consumer Information and Privacy Policy. In this policy, we have clarified the scope of user information collection and usage rules, the disclosure provisions of users' personal information, user rights, and information protection measures to protect user privacy. 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. In addition, the Group completed its data transformation in 2021 by transferring its local IDC (Internet Data Center) to the public cloud, increasing the flexibility of its computing resources and network security and meeting system audit standards. During the Reporting Period, the Group has no incident related to privacy breach.

Care for the Earth Promoting sustainable development

The Group is committed to adhering to a green and low-carbon production and operation model and procurement principle in creating an environment conducive to physical and mental health, and promoting the sustainable and balanced development of the tea industry. We continue to pay attention to the impact we may have on the natural environment during our operations, and strictly complies with relevant laws and regulations including Environmental Protection Law of the PRC and Energy Conservation Law of the PRC. We have established the ISO 14001 environmental management system, and have passed the third-party certification. We continue to improve our environmental management measures, striving to create a green economic society in which humans and nature coexist in harmony.

Climate change and energy

As a responsible company, we are aware of our role in reducing energy use and carbon footprint. By formulating the Tenfu Energy Conservation Management Policy, we have taken effective measures to improve the utilization efficiency of energy and materials. In order to better manage our environmental practices and reduce the environmental impact of the Company's operations, we have designated a dedicated staff and post to closely monitor and evaluate performance indicators relating to energy and greenhouse gas emissions, thus continuously improving our energy and greenhouse gas emissions management level.

Environmental, Social and Governance Report

Response to climate change

Climate change is an important issue today. China has also put forward relevant commitments and goals for “carbon peaking” and “carbon neutrality”. The Group actively responds to the country’s call to address climate change, attaches great importance to the impact of its business on the climate and the environment, and strives to take effective measures in the course of operation to deal with potential risks that may arise from issues such as extreme weather and natural disasters.

It has been assessed that extreme weather such as typhoons and rainstorms may have a potential impact on our business operations. Therefore, the Group has established a diversified list of suppliers, and our factories are located in Fujian, Zhejiang, Sichuan, Guangxi and Guizhou, etc. As a result, we can mitigate the impact of force majeure on our business operations and ensure the continuity of our production operations. In addition, we are aware that climate change may shorten the shelf life of products, resulting in unqualified product quality. Therefore, we correctly assess the shelf life and storage environment to ensure that no quality problems affect consumer reputation and the brand image of the Company.

Going forward, Tenfu will continue to stand firm on maintaining sustainable development to build an enterprise with the ability to adapt to climate change. Together with our customers, business partners, employees and the whole society, we will address the challenges of climate change and make positive contributions to a sustainable future.

Energy saving and emission reduction

The Group has strictly complied with applicable laws and regulations, such as the Energy Conservation Law of the PRC, and 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 will continue its energy saving and emission reduction efforts by promoting photovoltaic power generation projects to optimize the energy use structure to attain the goal of reducing greenhouse gas emissions. As of December 31, 2021, the photovoltaic equipment had generated a total of 2,221,500 kWh of electricity, equivalent to a reduction of 1,612 tons of carbon dioxide emissions.

Energy use efficiency goals

- Advocate the use of renewable resources. At least 5% of production and domestic power consumption comes from photovoltaic power generation
- Purchase energy-saving and environmental protection equipment.
The coverage rate of energy-saving LED lights in the factory is greater than 90%

Energy management measures

- Advocate the use of renewable resources
- Traditional fuels are replaced with natural gas for boilers
- Give priority to the purchase of energy-saving and environmental protection equipment
- Timely switch off the electrical appliance and equipment not in the use state, and arrange for special persons to inspect them

Environmental, Social and Governance Report

The Group's energy use efficiency goals were fully achieved in 2021. During the Reporting Period, the key performance indicators for energy use and greenhouse gas of subsidiaries within the scope of the Report are shown in the table below:

Key performance indicators for energy use	2021	2020	2019
Energy consumption			
Total energy consumption (MWh)¹	20,017.3	18,096.0	20,211.9
Of which: natural gas (10,000 cubic metres)	43.2	35.4	36.6
Of which: diesel (10,000 litres)	5.7	7.2	18.4
Of which: gasoline (10,000 litres)	9.4	8.1	9.7
Of which: purchased electricity (MWh)	13,939.4	12,819.0	13,531.7
Energy consumption intensity (MWh/RMB million income)	10.4	10.6	11.2
GHG			
Direct GHG emissions (Scope 1) (tCO ₂ e)	1,287.6	1,131.6	1,488.7
Of which: fossil fuel combustion (tCO ₂ e)	1,287.6	1,131.6	1,488.7
Energy indirect GHG emissions (Scope 2) (tCO ₂ e)	9,136.4	8,464.9	8,859.4
Of which: purchased electricity (tCO ₂ e)	9,136.4	8,464.9	8,859.4
Total GHG emissions² (Scope 1 and Scope 2) (tCO₂e)	10,424.0	9,596.5	10,348.1
GHG emission intensity (tCO₂e/RMB million income)	5.4	5.6	5.8

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. 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.
3. The production activities of the Group are the production and processing of tea and food, 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.

