



福壽園國際集團

FU SHOU YUAN INTERNATIONAL GROUP  
01448.HK



2021

# SUSTAINABILITY REPORT

福壽園國際集團有限公司

FU SHOU YUAN INTERNATIONAL GROUP LIMITED  
Incorporated in the Cayman Islands with limited liability

Stock code: 01448



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### Summary of the Report

The Report is the sixth annual sustainability report of Fu Shou Yuan International Group Limited and its subsidiaries (hereinafter referred to as “we”, the “Group” or “Fu Shou Yuan”). It covers our work during the period from January 1 to December 31, 2021 (the “Reporting Period” or the “Year”). The Report provides a focused discussion of stakeholders’ concerns, and a comprehensive description and explanation of Fu Shou Yuan’s performance and management policy in environmental, social and governance areas in 2021, illustrating how Fu Shou Yuan lives up to its commitments to sustainable development.

During the preparation of the Report, we spared no efforts to ensure the information covered in the Report meets the four reporting principles as required by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), namely, materiality, quantitative data, balance, and consistency.

### Scope of the Report

The scope of the Report is substantially the same as that of the 2021 annual report published by the Company on April 25, 2022 (“2021 Annual Report”) and covers Fu Shou Yuan International Group Limited and its subsidiaries. Unless otherwise specified, the terms used in the Report have the same definition as those in the 2021 Annual Report.

### Reporting Guidelines

The Report was prepared in accordance with the Environmental, Social and Governance Reporting Guide issued by the Stock Exchange (hereinafter referred to as “ESG Reporting Guide”) and with reference to the concerns of Fu Shou Yuan’s stakeholders.

### Information Sources and Reliability

The information and examples used in the Report are mainly extracted from the Group’s statistical report and related documents. The Group has pledged that the Report does not contain any false information or misleading statements, and we are responsible for the authenticity, accuracy and completeness of the Report.

### Confirmation and Approval

Confirmed by the management of the Group, the Report was approved by the board of Directors of the Company on March 18, 2022.

### Report Access and Feedback

The Report is available in Traditional Chinese and English for reference. The electronic version of the Report can be found in the “Financial Statements/ESG Information” section of the announcement on the website of the Stock Exchange of Hong Kong Limited or on the official website of Fu Shou Yuan.

We value the suggestions of stakeholders and encourage readers to contact us through the following contact information. Your suggestions will help us further improve our reporting and enhance the overall sustainability performance of the Group.

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Email: [ir@fsygroup.com](mailto:ir@fsygroup.com)

Address: Unit 709, K. Wah Centre, 191 Java Road, North Point, Hong Kong  
or: Room 1306, Charity Plaza, No. 88 Cao Xi Road North, Xuhui District, Shanghai





It is our mission to be a carrier of thoughts, mirror the value of life and store the memory. Fu Shou Yuan is a life service brand and promotes the development and reform of the death care service. Since its establishment, Fu Shou Yuan remains committed to breakthrough and innovation. Against the backdrop of this great era, it upholds philosophy of sustainable development and is dedicated to achieving the harmonious development among nature, society and industry.

Continuing the life's value and creating benefits for the society sincerely. The Group engaged in assistance and poverty alleviation in many regions and relied on public welfare foundation to shoulder social responsibility and create social value. We always keep it in mind that today's peace comes from predecessors' efforts. The Group sees their spirits as cultural inheritance and imbeds into education campaigns organized by us. Also, we combine the life and emotion to build a long-term social value.

Talents lay a solid foundation and the new generation moves on. We value the Company's talents development, safeguard their rights and interests, and create a green and sound work environment to prevent our staff's rights and interests from being infringed. Moreover, we provide well-established training systems for staff and cultivate a united work team. Focusing on the promotion of concepts and ideas, Fu Shou Yuan continuously deepens its communication with global peer workers for cultural exchange. Meanwhile, we attract more social talents and young people to join us.

No effort is too small for purification to achieve green-oriented transition. By embedding green philosophy into our products and services, Fu Shou Yuan forged ecological industrial circle and finished the innovation of the industry with unique design, adding novel and environmental concept into each link and pushing the life service business toward cross space and affordability. To achieve the goal of green-oriented transition, Fu Shou Yuan reduces daily energy consumption in working place and strengthens emission control of industrial chain in 2022 to achieve "carbon neutrality". In 2021, both Shanghai Fu Shou Yuan and Mashan Funeral Home in Xuancheng city under the Group had reached nominal carbon neutrality.

We see "perception of life and blooming of life" as our core value. Guided by "farewell to the physical life, and continuation of the spiritual life", we continue to make a breakthrough in cloud series platforms launched by the Group, uphold the concept of "turning cemetery into park, and farewell into beauty", and carry out green project while promoting new form of life and cultural heritage projects. Fu Shou Yuan will also continue to innovate in design, technology, products and ritual methods and bring its own new service and products to the community.

We prioritize inheritance, saving and efficiency as key point for future development of life service industry. Following the philosophy of conserving lands, promoting livelihood and commemorating and inheriting, we explore new continuation methods for spiritual life value and map out a blueprint for sustainable development. Going forward, we will continue to promote the understanding of the concept of life service among our staff and customers, fulfilling business, industrial, social, historical and public responsibilities and provide premium life service.

**Bai Xiaojiang**

**Fu Shou Yuan International Group Limited**

*Chairman of the Board of Directors and Executive Director*

**Wang Jisheng**

**Fu Shou Yuan International Group Limited**

*Executive Director and President*





## ECONOMIC ISSUES



## ENVIRONMENTAL ISSUES



## LABOUR ISSUES



## SOCIAL ISSUES

### Revenue:

RMB **2,325.8** million  
Increase by **22.9**%  
compared with 2020

### Water Consumption:

**4.2** tons/ten-thousand  
RMB revenue

### Total Number of Employees:

**2,464**

### Customer Satisfaction Rate:

Service window: **93.84**%  
Burial service: **95.91**%

### Total Number of Services:

**79,411**

### Power Consumption:

**4.86** MWh/million  
RMB revenue

### Gender:

Female employee **41.96**%

### Total Public Welfare Expenditure:

RMB **1.63** million

### Regional Coverage:

More than **40** cities in  
**19** provinces, autonomous  
regions and municipalities

### Energy Consumption:

**13.92** MWh/million  
RMB revenue

### Training Hours per Employee:

**42.72** hours/employee

### Number of Suppliers:

**203** suppliers, from  
**8** regions of the country

### Non-hazardous Waste:

**1.99** tons/million  
RMB revenue

### Greenhouse Gas Emissions:

**4.80** tCO<sub>2</sub>e/million  
RMB revenue

We firmly believe that sound corporate governance is the cornerstone and guarantee for the development of an enterprise. The Group has been focusing on the standard and efficiency of internal governance. We stay committed to improving the integrity and diversification of the corporate governance structure and consolidate and further improve the level of corporate governance, with a view to enhancing corporate competitiveness.

### 1.1 About Us

Founded in 1994, Fu Shou Yuan is a well-known death care service provider in China, a promoter and a participant in the development and reform of China's death care service industry. It is also a place where memories and emotions are preserved and enshrined, a culture-oriented company that is dedicated to the preservation and promotion of the quintessence of traditional value, and a corporate citizen with a deep sense of responsibilities. Over the past two decades, Fu Shou Yuan has been in the forefront of innovations in the industry and committed to achieving breakthroughs in concept, product, service, culture, art and technology.

At present, the Group's businesses cover various fields, such as cemetery operation, funeral service, equipment and supplies, planning and design, pre-need funeral contract, funeral Internet +, and life education, and its presence has been expanded to more than 40 cities in 19 provinces, autonomous regions and municipalities including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Hubei, Gansu, Heilongjiang and Shaanxi.

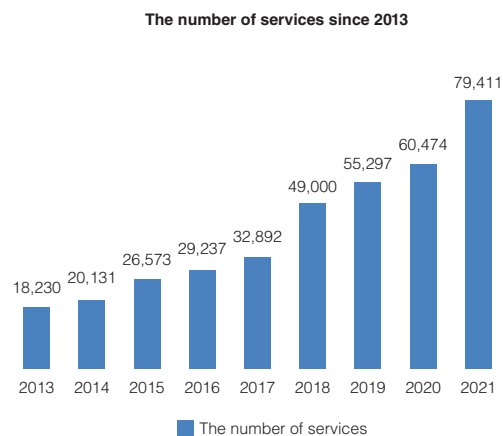
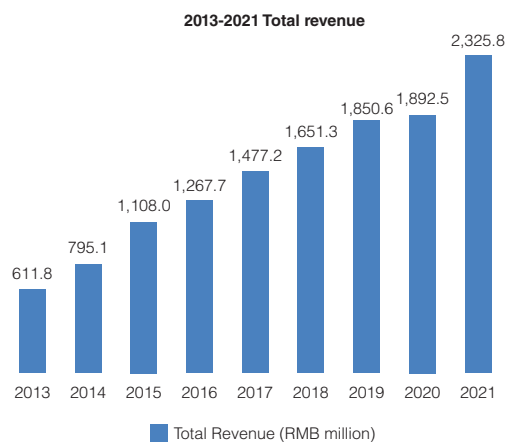
Listed on the Hong Kong Stock Exchange (HKEX) on December 19, 2013, the Group became a model of compliance management and innovative development of death care service providers in China. In December, 2016, Fu Shou Yuan was formally included in the Shenzhen-Hong Kong Stock Connect Program. During the Reporting Period, Fu Shou Yuan received wide recognition in terms of ESG, and has been consistently awarded AA rating in MSCI ESG rating, taking a leading position among its peers. We were invited to access S&P Dow Jones sustainability rating and were selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index.

### 1.2 Operating Performance

Fu Shou Yuan continued to break physical constraints to inject vitality into funeral industry with technology and extend life's limit with technology, thus forming a new style of memorization. Starting from the cemetery, we built Fu Shou Yuan into humanities memorial park in psychological and physical aspects, and continued life education and family inheritance by technology enabled to build a life park. With "building digital and intellectual cemetery" as our vision, we established a platform for digital twin cemetery, cloud memorial

museum, life museum and digital family temple, and provided supporting services such as life farewell, life entrustment, life inheritance, family culture service and living service.

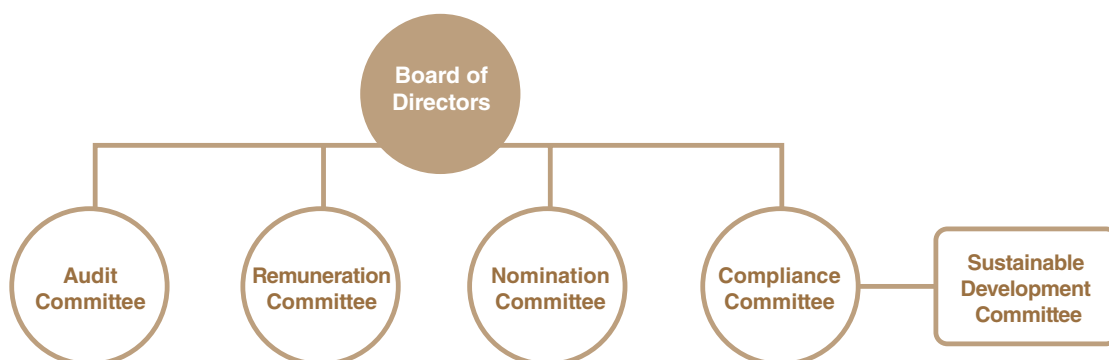
We kept in line with national policies and market demands and promoted industrial chain upgrade and regional expansion. In 2021, we have completed four equity interest acquisitions, five projects in funeral cooperation and construction, and one project under progress and preparation. In product, we promoted Cangjingyuan and digital funeral in cemetery service section, and added ecological concept, humanistic elements and technological elements. We strengthened cooperation between government and company and inter-enterprises cooperation in funeral service section, to meet differentiated and diversified service demand from different customer groups. In addition, we continuously upgraded industrial chain plan and broaden service limit to form synergy. Since going public, Fu Shou Yuan has recorded constant increase in revenue and in profitability, of which revenue grew 22.9% year-on-year in 2021. Since 2013, its CAGR has reached 18.2%. The number of services<sup>1</sup> increases year over year to 79,411 in 2021, representing an increase of 31.3% on a year-on-year basis.



1 Welfare cemeteries and village relocations are excluded.

### 1.3 Corporate Governance

A sound and complete corporate governance environment ensures an orderly operating environment, provides guarantee for investors, and is crucial for the Group's sustainability. Based on the Corporate Governance Code in Appendix 14 to the Listing Rules, Fu Shou Yuan has formulated detailed and efficient corporate governance procedures. By establishing an open and transparent corporate governance system which clearly defines its rights and responsibilities, the Group can achieve better performance and enhance corporate image.



— Board structure of Fu Shou Yuan —

#### Audit Committee

Audit Committee is mainly responsible for assisting the Board in providing an independent view of the effectiveness of the Group's financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board. A total of 2 meetings of the Audit Committee were held in 2021 to review and discuss the interim and annual financial statements, interim and annual results announcements and reports, and make recommendations to the Board on the re-appointment of auditors.

#### Remuneration Committee

Remuneration Committee is mainly responsible for assessing the remuneration of the Group's executive directors and senior management and making recommendations to the Board in this regard. In addition, Remuneration Committee reviews the performance of senior management and determines their remuneration composition. A total of 2 meetings of the Remuneration Committee were held by Fu Shou Yuan in 2021.

#### Nomination Committee

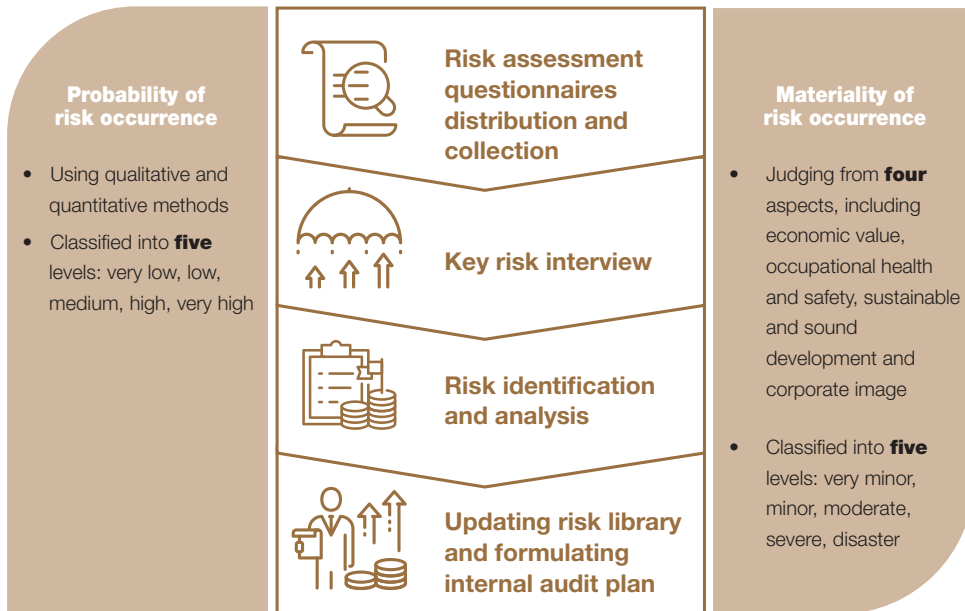
Nomination Committee is responsible for planning the nomination policy for consideration by the Board, implementing the nomination policy formulated by the Board, and advising the Board on appointment of candidates to fill vacancies on the Board. A total of 2 meetings of the Nomination Committee were held in 2021.