Environmental, Social and Governance Report

Water resources Use

As water scarcity has been recognized as a major global crisis, Tenfu has adopted a number of management measures to use water resources in a responsible and sustainable manner.

Water efficiency goals

- 5% reduction in water consumption in 2025 compared to 2021

Water resources management measures

- Reducing water pressure in the plant to reduce water waste
- Strengthening the promotion of production water recycling and reuse
- Enhancing hidden pipeline drainage and leak prevention to prevent unnecessary water loss
- Garden greening irrigation using pond water in the plant area



Environmental, Social and Governance Report

During the Reporting Period, the key performance indicators for water resources use of subsidiaries within the scope of the Report are shown in the table below:

Key performance indicators for Water resources	2021	2020	2019
Water consumption (tons) ¹	229,001.2	278,211.8	341,567.9
Water consumption intensity (tons/RMB million income)	119.0	162.4	190.1

Note:

- In 2021, the Group's candied fruit business in the food category was adjusted, so compared to the 2020 data, the water consumption has decreased.*

Emissions management

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.

Wastes reduction goals

- The packaging of the new products is all made of recyclable raw materials
- Ensure that all production and domestic wastewater meet the discharge standards of Integrated Wastewater Discharge Standard (GB8978-1996) after being treated by the sewage treatment stations

Wastes management measures

- Abide by laws and regulations, and put an end to excessive packaging
- The packaging of the new products is firstly made of recyclable raw materials
- Select the best package supplies, and reduce the use and loss of packaging materials
- Encourage customers to replace traditional paper coupons with electronic tickets

Environmental, Social and Governance Report

Wastes management

The Group clearly classified the management of hazardous wastes and harmless wastes in accordance with the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Waste, 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.

Key performance indicators for Wastes	2021	2020	2019
Non-hazardous wastes			
Total non-hazardous wastes (tons)	1,494.40	1,319.9	1,045.5
Emission density of non-hazardous wastes (tons/RMB million income)	0.78	0.77	0.58
Hazardous wastes			
Total hazardous wastes (tons)	0.018	0.051	0.061
Emission density of hazardous wastes (tons/RMB million income)	9.35×10^{-6}	3.0×10^{-5}	3.4×10^{-5}
Packaging material consumption¹			
Packaging material consumption (tons)	378.2	466.6	517.6
Packaging material used per unit produced (tons of packaging/tons of products)	30.4%	32.7%	37.3%

Note:

1. Due to internal statistics using units of quantity, it is not possible to disclose the weight of all packages for the time being, and the top 50 products with the highest sales volume in 2021 are selected for disclosure.

Sewage management

The Group strictly complies with laws and regulations such as the Law of the PRC on the Prevention and Control of Water Pollution, to make sure that all production and domestic wastewater meet the discharge standards of Integrated Wastewater Discharge Standard (GB8978-1996) after being treated by the sewage treatment stations. In order to respond to the national environmental protection policy and further enhance the sewage treatment capacity, Zhangzhou Tenfu Tea Industry Co., Ltd. has constructed a sewage treatment station and put it into operation in January 2020 for production and domestic wastewater treatment with a maximum wastewater treatment capacity of 1,500 tons, and the effluent quality exceeds relevant national standards.

Key performance indicators for Waste water emissions	2021	2020	2019
Waste water (10,000 tons)	16.0	18.8	26.4
Chemical oxygen demand COD (tons)	15.0	18.5	26.0
Ammonia nitrogen NH ₃ -N (tons)	2.3	3.0	4.3
Suspended particulate matter SS (tons)	10.5	12.0	17.1

Environmental, Social and Governance Report

Other pollutants management

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).

A people-oriented approach Building a healthy workplace

Tenfu believes that employees are one of the core competitiveness of an enterprise. Creating a people-oriented working environment and paying attention to the protection of employees' rights and interests are important factors for the sustainable development of the Group. The Group actively establishes a good cooperative relationship with employees, advocates the concepts of equality and diversity, cares about the health and well-being of employees, and pays attention to the sustainable development of employees, to continuously enhance the sense of belonging of employees.

Diversity and equality

We comply with relevant laws and regulations including but not limited to Labor Law of the PRC, Labor Contract Law of the PRC and Prohibition of Child Labor Provisions, in order to protect the rights and interests of our employees. We have 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.

As of December 31, 2021, the subsidiaries within the scope of the Report had a total of 1,687 employees with the following workforce composition:

Key performance indicators		Total number of employees in 2021 (persons)
Gender	Male	524
	Female	1,163
Age	Aged below 35	447
	Aged 35 to 45	689
	Aged 45 to 60	551
Geographical region	Mainland China	1,675
	Other regions	12
Type of employment	Full-time	1,687
	Part-time	0
Position Level	Senior management	76
	Mid-level management	159
	Junior staff	1,452

Environmental, Social and Governance Report

Diversified employment

• *Equal employment opportunity*

The Group strictly complies with international labor standards and national laws and regulations, and adopts a number of recruitment methods, such as recruiting employees via the society and campus, to promote fair competition. We conduct anti-discrimination training for interviewers to ensure that they do not discriminate against any applicant based on personal characteristics such as race, gender, color, age, family background, ethnic tradition, religion, physical fitness and national origin during the recruitment process. In addition, we attach great importance to localized recruitment, and continue to increase the local employment rate.

The Group actively provides employment opportunities for persons with disabilities. We recruit persons with disabilities in suitable jobs, and provide them with equal opportunities and additional subsidies in terms of salary standards, working hours, holidays, training and development, etc. In 2021, the Group recruited a total of 10 disabled persons.

• *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.

• *Legal dismissal*

The Group signs Labor Contract with employees according to law and fulfills its obligations under such contracts. It also specifies the conditions for the termination of labor contracts. Any form of unfair or unreasonable dismissal is strictly prohibited to ensure the legitimate rights and interests of the Group and the departing employees. During the Reporting Period, the employee turnover rate of the subsidiaries within the scope of the Report was 8.6%. The employee turnover rate by category is shown in the table below:

Key performance indicators		Employee turnover rate in 2021 (%)
Gender	Male	7.6%
	Female	9.0%
Age	Aged below 35	18.6%
	Aged 35 to 45	4.2%
	Aged 45 to 60	6.0%
Geographical region	Mainland China	8.6%
	Other regions	8.3%
Type of employment	Full-time	8.6%
	Part-time	0
Total		8.6%

Environmental, Social and Governance Report

Equality and Inclusion



- *Diversity and Anti-Discrimination*

The Group provides equal opportunities for its employees and does not discriminate against any employee on the basis of race, gender, color, age, family background, ethnic tradition, religion, physical fitness and nationality of origin, so that each employee will enjoy fair treatment in terms of remuneration, recruitment and promotion, working hours, holidays and other treatment and benefits.

- *Human Rights and Fundamental Rights Protection*

The Group strictly abides by relevant laws and regulations such as Labor Law of the PRC and Prohibition of Child Labor Provisions and eliminates child labor or forced labor. 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. To the extent that there is a misuse of child labor, we will immediately terminate the labor contract in strict accordance with laws and regulations and follow up properly.

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, the Group did not engage in child labor and forced labor.

- *Equal Communication*

The Group actively listens to employees' opinions and creates an open and transparent communication environment. Employees can directly give feedback to their supervisors or the Human Resources Department; the Group has also established a labor union to encourage employees to make suggestions and participate in system improvement together with the Group.

Environmental, Social and Governance Report

Efforts for employee growth

Staff training and development is the key to the Group's long-term success. We continue to encourage our employees to continue learning and provide them with a variety of training opportunities to meet the needs of their personal career development and the Group's business.

Career development

The Group actively implements an internal promotion system to ensure a smooth promotion channel with a specified promotion process and respects the occupational development plans of its employees.

For employees with excellent job performance, the Group pays bonuses based on its performance. Bonuses include performance bonuses and estimates fulfilment rewards. Employees who meet the Company's performance requirements or complete the estimated requirements may enjoy corresponding awards.

Personnel training

Tenfu attaches great importance to the comprehensive quality and career development of its employees, providing them with a wide range of development opportunities and helping them to grow with the company. By combining its own development strategy with the employees' development needs, the Group 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. In addition, the Group's professional counseling team conducts training and teaching from time to time, and conducts assessments and gives professional comments and ratings on training courses. We encourage the employees to improve their capabilities and actively arranges them to attend external training courses, including tea art and tea skills, to enhance their professional tea knowledge and skills, 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.

Environmental, Social and Governance Report

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

In order to strengthen the training and reserve of the company's skilled talents and meet the company's development needs, the Group encourages employees to improve their professional skills. 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 and Zhangzhou College of Science and Technology jointly conducts job skills upgrading training. Through the combination of "online + offline", employees can quickly improve their professional skills; the Company also provides normal salary and corresponding subsidies for employees during school hours.

In order to establish a training mechanism for the Company's reserve talents and reasonably tap, develop and train the reserve talents team, the Group has carried out the training of reserve talents. The Company is divided into three stages and multiple levels, including corporate culture, management and communication, leadership, departmental affairs resolution, and new commercial integrated operation, to train the reserve personnel so that they can be comprehensively improved in terms of skills, thinking and awareness, vision, work effectiveness, etc.



Training for new employees



Reserve talents development

Environmental, Social and Governance Report

During the Reporting Period, the average number of training hours for employees of the subsidiaries within the scope of the Report was 10.95 hours. The specific training information is shown in the table below:

Key performance indicators		Percentage of trained employees (%)	Training hours per capita
Gender	Male	27%	9.21
	Female	73%	11.74
Position Level	Senior management	4%	6.53
	Mid-level management	14%	12.81
	Junior staff	82%	10.98

Enhancing happiness index

Remuneration and benefits

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.