#### Compliance Committee

Compliance Committee is responsible for reviewing and supervising the legal and compliance matters of the Group to ensure that the Group's operation complies with all applicable laws and regulations. Compliance Committee can seek for external advisor's opinion. A total of 2 meetings of the Compliance Committee were held in 2021 to approve the disclosure of environment goals of Fu Shou Yuan and the climate change risks it exposes to.

#### *Risk management*

The Group has established an internal audit function and an internal control system with risk management oriented, including corporate management policy and system in written form, clearly defined organizational structure and duties authorization system, stable and reliable financial management data and report and strict supervising and assessing mechanism for risk management and internal control. The Board is responsible for maintaining effective internal control system to safeguard the Group's assets and shareholders' interest, and regularly reviews and continuously controls risk management and internal control system to ensure the effective operation of the internal control system. Through building a risk control mechanism characterized by triple control before, during, and after the relevant work, Fu Shou Yuan continues to upgrade risk management and assesses the impact of policy risk to ensure effective and safe operation of the Group.



— Risk control mechanism of Fu Shou Yuan —

To strengthen internal audit supervision, promote audit rectification, emphasize the rigorousness and time efficiency of internal audit investigation and punishment of violations, further implement the rights, responsibilities and benefits management of each position and standardize the operation and management behavior of each subsidiary, Fu Shou Yuan formulated the *Management Measures for Internal Audit and Punishment* to sort out and categorize the problems found in internal audits, and took different punishment measures for different types of violations. The specific management covers regions (companies) routine audits, special audits, and resignation (employment) audits, report review and administrative penalty review of the group headquarters and subordinates.

### **Business ethics and anti-corruption**

As a renowned company in the funeral industry, Fu Shou Yuan realizes the importance of compliant governance and adopts a zero-tolerance attitude towards any violation of business ethics. We adhere to the principle of integrity in our business operations and strictly abide by the national laws and regulations applicable (details of which set out in Appendix II of this report) and industrial regulation to eliminate corruption, monopoly and unfair competition.

Compliant operation is the prerequisite for a corporate to maintain sound development. Fu Shou Yuan requires all staff to comply with the laws and regulations applicable to the Group's various operating areas and the highest standards of business ethics and strictly abides by the Criminal Law of the People's Republic of China, the Company Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, and has formulated the Anti-fraud Work System, which clarifies and stipulates fraud control, reporting and handling routines, remediation and punishment procedures.

During the Reporting Period, based on the market conditions of the places where it operates and in accordance with internal system requirements, Fu Shou Yuan made tomb prices available to the public and opposed unfair competition. In addition, Fu Shou Yuan has established a unified channel for reporting fraud cases. Management, employees and third parties of Fu Shou Yuan and partners can report actual or suspected fraud cases by calling the reporting hotline and sending e-mails. Relevant department will conduct anti-fraud investigations on specific cases in accordance with relevant regulations upon receiving any report, so as to ensure the Group's operations are carried out in compliance with relevant rules and regulations. In 2021, the Group did not record any cases of violation of business ethics or corruption lawsuits.



In order to further strengthen the awareness of business ethics, the Group organized anti-corruption trainings and lectures for the Company's directors and all staff members respectively.

#### Fu Shou Yuan anti-corruption training courses

- For the Company's directors: In May 2021, two lawyers from Fangda Partners introduced relevant requirements about related transaction and its latest development and anti-corruption regulations and corresponding cases to directors, and proposed relevant improvements based on experience of market practice to enhance knowledge system for directors and managements. The training lasted for approximately one and half hours.
- For all staff members: The training mainly lectured and interpreted the provisions about commercial bribery in Criminal Law and Anti-Unfair Competition Law, covering 2,389 employees of the Group. After training, those employees were familiar with rules and regulations of anti-corruption and their anti-corruption awareness were strengthened, contributing to the creation of a clean and integrity corporate culture.

### 1.4 Diversity of the Board

In order to improve the effectiveness of the Board and corporate governance, the Board should maintain a balanced mix of executive and non-executive directors (including independent non-executive directors), so that the Board is highly independent and could exercise its independent judgement effectively. With diversity of the Board policy as its development goal, the Group selects candidates from the perspective of diversity, including but not limited to gender, age, culture and education background, ethnicity, experience, skill, knowledge, serving years and other necessary qualifications, to fully guarantee the rationality and effectiveness of the Board's decision-making.

As of the date of the Report, the Board consists of three executive directors, three non-executive directors and five independent non-executive directors, and female directors account for 18.2% of the composition of the Board. Among them, in addition to the three founders responsible for the overall strategic planning and business development of Fu Shou Yuan, there are also three non-executive directors with extensive experience in the manufacturing industry, investment and finance, and five independent non-executive directors with unique authority in their respective industries. Independent non-executive directors include the former president of International Federation of Thanatologist Association, senior financial and legal experts, and the former board secretary of a Chinese airline company, which is listed in three places, with nearly 15 years of management experience. It provides assurance of the professionalism, independence and diversity of independent non-executive directors' backgrounds in terms of gender, region, cultural background, professional knowledge, experience and skills, and provides guidance for overall corporate development and governance while ensuring the rationality of decisions.

Upholding the enterprise tenet of "people-oriented and culture-rooted", Fu Shou Yuan not only respects and arranges an individual upon the end of his/her physical life, but also preserves and extends his/her spiritual heritages after death so as to enable the spirit of the deceased to live on in the hearts of the living and make such spiritual heritages shared spiritual wealth of humankind. We are committed to pursuing sustainable development, develop the market with effective resource layout and governance system, and promote industry change with new industry culture, so as to promote the development of the enterprise and become an enterprise that brings benefits to the society, shareholders and employees.

Fu Shou Yuan pursues the integration and consistency of corporate value and social value, and embraces the better vision of promoting sustainable development of the industry while being dedicated to exploring the path of sustainability for enterprises. We attach great importance to communicating with stakeholders on sustainable development issues, implanting the concept of sustainable development into our strategic development goals, so as to realize the implementation of sustainable development in our daily business and innovation activities. Going forward, we will remain committed to creating an excellent organization that is truly accepted and respected by the society, to truly realize the harmonious symbiosis and coordinated development of the economic and social environment.

## 2.1 Strategy of Sustainable Development

Fu Shou Yuan persists in sustainable strategy and establishes life service system. We strive to serve livelihood needs of the society, develop urban culture and promote ecological civilization in China. During the Reporting Period, Fu Shou Yuan is rooted in development strategies including green and environmental protection, public welfare, technology-driven, historical heritage as well as life education, and voluntarily assumes corporate responsibility, industry responsibility, social responsibility, historical responsibility and public responsibility. Fu Shou Yuan follows the sustainable development concept of “transforming cemeteries into parks, farewells into beautiful moments and sacrifice into memorial”, with a view to conveying the concepts of respect for the deceased, people-orientation, environmental protection and harmony to the public, and guiding the market to re-recognize the death care industry. We also hope to continue to play an exemplary role in the industry, further standardize the development of the industry, and promote the transformation of industry culture.



### *Life education and cradle for talents*

Life Service Academy of Fu Shou Yuan aims to cultivate professional management talents and professional technical talents in the modern death care industry. Adhering to the goal of “development”, “inspiration” and “change”, we strive to become a base for talent training and cultural inheritance of the Group, and a promoter for innovation, development and transition.

### *Industry promoter in green operations*

Fu Shou Yuan not only wishes to turn the cemetery into a park and achieve green development of the whole life cycle, but also creates a cemetery culture where “natural beauty and human landscape complement each other”. We deepen the concept of green operation into all aspects of our operations, strictly manage the use of resources and pollution emissions in corporate operations, and continue to explore and promote green and environmentally friendly sacrifice methods, so that more people can enjoy a better environment.

### *Historical heritage and spirit inheritance*

Blood relationship between human, social continuity between people, and spiritual inheritance of mankind are collectively referred to as the spiritual life of human. Human life is short, but the inheritance of human spirit is eternal. The physical demise of a person is a decrease in material, but the continuation of memory is an increase in spirit. Fu Shou Yuan preserves and extends the spiritual life of people, allows the spirit of the deceased to continue to live in the hearts of the living, and become the common spiritual wealth of mankind.

### *Technology-driven and powered by innovation*

As an innovator in the industry, we have been advocating and proactively assuming the industry responsibility to lead the industry forward. The upgrade of digital devices and the popularity of the Internet have gradually changed people’s behavioral preferences and habits. Following this trend, Fu Shou Yuan has launched “Internet + Funeral and Interment Services” which creates a portal-type one-stop service platform and a series of “Fu Shou Cloud” products to provide users with digital death care ecology services and empower traditional industry. Meanwhile, we created digital intelligent mausoleum to make humanistic spirit inheritance more vivid and concrete.

### *Charity undertakings humanistic care*

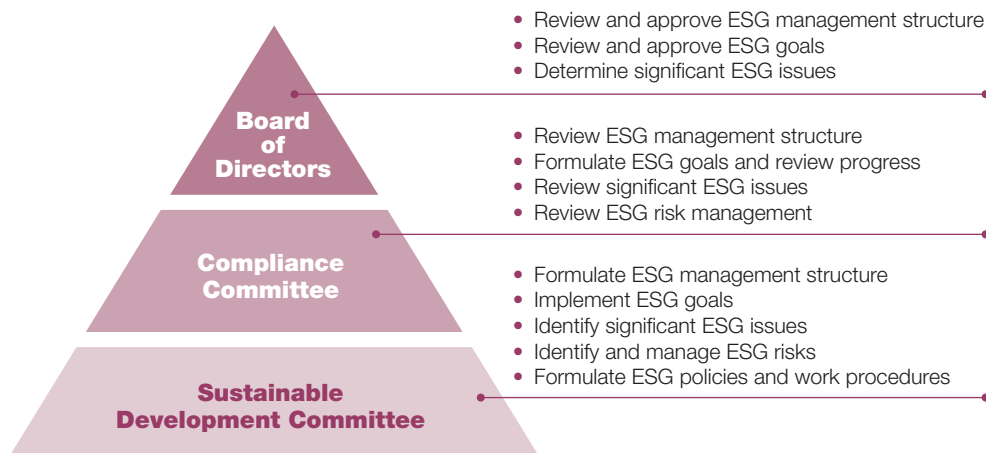
While realizing its own development, Fu Shou Yuan also actively assumes social responsibilities such as humanities, charity, environmental protection, and public welfare, and continues to devote itself to public welfare and charity with practical actions to help promote the development of the community and the improvement of social well-being.

Looking forward, Fu Shou Yuan will uphold its original aspiration. We will continue to innovate, improve the quality of products and services, and strengthen operation management to enhance competitiveness and promote the sustainable and healthy growth of business. Besides, we will continue to consolidate industry resources to lead the death care industry towards sustainable development.

## 2.2 Governance of Sustainable Development

To better promote the implementation of sustainable development strategy, the Sustainable Development Committee (the “Committee”) was established. With the president serving as chairman of the Committee and the senior management serving as members, the Committee regularly discusses, reflects, summarizes and carries out ESG-related management work. The Compliance Committee regularly reviews ESG management policies, strategies and governance structure, approves the progress of ESG procedures and policies, and reports the result to the Board for review. The Board is responsible for assessing and determining the Group’s ESG risks, ensuring the establishment of a suitable and effective internal control system, and approving ESG policies and reports.

During the Reporting Period, the Sustainable Development Committee held two meetings, and carried out the training of carbon neutrality and developed goals related to environment. It also assessed and identified the climate change risks involved in our operations, and shared information with the management on national and industry policies about climate change. We attach great importance to the physical and transitional risks that climate change may bring to our business, and develops a climate change risk response system, striving to turn crises into opportunities to reasonably response to climate change risks and reduce risks, and seizing opportunities for climate change to lay a solid foundation for the development of the industry.



— Fu Shou Yuan’s Three-tier Governance Structure for ESG —

| The Board Statement                     |   |
|---|---|
| <b>The Board responsibility</b>         | The Board is ultimately responsible for Fu Shou Yuan ESG’s strategies and performance. Compliance Committee plays a leading role in developing ESG strategies, goals and management policies, and allocates the resources to achieve sustainable development goals.   |
| <b>Implementation in daily business</b> | In business operation, Sustainable Development Committee practices and supervises daily action plan, gives suggestions on strategies, goals and management policies to Compliance Committee, and devotes itself to adding sustainable development concept into normal operation.  |
| <b>Risk identification</b>              | Fu Shou Yuan’s business nature and environment where it operates expose us to various potential risks, which may bring an impact on the Group’s sustainable development. Sustainable Development Committee is responsible for identifying, managing, overseeing and controlling risks and supporting the Board on risk analysis and decision making.                              |
| <b>Materiality analysis</b>             | We regularly organize internal and external activities to maintain close communication with stakeholders, so as to identify and assess ESG issues and prioritize relevant issues. The priority of our materiality issues is determined by the third-party materiality assessment, and the assessment result has been discussed and approved by Sustainable Development Committee. |

### 2.3 Stakeholder Communication

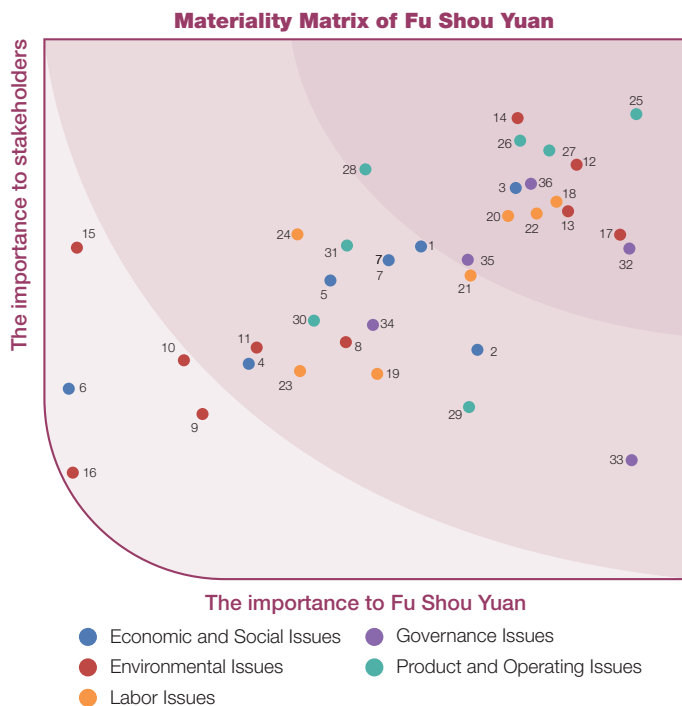
Based on the factors of dependence, relationship between power and responsibility, and influence with its stakeholders, Fu Shou Yuan has identified 8 types of major stakeholders. We value communication with various stakeholders and actively carry out effective communication with stakeholders to understand the concerns of stakeholders on ESG issues and respond to their demands in a timely manner. We also incorporate relevant feedbacks into the consideration of sustainable development strategy formulation while responding to the concerns of stakeholders through the Report.

| Stakeholder Groups  | Issues of Concern  | Communications Channels   | Frequency/Times  |
|---|--|---|--|
| <b>Employees</b>  | Occupational health and safety<br>Employment and employee retention<br>Employee performance evaluation and promotion<br>Employee benefits and wages<br>Education and training<br>Diversity and inclusion<br>Human rights | — Employee performance appraisal interview<br>— Internal publications: Fushou Humanism<br>Fushou Daily  | — Quarterly<br>— Quarterly<br>— Quarterly  |
| <b>Shareholders/<br/>Investors</b>  | Company's business performance<br>Governance structure<br>Sustainable development strategy<br>Risk and crisis management<br>Legal compliance   | — General meetings<br>— Extraordinary general meetings<br>— Investor meetings<br>— Results releases<br>— Press releases/<br>Announcements<br>— Field investigations | — Annually<br>— On an irregular basis<br>— Annually<br>— Semi-Annually<br>— On an irregular basis<br>— On an irregular basis |
| <b>Customers</b>  | Service quality and customer complaints<br>Customer privacy protection<br>Product and service compliance<br>Technology and innovation  | — Official website<br>— Service managers<br>— Instant communication software<br>— Social media platforms  | — On an irregular basis<br>— On an irregular basis<br>— On an irregular basis<br>— Usually daily                             |
| <b>Government and<br/>regulatory authorities</b>                                      | Company's business performance<br>Legal compliance<br>Green death care   | — Field investigations<br>— Meetings and interviews   | — On-demand on an irregular basis for each channel   |
| <b>Partners (including<br/>suppliers and<br/>service providers)</b>                   | Supply chain management<br>Raw materials procurement<br>Suppliers assistance   | — Field investigations<br>— Meetings and interviews   | — On-demand on an irregular basis for each channel   |
| <b>Community residents/<br/>Organizations/<br/>Non-governmental<br/>organizations</b> | Economic and social contribution<br>Industry trend and policy<br>Traditional cultural heritage<br>Community development<br>Charity and donation<br>Assistance to vulnerable groups                                       | — Field investigations<br>— Meetings and interviews<br>— Instant communication software   | — On-demand on an irregular basis for each channel   |
| <b>Media</b>  | Economic and social contribution<br>Industry trend and policy<br>Traditional cultural heritage<br>Community development<br>Charity and donation<br>Assistance to vulnerable groups<br>Green death care                   | — Press releases/<br>Announcements<br>— Press conferences   | — On-demand on an irregular basis for each channel   |
| <b>Capital market<br/>rating index</b>  | Staff issues<br>Product and operation issues<br>Governance issues  | — Regular email communication<br>— Questionnaire response   | — On-demand on an irregular basis for each channel   |

## 2.4 Materiality Analysis

Under a comprehensive and standardized communication mechanism, Fu Shou Yuan has conducted in-depth exchanges with stakeholders on material issues in 2021 through face-to-face communication, telephone interviews, on-site visits and other methods. In a number of large roadshows held at home and abroad, we collected the views of investors and other stakeholders on our ESG management and disclosure. We collected views from internal and external stakeholders, and formed a matrix of materiality issues through analysis to understand the ESG issues that stakeholders were focusing on.