Thoughtful and caring

The Group pays great attention to the well-being of its employees and prepares gifts for them every year during traditional festivals, and conducts regular health seminars and other activities. In 2021, we organized a number of employee representatives meetings to recognize employees with outstanding performance. In addition, we offered condolences to employees who suffered from illness or family difficulties, spreading the spirit of care and devotion and continuously enhancing the happiness of our employees. During the Reporting Period, the Group provided condolences and care to 11 employees in difficulty, with an accumulated amount of RMB35,750.



Employee representatives meeting



Difficult employee support

Environmental, Social and Governance Report

Safeguarding health and safety

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, Fire Services Law of the PRC and Measures for Management of Emergency Response Plans for Product Safety Accidents, and conducts relevant safety training and drills on a regular basis to ensure the health and safety of its employees. 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.

“March 8th International Women’s Day” event



On 9 March 2021, to celebrate the “March 8th International Women’s Day”, the Women’s Committee of Tenfu and the trade union jointly held activities including lectures on the prevention of breast cancer, lessons on Tenfu’s party building culture, and visits to Tenfu Medical Care Industrial Park. We specially invited the chief surgeon of Tenfu Hospital to serve as lecturer to encourage people to take good care of their physical and mental health and thus create a beautiful and happy life together.

During the Reporting Period, the number of work days lost due to work-related injuries for the subsidiaries within the scope of the Report is 468, and the work-related fatalities in the past three years are shown in the table below:

Key performance indicators	Number of work-related fatalities	Percentage
2021	0	0
2020 ¹	1	0.05%
2019	0	0

Operation Safety

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.

¹ The work-related fatalities in 2020 were caused by traffic accidents involving employees on their way to work, and the Group has also increased awareness of the safety of its employees during the commute to and from work.

Environmental, Social and Governance Report

In order to properly handle emergencies and ensure the Company's business continuity, the Group has formulated the Emergency Plan for Production Safety, and has established a production safety management team, and a quarterly work system for the investigation of hidden dangers in production, to effectively prevent the occurrence of production safety accidents. In 2021, the safety team of the Group carried out production safety inspections in factories whereas auditors from the headquarters conducted safety and fire inspections in local stores and completed the annual Risk Assessment Report. In addition, we have formulated the Safety Training Plan and Program, and have selected experienced safety personnel to educate general workers, electricians, welders, motor vehicle drivers and other special employees on the construction site. The training program mainly covers three-tier safety training for new employees, daily safety training, and safety retraining for transferred and re-employed personnel.



In addition, the Group organizes some activities every year, such as firefighting training, emergency response drills and first aid training:



First aid training



Firefighting training

Environmental, Social and Governance Report

Health Protection

The Group pays great attention to the occupational health protection of its employees and integrates safety precautions into the operation flow of each process. Relevant safety and health guidelines are formulated according to the functions of different production workshops (material circulation area, high temperature operation area and general production area), and production equipment operators are required to strictly follow the equipment operation procedures to implement production requirements:

- In daily work, the Group provides employees with annual physical examinations and adopts a series of measures to ensure the occupational health and safety of employees;
- The original baking process used heavy oil combustion heating, now all replaced with electric heating, thus avoiding staff scalding accidents; and
- Employees are required to wear personal protective devices before production, including work clothes, work shoes and hats, emergency lighting equipment, masks, temperature-resistant asbestos gloves, etc.

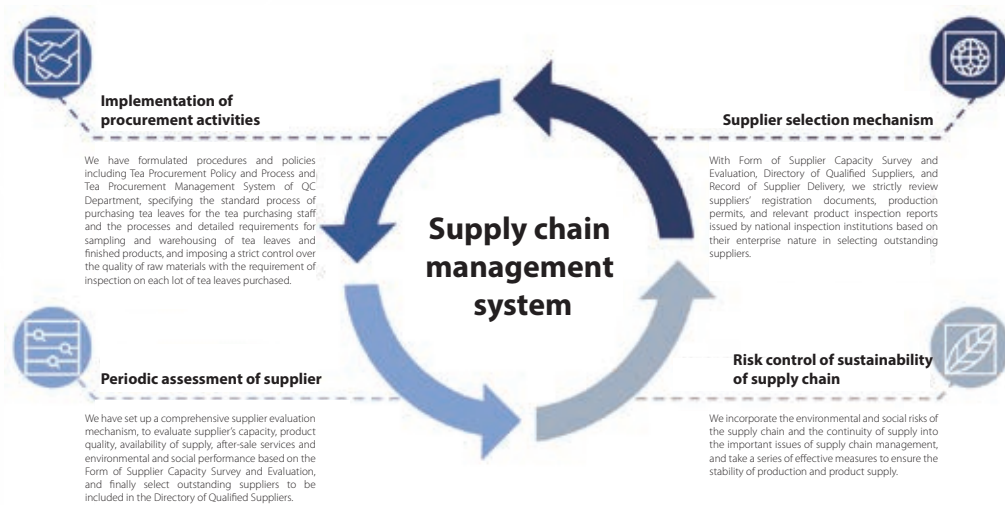


In addition, the Group continues to ensure the normalization of epidemic prevention and control is on track, implementing publicity campaigns on epidemic prevention and control, regularly disinfecting workplaces and staff gathering areas, and making good efforts in environmental cleaning. We conduct daily temperature measurement and health code inspection for employees of the Group. Foreigners visiting the Company must hold a certificate of nucleic acid test issued within 48 hours.