During the Reporting Period, we have identified and summarized 36 ESG issues, of which, 15 are most concerned ESG issues, which constitute the key disclosure part of the Report. We will elaborate on the relevant information in the Report.



| Economic and Social Issues              | Environmental Issues                          | Labor Issues  |
|---|---|---|
| 1. Economic and social contribution     | 8. Energy utilization                         | <b>18. Occupational health and safety</b>               |
| 2. Industry trend and policy            | 9. Resources consumption                      | 19. Employment and employee retention                   |
| <b>3. Traditional cultural heritage</b> | 10. Emission management                       | <b>20. Employee performance appraisal and promotion</b> |
| 4. Community development                | 11. Solid waste treatment                     | 21. Employee benefits and wages                         |
| 5. Charity and donation                 | <b>12. Park greening</b>                      | <b>22. Education and training</b>                       |
| 6. Suppliers assistance                 | <b>13. Land use</b>                           | 23. Diversity and inclusion                             |
| 7. Assistance to vulnerable groups      | <b>14. Ecological impact and biodiversity</b> | 24. Human rights  |
|   | 15. Climate change                            |   |
|   | 16. Greenhouse gas emissions and pricing      |   |
|   | <b>17. Carbon neutrality</b>                  |   |

| Product and Operating Issues                      | Governance Issues                              |
|---|--|
| <b>25 Service quality and customer complaints</b> | <b>32 Governance structure</b>                 |
| <b>26 Customer privacy information protection</b> | 33 Sustainable development policy and strategy |
| <b>27 Product and service compliance</b>          | 34 Anti-corruption                             |
| <b>28 Advertising and labelling</b>               | <b>35 Risk and crisis management</b>           |
| 29 Technology and innovation                      | <b>36 Legal compliance</b>                     |
| 30 Supply chain management                        |  |
| 31 Raw material procurement                       |  |



# 3

## The *Virtue* of Water

By upholding the concept of “the supreme good is like water, which benefits all creation without trying to compete with them”, Fu Shou Yuan gives back to the society and nourishes the life of all creations. With sustainable development strategies such as charity, public welfare, historical inheritance and life education as its focus, Fu Shou Yuan is committed to performing its corporate, society, industry, history and public responsibilities, promoting life service extension. Fu Shou Yuan gives back to the society with love and kindness, and further builds a caring and warm life service system. In 2021, Fu Shou Yuan promotes the life education model into the Peking University lecture hall, and four lecturers participated in the teaching of the public elective course “the Meaning Of Death in Chinese and Western Discourse” (中西話語中的死亡) at Peking University, lead Peking University students to experience different life education activities and think about the meaning and value of life.

**Giving Back  
to the Society**



Over the past 28 years, Fu Shou Yuan spared no efforts to devote itself to the investment in the public welfare and constantly advocate “delivering charity and love and promoting cross-industry cooperation”. Fu Shou Yuan has been forging ahead and creating a win-win situation by taking the responsibility as the provider of livelihood services and the inheritor of life culture.

Fu Shou Yuan continues to provide high-quality livelihood services. In 2021, Fu Shou Yuan invested more than RMB1,630,000 in social welfare charity, benefiting millions of people.

### 3.1 Life Service

Fu Shou Yuan has been committed to expanding the life service model and cross-sector cooperation with different industries. Through the development of new models such as hospice care, community volunteer service and life education, Fu Shou Yuan has extended the boundary of life service to the front end, and promoted the sustainable development of life service.

#### Public welfare services

Under the concept of “do the good in the merit of the deceased”, the Shanghai Fu Shou Yuan Public Welfare Development Foundation (the “Foundation”) responded to the cultural practice and voluntary service in the new era with social corporate responsibility and industry innovation value as its footholds, put the idea of “caring for life and escort for life”, being the public welfare intention of Fu Shou Yuan, into practice, and cooperated with enterprises, colleges and universities, public welfare organizations, community and other industries related to death care service and elderly service to jointly build a diversified public welfare platform with love.

During the Reporting Period, the Foundation organized public welfare activities and donation projects such as poverty alleviation, donation for education, epidemic prevention and life education.

| Donation during the pandemic  | Caring for students  | Poverty alleviation  | The Red Fund  |
|---|--|--|---|
|                          |   |    |    |
| <p>We donated items to the local Red Cross in respect of the epidemic and the flood in Henan Province</p> | <p>We made a bursary donation for Beijing College of Social Administration and Changsha Social Work College and conducted donation and education activities in Huoqiu county, Lu'an city, Anhui Province</p> | <p>We assisted the local governments in poverty alleviation work, such as donation under the Blue Sky and the donation for the elderly</p> | <p>We contributed research grants to the New Fourth Army Historical Research Association Project and Communist Party History Society Project and hosted the activity of New Fourth Army Plaza</p> |

#### The major donation projects by the Fu Shou Yuan Public Welfare Foundation in 2021

#### Life education

The essence of education is life education. Over the years, Fu Shou Yuan has been deeply engaged in life education, actively providing life education for communities and schools and promoting the popularization of socialized public welfare projects, which broke through the industry boundary and provided a bridge of communication with the general public. Fu Shou Yuan created opportunities for more people to understand the perfection and imperfection of life, and influenced life with life to achieve an energetic life.

#### Fu Shou Yuan brought life education into the class of Peking University .....

In November 2021, four lecturers of life education team from Fu Shou Yuan engaged in the class of Peking University and participated in “the Meaning Of Death in Chinese and Western Discourse” (中西話語中的死亡), a public elective course offered by Peking University. The course on life education and funeral culture, which lasted for three weeks, not only brought a series of different life education activity experience to students from Peking University, but also presented a more comprehensive and more desirable new blueprint of life service industry in China.

Fu Shou Yuan has conducted nearly 200 courses, lectures, forums and experiencing programs about life education, with a total of 1,500 participants and benefiting more than 150,000 people.

### Affordable Death Care Service

The Fu Shou Yuan Public Welfare Foundation further engaged with the community and provided public welfare projects such as “Pre-Planning Consultancy” and Affordable Death Care Service to respond to the death care related needs of disadvantaged elderly groups in the community.

#### “Pre-Planning Consultancy” Public Welfare Project

The Pre-Planning Consultancy (for public welfare) is a nation-wide public welfare project for pre-need planning and consultation managed and operated by the Pre-need Development Center of Fu Shou Yuan International Group, which is initiated and supervised by the Shanghai Fu Shou Yuan Public Welfare Development Foundation. The project aims to advocate the idea of pre-need planning and provide services such as public welfare will, pre-need will, pre-need contract charity consultation and management.

The “Pre-Planning Consultancy” project involves related professional issues such as establishment of will, family mediation, hospice care and death care service. Cooperated with multilateral institutions such as notary office, law firms, hospitals, colleges and universities and social organization, Fu Shou Yuan introduced professional resources and strengths to organize the knowledge structure of projects and carried out empowerment training to improve the service capability of public welfare community teams. Fu Shou Yuan has also included the “Pre-Planning Consultancy” into the foundation program, integrated the budget and human resources of the branch companies, established a standardized project management framework, and promoted the brand of public welfare projects. It also connects the volunteer service of the Foundation, focusing on volunteer cultivation management and volunteer participation, forming a core volunteer group of “Pre-Planning Consultancy”, responding to community volunteer service needs and project sustainability issues.

Fu Shou Yuan was actively engaged in the construction of hospice care community volunteer system and helped Fushoujia (Shanghai) Industrial Development Co., Ltd., the subsidiary of Fu Shou Yuan International Group, establish the “Special Fund for Life Community Hospice Care” so as to develop the hospice care service and build a life-friendly community.

#### The “Special Fund for Life Community Hospice Care” Program has been settled in the Shanghai Xintiandi public welfare park .....

After nearly one year of application and preparation, Shanghai Fu Shou Yuan Public Welfare Development Foundation was approved by Shanghai Civil Affairs Bureau in April 2021 and officially settled in the Shanghai Xintiandi public welfare park in August 2021.

The “Special Fund for Life Community Hospice Care” made professional grants and standard empowerment to community-based social organizations, so as to strengthen its ability in service output and voluntary operation where it operates. The basic services of the standard community project include pre-need planning counseling, family communication meetings, education activity on life and death and hospice care volunteer service etc.



The “Special Fund for Life Community Hospice Care” Program

### Hospice Care

In 2021, Fu Shou Yuan and the School of Sociology and Political Science of Shanghai University jointly built the “Hospice Care” program, aiming to improve the life, spiritual care and services of the elderly in Shanghai communities who are widowed and disabled. The hospice care aims to provide more robust hospice and funeral services and popularize the whole life cycle of life education for the society by innovation-driven development mode, which made contributions to filling the market service gap in the field of social humanistic care and further promoted the innovation of social value.

Fu Shou Yuan cooperated with various departments and several industries to jointly establish hospice care personnel training projects such as “Social Workers’ Hospice Care Skill Training Course of Fu Shou Yuan International Group” and “Pre-Job Training of Social Workers’ Skill Training Course”, which provides talent pool for hospice care team to improve the service quality of hospice care as well as life quality for patients at the end of life.



## Social Workers' Hospice Care Skill Training Course of Fu Shou Yuan International Group ..

In September 2021, Fu Shou Yuan Life Service Academy held “Social Workers’ Hospice Care Skill Training Course of Fu Shou Yuan International Group (Phase 1)” together with the Hospice Care and Medical Social Work Development Research Center of the School of Sociology and Political Science of Shanghai University (上海大學社會學院安寧療護與醫務會工作發展研究中心) under the guidance of the Primary Health Department of Shanghai Municipal Health Commission, with over 50 participants. In November 2021, Fu Shou Yuan Life Service Academy held the first Pre-Job Training of Social Workers’ Hospice Care Skill Training Course with the School of Sociology and Political Science of Shanghai University and Shanghai Fu Shou Yuan Public Welfare Development Foundation.



A group photo of “Social Workers’ Hospice Care Skill Training Course of Fu Shou Yuan International Group (Phase 1)”

### 3.2 Industry Development

Fu Shou Yuan has been actively promoting the development of the industry. As the only representative elected as a member of the Teaching Committee of Civil Affairs Vocational Education (民政職業教育教學委員會) in the funeral industry, Fu Shou Yuan plays an active role in the research, consultation, guidance and service in the funeral industry. Fu Shou Yuan is also an active promoter in various aspects, such as deepening the integration of industry and education and school-enterprise cooperation, integrating enterprise resources of the industry, advancing the teaching reform of funeral education, strengthening funeral vocational education and team construction, improving the quality of funeral service and scientific and technological talents cultivation.

#### *Cultivation of industry talents*

Fu Shou Yuan offered support in industry-university-research integration, deepened the exchange and cooperation between enterprises and colleges and developed the adaptive contents on introducing the training system into colleges and universities, which has provided support for the cultivation and identification of talents for the industry.

School-enterprise  
exchange and  
cooperation



Giving lecture for  
Beijing College of  
Social Administration



Giving lecture for  
School of Sociology  
and Political Science of  
Shanghai University



Giving lecture for  
the University of  
Hong Kong



Industry Personnel Training and Exchange Activities with Colleges in 2021

## Fu Shou Yuan worked with School of Sociology and Political Science of Shanghai University at the co-construction of social worker practical training base .....

In November 2021, Fu Shou Yuan and School of Sociology and Political Science of Shanghai University entered into a framework agreement in respect of the co-construction of social worker practical training base and completed the opening ceremony, which marked the beginning of the deepened cooperation of industry-university-research integration.

### Industry exchange activities

Fu Shou Yuan actively participated in exchange activities in various industries and spread the development concept of Fu Shou Yuan through seminars, forums and other activities to further promote market and industry standards.

#### Qingming Forum at Peking University



We were invited to make theme sharing on the 3rd Qingming Forum at Peking University with theme of “Life and death: Integration of Medical Care and Death Care”

#### Funeral Association's Subject Training course



We were invited to attend and teach on the subject training course organized by the funeral associations in Liaoning Province and Jiangxi Province

#### China Enterprise Training and Development Annual Conference



We were invited to the “the 17th China Enterprise Training and Development Annual Conference in 2021” sponsored by the Training Magazine, which focused on talent development

### Industry exchange activities in 2021

### Industry training activities

## National Modern Cemetery Construction Training Session and Planning and Design Session .....

In June 2021, the 42th National Modern Cemetery Construction Training Session closed successfully in Changchun, Jilin Province. It was sponsored by China Funeral Association, hosted by the Cemetery Working Committee, the Expert Committee and Fu Shou Yuan Life Service Academy and undertaken by Jilin Province Funeral Association, with an aggregate of 148 trainees from 81 units in 25 provinces, autonomous regions and municipalities participating in the training session. Since the opening of the National Modern Cemetery Construction Training Session in 1999, we have recorded a total of 1,273 participating units and 2,921 trainees, and the training has cultivated numerous elites for the industry.



### The 41th National Modern Cemetery Construction Training Session and Planning and Design Session

### *International exchange activities*

While actively participating in industry exchange activities, Fu Shou Yuan has also been involving in the international exchange activities in the funeral industry through diversified channels based on the international perspective, and discussing the development trend of funeral to constantly optimize and improve the image of modern funeral.

#### **The International Forum on China Funeral Vocational Education Group's Annual Meeting .....**

In November 2021, the international forum of China Funeral Vocational Education Group's Annual Meeting was held in Changsha, Hunan Province. The domestic and overseas experts from Shanghai, Hong Kong, Japan, the U.S. and the UK shared their ideas on the development trend of funeral, scientific funeral, body treatment for death care under the COVID-19 prevention and control, and the innovation of funeral services, and conducted in-depth communication and discussion on modern funeral technology and management professional resources and training, school-enterprise cooperation and school-enterprise demonstration of relevant industry standards.



The International Forum on China Funeral Vocational Education Group's Annual Meeting

### 3.3 Cultural Remembrance

With memorial culture as the gene and blood, Fu Shou Yuan continues to constantly recall the ancestors and look back history through exhibitions, forums and other activities with red inheritance as the main topic, so as to make the inheritance of red gene last forever.

#### “Sages and Shanghai’s Urban Memory” (先賢與上海城市記憶) forum .....

In June 2021, the 2021 “Sages and Shanghai’s Urban Memory” was held in the Shanghai Science Hall, which was guided by Office of Shanghai Spiritual Civilization Establishment Committee, History Research Office of Shanghai Party Committee (中共上海市委黨史研究室) and Women’s Federation of Shanghai, hosted by Shanghai Communist Party History Society and Research Center for Historical Communist Party Figures of Shanghai (上海中共黨史人物研究中心), undertaken by Shanghai Fu Shou Yuan Humanism Memorial Museum and Shanghai Society for People’s Friendship Studies (上海國際友人研究會) and supported by Shanghai Audio Visual Archives and Shanghai Speech Association (上海市朗誦協會). With the theme of “Inheriting the 100-Year History of Communist Party of China with Original Aspiration”, the forum aimed at celebrating the 100th anniversary of the founding of the CPC by telling the story of the events and people in the course establishing the Communist Party of China from various perspectives and answering the secret of how the aspiration being kept fresh over a century.



Guests of “Sages and Shanghai’s Urban Memory” in 2021

#### Thematic Exhibition on History of the New Fourth Army in the Anti-Japanese War .....

In October 2021, the celebration of the centenary of establishing the Communist Party and 80th anniversary of the reconstruction New Fourth Army and the commemoration of the 120th anniversary of the birth of Commander Chen Yi were held in New Fourth Army Square of Shanghai Fu Shou Yuan. The square was officially open to the public while conducting the thematic exhibition on the development history of the New Fourth Army based on the Anti-Japanese War of the new Fourth Army divisions and anti-Japanese base in central China.

Fu Shou Yuan Public Welfare Foundation will uphold its original aspiration and will always put the people first. To promote the inheritance of “red gene”, Fu Shou Yuan Public Welfare Foundation also donated RMB50,000 “red fund” to the Shanghai New Fourth Army Historical Research Association.



Opening of the Thematic Exhibition on History of the New Fourth Army in the Anti-Japanese War



4

# The *Inclusiveness* of Water

Caring for  
Our Employees

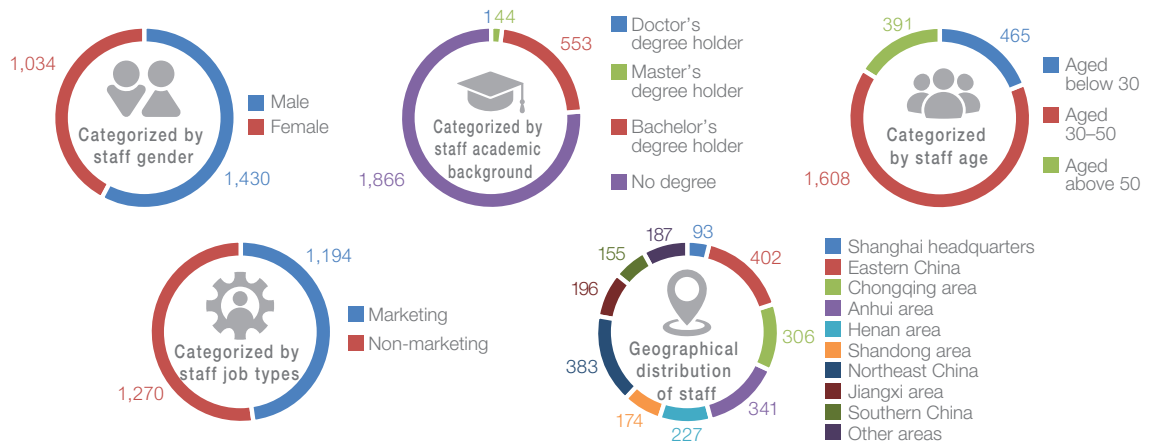
“Every little makes a mickle” is a representation of Fu Shou Yuan’s efforts to pool talents, which makes Fu Shou Yuan the driving force to promote the development of the funeral industry. The Departures released in 2021 delivered information to the public about the profession of “the last accompany” in a unique way. As an important participant in the funeral industry, Fu Shou Yuan also has a “departure for life” among its chief employees. Liu Sansan (劉三三) explained his desire to achieve the original aspiration and mission with his efforts. Liu Sansan once received an old man whose head and body separated and skull was badly damaged due to an accident. Despite the difficulties, he bent over and insisted on repairing the remains by the SPA bedside for more than ten hours with respect. Leveraging on his four-year working experience, he arranges the appearance for each deceased and accompany them through the last journey of their life with his excellent skills and respect for the deceased.

Talents are the most precious treasure for Fu Shou Yuan. They are constantly integrated into the development direction of Fu Shou Yuan and providing life service under the spirit of Fu Shou Yuan, as well as promoting our development. We attach importance to talents and are committed to creating a healthy, safe, positive, relaxing and pleasant working platform for employees to ensure that they can realize their own value while creating value for Fu Shou Yuan under the core purpose of corporate management of “people-oriented and diversified development”.

#### 4.1 A Pool of Talents *Employee overview*

Fu Shou Yuan is a promoter and participant of the development and transformation of funeral industry in China. Since the expansion of our business, several talents have joined the team around the country, which has brought the up-to-date thinking and vitality to enterprises and the industry. Our employees are from various regions across the country with different backgrounds, and they will make more contributions to the diversified development of the Company.

Fu Shou Yuan attaches great importance to the compatibility between the of the professional ability of staff and our Group’s business. During the recruitment process, we identify talents based on the needs of our own business development. As of December 31, 2021, Fu Shou Yuan has 2,464 employees and 242 part-time staff.



During the Reporting Period, the employee turnover rate of Fu Shou Yuan for the year was 16.51%.

#### *Fair recruitment*

Fu Shou Yuan adheres to the basic principle of fair recruitment, strictly abides by *the Labor Law of the People's Republic of China, the Employment Promotion Law of the People's Republic of China, the Trade Union Law of the People's Republic of China, the Labor Dispute Mediation and Arbitration Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Minors, the Special Provisions on Labor Protection for Female Employees, and the Provisions on Prohibition of Child Labor*, as well as other the laws and regulations, and will adjust and optimize its recruitment management system based on its operations.

We are committed to eliminating illegal acts such as child labor, forced labor, employment discrimination and workplace harassment. We will strictly check the identification of new employees to avoid child labor and will strictly investigate the candidate background to ensure he/she is of legal age for employment.

Fu Shou Yuan focuses on the employment assistance for vulnerable groups. We provide development platform for groups with special needs such as veteran. By doing so, we can lead the funeral industry to continue to give back to the society while enhancing our brand image.

Fu Shou Yuan makes every effort to build an excellent professional talent echelon, expand recruitment channels, adopt Internet channels and new media recruitment methods, and strengthen the focus on campus recruitment, so as to attract more young people to join us. We will actively carry out school-enterprise cooperation with colleges and universities and provide practice sites for professional talent training with professional skills training courses and competitions to improve our brand image and import more talents for the Group and the industry.

#### The 2021 Campus Day of Fu Shou Yuan International Group

In July 2021, the students from funeral major of Changsha Social Work College, Chongqing City Management College and School of Funeral of Anhui Vocational College of City Management visited Shanghai Fu Shou Yuan. After the two-day visit and learning, students acquired further knowledge about the development history of Fu Shou Yuan and the funeral information at home and abroad. We also arranged the visit to Shanghai Fu Shou Yuan and Mashan Fu Shou Yuan for the students to let them contact with the industry-leading corporate culture and business operation of Fu Shou Yuan.



Fu Shou Yuan is committed to building equal labor relationship with employees, and adopts a zero-tolerance attitude towards any harassment behavior. During the process of recruitment, promotion and evaluation, we will avoid any behavior or regulation related to gender, marital status, physical condition, region, nationality or religious belief to ensure that they receive fair and equal treatment. Meanwhile, we insist on utilizing the talents in accordance with their aptitude and fully understanding employees' ability and providing equal career development opportunities for every employee, so that employees can give full play to their maximum value.

During the Reporting Period, there are no cases of child labor, forced labor or discrimination in Fu Shou Yuan.

### Remuneration and benefits

Fu Shou Yuan adheres to the people-oriented staff management principle and continues to optimize our staff remuneration and benefits system. We strictly abide by *Social Insurance Law of the People's Republic of China*, *the Regulations on Paid Annual Leave for Employees*, *the Decision of the State Council on Establishing a Basic Medical Insurance System for Urban Employees*, *the Regulations of the State Council on Working Hours of Employees* and other laws and regulations of the place where the Company operates, and revise our internal policies based on the operation of the Company such as *Fu Shou Yuan International Group Remuneration Management System*, *Fu Shou Yuan International Group Benefits Management System and Management Measures for Overtime Work of Fu Shou Yuan Group*, to strengthen remuneration management, standardize the welfare payment and overtime-work management.

By adhering to the basic equal principles, Fu Shou Yuan strictly abides by the laws, regulations and management system in the places where it operates, such as the *Special Provisions on Labor Protection for Female Employees*, *the Regulations on the Scope of Prohibited Labor for Female Employees*, *Notice of the Ministry of Labor on Several Issues Concerning the Fertility Treatment of Female Workers and Measures of Shanghai Municipality on Labor Protection for Female Employees*, in order to provide benefits to female employees, such as maternity leave, maternity allowance and parental leave and protect the legal rights and interests of female employees from being infringed.

## 4.2 Employee Empowerment

Fu Shou Yuan firmly believes that good occupational development of our employees is the foundation of the Company's sustainable development, as well as the cornerstone for the continuous improvement in the quality and abilities of our employees. In this respect, we created a rich, flexible and diversified occupational development platform, established three occupational channels including management trainings, occupational technique trainings and cultural trainings, and put in place the corresponding system assurance and incentive measures to help employees in different positions develop clearer occupational development paths.

### Online and offline learning

Fu Shou Yuan placed great emphasis on the self-improvement of our employees, established a scientific perfect talent training system, launched online and offline training activities simultaneously, and provided diversified and multi-dimensional employee training, with a view to helping each of our employees achieve self-growth. With the mitigation of the pandemic, some courses which were offered online due to the pandemic were changed back to offline courses, and the training model of "offline supplemented by online" has been gradually adopted for themed training classes, among which, the themed training classes are divided by three major trainings, including cadre administration, professional skills and culture, which were better designed to meet the various training needs of employees.

#### Fu Shou Yuan Training for Cadre Administration



The first session of general manager training courses in 2021

#### Fu Shou Yuan Skills Training



Palliative care skills training in 2021

#### Fu Shou Yuan Cultural Trainings



The cultivation trainings in 2021

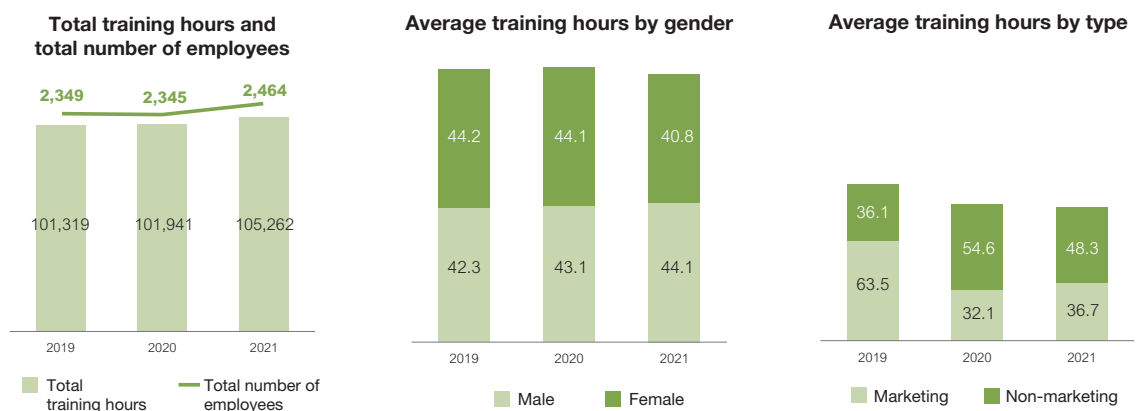
### Training and development course system

In 2021, Fu Shou Yuan Life Service Academy completed 10 internal trainings (offline), totaling 182 class hours and 568 participants.

Meanwhile, the capabilities of adapting to the trend and vigorously promoting digitalized transformation enable us to provide various online learning options for our colleagues at different positions and in different business lines. On the basis of previous learning courseware, we pioneered in creating an immersive video teaching courseware, which provided the trained employees with an immersive learning experience through the combination of PPT content and video files in the course. Besides, the mobile APP of our online learning platform has achieved 100% coverage, and made attempt to create audio course learning, thus encouraging our employees to effectively study in fragmented time and enabling more employees to participate in the training and learning plan.

Besides, we proactively encouraged our employees to study for self-improvement. Through the release of study cards for the online learning platform, we enabled our employees to choose their own improvement directions in the enriched online learning libraries. After learning, we organized group sharing exchange activity to share knowledges and feelings and experiences among our employees. The way of “from point to surface” enabled all employees to obtain diversified new knowledges from sharing session.

During the Reporting Period, our online learning platform launched and implemented 9 new online learning projects with 2,367 participants, and launched a total of 60 new online courses. The log-in rate and learning rate of the platform reached 81% and 75%, respectively.



### Training evaluation system

Fu Shou Yuan insists on placing employees' capability establishment as the primary purpose of training education for employees and establishes a complete training evaluation system. It adopts the Kirkpatrick Model (“4R”, reaction-learning-behavior-result) which is used to evaluate the full set of training content on a regular and complete basis.

| Reaction   | Learning   | Behavior   | Result  |
|--|--|--|---|
| After the courses, evaluate the trainees' satisfaction with the lecturer in terms of its ability, the content of the course, and the training organization by way of questionnaire | Conduct online tests before, during and after the course, and understand the trainees' mastery of the training content in form of a group theme report as an appraisal | After half a year when the course is over, learn about the work behavior and work attitude from the trainees, colleague and superior supervisors by way of questionnaire appraisal | After half a year or one year after the course training period, the administrative center is responsible for determining whether performance has been improved through year-end assessments |

We carried out work based on the Kirkpatrick Model, realized the full training process management from the pre-training needs survey to the post-training satisfaction survey. We conducted in-training feedback and online testing for all training projects, and completed the development analysis of the trainees to ensure that our training courses bring positive and active effects to our trainees.



### Chief employee system

During the Reporting Period, Fu Shou Yuan launched the pioneering chief employee system, and engaged a total of 12 chief employees for a term of two years. In the meantime, the chief employees shall perform the task of “mentoring trainees and teaching skills”, actively cultivate technical cadres for the specific positions.

#### Cheng Dongmei, the Chief Employee from Customer Service Group of Fu Shou Yuan .....

The comment of “Dongmei’s customers end up with being her family and friends” is the best recognition of Dongmei from all members of Customer Service Group. Cheng Dongmei received more than 150 customers with turnover rate of over 75%. Her good performance is also the answer to the secret of why newly employees consult from Ms. Dongmei. Dedicating herself to Fu Shou Yuan for 26 years, Cheng Dongmei insisted on serving customers attentively, relieving customers’ sorrow, providing professional consultancy and selecting reasonable services, which publicized the customer caring of Fu Shou Yuan by her practical actions. For her colleagues, Ms. Dongmei is willing to share her experience with new colleagues and cultivate new blood for the Company.