Collaborative development for win-win cooperation

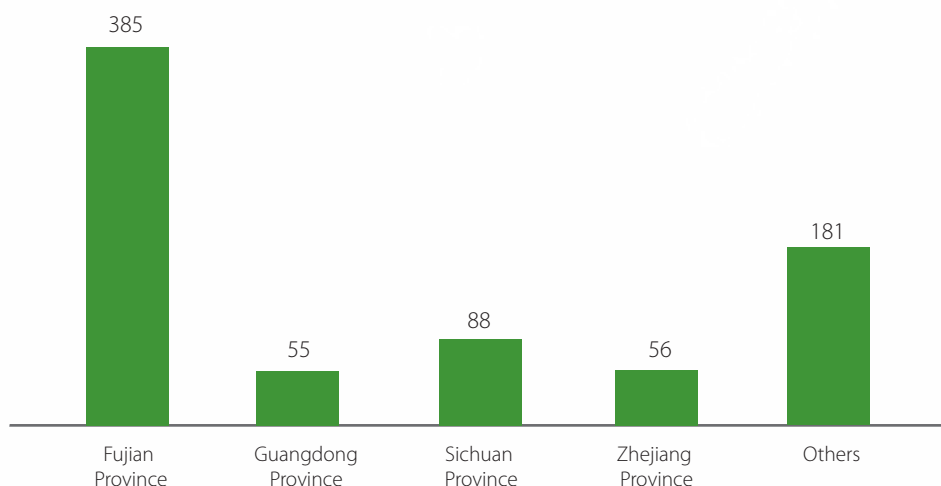
Supplier management

The Group is committed to building a transparent, resilient and sustainable supply chain. We actively communicate with and manage our suppliers and contractors to build a long-term and mutually beneficial partnership. 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, fresh fruits and packaging, and has imposed corresponding requirements for each critical point of the procurement process in the Procurement Management Policy.



During the Reporting Period, the Group had a total of 765 suppliers, and the number of suppliers by region is shown in the table below:

Number of suppliers by geographical region



Environmental, Social and Governance Report

Responsible procurement

Dissemination of sustainable concepts

In addition, the Group has formulated the Form of Environmental and Social Risk Assessment for Suppliers, which covers aspects including establishment of environmental management systems, green procurement, product identification and traceability, labor rights, and labor health and safety, to evaluate and consider the environmental and social risks of suppliers.

We continue to communicate with suppliers to pass on various requirements for the improvement of their environmental and social risks. We encourage suppliers to give priority to adopting environmentally friendly equipment, and not to use production processes that have been banned by the State or local authorities or have a serious impact on the environment, continuing to implement environmental protection practices in the course of cooperating with us and jointly achieving the sustainable development goals of mutual benefit and win-win results.

Supplier's integrity management

Attaching importance to building clean governance, the Group expressly prohibits any bribe solicitation, bribery and other improper business behaviors in the integrity clause of the procurement contract. If it finds a supplier that does not meet the requirements, the Group has the right to immediately stop all cooperation with it and reserves the right to file a lawsuit.

Local procurement

Tenfu fulfills its own social responsibilities and purchases raw materials and ingredients such as tea ware and packaging materials from local suppliers as much as possible. Through localized procurement, we drive local economic development and better give back to all sectors of society. Since each link of localized procurement is easier to trace and control, the stability, efficiency and sustainability of the supply chain can be guaranteed to the greatest extent.

Communications and exchanges

In 2021, we continued to strengthen communication with suppliers, striving to achieve win-win cooperation and the sharing of resources, thus promoting common progress of Tenfu and suppliers.

2021 “Tenfu Cup” Cross-Strait Famous Tea Invitational Competition

On 25 November 2021, the awards presentation ceremony of “Tenfu Cup” Cross-Strait Famous Tea Invitational Competition was held in Tenfu Group International Exchange Center. In this competition, close to 6,000 tea samples were selected and sent by tea farmers on both sides of the strait for the competition, and a record high was made in both the number of participants and the number of tea samples. Through tea competitions, the Group hopes to guide tea farmers to improve their processes and tea-making standards with the high standards of the award-winning tea, and at the same time promote tea industrial and cultural exchanges across the strait.



Care from Tenfu Facilitating community development

Tenfu believes that, while pursuing corporate development, we also have the responsibility to give back to and make progress together with the society. Abiding by the Tenfu Management Policy of Charity and Public Welfare Activities, we actively organized and participated in various public welfare activities in 2021, and continued to invest public welfare resources in community investment, staff development, the dissemination of tea culture and other fields, cumulatively donating approximately RMB1.25 million. Going forward, the Group will continue to participate in community development to actively fulfill its corporate citizenship responsibilities.