### 4.3 Health and Safety

Fu Shou Yuan has been attaching great importance to the occupational safety and health of employees in management work, and persistent in implementing the requirements of the safety production responsibility mechanism and making continued efforts in creating and further enhancing the construction of safety management system in strict compliance with the laws and regulations of the place where the Company operates, such as the Law on Prevention and Control of Occupational Diseases of the People’s Republic of China, the Regulations on Work-Related Injury Insurances and the Opinions on Certain Issues Concerning the Implementation of the Regulations on Work-Related Injury Insurances by the Ministry of Human Resources and Social Security. During the Reporting Period, the Group had a total of 3 work-related accidents and 115 working days were lost due to work-related accidents. No fatal accident was recorded.

|  | 2019 | 2020 | 2021 |
|--|------|------|------|
| Work-related accidents                           | 6    | 2    | 3    |
| Working days lost in work-related accidents      | 115  | 164  | 115  |
| The number of fatality in work-related accidents | 0    | 0    | 0    |

#### Occupational health

During the Reporting Period, Fu Shou Yuan formulated and issued *Occupational Health and Safety Management Policy* based on its business conditions, which specified the management rules of employees’ health and safety. To better conduct occupational health and safety work and ensure the prevention and control of occupational diseases, in November 2021, Fu Shou Yuan Environmental Equipment Company Limited, a major industrial production unit of the Group, engaged a qualified occupational health technical service provider to conduct assessment on current occupational disease hazards, specify and analyze the occupational disease hazards in the Company and the health impact on our employees. We conducted an on-the-job occupational health inspection on workplaces and positions involved in occupational disease hazards for employees based on the inspection results, and provided relevant employees with complete protective equipment, such as dust masks, gas masks, and noise-proof earplugs, which effectively prevented and reduced the occurrence of occupational diseases and ensured the legal rights of employees with respect to health and safety.

To increase the knowledge of management personnel, Fu Shou Yuan Environmental Equipment Company Limited arranged 7 safety management personnel to participate in a training course for key persons in charge and safety management personnel of non-high-risk companies conducted by third-party training institutions. All these personnel passed the assessment and obtained the certificate of safety training.

### Production safety

As a leading manufacturer in energy-saving and environmentally friendly death care equipment in China, Fu Shou Yuan Environmental Equipment Company Limited practiced the mission of “production safety of the enterprise, enhancement of safety management level and implementation of production safety policy”, specified the essential part of production safety management and persisted in implementing the requirements of the safety production responsibility mechanism in strict compliance with the laws and regulations in the places where the Company operates, including the *Production Safety Law of the People’s Republic of China* and the *Measures for the Administration of Contingency Plans for Work Safety Incidents*.

We introduced the artificial intelligent technology into the operation of production, reduced human intervention in cremation work through data learning, and gradually promoted fully-automatic cremation technology, which is expected to mitigate the risks of acute or chronic health damage to our employees.

To ensure the occupational health and safety of each employee, Fu Shou Yuan passed ISO 45001 occupational health and safety management system and comprehensively organized the Company’s processes and various management systems to ensure a safety workplace for our employees.

### Pre-employment Training and Annual Safety Inspection for Special Positions .....

For new employees in special positions, we will organize regular pre-employment trainings for new employees before induction, which specifies the position responsibilities and regulates the operation process, and conduct safety inspection on a regular basis based on annual equipment maintenance program in order to correctly identify and eliminate the source of hazards, thereby reducing the occupational risks to our employees.



### Operation safety

Fu Shou Yuan is committed to undertaking the responsibility of promoting the sustainable development of the industry. We actively respond to a variety of potential emergencies, organize employees to watch the educational video of safety production warning, conduct the warning education such as the training in gas fire accident, further strengthen the maintenance of fire protection facilities, and require each subsidiary to conduct not less than four sessions of fire protection training on an annual basis for relevant personnel (including the suppliers). At the same time, we use Inspection Table for Hidden Dangers in Fire Protection (《消防安全隐患自查表》) to verify, record and archive item by item during the self-checking of hidden dangers in fire protection to ensure the implementation of fire protection, and rectify any problem identified. For flood prevention, we have established a flood prevention duty system to make preparation for typhoon prevention and flood prevention in terms of supplies preparation, safety checking before flood season and flood prevention drills, with a view to minimizing the loss in the case of such events.



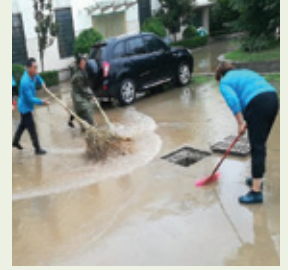
Fire protection drill



Organization of learning safety operation

### Effective response to the heavy rainfall striking Henan in 2021 .....

In July 2021, Henan suffered a heavy rainfall, which had not been in one century in terms of severity. The Henan branch of Fu Shou Yuan made sufficient preparations for flood prevention, including immediate transferring the personnel and supplies and conducting relevant clean-up and investigation (electricity, gas and water conservancy) work in a timely manner, so as to minimize the impact of the rainstorm incident on Henan branch. On July 26, 2021, upon the completion of after-rain clean-up, disinfection work was carried out in important places such as office buildings, toilets and canteens, and the suspended damaged channels arising from the soil erosion caused by the heavy rainfall were reinforced. Thanks to pre-flood emergency plan, we can take effective measures during the incident.



#### *Food safety*

To ensure the food health and safety, Fu Shou Yuan strictly complies with the laws and regulations in the places where the Company operates, such as the Food Safety Law of the People's Republic of China (《中華人民共和國食品安全法》) and Operation Standards Concerning Food Safety for Catering Services, and has formulated the Implementation Measures for Food Safety. Many of our places of operation in China have equipped with canteens that provide working meals for employees. Each of our canteens has catering service licenses, and we ensure that all canteen employees have obtained health certificates. We also carry out responsibility-to-person safety risk control for each process such as procurement, storage, cooking, and sample retention, and conduct random and regular inspections to ensure the diet health and safety for our employees and customers.

#### 4.4 Happy Life

Fu Shou Yuan insists on creating a happy and better future for our employees. We are committed to perfecting the employee communication mechanism and provide the smooth employee communication channels to understand the real situations of our employees. Through relevant employee caring activities, we enable our employees to feel the warmth of the Company, motivate the working enthusiasm and vitality of our employees and create a warm and affectionate workplace.

#### *Employee communication*

Fu Shou Yuan attaches greater importance to our employees' rights of expressing their own demands, so we set up a comprehensive communication channels for our employees, which enables our employees to convey their thoughts in a timely manner and also lets the management to understand our employees' demands in time. We establish the employee monitoring hotline, divide employees' demands into different types and require various department to be in charge of these problems, understand, assess and deal with them. We provide unhindered communication channels for our colleagues from different positions, departments and levels so as to improve the satisfaction rate of our employees.

#### *Employee care*

Fu Shou Yuan deeply recognizes that a harmonious and friendly workplace is vital to improving the Company's cohesion and happiness of employees. We uphold the people-oriented principle, and regard our employees and the Company as an integrated element. We pursue the target of ensuring the physical and mental health and improving the living quality of employees, and formulate caring support measures that accurately help and support our employees who are facing difficulties, to realize the goal of "think what our employees think and consider what our employees consider". We strengthen the team cohesion through various employees caring activities, including but not limited to psychological counselling for the chief employees, touring and birthday parties of our employees and let our employees to feel the warmth of Fu Shou Yuan while motivating their enthusiasm for work.

Fu Shou Yuan encourages our employees to keep a reasonable balance between work and life. We organize various activities for our employees to enable them to relax, work and rest while promoting enterprise culture, thereby to balance both work and life.

5



# The *Perseverance* of Water



## Inheritance Services

The reason why constant dropping wears away the stone lies in the perseverance. The charm of water is its perseverance with the characteristics of perpetuation and tranquilization. Fu Shou Yuan has been focusing on one thing — perception of life, blooming of life and continuous injection of vitality into life services. We constantly introduce new products, with a view to creating more heartfelt service phenomenon for the customers including multiple ways of management, design and maintenance to make life continued and inherited. We are constantly innovating and bringing forth new ideas, based on creating a more considerate service atmosphere to provide customers, through management, design, maintenance and other means, so that life can be continued and inherited. “Father of Chinese Liver Surgery”, Academician of Chinese Academy of Sciences, former Vice President of Second Military Medical University, President of the Third Affiliated Hospital of Naval Military Medical University (Oriental Hepatobiliary Surgery Hospital) Comrade Wu Mengchao and his wife Professor Wu Peiyu’s memorial and funeral ceremony were held in Shanghai Fu Shou Yuan. At the memorial meeting, the holographic image showed Wu Mengchao’s voice, face and smile, and his voice was reproduced through technical means, and he had a “space-time dialogue” with his students, nurses, assistants and other people around him at the scene, and through technological means, let the limited life become long.



As a life service provider, Fu Shou Yuan is committed to pursuing breakthrough and innovation in cemetery landscaping planning and construction, as well as in services and products, which help the full representation of history and culture, actively creating the life place bearing memory and emotion and upholding the highest customer service standards, so as to become the cultural enterprise for inheriting the traditional values and enable the life services to be “colorful, warm and powerful.”

### 5.1 Innovation-driven Development

Fu Shou Yuan has been adhering to the philosophy of “transforming cemeteries into parks and delivering a beautiful farewell”, and continues to promote innovation and has been leading the development of death care industry. We constantly make attempts to inject technology and innovation into multi-dimensions such as design, technology, services and products.

#### *Innovation in design*

Fu Shou Yuan adhered to the design concept of “transforming cemeteries into parks”, which presents not only in diligently researching in the landscape of the cemeteries but also establishing independent professional planning design segment. During the design of newly developed cemetery, Fu Shou Yuan will consider the surroundings and assimilate the local culture to incorporate it into the landscaping design of the cemetery, so that the cemetery can serve the functions of commemoration, education, research and inheritance, which in turn enables the cemetery — the basic urban facility — to be humane. We also persist in keeping abreast with international development, breaking the geographical limitation to sponsor the activity of “international exchange on design innovation” and actively promote the innovative design development of the industry, thereby injecting the connotations of humanity and art into the death care industry.

#### **The humanities memorial park in Dalian Bay, Dalian City .....**

In Dalian city, which enjoys a profound ocean culture, Fu Shou Yuan incorporates the whale fall culture into the design and utilizes the ocean elements to constitute landscape node in the cemetery by modern method with reference to the concept of “a whale was born, passed away and then sunk in the ocean, but its demise could benefit numerous creatures”. The buildings in the cemetery referred to the body shape and curve of whales, so that people could experience the breeze after the setting sun, the flap rhythm of sea tide and extensive landscape of mountain and sea, which created a view and imagination of the ocean.



#### *Innovation in technologies*

Competitive products could be forged with craftsmanship and sincerity could comfort the beloved. Based on the concept of “the most beautiful cemetery, the respect for lives”, Fu Shou Yuan has innovated and optimized the construction technology and construction craft to continuously improve the beauty of the cemetery and build a cemetery featured by landscape, humanity, commemoration and safety.

#### **Construction craft optimization in the tomb passage — digging method .....**

To deal with incorrect positions between grave and tomb passage, Fu Shou Yuan continues to improve the construction craft in the tomb passage and formulate its standards. During the Reporting Period, the Group issued Guidelines on Themed Park, Products Design and Construction (2021 revision) (《主題園、產品設計及施工指導大綱(2021修訂版)》), which optimized the construction process in the tomb passage, regulated the construction standards and improved construction efficiency while dealing with the construction difficulties.

#### *Innovation in services*

Fu Shou Yuan persists in the core philosophy of “caring for life with science and technology”. To this end, we also make use of technological power to constantly create new ways of sacrifices and a variety of carriers for sacrifice activities.

#### *Innovative ways of sacrifices*

Fu Shou Yuan utilizes digital technologies, thereby empowering the development of traditional death care industry. We launched a series of online commemoration services, including online tomb-sweeping, online commemoration, cloud obituary to bear memories and emotions through internet technology. Leveraging on emerging technology and by building an immersive sacrifice hall integrated with audio, light and electricity, we also expanded offline sacrifice ways and its approaches, enabling people to commemorate their deceased family and friends online and at the bottom of their hearts.

## Funerals span across time and space .....

We have been pioneering in offering diversified forms of offline sacrifices. During the Reporting Period, Fu Shou Yuan was honored to hold the memorial services and burial ceremonies for Academician Mengchao Wu, the father of hepatology (肝膽之父) and Professor Peiyu Wu. In on-site memorial service, we created dynamic visual scenario of “Planet Mengchao Wu” (吳孟超星), restored holographic image with the “virtual human technology” developed by Fu Shou Cloud platform of Fu Shou Yuan and revised Mr. Wu’s voice by technology, through which, on-site people who attended the funeral could have an immersive experience of exchanging with him across time and space, thus presenting a funeral across time and space in digital universe, the first of its kind in the country.



### Innovation in sacrifice carriers

Shanghai Fu Shou Yuan upgraded the life spar<sup>2</sup> service and established Cangjingyuan project that summarizes life in a small place and concentrates thoughts. Characterized by small size, beautiful shape, 8,400 life spars could be placed in Cangjingyuan, covering an area of 42 square meters. Beautiful ground square surrounded by trees and blossom in addition to interactive electronic screen of life image to be built has formed a landscape space and commemorated place for living people to share with the deceased. The promotion of life spar and Cangjingyuan can not only reduce the volume of ashes, thus helps to create sustainable and ecological funerals by saving space, but also provide customers with a variety of memorial methods to continue life in another way and let the thoughts pass on from time to time.

## “Cangjingyuan” Square .....

The promotion of life spar cannot be realized without the help from Kuanyuan Qiao, the deceased professor from the University of Shanghai for Science and Technology. He was one of the first batch of experts of expert association in the death care industry of the PRC. During the Reporting Period, the inauguration of “Cangjingyuan” — “wonderful life summarized in life spar and sense of longings conveyed online”, of Shanghai Fu Shou Yuan and salute ceremony to Professor Kuanyuan Qiao was simultaneously held. Life spar has been accepted by more and more people, which demonstrates that the ways of death care advocated by Mr. Qiao have been gradually achieved. In Cangjingyuan Square, “commemoration desk” of Professor Kuanyuan Qiao was specially arranged. During the period of tomb sweeping and rest, citizens only need to scan by telephone and then can review the life experience, works and videos of Professor Kuanyuan Qiao, so as to commemorate the pioneered achievement by this forerunner.



Innovative services such as “digitalized commemoration across time and space” and “life spar funeral” launched by Fu Shou Yuan have attracted the attention of ACCA and international peers, who have appraised and recognized the innovations and progress of Fu Shou Yuan in the fields of services, technology and culture.



<sup>2</sup> Life spar is a crystal formed by natural coagulation of human ashes through high temperature and negative pressure without adding any additives. Unlike the traditional form of preservation of ashes, spar is not only reduced in volume by 80%, but also greatly extends the storage time.

### Innovation in products

While providing life services, Fu Shou Yuan is also committed to the innovation and research and development in cremation equipment. We continue to invest more resources in intelligent equipment, degree of reliability and warmth to constantly improve the performance of products and inject technological power into the industry while reaching high-efficient operation, standard emission and stable performance. During the Reporting Period, the Group invested RMB3.75 million in research and development in cremation machinery products, completed the iteration and upgrade of equipment burning control system and achieved the goal of “early warning before malfunction” to ensure the stability of products during operation. During the Reporting Period, Fu Shou Yuan participated in compiling materials for the skills training of first-class cremated personnel, and took part in enterprise standard formulation for Shanghai Yishan Funeral Parlor. The Group effectively motivated the implementation of the enterprise standards through product innovation and technological upgrade.

Furthermore, Fu Shou Yuan also conducted technological exchange and sharing with universities such as Shanghai Jiaotong University and Tongji University to jointly develop a new-generation intelligent and eco-friendly cremation machine.

### Innovative results protection

Fu Shou Yuan strictly abides by the laws and regulations relating to intellectual property rights such as the *Patent Law of the People's Republic of China*, the *Copyright Law of the People's Republic of China* and the *Trademark Law of the People's Republic of China* and ensures that we would not infringe others' intellectual property rights while protecting its own innovative results. We also organized the trademark management process and standards, including the entire process management on trademark design, application, registration and falsification, thus further regulating the intellectual property rights management of the Group.

As of the end of the Reporting Period, Fu Shou Yuan accumulates 38 patents, among which, 10 of them are approved during the Reporting Period. We also have a total of 268 trademarks, 15 of which were approved during the Reporting Period. In the future, we will continue to improve the trademark system and embark on conducting verification work of famous trademarks.



## 5.2 Brand-building

As a well-known domestic life service brand, Fu Shou Yuan promoted and participated in the development and reform of death care industry in China.

The Group issued the regulations such as Interim Administrative Measures for Cemetery Commission and Sales Performance of the Group (《集團公墓佣金及銷售績效暫行管理辦法》) and Interim Administrative Measures for Funeral Commission and Sales Performance of the Group (《集團殯儀佣金及銷售績效暫行管理辦法》), which specified the price management of part of the death care materials of the Group that uniformed sales-related standards in each area, clarified the integrated work requirements of “funeral, burial, sacrifice and contract” and centered on the “integration” to conduct structure adjustments and business combination measures to the different extent. Furthermore, we also added the special approval process for commission and sales performance and further improved the openness and transparency during the marketing process by leveraging on the quotation and commission management in the information system, thus building more harmonic market relationship.

For the management of marketing models and channels, Fu Shou Yuan, gradually seeks new type of agencies and builds self-operating channels by ways of public welfare, brand publicity activities benefiting the people, linking to community, streets and public welfare organizations through general publicity and specific spreading. We also deepen the maintenance of the existing customers, strengthen our own “motivation” function to create characteristic traffic to differentiated stores and constantly optimize the marketing channels. For brand publicity management, we build a new media matrix with a focus on triple dimensions of “people-products-places” and spread enterprise culture and philosophy values of Fu Shou Yuan in a manner and structure operated by media.

### Open the “selling goods” channel by multi-platforms including operating new media

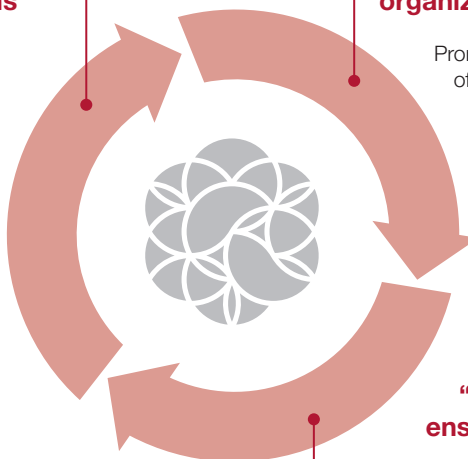
Leverage on the humanity official account of Fu Shou Yuan, register an account in “Fu Shou Talk” video account, and newly added an account in Tik Tok to transform from text to video; increase the update frequency of the humanity official account of Fu Shou Yuan from the previous weekly update to daily update

### Empower “influencing” cadres by organizing MCN training camp

Promote the construction of central kitchen of Fu Shou Yuan, establish the team of parallel center in branch company area, conduct MCN training for work training relating to new media such as video producing, selecting materials and topics, popular new media publicity, target customers and publicity to enrich professional skills

### Construction of “central kitchen” to ensure the sufficient “supplies”

Set up production source system, establish contribution regulation. If the production is adopted by video/official account, the contributor will be paid based on the production quality; family members of celebrities, experts of association/teachers will also be invited to produce copywriting



#### Fu Shou Yuan’s New Media Matrix

### Customer Services

As a life service provider, we regard customers as our family and offer dependable services that let the deceased rest in peace and the living people feeling comfortable, which in turn practices the mission of “satisfying the needs of people for better life”. Fu Shou Yuan continues to perfect its services, renovate service forms and take the services as the actual impetus for the growth of the enterprise.

#### Optimize service content

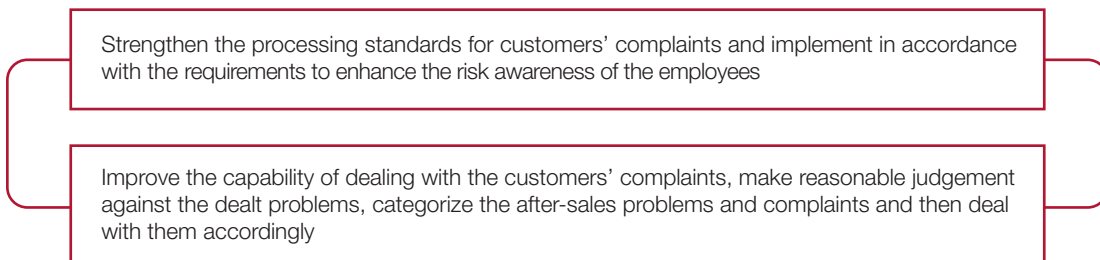


Convenient service rack, incense machine, automatic car washing, heartwarming post and reading pavilion were added to increase the experience comfortability and satisfaction rate of the customers

The Group continues to enrich the channels of understanding customers’ thoughts, such as on-site satisfaction rate assessment, inviting customers to fill out offline investigation questionnaires, satisfaction rate investigation of the official account, and telephone follow-up, so as to deal with and reply to the advices proposed by the customers. During the Reporting Period, customer satisfaction rate of Shanghai Fu Shou Yuan exceeded 95%, followed by Henan Fu Shou Yuan and Changzhou Qifengshan, which exceeded 93%. The number of effective complaints<sup>3</sup> was 7.

<sup>3</sup> Effective complaints mean those incur fee compensation.

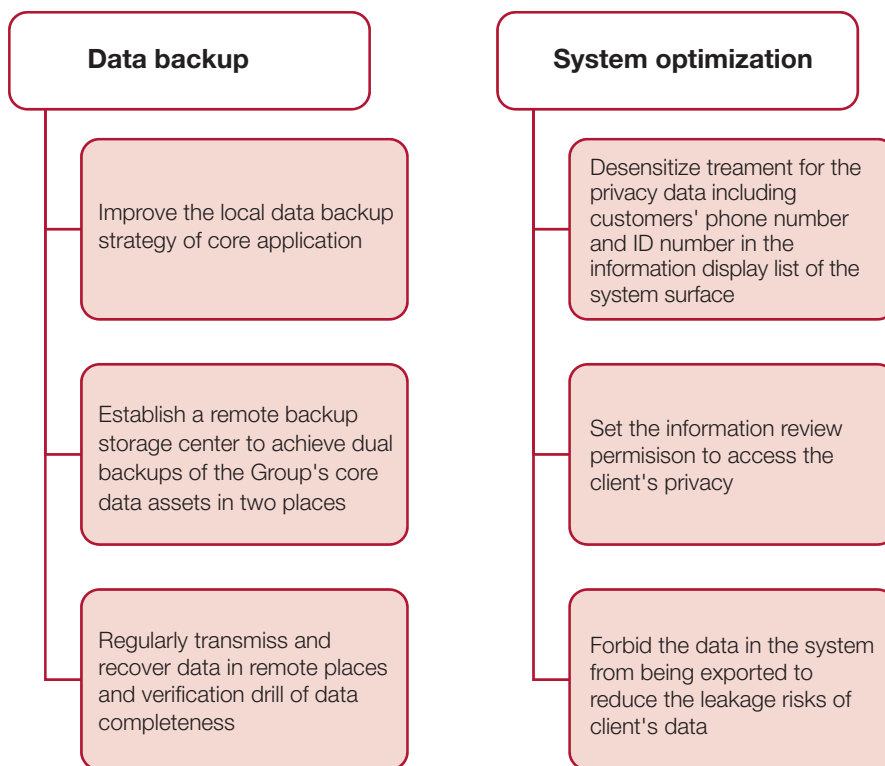




### Corresponding measures for customers' complaints

#### Privacy Protection

In strict compliance with relevant laws and regulations, including the Civil Code of the People's Republic of China and the Data Security Law of the People's Republic of China, Fu Shou Yuan issued the Proposal on the Group's Information Security Guidance (《集團信息化安全指導建議書》) during the Reporting Period, which specified the security management requirements relating to IT basic structures and employees' system operations, and took measures such as data backup and system optimization to ensure the information security of our employees and customers.



### Information Security Protection Measures

During the Reporting Period, Fu Shou Yuan did not record any information leakage incident.

#### 5.3 Quality Management

High-quality products and services are not only the most important core competitiveness for an enterprise, but also the core foothold on which Fu Shou Yuan's century-old brand is built. We focus on the establishment of quality standards, strengthen the management of suppliers, and safeguard the quality of products and services in a holistic manner and from multiple fronts.

### Quality Management

In terms of the engineering construction of the cemetery, Fu Shou Yuan revised the General Rules for Engineering Construction Management (《工程建設管理通用總則》), the Construction Management Outline of Cemetery Projects (《公墓項目建設管理大綱》), the Outline of Guidance for Theme Park and Product Design (《主題園及產品設計指導大綱》) and other systematic documents. We intend to unify the definitions of terms and technical indicators in the engineering construction, and specify the road width and the floor area of various buildings, the planned floor area of theme parks and other parameters, regulate the design standards, construction technique and construction process of landscape nodes, so as to ensure each construction project is completed in an orderly and quality manner.

In terms of the production and manufacturing of cremation machines, we have a dedicated quality inspection team in place and use the online ERP (Enterprise Resource Plan) system. Through the online omni-process recording and management of planning, procurement, production, warehouse and sales, we can effectively avoid any oversight during the process and ensure the quality of each section. During the Reporting Period, Fu Shou Yuan Environmental Equipment Company Limited obtained the ISO 9001 quality management system certification, and there was no recall due to product quality and safety.



### Supplier Management

The Group has optimized the Regulation on Management of Qualified Suppliers (《合格供應商管理規範》) and the Regulation on Management of Tendering, Contracts And Settlement (《招標、合同及結算管理規範》), which are mainly targeted at suppliers participating in construction to ensure project quality. In addition, in accordance with the Regulation on Inspection and Acceptance of Tombstone Quality (《墓石質量驗收規範》), we also conducted sampling inspection on products of tombstone suppliers. During the Reporting Period, 11 suppliers have undergone sampling inspection, with 96% products meeting the acceptable quality level. We will downgrade the unqualified suppliers.

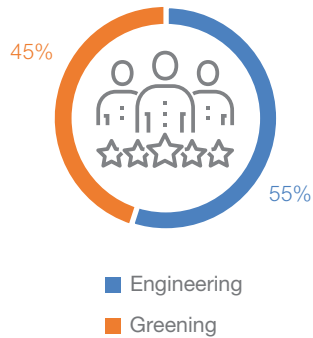
For the procurement of bulk supplies, according to the centralized procurement process of funeral supplies of the Group, Fu Shou Yuan strictly controls the qualification review, access, scoring etc. of suppliers, and raises requirements for the suppliers' environmental and social performance, in particular, including a supplier's environmental protection test report, material test report, patent, management system certification and others. We adopt hierarchical management for suppliers, and conduct evaluation of the qualified suppliers every six months. According to the evaluation results, suppliers are classified as retained, to be rectified and delisted.

| Level-one suppliers:  | Supplier Categorization<br>Level-two suppliers:   | Level-three suppliers:   |
|---|---|--|
| <ul style="list-style-type: none"> <li>Suppliers engaged in cooperative production, research and development and OEM</li> </ul> | <ul style="list-style-type: none"> <li>Winning suppliers for the Group's centralized procurement</li> </ul> | <ul style="list-style-type: none"> <li>Temporary suppliers for centralized procurement of the Group</li> </ul> |

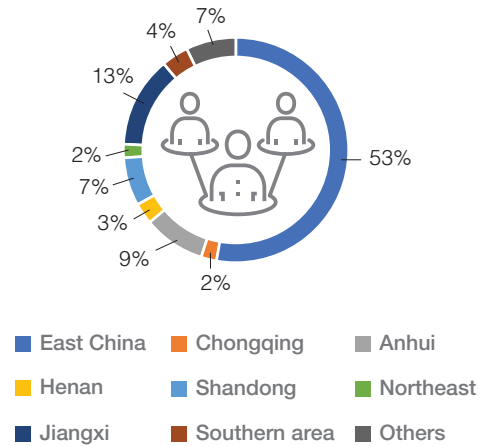
As of the end of the Reporting Period, the Engineering Management Center of the Group has 148 suppliers in total, classified by service type as follows:

The suppliers of products reached 55, classified by region as follows:

**Number of suppliers by service type**



**Number of suppliers of products by region**




Nowadays, with the emergence of increasingly severe environmental problems, the concept of green environmental protection continues to permeate every part of life. In order to practice the concept of environmental protection and deal with global climate change, Fu Shou Yuan actively responds to the advocacy of the Chinese government's "dual carbon policy" and actively undertakes the burden of environmental protection.



# The *Purity* of Water

Environment  
Protection



“How could it be so clear and cool? For fresh water comes from the source” is the materialized goal of Fu Shou Yuan for environmental governance achievements, and also the ideal living environment we are committed to building for the next generation. In recent years, each country has paid more attention to the environmental protection. As an important player in the industry, Fu Shou Yuan actively creates a green ecosystem, leads the new trend of “green sacrifice”, reasonably adopts innovative thinking. In 2021, Shanghai Fu Shou Yuan and Mashan Funeral Home in Xuancheng city under the Group purchased the greenhouse gas units registered for the write-off of emission reductions to offset the carbon dioxide emissions in 2020, and achieve nominal “carbon neutrality”, becoming the first enterprise in our country’s funeral industry to advocate and practice carbon neutrality, supporting the funeral industry to achieve the “double carbon” goal.

## 6.1 Green Ecology

Fu Shou Yuan adheres to the concept of green development and the mode of green funeral management, and actively achieves the green goal through technological innovation and development. We continue to explore more energy-saving and efficient cremation technology and the cemetery management concept of green and environmental protection, advocate green sacrifice, build an ecological landscape cemetery.

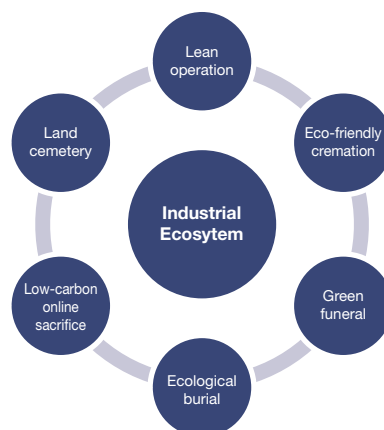
During the Reporting Period, after discussion by the Sustainable Development Committee, Fu Shou Yuan formulated environmental objectives, continuously deepened the implementation of green environmental protection measures in operation practice through environmental objective management, promoted the implementation of industrial green ecology, learned relevant experience, and promoted them to other subsidiaries in the future, with the aim of building a green industrial ecosystem of the Group.

| Energy Consumption                         | Water Consumption  | Waste                                       | Greenhouse Gas Emissions                            |
|--|--|---|---|
| Reduce the total power consumption in 2022 | Reduce the waste of water resources in 2022  | Improve the waste recycling rate in 2022    | Reduce greenhouse gas emissions in the park in 2022 |
| Reduce the peak energy consumption         | Improve the utilization rate of wastewater in 2022 and reduce wastewater discharge | Achieve 100% transfer of construction waste | 2030 carbon neutral zero emission target            |

### *Fu Shou Funeral*

We launched eco-friendly paper coffins, which is featured by energy conservation and carbon reduction, and can ensure the characteristics of weight resistance, waterproof and full combustion.