Environmental, Social and Governance Report

Public benefit and charity

The Group actively participates in communal public benefit, continues to pay attention to the lives of disadvantaged groups, and encourages employees to actively contribute to community building by participating in volunteer services and other forms of services.

Chongyang Festival Activity of “One Family Across the Strait, Respect for the Elderly”

Adhering to the spirit of “using what is taken from tea in society”, on the Chongyang Festival on 25 October 2021, the Group organized and carried out the Chongyang Festival activity of “One Family Across the Strait, Respect for the Elderly”. We invited the elderly to visit Tenfu Tea Museum for tea appreciation and arranged the staff of Tenfu Hospital to provide them with free consultation, so as to make them feel the Company’s care and create a good social trend of loving and helping the elderly.



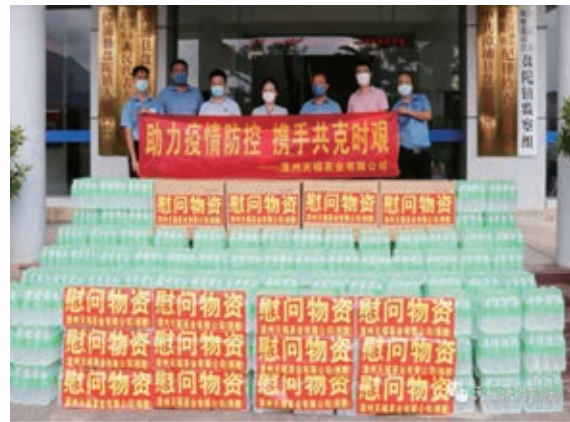
Voluntary blood donation for employees of Tenfu



In 2021, the Group carried out voluntary blood donation. With a little bit of blood, people’s hearts are united. All of the volunteers carry forward the responsibilities and undertakings of Tenfu people, devote love to the society, and deliver positive social energy.

Support for epidemic prevention and control in working together to overcome difficulties

On 10 September 2021, there were recurrent outbreaks of COVID-19 in Fujian. The situation was severe and complex, and the task of prevention and control was arduous. To fight the epidemic with one heart, Tenfu was in action. With the support of the Company's leaders such as Mr. Lee, the founder and chairman of the Group, we donated mineral water, flavored tea bags and other supplies to Pantuo Town Government and Zhangzhou Taiwanese Investment Zone to give support to the current epidemic prevention and control work in order to overcome the difficulties together.



Tenfu's Red Cross spirit of "humanity, fraternity and dedication"



On 27 May 2021, the Standing Committee of Zhangpu County Party Committee and the Red Cross Society of the county awarded Tenfu with the "Red Cross Humanitarian Silver Medal of Fujian Province" in recognition of Tenfu's efforts to promote the Red Cross spirit of "humanity, fraternity and dedication", making important contributions to the cause of humanitarian relief.

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Employee entrepreneurship program

The Company provides entrepreneurial opportunities for employees of Tenfu tea specialty stores and encourages senior practitioners to set up dealerships. The Group provides full technical support to its distributors, assisting their business operations in all aspects, from on-the-job employee training to store sales guidance, to help more partners in the Tenfu tea business satisfy their pursuit of a better life and achieve common prosperity.



Environmental, Social and Governance Report

Tradition as the root Promoting Chinese tea culture

Chinese tea culture, with a history of 4,000 years, has a unique fashion and is rich in human touch. Adhering to the vision that “tea is being taught, discussed and appreciated in a universal manner”, Tenfu not only integrates tea culture into its products, but also let it run through the daily operations of the Company. The Group has established Tenfu Tea Museum, which hosts or participates in various international and domestic tea ceremony exchanges several times a year. Through the promotion of tea culture, we continue to drive the inheritance and revival of Chinese tea culture.



A cultural link across the strait

Adhering to the development goal of “embracing Zhangzhou, joining hands across the strait and going global”, Tenfu actively promotes cross-strait cultural exchanges and has become an important window and bridge for cross-strait exchanges. In 2021, Tenfu carried out diversified cross-strait cultural exchange activities, making contributions to the promotion of cross-strait cultural development.

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The Sixth Rhododendron Tea Party cum Invitational Exhibition of Works by Famous Artists across the Strait

In 2021, Tenfu Stone Sculpture Garden held the Sixth Rhododendron Tea Party cum Invitational Exhibition of Calligraphy and Paintings by Famous Artists across the Strait, attracting hundreds of guests and tourists from both sides of the strait. With the theme of “Tasting Kung Fu Tea, Appreciating Famous Calligraphy and Paintings, and Returning to a Delicate Slow Life”, this exhibition gathered over a hundred works.