Fu Shou Yuan vigorously advocates the concept of green funeral and persists in pursuing the goal of improvement of “green, eco-friendly, affordable, and civilized” funeral. We strengthen the promotion of the concept of low-carbon, eco-friendly and green funeral and sweeping for our customers who come to Fu Shou Yuan, implement the management regulations of no smoking and no burning in the park, and advocate that the festival and sweeping personnel replace the burning tin foil by offering flowers and tributes. We provided potted flowers and wish cards that can be replaced in four seasons, so as to reduce the amount of solid waste, express our remembrance through a more green and eco-friendly sacrifice, reduce the impact of the pungent smoke and dust smell generated by funeral explosives on the environment and nearby residents, and reduce the hidden danger of forest fire in some distribution camps and the fire pressure of the property department in the park.



### *Fu Shou Manufacture*

In terms of the cremation machine, we launched the third-generation “Jiesheng” eco-friendly cremation machine (JS-3) which adopts technologies including a symmetrical furnace structure, tail flue, high-pressure oxygen supply, hot air oxygen supply, heat preservation and thickening, which can save gas consumption by 20% and shorten the average cremation time by 20% and lower combustion cost of single body. The exhaust emission of cremation machine can fully meet the national standard, and its eco-friendliness indicators and performance level reach the leading level in the industry. We continue to upgrade JS-3 cremation machine through cooperation with relevant universities and enterprises to improve its burning efficiency.

In terms of exhaust emission treatment system, we have launched exhaust emission recovery system. The system recycles the heat of the exhaust emission of the cremation system for reuse, uses the heat exchanger equipment for heat exchange, and uses the heat to preheat the fuel and auxiliary air, thus improving the furnace temperature and saving fuel consumption, and achieving the purpose of carbon reduction. Cremation business is a “major contributor” of carbon emissions in the funeral industry, and the system can contribute to the significant reduction in the impact of operation on the environment and contribute to the carbon reduction action of the funeral industry.

### *Fu Shou Green Burial*

Fu Shou Yuan actively responded to the requirements of the Guiding Opinions on Promoting Land-saving Ecological Burial, vigorously advocated the promotion of ecological land-saving burial. As part of our efforts to work with customers towards a sustainable future of the ecological land-saving industry, we launched diversified land-saving products for our customers, including indoor burials, lawn burials, forest burials, flower bed burials, three-dimensional burials, waterscape burials, tower burials, and tree burials.

#### **“Tombstone slimming, memorial capacity expansion”** .....

Fu Shou Yuan tries its best to explore the planning policy of reducing the number of tombstones. Through the rational use of Fu Shou Yuan’s “life spar” innovative technology, the land saving rate of this burial style can reach 96%, thus realizing the concept of “tombstone slimming, memorial capacity expansion”. At the same time, in addition to highlighting the land-saving effect, this model can also enable customers who receive bone ash crystalization service to obtain innovative benefits at the economic level, change people’s sacrificial and sweeping habits, and truly realizing the innovation of modern sacrificial concept of “from sacrificing to memorizing”.

### *Fu Shou Online Tomb-sweeping*

During the Reporting Period, Fu Shou Yuan vigorously publicized the environmental protection sacrifice concept of low-carbon sacrifice through online and offline channels. We constantly optimize the “Fu Shou Cloud” online tomb-sweeping service, and provide text, video and picture sharing functions for the public through Wechat platform to connect the online platform with the offline real scene, so that customers can express their thoughts for the dead through online ways. Through the sharing function, more close relatives and friends of the deceased can express their feelings of remembrance on the Internet, thus avoiding the environmental impact caused by the travel of sweepers to the park.

### *Fu Shou Planning*

Fu Shou Yuan is committed to the innovative development of domestic funeral industry and changing the traditional way of cemetery planning. We attach importance to the original ecological protection and biodiversity protection. Therefore, in the process of park planning and construction, we are committed to creating a better future for the local environment of the cemetery by selecting artificial stones to replace natural stones, selecting appropriate vegetation protection schemes, and protecting local native animals and plants.

#### **Replacing Natural Stones with Artificial Stones** .....

In the construction of several theme parks in 2021, Fu Shou Yuan adopted quartz brick (artificial stone) to replace sesame white granite for wall and ground pavement. Quartz brick is characterized by appearance similar to granite, small color difference, no radiation and easy to take care of. Meanwhile, it can also reduces the environmental damage caused by the mining of granite.



## **6.2 Environmental Protection Concept**

Fu Shou Yuan has been prioritizing energy conservation and consumption reduction in its low-carbon operation. We vigorously advocate improving energy efficiency and reducing carbon footprint, and vigorously promote energy-saving measures and energy-saving equipment. At the same time, we strictly regulate the management of three categories of wastes, ensure that research and development, production and operation do not have a negative impact on the environment, and strive to improve the sustainability of the funeral industry.

### Energy Management

Fu Shou Yuan has been committed to fulfilling the mission of energy management of low-carbon consumption reduction, strictly following the Energy Conservation Law of the People's Republic of China (《中華人民共和國節約能源法》) and other local laws and regulations, and based on its situations, improving energy efficiency through practical actions, encouraging energy structure, advocating the use of clean energy, and focusing on reducing comprehensive energy use in all parts of its operations, with a view to reducing carbon emissions and its carbon footprint.

The energy consumption of Fu Shou Yuan mainly comes from purchased electricity. We track power consumption by using our cemetery management visualization platform, with the aim of realizing the Company's energy management model from macro to micro and from management to implementation. During the Reporting Period, we chose low-energy LED energy-saving lamps instead of traditional bulbs, chose voice-controlled lamps in appropriate scenes, implemented temperature control schemes for the use of air conditioners in summer and winter, reduced staff's use of official vehicles, advocated green public commuting, raised the awareness of our employees on environmental protection and practiced low-carbon thinking.

### Shanghai Fu Shou Yuan realized the first nominal carbon neutralization in the funeral industry.....

In 2021, Shanghai Fu Shou Yuan offset carbon dioxide emissions in 2020 by purchasing emission reduction units and writing off registered greenhouse gas units, and achieved carbon neutralization, becoming the first enterprise in China's funeral industry to advocate and practice carbon neutralization.



The energy consumption of Fu Shou Yuan in 2021 is as follows:

|  | Unit                                      | Total amount in 2020 | Total amount in 2021 |
|--|---|----------------------|----------------------|
| Purchased electricity                      | mWh                                       | 8,395                | 11,293               |
| Coal                                       | ton                                       | 223                  | 294                  |
| Kerosene                                   | litre                                     | 12,558               | 11,026               |
| Diesel                                     | litre                                     | 651,954              | 753,999              |
| Natural gas                                | cubic meter                               | 369,464              | 514,057              |
| Gasoline                                   | litre                                     | 409,175              | 484,655              |
| Comprehensive energy consumption           | mWh                                       | 23,819               | 32,389               |
| Comprehensive energy consumption intensity | mWh/RMB million revenue                   | 12.59                | 13.92                |
| GHG scope I                                | ton CO <sub>2</sub> e                     | 3,967                | 4,876                |
| GHG scope II                               | ton CO <sub>2</sub> e                     | 5,123                | 6,288                |
| Total GHG emission                         | ton CO <sub>2</sub> e                     | 9,090                | 11,164               |
| GHG emission intensity                     | ton CO <sub>2</sub> e/RMB million revenue | 4.80                 | 4.80                 |

### Water resources management

Fu Shou Yuan understands the importance of water resources protection and water conservation. We strictly comply with the Water Law of the People's Republic of China (《中華人民共和國水法》) and other laws and regulations of the place where we operate, and continuously improve the efficiency of using water resources.

During the Reporting Period, the water consumption of Fu Shou Yuan was mainly greening water and domestic water. For greening use, we adopt drought-tolerant and low-water consumption plants, and advocate a multi-layer structure comprising arbor, shrub, and grass. Through reasonable landscape layout, we can not only meet the greening coverage and landscape needs of the park, but also reduce the use of greening water. Meanwhile, we have achieved the goal of saving water by using advanced irrigation methods such as dropper, sprinkler irrigation and infiltration irrigation, and by reusing rainwater and river water. In terms of domestic water, we advocate that staffs save and use water reasonably, and jointly practice the important concept of water saving and water protection in daily life.

|                                      | Unit                  | Total amount in<br>2020 | Total amount in<br>2021 |
|--------------------------------------|-----------------------|-------------------------|-------------------------|
| Municipal pipeline water consumption | ton                   | 172,225                 | 325,264                 |
| Natural water withdrawal             | ton                   | 620,923                 | 651,760                 |
| Water consumption intensity          | tons/RMB0,000 revenue | 4.19                    | 4.20                    |

### Emission management

Fu Shou Yuan regards pollution control and emission reduction as an important part of environmental protection. We strictly comply with the Environmental Protection Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Water Pollution, the Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution and other local laws and regulations, and based on the Company's operation, we have formulated relevant regulations on the emission management of three categories of wastes, actively responded to the call of national policies, continuously strengthened the management of pollutants, reduced the impact of business and production activities on the environment, ensured the strict implementation of the compliance requirements of all businesses, and pursued the steady enhancement in the improvement of ecological environment.

Fu Shou Yuan attaches great importance to the disposal of wastes. We strictly comply with local laws and regulations, such as the Standard for Pollution Control of Hazardous Waste Storage (GB18597-2001), the Technical Code for Collection, Storage and Transportation of Hazardous Waste (HJ2025-2012) and the Standard for Pollution Control of General Industrial Solid Waste Storage and Disposal Sites (GB18599-2001), and respond to the local government's management requirements for waste classification, while taking relevant measures to reduce waste generation and standardize waste management.

The wastes generated during the operation of Fu Shou Yuan are mainly non-hazardous wastes, including sacrifice sweeping garbage, domestic waste, and a small amount of construction waste and yard waste such as deadwood and weeds. We entrusted the municipal environmental sanitation management office to carry out garbage removal and transportation, post the publicity page of garbage classification specification in the park, set up garbage classification bins in the park, and carried out garbage classification training for employees, so as to achieve the goal of "reduction, recycling and harmless disposal" of waste classification collection, treatment and disposal. Moreover, we focused on the recycling and reuse of non-hazardous waste to continuously improve the reuse value of resources and reduce end-of-life waste. During the Reporting Period, Fu Shou Yuan produced a total of 4,617 tons of non-hazardous wastes.

|                                  | Unit                    | Total amount in<br>2020 | Total amount in<br>2021 |
|----------------------------------|-------------------------|-------------------------|-------------------------|
| Non-hazardous waste              | ton                     | 2,832                   | 4,617                   |
| Non-hazardous waste intensity    | ton/RMB million revenue | 1.50                    | 1.99                    |
| <b>Hazardous waste</b>           | kg                      | 488                     | 327                     |
| <b>Hazardous waste intensity</b> | kg/RMB million revenue  | 0.26                    | 0.14                    |

The exhaust gas generated during the operation of Fu Shou Yuan mainly includes exhaust gas from all self-operated cremation machines and unorganized emissions in the cemetery.

Regarding the exhaust gas generated by cremation machines, through the upgrade of waste gas emission technology, we have continuously strengthened the reuse and recovery of exhaust emission, so as to make the cremator greener and more environment-friendly. During the Reporting Period, we entrusted third-party monitoring agencies to conduct regular monitoring, and the monitor result showed that our exhaust emission was approximately 50% lower than the national standard.



In terms of the treatment of the small amount of waste gas generated by incense lighting, blasting and paper money burning in the process of sacrifice in the park, we have always implemented the anti-smoking work during the Reporting Period. We had required that the burning of tinfoil, coins, paper money, paper bundles and other superstitious products and the setting off fireworks and firecrackers shall be prohibited in all parks. We advocate green and eco-friendly sacrifice activities, and promoted sacrifice activities which are conducted through online and offline channels.

|                                | Unit                         | Total amount in 2020 | Total amount in 2021 |
|--------------------------------|------------------------------|----------------------|----------------------|
| Exhaust gas emission           | cubic meter                  | 54,645,000           | 61,070,000           |
| Nitrogen oxides emission       | ton                          | 6.34                 | 7.08                 |
| Exhaust gas emission intensity | cubic meter/RMB0,000 revenue | 288.75               | 262.57               |

The wastewater generated by Fu Shou Yuan in the course of daily operations is mainly domestic wastewater from employees' office activities, canteens and kitchens, cemetery greening wastewater and funeral wastewater. All our domestic wastewater is directly discharged to the sewage treatment plant through the municipal pipe network for unified treatment. Cemetery greening wastewater is reused or returns to the ground by natural infiltration or evaporates naturally. For funeral wastewater, we have established a complete set of treatment and emission management mechanisms and introduced advanced sewage treatment equipment. Wastewater is collected from the wastewater pipe network to the biochemical adjustment tank. After aerobic reaction, bio-film reaction, drug washing and other processes and UV disinfection, then wastewater will be discharged after reaching the "Water Pollutant Discharge Standards of Medical Institutions" and the first level standard of "Integrated Wastewater Discharge Standards" upon being treated by sewage treatment stations.

### 6.3 Low-carbon Transformation

Ecological and environmental protection is the foundation of our survival and the source of our development. In recent years, greenhouse gas emissions have increased rapidly, which has not only left a disastrous impact on the global climate, but also brought many hidden dangers to human health and safety. Under the background of population aging, China's demand for the funeral industry will continue to grow. As an indispensable part of our society, the funeral industry should bear more responsibilities amid the general trend of global climate change.

#### 6.3.1 Risk management

As climate change brings increasing risks and challenges to enterprises, Fu Shou Yuan focuses on managing climate change risks through more accurate practical actions, so as to formulate more targeted plans and solutions. Fu Shou Yuan carried out the identification of climate change risks and opportunities in 2021 and incorporated climate change risks into the Group's risk management.

Under the framework of the Task Force on Climate-related Financial Disclosures (TCFD), Fu Shou Yuan took a systematical approach to identifying the climate change risks that may affect the Company's business and finance based on with the actual situation of its business operation places and the national and regional policy planning.

| Governance   | Strategies   | Risk Management   | Indicators and Goals  |
|--|--|---|---|
| <ul style="list-style-type: none"> <li>Sustainable Development Committee reviews climate change risks and guides the formulation of risk response strategies</li> <li>Sustainable Development Committee identifies and manages climate change risks</li> </ul> | <ul style="list-style-type: none"> <li>Identify the strategic, operational and financial implications of climate change risks</li> </ul> | <ul style="list-style-type: none"> <li>Carry out climate change risk assessment from the perspective of risk impact and occurrence possibility, and formulate response measures based on the results</li> </ul> | <ul style="list-style-type: none"> <li>Regularly disclose greenhouse gas emissions and set greenhouse gas emission targets</li> </ul> |

We analyzed serious climate change risks facing Fu Shou Yuan, and then developed measures, so as to reduce the impact of climate change risks on Fu Shou Yuan and seize relevant opportunities brought by climate change.

## Checklist of Climate Change Risk

| Risk Type              | Risk Name                 | Risk Description   | Potential Financial Impact  | Measures  |
|------------------------|---------------------------|--|---|---|
| <b>Transition Risk</b> | Legal And Regulatory Risk | China actively promotes ecological burial, and has been promulgating more stringent laws and policies. In addition, the gas emission compliance requirements faced by cremation services are becoming increasingly stringent. For example, Beijing has issued a local standard — the Emission Standard for Air Pollutants from Crematoria (《火葬場大氣污染物排放標準》). These will increase environmental protection costs and compliance risks for the industry | Increased operating costs   | While meeting the pollutant emission standards of crematorium, we improve the overall environmental protection efficiency of the cremation process, and gradually accomplish the harmonious coexistence of technology and nature in the course of ecological civilization   |
|                        | Technology Risk           | Technological improvement or innovation supporting the transformation to a low-carbon and energy-saving economic system will bring some effects, such as the technical improvement of cremation machine  | Increased operating and research and development costs                                      | Fu Shou Yuan always focuses on the concept of “smart and environmentally friendly”, and is committed to developing novel model of eco-friendly cremation machine, while continuing to explore technological innovations for new, smart and eco-friendly cremation machine. In 2020, we released the third-generation “Jiesheng” eco-friendly cremation machine (JS-3). This new model can shorten the average cremation time by 20%, and can fully meet the national standard |
|                        | Market Risk               | The market preference for eco-friendly cremation, green funeral and landscape cemetery may require the Company to actively provide more kinds of new products such as land-saving funeral and ecological funeral to meet the needs of customers  | Increased operating and research and development costs                                      | Fu Shou Yuan vigorously develops ecological land-saving burials and launches land-saving products including indoor burials, lawn burials, forest burials, flower bed burials, three-dimensional burials, waterscape burials, and tower burials, truly achieving ecological conservation of land and making the best use of materials  |
|                        | Reputation Risk           | People’s requirements for the quality of funeral services gradually escalate with the improvement of living standards. If the Company gives customers the impression that it is detrimental to the transformation of low-carbon economy, or the media generates similar public opinion, it may increase the operation risk of the Company  | The shift in consumer preferences leading to a decline in the demand for goods and services | Fu Shou Yuan insists on promoting green development to create a beautiful environment, promotes green funeral management mode, innovates energy-saving and high-efficiency cremation technology, implements green burial and smoke-free sacrifices, and builds an ecological landscape cemetery. Fu Shou Yuan also continuously implements the development strategy of ecological civilization and promotes the green and healthy development of various segments             |
| <b>Physical Risk</b>   | Acute Risk                | Flood risk: Wuyuan Longevity Hill, Shanghai Fu Shou Yuan, Fu Shou Yuan Harbor Cemetery which are located in East China and other operation sites subject to the impact of rainy seasons and frequent typhoons may lead to the damage of cemeteries, the deterioration of ashes and the loss of urn   | Increased operating costs   | Fu Shou Yuan has formulated flood control emergency management measures to reduce the impact of flood disasters on the operation site of Fu Shou Yuan by strengthening the preparation work in the early stage of the disaster and the rehabilitation work after the disaster.  |
| <b>Physical Risk</b>   | Chronic Risk              | Drought risk: located in North China, Northeast China, central China and other operating places with less annual precipitation, such as Henan Fu Shou Yuan, Liaoning Guanlingshan Cultural Landscape, etc. Arid climate may also increase the risk of fire during the festival   | Increased operating costs   | Fu Shou Yuan adheres to the concept of “adapting measures to local conditions”, and selects appropriate local tree species, such as beech, Luan, etc., to replace the previous camphor and other tree species, and reduce damage to soil and death of tree species.   |



## Fu Shou Yuan International Group Honors Summary

| No. | Awardee                   | Name of Award  | Awarding Time | Issuing Authority  |
|-----|---------------------------|--|---------------|--|
| 1   | Fu Shou Yuan Group        | The Most Socially Responsible Listed Company – The 5th Annual Golden Hong Kong Stocks Ceremony | January 2021  | Zhitongcaijing.com, www.10JQKA.com.cn  |
| 2   |                           | The Best ESG Award – The 4th China Excellence IR 2020–2021                                     | January 2021  | Roadshow   |
| 3   |                           | “2021 (Industry) Quality Standard Award” of International Quality Festival                     | June 2021     | The 2nd International Quality Festival in 2021   |
| 4   |                           | 2021 Outstanding Brand Image Award   | July 2021     | CFS 10th Financial Summit  |
| 5   |                           | 2021 Sustainable Development Contribution Award  | November 2021 | 2021 (the 4th) Social Responsibility Conference organized by the Social Responsibility Conference Organizing Committee |
| 6   |                           | The Best Sustainable Development Award   | December 2021 | GURUCLUB   |
| 7   |                           | “The Best ESG Award” of the 5th Annual China Excellence IR Awards                              | December 2021 | Roadshow   |
| 8   | Liaoning Guanlingshan     | Liaoning 2018–2020 “Civilized Enterprise”  | April 2021    | Liaoning Guidance Committee for Culture and Ethnical Progress  |
| 9   |                           | Tieling May Day Labor Medal  | April 2021    | Tieling General Labor Union  |
| 10  | Chongqing Xiyuan          | 2020 National Red Cross Model Enterprise   | January 2021  | China Red Cross  |
| 11  |                           | Vice President of Chongqing Branch of China Workers’ Cultural and Sports Association           | March 2021    | Chongqing Branch of China Workers’ Cultural and Sports Association   |
| 12  |                           | Top 10 Public Welfare Projects in 2020   | May 2021      | Chongqing Daily  |
| 13  | Jinsha Fuze               | Guizhou Funeral Association Standing Member  | May 2021      | Guizhou Funeral Association  |
| 14  | Public Welfare Foundation | 2020 Charity Innovation Award  | January 2021  | The 10th China Charity Festival  |



| Category   | Name   |
|--|--|
| <b>Corporate governance</b>  | Company Law of the People's Republic of China  |
|  | Law of the People's Republic of China on Enterprise Income Tax                                       |
|  | Anti-Unfair Competition Law of the People's Republic of China  |
|  | Civil Procedure Law of the People's Republic of China (revised in 2021)                              |
|  | Advertising Law of the People's Republic of China (revised in 2021)                                  |
|  | Law of the People's Republic of China on Administrative Punishment (revised in 2021)                 |
|  | Regulations on the Administration of Registration of Market Entities                                 |
| Regulations of Shanghai Municipality on Optimizing Business Environment                                |  |
| <b>Employment</b>  | Labor Law of the People's Republic of China  |
|  | Employment Promotion Law of the People's Republic of China   |
|  | Labor Contract Law of the People's Republic of China   |
|  | Social Insurance Law of the People's Republic of China   |
|  | Trade Union Law of the People's Republic of China  |
|  | Labor Dispute Mediation and Arbitration Law of the People's Republic of China                        |
|  | Law of the People's Republic of China on the Protection of Women's Rights and Interests              |
|  | Regulations on Paid Annual Leave for Employees   |
|  | Decision of the State Council on Establishing the Basic Medical Insurance System for Urban Employees |
|  | Provisions of the State Council on Working Hours of Employees  |
|  | the Special Provisions on Labor Protection for Female Employees                                      |
| Regulations on the Scope of Prohibited Labor for Female Employees                                      |  |
| Notice of the Ministry of Labor on Several Issues Concerning the Fertility Treatment of Female Workers |  |
| <b>Intellectual property rights</b>  | Patent Law of the People's Republic of China   |
|  | Copyright Law of the People's Republic of China  |
|  | Trademark Law of the People's Republic of China  |
| <b>Data security</b>   | the Data Security Law of the People's Republic of China  |
|  | the Privacy Law of the PRC   |
|  | Shanghai Data Regulation   |



| Category  | Name   |
|---|--|
| Health and safety   | Production Safety Law of the People's Republic of China (revised in 2021)  |
|   | the Law on Prevention and Control of Occupational Diseases of the People's Republic of China   |
|   | Food Safety Law of the People's Republic of China (revised in 2021)  |
|   | Anti-food Waste Law of the People's Republic of China  |
|   | Work-Related Injury Management Regulations   |
|   | Regulations on Work-Related Injury Insurances  |
|   | Opinions on Certain Issues Concerning the Implementation of the Regulations on Work-Related Injury Insurances by the Ministry of Human Resources and Social Security |
|   | Implementation Measures for the Provisions of the State Council on Working Hours of Employees  |
|   | Administrative Measures for Diagnosis and Identification of Occupational Diseases  |
|   | Interim Measures for the Supervision and Administration of "Three Simultaneities" for the Occupational Health of Construction Projects                               |
| Environmental protection  | Food Safety Law of the People's Republic of China  |
|   | Operation Standards Concerning Food Safety for Catering Services   |
|   | Environmental Protection Law of the People's Republic of China   |
|   | Environmental Protection Tax Law of the People's Republic of China   |
|   | Law of the People's Republic of China on the Prevention and Control of Water Pollution   |
|   | Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution   |
|   | Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution   |
|   | Noise Pollution Prevention and Control Law of the People's Republic of China   |
|   | Law on Prevention and Control of Soil Pollution of the People's Republic of China  |
|   | Law of the People's Republic of China on Environmental Impact Assessment   |
| Death care  | Regulations on Administration of Construction Project Environmental Protection   |
|   | Administrative Measures for Pollutant Discharge Licensing (Trial)  |
|   | Regulations of Shanghai Municipality on Environmental Protection   |
|   | Regulations on Funeral Management (revised in 2012)  |
|   | Guiding Opinions on Promoting Land-saving Ecological Burial  |
|   | Guiding Opinion on Further Promoting the Funeral and Burial Reform and Encouraging the Development of the Funeral and Burial Industry                                |
|   | Implementation Rules of the Law of the People's Republic of China on Land Administration   |
|   | Jiangsu Regulations on Funeral and Interment Control   |
|   | Changsha Regulations on Funeral and Interment Control  |
|   | Jiangxi Cemetery Management Approach   |
| Guangxi Zhuang Autonomous Region Regulations on Funeral and Interment Control |  |



| ESG Subject Areas, Aspects, General Disclosures and KPIs |                    |  | Section  |
|--|--------------------|--|--|
| <b>Environmental</b>                                     |                    |  |  |
| <b>A1: Emissions</b>                                     | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste. | 6.2 Practicing Environmental Protection Concept                      |
|  | A1.1               | The types of emissions and respective emissions data.  | 6.2 Practicing Environmental Protection Concept                      |
|  | A1.2               | Greenhouse gas emissions in total and, where appropriate, intensity  | 6.2 Practicing Environmental Protection Concept                      |
|  | A1.3               | Total hazardous waste produced and, where appropriate, intensity   | 6.2 Practicing Environmental Protection Concept                      |
|  | A1.4               | Total non-hazardous waste produced and, where appropriate, intensity   | 6.2 Practicing Environmental Protection Concept                      |
|  | A1.5               | Description of measures to mitigate emissions and results achieved.  | 6.1 Green Ecology<br>6.2 Practicing Environmental Protection Concept |
|  | A1.6               | Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.   | 6.1 Green Ecology<br>6.2 Practicing Environmental Protection Concept |
| <b>A2: Use of Resources</b>                              | General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials.   | 6.2 Practicing Environmental Protection Concept                      |
|  | A2.1               | Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity  | 6.2 Practicing Environmental Protection Concept                      |
|  | A2.2               | Water consumption in total and intensity   | 6.2 Practicing Environmental Protection Concept                      |
|  | A2.3               | Description of energy use efficiency initiatives and results achieved.   | 6.1 Green Ecology<br>6.2 Practicing Environmental Protection Concept |
|  | A2.4               | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.  | 6.1 Green Ecology<br>6.2 Practicing Environmental Protection Concept |
|  | A2.5               | Total packaging material used for finished products and, if applicable, with reference to per unit produced.   | Packing material is rarely involved during the operation             |



| ESG Subject Areas, Aspects, General Disclosures and KPIs |                    |   | Section  |
|--|--------------------|---|--|
| <b>A3: The Environment and Natural Resources</b>         | General Disclosure | Policies on minimizing the issuer's significant impact on the environment and natural resources.  | 6. The Purity of Water – Environmental Protection        |
|  | A3.1               | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.   | 6. The Purity of Water – Environmental Protection        |
| <b>A4: Climate Change</b>                                | General Disclosure | Policies on identifying and responding to major climate related matters that have and may have an impact on the issuer  | 6.3 Low-carbon Transformation                            |
|  | A4.1               | Description of the major climate related issues that have and may have an impact on the issuer, and response actions  | 6.3 Low-carbon Transformation                            |
| <b>Social</b>  |                    |   |  |
| <b>B1: Employment</b>                                    | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | 4. The Inclusiveness of Water – Caring for Our Employees |
|  | B1.1               | Total workforce by gender, employment type, age group and geographical region.  | 4.1 A Pool of Talents                                    |
|  | B1.2               | Employee turnover rate by gender, age group and geographical region.  | 4.1 A Pool of Talents                                    |
| <b>B2: Health and Safety</b>                             | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.   | 4.3 Health and Safety                                    |
|  | B2.1               | Number and rate of work-related fatalities during the past three years (including the Reporting Year).  | 4.3 Health and Safety                                    |
|  | B2.2               | Lost days due to work injury.   | 4.3 Health and Safety                                    |
|  | B2.3               | Description of occupational health and safety measures adopted, how they are implemented and monitored.   | 4.3 Health and Safety                                    |
| <b>B3: Development and Training</b>                      | General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.   | 4.2 Employee Empowerment                                 |
|  | B3.1               | The percentage of employees trained by gender and employee category.  | 4.2 Employee Empowerment                                 |
|  | B3.2               | The average training hours completed per employee by gender and employee category.  | 4.2 Employee Empowerment                                 |
| <b>B4: Labor Standards</b>                               | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.   | 4.1 A Pool of Talents                                    |
|  | B4.1               | Description of measures to review employment practices to avoid child and forced labor.   | 4.1 A Pool of Talents                                    |
|  | B4.2               | Description of steps taken to eliminate such practices when discovered.   | 4.1 A Pool of Talents                                    |



| ESG Subject Areas, Aspects, General Disclosures and KPIs |                    |   | Section   |
|--|--------------------|---|---|
| <b>B5: Supply Chain Management</b>                       | General Disclosure | Policies on managing environmental and social risks of the supply chain.  | 5.3 Quality Management  |
|  | B5.1               | Number of suppliers by geographical region.   | 5.3 Quality Management  |
|  | B5.2               | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.   | 5.3 Quality Management  |
|  | B5.3               | Description of practices for identifying environmental and social risks in each link of the supply chain, where the practices are being implemented, how they are implemented and monitored.  | 5.3 Quality Management  |
|  | B5.4               | Describe the practice of promoting the use of environmental protection products and services when selecting suppliers, where the practices are being implemented, how they are implemented and monitored.   | 5.3 Quality Management  |
| <b>B6: Product Responsibility</b>                        | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | 5. The Perseverance of Water – Inheritance Services                               |
|  | B6.1               | Percentage of total products sold or shipped subject to recalls for safety and health reasons.  | No involvement of products that need to be recalled for safety and health reasons |
|  | B6.2               | Number of products and service related complaints received and how they are dealt with.   | 5.2 Improving Experience  |
|  | B6.3               | Description of practices relating to observing and protecting intellectual property rights.   | 5.1 Innovation-based development  |
|  | B6.4               | Description of quality assurance process and recall procedures.   | Quality assurance and product recalls are not involved.                           |
|  | B6.5               | Description of consumer data protection and privacy policies, how they are implemented and monitored.   | 5.2 Improving Experience  |
| <b>B7: Anti-corruption</b>                               | General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.  | 1.3 Corporate Governance  |
|  | 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.  | 1.3 Corporate Governance  |
|  | B7.2               | Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.  | 1.3 Corporate Governance  |
|  | B7.3               | Description of anti-corruption training provided to directors and employees   | 1.3 Corporate Governance  |
| <b>B8: Community Investment</b>                          | General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.  | 3. The Virtue of Water – Giving Back to the Society                               |
|  | B8.1               | Focus areas of contribution   | 3. The Virtue of Water – Giving Back to the Society                               |
|  | B8.2               | Resources contributed to the focus area.  | 3. The Virtue of Water – Giving Back to the Society                               |





**福壽園國際集團**

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