“The Cross-strait Family Living in Loving Sisterhood” networking event



On 20 October 2021, “The Cross-strait Family Living in Loving Sisterhood” networking event was held at Tianfu Stone Sculpture Garden. On the same day, the “Fujian and Taiwan Sisters’ Home” was unveiled. By actively carrying out exchanges and networking activities for women in Fujian and Taiwan, we enhance the mutual understanding of women on both sides of the strait and deepen the integrated development of Fujian-Taiwan townships.

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Tea culture taking root in children's hearts

Tenfu Tea Culture Summer Camp allows children to experience the charm of traditional Chinese culture, and at the same time bring the traditional virtues of "ceremony", "respect", "diligence" and "thrift" into their life and study. Through activities such as picking tea leaves, watching tea making at the scene, tracing the history of tea culture, and participating in tea party, children learned about tea ware, tea ceremony, tea taste, and tea fun under the guidance of tea masters. Starting from learning how to make a good pot of tea, Tenfu has planted a tea seed in their hearts. This tea seed contains respect, frugality and esteem, making it possible for the little campers to gradually learn to respect others and themselves as well as to respect the ware, water, and tea in the whole process.



At a tea party



Experiencing tea picking



Watching tea making



Group photo

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Tea Grandpa IP

The IP image of Tenfu Tea Grandpa is taken from Mr. Lee Rie-Ho, the founder of Tenfu Group. Through simplification, symbolization and dramatic transformation, a unique IP image of “Tenfu Tea Grandpa” has been drawn, aiming to present the brand in a vivid and visualized way that will link the new generation of consumers and encourage more young people to experience tea culture, thus expanding the brand influence.

Pondering over the question of “how to make the spread of Chinese tea culture more down to earth” and upholding the values of “worthiness, experience, and culture”, Tenfu Tea Grandpa’s IP will create and output IP content from multiple dimensions, multiple scenarios and multiple paths. Tenfu Tea Grandpa has settled in media such as Douyin and Station B at which it outputs “IP + emotion” content. We have launched Tenfu Tea Grandpa WeChat emoji packs, snack products paying attention to children’s health, peripherals and services close to family life scenes, combined and cross-border/joint exhibitions of Tenfu’s cultural and tourism projects and so forth to conduct new explorations on the way of disseminating tea culture, hoping to make more people fall in love with Chinese tea.



Other cultural activities

May 21st International Tea Day cum Tenfu Staff Thanksgiving Tea Party

On 22 May 2021, to celebrate the second International Tea Day, Tenfu Tea Museum held the “International Tea Day cum Tenfu Staff Thanksgiving Tea Party” at the Liangxin Pavilion, inviting employees and the public to taste tea together with the aim of promoting Chinese tea culture and spreading the idea of “serving and drinking tea in a universal manner”.



In addition, in the corresponding season every year, Tenfu Tea Museum will hold various tea parties, and invite tea lovers from all walks of life to come and taste tea.



A plum tea party



A rose tea party



A lotus tea party

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Appendix

ESG report index

KPI	Description	Chapter name	Page
A Environment			
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A1.1	The types of emissions and respective emissions data	Care for the Earth Promoting sustainable development – Emissions management	P26
A1.2	Direct (scope 1) and energy indirect (scope 2) GHG emissions (tons) and (if applicable) intensity (e.g. per production unit, per facility)	Care for the Earth Promoting sustainable development – Climate change and energy	P23
A1.3	Total hazardous waste produced (tons) and (if applicable) intensity (e.g. per production unit, per facility)	Care for the Earth Promoting sustainable development – Emissions management	P26
A1.4	Total non-hazardous waste produced (tons) and (if applicable) intensity (e.g. per production unit, per facility)	Care for the Earth Promoting sustainable development – Emissions management	P26
A1.5	Description of measures to mitigate emissions and results achieved	Care for the Earth Promoting sustainable development – Emissions management	P25
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Care for the Earth Promoting sustainable development – Emissions management	P25

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KPI	Description	Chapter name	Page
A2	Use of Resources		
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per production unit, per facility)	Care for the Earth Promoting sustainable development – Climate change and energy	P23
A2.2	Water consumption in total and intensity (e.g. per production unit, per facility)	Care for the Earth Promoting sustainable development – Water resources Use	P25
A2.3	Description of energy use efficiency initiatives and results achieved	Care for the Earth Promoting sustainable development – Climate change and energy	P24
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Care for the Earth Promoting sustainable development – Water resources Use	P24
A2.5	Total packaging material used for finished products (tons) with reference to per unit produced (if applicable)	Care for the Earth Promoting sustainable development – Emissions management	P26
A3	Environment and natural resources		
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Not applicable	
A4	Climate changes		
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Care for the Earth Promoting sustainable development – Climate change and energy	P22

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KPI	Description	Chapter name	Page
B Society			
B1	Employment		
B1.1	Total number of employees categorized by gender, type of employment (e.g. full-time or part-time), age and geographical region	A people-oriented approach Building a healthy workplace – Diversity and equality	P27
B1.2	Employee turnover rate categorized by gender, age and geographical region	A people-oriented approach Building a healthy workplace – Diversity and equality	P28
B2	Health and safety		
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	A people-oriented approach Building a healthy workplace – Safeguarding health and safety	P33
B2.1	Lost days due to work injury	A people-oriented approach Building a healthy workplace – Safeguarding health and safety	P33
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	A people-oriented approach Building a healthy workplace – Safeguarding health and safety	P33

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KPI	Description	Chapter name	Page
B3	Development and training		
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B3.2	Average training hours per employee categorized by gender and type of employee	A people-oriented approach Building a healthy workplace – Efforts for employee growth	P32
B4	Labor Standards		
B4.1	Description of measures to review employment practices to avoid child and forced labour	A people-oriented approach Building a healthy workplace – Diversity and equality	P29
B4.2	Description of steps taken to eliminate such practices when discovered	A people-oriented approach Building a healthy workplace – Diversity and equality	P29
B5	Supply chain management		
B5.1	Number of suppliers by geographical region	Collaborative development for win-win cooperation – Supplier management	P36
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Collaborative development for win-win cooperation – Supplier management	P37
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Collaborative development for win-win cooperation – Responsible procurement	P37
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Collaborative development for win-win cooperation – Responsible procurement	P37

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KPI	Description	Chapter name	Page
B6	Product responsibility		
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Food safety assurance Jointly building health and quality – Intimate service	P14
B6.2	Number of products and service related complaints received and how they are dealt with	Food safety assurance Jointly building health and quality – Intimate service	P19
B6.3	Description of practices relating to observing and protecting intellectual property rights	About Tenfu	P8
B6.4	Description of quality assurance process and recall procedures	Food safety assurance Jointly building health and quality – Intimate service	P14
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Food safety assurance Jointly building health and quality – Intimate service	P21
B7	Anti-corruption		
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	About Tenfu	P7
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	About Tenfu	P7
B7.3	Description of anti-corruption training provided to directors and staff	About Tenfu	P7
B8	Community investment		
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport)	Care from Tenfu Facilitating community development/Tradition as the root Promoting Chinese tea culture	P37
B8.2	Resources contributed (e.g. money or time) to the focus area	Care from Tenfu Facilitating community development/Tradition as the root Promoting Chinese tea culture	P37

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Form of Readers' Feedback

Thank you for reading the Company's 2021 Environmental, Social and Governance Report of Tenfu (Cayman) Holdings Company Limited. In order to better provide stakeholders with valuable information and improve our ability and level of fulfilling social responsibilities, the Company sincerely invites you to give your valuable comments and suggestions to this report.

You may fill in the form and send it to the following email: ESG@tenfu.com

Your overall evaluation of the Company's ESG report:

- ☐ Extremely satisfactory ☐ Very satisfactory ☐ Satisfactory ☐ Not quite satisfactory
☐ Not satisfactory

Your evaluation of the Company's performance of ESG responsibilities:

- | | | | |
|------------------------------|--|---|---------------------------------------|
| Economic responsibility | <input type="checkbox"/> Extremely satisfactory
<input type="checkbox"/> Not quite satisfactory | <input type="checkbox"/> Very satisfactory
<input type="checkbox"/> Not satisfactory | <input type="checkbox"/> Satisfactory |
| Social responsibility | <input type="checkbox"/> Extremely satisfactory
<input type="checkbox"/> Not quite satisfactory | <input type="checkbox"/> Very satisfactory
<input type="checkbox"/> Not satisfactory | <input type="checkbox"/> Satisfactory |
| Environmental responsibility | <input type="checkbox"/> Extremely satisfactory
<input type="checkbox"/> Not quite satisfactory | <input type="checkbox"/> Very satisfactory
<input type="checkbox"/> Not satisfactory | <input type="checkbox"/> Satisfactory |

Do you think this report can reflect the impact of the Company's social responsibility practices on the economy, society and environment ?

- ☐ Very capable of reflecting it ☐ Quite capable of reflecting it ☐ Generally capable of reflecting it
☐ Not quite capable of reflecting it ☐ Not capable of reflecting it

Environmental, Social and Governance Report

In your view, how are the clarity, accuracy and completeness of the information, data and indicators disclosed in this report ?

Clarity	<input type="checkbox"/> Extremely satisfactory	<input type="checkbox"/> Very satisfactory	<input type="checkbox"/> Satisfactory
	<input type="checkbox"/> Not quite satisfactory	<input type="checkbox"/> Not satisfactory	
Accuracy	<input type="checkbox"/> Extremely satisfactory	<input type="checkbox"/> Very satisfactory	<input type="checkbox"/> Satisfactory
	<input type="checkbox"/> Not quite satisfactory	<input type="checkbox"/> Not satisfactory	
Completeness	<input type="checkbox"/> Extremely satisfactory	<input type="checkbox"/> Very satisfactory	<input type="checkbox"/> Satisfactory
	<input type="checkbox"/> Not quite satisfactory	<input type="checkbox"/> Not satisfactory	

Do you think the content arrangement and layout of this report are easy to read ?

☐ Yes ☐ Fair ☐ No

Your other comments and suggestions on the Company's ESG work and this report:
