



中煙國際 (香港) 有限公司
China Tobacco International (HK) Company Limited

(Incorporated in Hong Kong with limited liability)

Stock code: 6055

2023

**ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT**

Environmental, Social and Governance Report

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DEFINITION

Unless otherwise stated, these terms are defined as follows:

“AOB” or “Alliance One Brazil”	Alliance One Brasil Exportadora de Tabacos Ltda., a company incorporated in Brazil on 28 October 1971 with limited liability;
“Board” or “Board of Directors”	the board of Directors of the Company;
“CBT”	China Brasil Tabacos Exportadora S.A., a company incorporated in Brazil on 15 September 2011 with limited liability;
“China” or “PRC”	The People’s Republic of China;
“CNTC”	China National Tobacco Corporation (中國煙草總公司), an enterprise incorporated in the PRC and the ultimate controlling shareholder of the Company;
“CNTC Group” or “China Tobacco”	CNTC and its subsidiaries;
“CTIB” or “China Tobacco Brazil”	China Tabaco Internacional do Brasil Ltda. (中煙國際巴西有限公司), a company incorporated in Brazil on 6 June 2002 with limited liability;
“CTIB Group”	CTIB and its subsidiaries, including CBT;
“CTIG”	China Tobacco International Group Limited, a company incorporated in Hong Kong with limited liability and the immediate controlling shareholder of the Company;
“CTIHK” or the “Company”	China Tobacco International (HK) Company Limited;
“ESG”	Environmental, Social and Governance;
“ESG Reporting Guide”	The Environmental, Social and Governance Reporting Guide, which is set out in Appendix C2 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd.;
“GHG”	Greenhouse Gas;
“Group”, “we” or “our”	The Company and its subsidiaries;

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“NO _x ”	Nitrogen Oxides;
“PM”	Particular Matters;
“PPE”	Personal Protective Equipment;
“R\$” or “Real”	Brazilian real, the lawful currency of Brazil;
the “Report”	China Tobacco International (HK) Company Limited Environmental, Social and Governance Report 2023;
“SEHK” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“SO _x ”	Sulphur Oxides;
the “Year” or the “Reporting Period”	From 1 January 2023 to 31 December 2023;
“%”	percent.

ABOUT US

CTIHK, established in 2004, is the designated offshore platform of CTIG for capital markets operation and international business expansion. CTIHK is headquartered in Hong Kong and manages its diversified business operations and innovations through multiple departments, and facilitates international fair trade and long-term sustainable development.

The Group are principally engaged in the following businesses (together, the “Relevant Businesses”):

- export of tobacco leaf products to Southeast Asia, Hong Kong, Macau, Taiwan and European region (the “Tobacco Leaf Products Export Business”);
- import of tobacco leaf products in Chinese Mainland from origin countries or regions around the world (other than from sanctioned countries and regions) (the “Tobacco Leaf Products Import Business”);
- export of cigarettes to the global market (except Chinese Mainland) and duty-free outlets within the borders, but outside the customs area, of Chinese Mainland from CNTC Group directly or through distributors (the “Cigarettes Export Business”);
- export of new tobacco products to the global market (except Chinese Mainland) (the “New Tobacco Products Export Business”); and
- procurement, processing, sale of tobacco leaves and procurement of agricultural materials inherent to tobacco production in Republic of Brazil (“Brazil”) and from Brazil to the global market (except Chinese Mainland) (the “Brazil Operation Business”).

As a responsible enterprise, CTIHK emphasizes its performance in environmental, social, and governance aspects, endeavours to enhance the sustainability of its business operations and promote practices of environmental protection, social contributions, and good governance to achieve sustainable development goals within the tobacco industry. CTIHK strives to enhance the integration of its business, management, and cultural aspects with its subsidiaries (such as CTIB Group), continuously seeks to improve overall operational efficiency and effectiveness, and explore the evolving landscape of the tobacco market by dedicating to meeting the changing needs of its customers while maintaining high standards of quality, innovation, and responsible business practices.

MESSAGE FROM THE CHAIRMAN

I am pleased to present our Environmental, Social, and Governance Report for the period ended December 31, 2023.

Despite facing various challenges, including global environmental uncertainties, our Group has remained committed to fulfilling our social responsibilities and conducting business in a “greener and more sustainable” manner. We have incorporated China Tobacco Brazil and its subsidiaries into our ESG management system, driving comprehensive ESG initiatives.

We have diligently listened to the opinions and suggestions of stakeholders, actively responded to important issues, explored enhancement strategies, faced challenges with courage, and achieved satisfactory performance.

Regarding environmental protection, we have set goals for energy consumption, water usage, energy efficiency, and waste reduction. Through scenario analysis, we have identified climate change risks and their financial implications, developing responding plans and internal management policies to address these risks.

We adhere to the concept of green development, implement 5S management, actively participate in Sustainable Tobacco Programme practices, and strive for sustainable development. We continuously strengthen supplier traceability management, improve supplier management standards, and focus on the livelihood rights of farmers and fair trade.

In terms of community engagement, we uphold the spirit of assisting the vulnerable and actively participate in charitable and educational support activities in Hong Kong, Brazil, and other regions. We engage deeply with local communities, contributing to social development.

We highly prioritised on the Group’s talent building. We have established a robust talent selection mechanism, attracting excellent talents to join our team. Through comprehensive strategies, we stimulate the vitality of our workforce, conduct team-building activities, enhance occupational training, improve the employees’ working environment and effectively enhance the international perspective and professional capabilities of our Group.

On behalf of the board of directors, I would like to express my sincere gratitude to our shareholders, investors, customers, and business partners for their consistent support, and my deepest appreciation to the management team and employees for their unremitting dedication in implementing sustainable development strategies over the past year. With all your joint support and efforts, I firmly believe that our Group will forge ahead, maintaining high-quality sustainable development, and creating more value for society and shareholders.

Mr. SHAO Yan
Chairman and Non-executive Director



1. ABOUT THE REPORT

We are principally engaged in the Tobacco Leaf Products Import Business, Tobacco Leaf Products Export Business, Cigarettes Export Business, New Tobacco Products Export Business and Brazil Operation Business. The Group is the designated offshore platform of CTIG (immediate controlling shareholder of the Company) for capital markets operation and international business expansion. The Group is pleased to present its fifth Environmental, Social and Governance Report (the “ESG Report” or the “Report”), which highlights the principles and the sustainable development concepts we uphold in fulfilling our corporate social responsibility, and demonstrates our unwavering commitment to our social responsibility vision and accountability.

Reporting Scope

The Report illustrates the Group’s sustainable development policies, measures, and key performance indicators (“KPIs”) relating to its core business from 1 January 2023 to 31 December 2023 (the “Year” or the “Reporting Period”). The Group’s environmental and social data collection scope has included CTIHK and CTIB Group. Unless otherwise specified, the Report disclosure is in consistency with the 2023 Annual Report, which covers businesses directly controlled by the Group, and the collection of environmental KPIs is inclusive of those of offices in Hong Kong and Brazil, and a warehouse in Brazil.

Reporting Standards

The Report is prepared in accordance with the “Environmental, Social and Governance Reporting Guide” set out in Appendix C2 to the Listing Rules of SEHK (the “ESG Reporting Guide”). The contents covered herein follow the provision of “Comply or Explain” as well as four reporting principles of materiality, quantitative, balance and consistency required in the ESG Reporting Guide. The last section of the Report contains an index of the ESG Reporting Guide with reference to the contents of the Report for readers’ quick reference.

Materiality	The Report has identified and disclosed the process of determining material ESG factors and the criteria for the selection of these factors, as well as the results of materiality assessment.
Quantitative	The statistical standards, methodologies, assumptions and/or calculation tools used in the Report for the reporting of emissions/energy consumption (where applicable), as well as the sources of conversion factors, are illustrated in the Report.
Balance	The Report presents the Group’s performance during the Reporting Period in an impartial manner, avoiding choices, omissions or presentation formats that may unduly influence readers’ decisions or judgements.
Consistency	The statistical methods used for the data disclosed in the Report are as compared to previous years. Any changes will be clearly stated in the Report.

Reporting Language

The Report is published in both Traditional Chinese and English versions. In case of discrepancies, the English version shall prevail.

Approval

The Report was approved by the Board on 8 March 2024 upon confirmation from the management.

Feedback

Your opinions about the Report are highly valued by the Group. If you have any enquiries or advice, please contact us by e-mail: ir@ctihk.com.hk.

2. BUILDING A SUSTAINABLE FUTURE



2.1 Board Statement

The Group embraces the concept of sustainable development and puts it into practice through our operations. In 2023, the Board has approved the Term of Reference for the ESG Management Structure. The Board is the decision-making unit of the sustainability governance structure and is responsible for the matters on sustainable development as a whole, to seize the opportunities and respond to the ESG-related risks. The Board is responsible for setting the Group’s ESG strategies and evaluating and determining the Group’s ESG-related risks, including the approval and consideration of the ESG-related goals, progress review of the goals, evaluation and prioritisation of the materiality, etc. To strengthen the sustainability governance of the Group, we have established an environmental, social and governance task force (“ESG Task Force”) to monitor and promote the implementation of various ESG issues under the authority of the Board.

We strive to minimise the environmental impacts of our daily operations. We will continue to monitor our environmental performance to review our target setting.

2.2 Our Sustainability Ambition and Sustainability Governance Structure

The Group believes that the implementation of well-defined governance principles, strategies, and practices in the ESG domain is vital for the long-term growth of its business. This responsibility encompasses the ESG ambition of the Board, our management team, and employees. With the Board's authority, we have established an ESG Task Force responsible for collecting and reporting annual ESG data, identifying and evaluating potential ESG-related risks within the Group, and formulating and overseeing ESG targets aligned with our business objectives.

In 2023, the Company has approved and adopted the “Terms of Reference on ESG Governance Structure” (《環境、社會及管治架構職權範圍書》) to further enhance the Company's ESG management practices and improve the existing ESG management framework. The Company has also approved and adopted the “Climate Change Management Measure” (《氣候變化管理辦法》) on the identification and mitigation of significant climate-related issues which have impacted, and those which may impact the Group. It is in accordance with Appendix C2 of the Listing Rules of The SEHK on ESG Reporting and related regulations.

To support these efforts, the Group has set up a robust ESG management structure comprising the Board, the ESG Task Force, and internal working group. The key responsibilities of this structure are as follows:

The Board	<ul style="list-style-type: none"> • Take full responsibility for ESG strategies • Delegate powers to ESG Task Force • Decide on and supervise the ESG management policies, strategies, targets, and overall work of the Group
ESG Task Force	<ul style="list-style-type: none"> • Responsible for reviewing and monitoring the Group's ESG policies and practices to ensure that the Group complies with relevant legal and regulatory requirements • Coordinate and facilitate the implementation of various ESG policies by various departments, and monitor the ESG-related work carried out by various functional departments
Internal Working Group	<ul style="list-style-type: none"> • Comply with various ESG-related policies and mechanism • Collect and report internal ESG policies, mechanism and ESG-related performance indicators

The Group's Employee ESG Manual (“ESG Manual”)

The Group recognises that strengthening its ESG management framework is essential for effectively identifying and addressing non-financial risks and impacts. The Group aims to integrate ESG framework into its corporate development strategy and foster a top-down management culture to ensure ESG considerations are incorporated into business decision-making processes. Hence, we formulated the ESG Manual accordingly.

The purpose of developing the ESG Manual is twofold: (i) to enhance employees' ESG awareness and understanding and encourage their practical application in daily work; (ii) to shape and communicate the Group's values, reaffirming its commitment to environmental protection, social responsibility, and good corporate governance.

2.3 Stakeholder Engagement

The Group firmly believes that engaging with our stakeholders is vital for the ongoing success of our business operations. The Group has identified key stakeholders who hold significance for our business and has established multiple communication channels. The table below provides an outline of the Group's key stakeholders, and various platforms and methods of communication are employed to connect with, listen to, and address the concerns of our stakeholders.

Stakeholders	Communication channels
Shareholders/Investors	<ul style="list-style-type: none"> • AGM and other general meetings • Interim reports and annual reports • Corporate communications (such as letters/circulars and meeting notices to shareholders) • Results announcements • Investor meetings • Interviews • Investor relations e-mails
Employees	<ul style="list-style-type: none"> • Staff communication conferences • Staff opinion survey • Performance appraisal • Volunteer activities • Seminars/workshops/speeches • Telephone • Emails • Electronic communication software
Customers	<ul style="list-style-type: none"> • Visits by customer relationship managers • Daily operation/communication • Telephone • Emails • Electronic communication software
Business Partners	<ul style="list-style-type: none"> • Meetings • Telephone • Emails • Electronic communication software
Suppliers	<ul style="list-style-type: none"> • Management procedure for suppliers • Assessment system for suppliers/contractors • Conferences • Site inspections • Electronic communication software
Regulatory Authorities	<ul style="list-style-type: none"> • Submit information on time as inquired by the Stock Exchange

Society/Non-Governmental Organisations	<ul style="list-style-type: none"> • Volunteer activities • Donation • Community activities • Seminars/speeches/workshops • Meetings
Peers	<ul style="list-style-type: none"> • Conferences

Highlight: Showcasing the Group's values to our stakeholders in the "China Style"



In August 2023, CBT launched “Estilo China” (China Style) to incorporate the work standards and quality of Chinese Tobacco. The new visual identity was unveiled during the Annual Sustainability Seminar, where the general director of CBT presented the brand’s positioning. The concept of “Estilo China” represents superior style and quality, embraced by all areas of the company. The new identity is reflected in products, magazines, caps, and advertising materials. The logo “Estilo China” has simplified and easily reproducible petals. It’s layout design was updated. The colour scheme, predominantly red, symbolises the company’s connection to China and conveys energy and attention. The gradient of red and orange represents the high-quality cured Virginia tobacco, sought after by the Chinese market.

2.4 Materiality Assessment and Value Creation

As a purpose-driven and sustainable business, the Group adopts a systematic approach to identify and prioritise its sustainability goals. Through a materiality assessment, we assess the economic, environmental, and social aspects that have the greatest impact on the Group and are important to stakeholders. This assessment helps us identify relevant ESG issues and evaluate their significance to both the Group's operations and our stakeholders. The process of conducting the materiality assessment is outlined as follows:

Step 1	Identification of material issues	By conducting peer benchmarking analysis and referring to the ESG Reporting Guide issued by the SEHK, the material issues database of the U.S. Sustainability Accounting Standards Board (SASB), the ESG Industry Materiality Map of MSCI, and the agronomy guide of the Sustainable Tobacco Programme (STP), we have identified 25 ESG issues that are pertinent to the Group's business. These issues have the potential to influence our decision-making process.
Step 2	Stakeholder engagement	We have extended an invitation to all stakeholders to participate in an opinion survey using an online questionnaire. The survey is designed to gather insights from both internal and external stakeholders and seeks to assess the materiality of each issue. The survey includes stakeholders such as directors, senior management, employees, customers, business partners, suppliers, and others. Stakeholders are asked to rate the importance of each issue based on their perspective.
Step 3	Prioritisation	We prioritised the ESG issues based on stakeholder's feedback. We have identified 16 highly material issues, 2 moderately material issues, and 7 generally material issues. The results of the materiality assessment are presented in the form of a materiality matrix.
Step 4	Validation	The Board has carefully reviewed and officially endorsed the materiality matrix as well as the prioritisation of material issues.

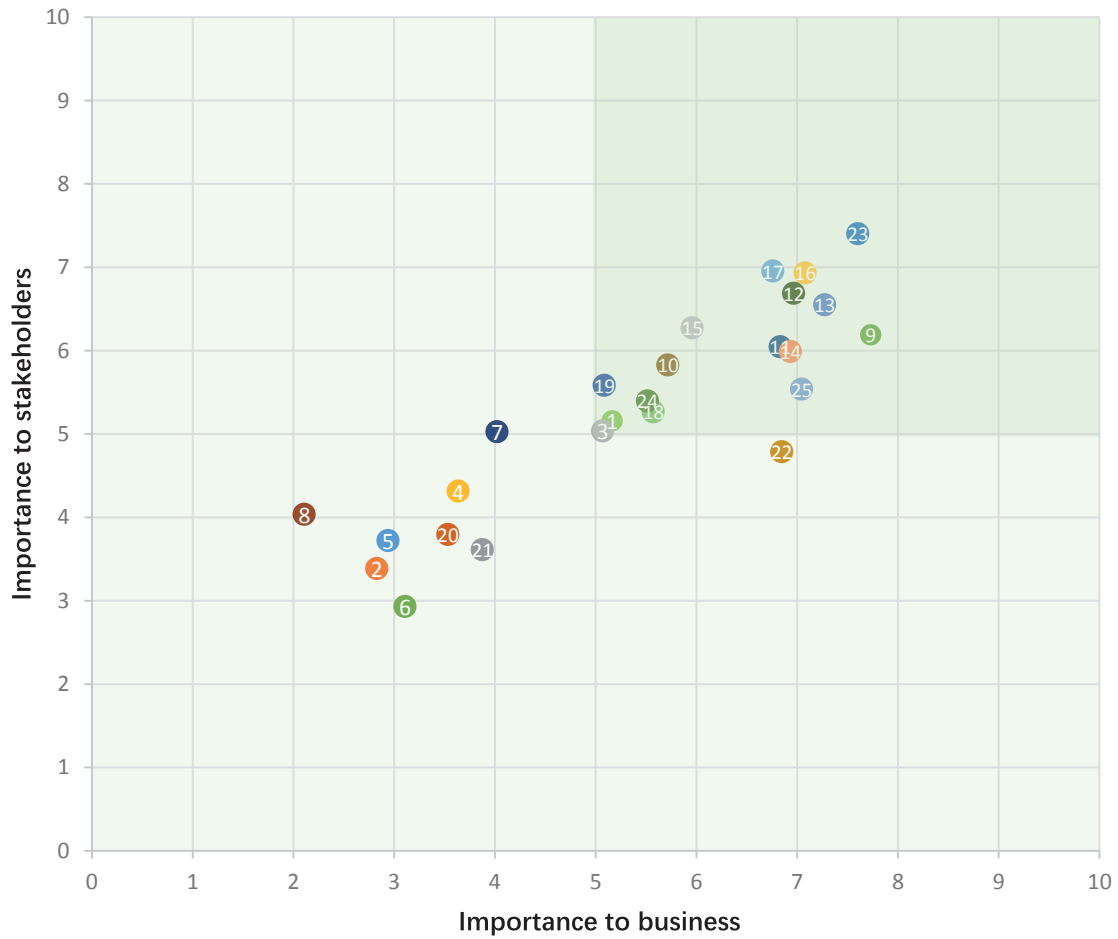
List of Material Sustainability Issues

	No.	Issues	Sections
High materiality	23	Business integrity and compliance	Our Purpose and Sustainable Business Strategy
	16	Product quality and safety	Product Innovation and Responsible Marketing
	9	Talent attraction and retention	Human-Centric Workplace
	13	Employee development and training	Human-Centric Workplace
	17	Business ethics and anti-corruption	Our Purpose and Sustainable Business Strategy
	12	Employee health and safety	Human-Centric Workplace
	14	Labour standard (employee compensation and benefits)	Human-Centric Workplace
	11	Employee equality, diversity and inclusion	Human-Centric Workplace
	25	Brand image	Product Innovation and Responsible Marketing
	15	Sustainable supply chain management	Sustainable Supply Chain Management
	10	Employee human rights	Human-Centric Workplace
	24	Stakeholder engagement	Building A Sustainable Future
	18	Information security and privacy protection	Product Innovation and Responsible Marketing
	19	Responsible marketing	Product Innovation and Responsible Marketing
	High materiality	1	Greenhouse gas emissions and management
3		Waste management	Our Actions to Shape a Greener World
Moderate materiality	22	Board diversity	Building A Sustainable Future
	7	Protecting the environment and natural resources	Our Actions to Shape a Greener World

	No.	Issues	Sections
General materiality	4	Energy usage and management	Our Actions to Shape a Greener World
	21	Fair trade issues related to agricultural products	Farmer Welfare and Human Rights
	20	Community charity	Community Development
	5	Water usage and management	Our Actions to Shape a Greener World
	2	Air pollutants emissions and management	Our Actions to Shape a Greener World
	8	Combating climate change	Combating Climate Change
	6	Materials and packaging design	Our Actions to Shape a Greener World

Materiality Matrix

CTIHK Materiality Matrix



- 1. Greenhouse gas emissions and management
- 2. Air pollutants emissions and management
- 3. Waste management
- 4. Energy usage and management
- 5. Water usage and management
- 6. Materials and packaging design
- 7. Protecting the environment and natural resources
- 8. Combating climate change
- 9. Talent attraction and retention
- 10. Employee human rights
- 11. Employee equality, diversity and inclusion
- 12. Employee health and safety
- 13. Employee development and training
- 14. Labour standard (employee compensation and benefits)
- 15. Sustainable supply chain management
- 16. Product quality and safety
- 17. Business ethics and anti-corruption
- 18. Information security and privacy protection
- 19. Responsible marketing
- 20. Community charity
- 21. Fair trade issues related to agricultural products
- 22. Board diversity
- 23. Business integrity and compliance
- 24. Stakeholder engagement
- 25. Brand image

3. OUR PURPOSE AND SUSTAINABLE BUSINESS STRATEGY



3.1 Risk Management

Risk management is an essential component of the Group’s stable operations, and it plays a crucial role in preventing and mitigating risks. It contributes significantly to maintaining effective corporate governance. The Group has developed the “Guidance of Compliance and Legal Risk Management” (《合規及法律風險管理指南》) and has established a robust internal control and risk management framework to reduce systematic risks.

As part of our risk management practices, the Group conducts an annual assessment review to evaluate our risk management, operations, and compliance with statutory and regulatory requirements, including areas such as taxation, anti-fraud, and anti-bribery. We also place significant emphasis on managing environmental and social risks within our operations and continuously enhance our related management measures. The Group has established a comprehensive risk prevention and control system under the compliance department. We regularly review the effectiveness of our risk management systems to ensure we address environmental and social risks. This enables us to effectively navigate the dynamic and ever-changing economic, social, political, and regulatory landscape. To identify and refine potential risks at each stage of our operations, we have developed the “Table of Risk Prevention and Control System” (《風險防控體系表》). We have implemented measures to prevent and control risks. The management of the risk database adheres to the following workflow:

- Develop work plans and programmes: specify the objectives, methodologies, procedures, and anticipated outcomes of our risk management activities.
- Clarify roles and responsibilities: enhance the effectiveness of risk prevention and control efforts, continuously optimise and improve processes, and foster standardised and orderly development of the Group’s operations.
- Establish a risk framework and database using the “Table of Risk Prevention and Control System”: regularly and systematically document various hazards, prevention methods, and control measures relevant to each department.
- Identify business risks and control procedures: regularly convene different departments for self-assessment and corrective actions, analyse risks in business processes, and outline risk response plans, control procedures, and standards.

Below are the ESG-related risks identified during the Reporting Period. For detailed information on the corresponding mitigation measures, please refer to the relevant chapter.

Environmental	<ul style="list-style-type: none"> • Climate change risks • Pollution and poor emission management • Inadequate emissions and waste management
Social	<ul style="list-style-type: none"> • Talent acquisition and retention risks • Product quality and safety issues • Human rights violations in the supply chain
Governance	<ul style="list-style-type: none"> • Compliance and business integrity • Corruption and bribery • Stakeholder disputes

Risk Management at CBT

CBT is fully committed to complying with all applicable legislation, regulations, and standards. This commitment is clearly stated in the CBT's compliance policy. CBT places great importance on maintaining financial compliance and acknowledges that the management of key risks, such as fraud, corruption, tax evasion, and money laundering, is closely tied to the tax domain. Consequently, CBT recognises the need for well-trained and vigilant professionals to prevent any illegal acts.

In addition to robust internal controls, CBT undergoes an annual statutory audit conducted by a reputable external financial audit company. These audit reports demonstrate the CBT's statutory compliance. In terms of business operations, CBT implements hierarchical controls by segregating functions across specific departments. This ensures that different stages of any operation pass through internal lines of defence within each department, involving multiple professionals, thereby mitigating the risk of illicit conduct.

CBT also places significant emphasis on labour-related matters by maintaining dedicated Human Resources and Health and Safety departments. These departments have clearly defined internal policies and procedures that are transparent, easily accessible, and applicable to all interested employees. This ensures alignment with the organisation's objectives and desired culture.

Regarding environmental considerations in business operations, CBT possesses all necessary permits and licenses. These documents are diligently monitored to ensure ongoing compliance with legislation and validity.

3.2 Environmental Target Setting

Tobacco processing may have significant environmental impacts. By setting environmental targets, the Group demonstrates its commitment to environmental responsibility, sustainability, and meeting stakeholder expectations. The Board, as the decision-making level, approves and oversees the Group's ESG target setting and progress. It authorises the ESG Task Force led by senior management to determine visionary and feasible environmental targets, and work plans. It helps us to mitigate environmental impacts, ensures compliance with regulations, and can lead to cost savings and competitive advantages. Please refer to Section "Our Actions to Shape a Greener World", for detailed targets and action plans we have set.

3.3 Anti-Corruption Management

The Group places significant emphasis on maintaining a high standard of ethical conduct and professionalism as the foundation of our Group's success. We prioritise honesty and integrity and are fully committed to upholding anti-corruption and integrity values. Compliance with relevant laws and regulations is of utmost importance to us, including Hong Kong's "Prevention of Bribery Ordinance" (《防止賄賂條例》) and "Organised and Serious Crimes Ordinance" (《有組織及嚴重罪行條例》), as well as the Brazilian Anti-Corruption Law (Law No. 12,846/2013) and other applicable legislations. Complying with aforesaid laws and regulations can prevent bribery, corruption, money laundering, and fraud within our operations.

To address potential conflicts of interest and combat bribery, including activities like insider trading and the acceptance or offering of gifts, favours, and entertainment, we have developed and implemented the "Regulations on Integrity and Practice" (《廉潔從業規定》). These regulations serve as guidelines for all directors and employees, mandating their adherence to relevant policies. By strictly following these policies, we ensure that all individuals within the Group fulfil their obligations of integrity and self-discipline.

The Group places significant emphasis on enhancing compliance awareness and mindset among all employees due to the serious nature of fraud and corruption, which are considered corporate risks within our risk management framework. Regular monitoring is essential in this regard. All directors, employees, and relevant third parties are expected to uphold the principles of integrity, impartiality, and candour, adhering to a zero-tolerance policy regarding unethical behaviour.

In order to create a culture of accountability, we have implemented mechanisms for whistle-blowing. These mechanisms are available to both internal stakeholders (such as employees) and external stakeholders to report suspected or actual misconduct. We actively reinforce supervision and encourage our business partners to report any instances of misconduct, fraud, or violations within the Group.

We have established multiple reporting channels, including phone, email, letter, and face-to-face reporting. Upon receiving a report or complaint, our compliance department will first verify the authenticity of the information. Subsequently, we will report the matter to the management of the Group, the Audit Committee of the Board, or the Board, depending on the position of the individual being reported. We will refer to a supervisory authority for further action if necessary.

Simultaneously, we place strong emphasis on maintaining corporate compliance standards in an ever-evolving business landscape. It is crucial for the Group's growth to continuously update our knowledge and understanding given the ongoing changes in laws and regulations. In 2023, the Group conducted 5 compliance training for our board of directors and employees, with the objective of integrating anti-corruption principles into our business operations and fostering an ethical working environment. Building upon a solid foundation of internal control and risk management, the Group actively promotes anti-corruption initiatives.

During the Reporting Period, we implemented various special inspections and educational programmes, including but not limited to training for “Administrative Measures for Procurement” (《採購管理辦法》), compliance training for new employees and training for inside information/market misconduct, to further strengthen our anti-corruption efforts. These initiatives were designed to ensure ongoing compliance and foster a culture of integrity within the Group.

CTIHK actively discourages any form of corruption, such as the acceptance of banquets that violate work discipline. We have strengthened internal anti-corruption measures during relevant festivals, sent integrity reminders and notices including the “Notice on Integrity and Safety Precautions during the 2023 Spring Festival” and “Notice on integrity during the 2023 Dragon Boat Festival” of specific holiday integrity requirements. Additionally, we conduct reviews and checks on gift disposal registration forms and other related materials to ensure compliance.

During the Reporting Period, the Group has not been involved in any corruption-related lawsuits and has maintained compliance with relevant laws and regulations that significantly impact our operations.

4. PRODUCT INNOVATION AND RESPONSIBLE MARKETING

We are committed to acting responsibly towards consumers and customers by prioritising their needs in various aspects. This includes:

1. **Product Innovation:** We strive to continuously innovate our products to meet consumer demands, preferences, and expectations. We consider factors such as quality, safety, sustainability, and usability when developing and improving our offerings.
2. **Data Security:** We recognise the importance of protecting consumer data and maintaining their privacy. We implement robust data security measures to safeguard personal information and ensure compliance with applicable data protection regulations.
3. **Advertising:** We strictly adhere to local tobacco control laws and regulations. We adhere to ethical advertising practices, ensuring that our marketing communications are truthful, transparent, and do not mislead consumers. We aim to provide accurate and relevant information about our products and services to help consumers make informed decisions.
4. **Customer Service:** We place a strong emphasis on providing excellent customer service. Our dedicated teams are trained to assist consumers promptly, address their queries, and resolve any issues they may encounter with our products or services.
5. **Intellectual Property:** We respect intellectual property rights and take appropriate measures to protect our own intellectual property. We also ensure that we do not infringe upon the intellectual property rights of others, fostering a fair and competitive marketplace.

By prioritising these aspects, we demonstrate our commitment to responsible business practices and building trust with our consumers and customers.

Case Study: CTIHK Attending Dortmund's InterTabac Fair in Germany

At the InterTabac International Tobacco Fair held in Dortmund, Germany, in September 2023, CTIHK showcased its innovative prowess. 11 manufacturing entities presented 16 brands and over 100 new heat-not-burn tobacco products were presented, including multiple brands in collaboration with several industrial companies. This exhibition not only demonstrated China Tobacco's technological innovation in the field of new tobacco products but also reinforced CTIHK's brand influence in the global tobacco market.

4.1 Product Quality Management

The Group is dedicated to providing high-quality and diverse products that not only meet but also exceed customer expectations. We prioritise the enhancement and management of our products in terms of quality, safety, and innovation.

In the case of tobacco, which is a unique consumer good, the quality and safety of tobacco leaf products are of utmost importance to the competitiveness and sustainable development of the tobacco leaf market. We are fully aware of this and actively address these factors. Our procurement processes strictly adhere to high standards to ensure the selection of diversified and high-quality products for our customers.

Our products fully comply with international requirements, and we obtain the necessary certifications and licenses for their sale. By meeting these standards, we prioritise the safety and satisfaction of our customers, offering them products that meet regulatory guidelines and quality expectations.

Highlights: Our Quality Control Process

The internal classification is carried out according to the qualitative concepts described in the Internal Classification Quality Document, which describes the position, colour, and quality of tobacco leaf products. In the internal classification is carried out under a lighting source, ranging between 1,500 and 2,000 LUX, providing a reliable and uniform classification. Monthly measurements are carried out during the harvest period and recorded on the “Light Control – LUX” form. The measurements are taken from 30 cm from the light source to the conveyor belt, ensuring maximum reliability.

Before the shipment of goods, based on clients’ request, the Leaf Department arranges on-site inspections of goods stored at the designated location under the contract. Prior to the inspection, it is necessary to confirm the inspection requirements with the client, such as sampling ratios and batches. Alternatively, samples (such as redrawn samples) can be sent to the client for quality assurance prior to shipping.

The Group takes a systematic approach to managing the quality of products supplied by our suppliers. We have implemented comprehensive data collection requirements for product storage, transportation, and custom entry-exit. To ensure product quality, we have established the practice of requesting product samples from suppliers before official shipment.

To minimise the risk of product quality issues during transportation and delivery, the Group provides suppliers with shipping instructions. These instructions aim to ensure proper transportation methods and reduce the likelihood of product quality problems arising from improper handling.

Upon receiving products, we conduct thorough quality verification and adhere to acceptance standards and management procedures. If any quality-related issues arise, we promptly engage with the suppliers and production sites to implement appropriate measures until the concerns are resolved and confirmed by customers.

Product storage plays a vital role in ensuring product quality. We actively control the quality risks associated with long-term storage by regularly inspecting the warehouse storage environment and conducting sampling inspections on products. We also closely monitor the quality of cigarettes in stock to ensure they are suitable for sale. We estimate the demand in a rolling manner according to the market sales condition and adopt the first-in, first-out principle to manage inventory products.

During the Reporting Period, the Group did not experience any product recalls due to safety and health reasons. This signifies our commitment to maintaining high product quality standards and ensuring the safety of our products and services.

4.2 Data Security and Privacy Protection

The Group recognises the increasing importance of information security in its operations. We strictly adhere to the relevant data protection legislations, such as the Personal Data (Privacy) Ordinance (《個人資料(私隱)條例》) in Hong Kong and the General Personal Data Protection Law in Brazil.

To ensure information security, we have established a comprehensive policy system and implemented specific measures such as the “Administrative Measures for Internet Security” (《網絡信息安全管理辦法》), and the “Administrative Measures for Records Management” (《檔案管理辦法》). These systems aim to prioritise precautionary measures and active handling of information security risks.

To ensure the effective implementation of information security systems, we regularly assess the adherence to various requirements and measures across our information systems, websites, hardware equipment, system files, and computer networks involved in information processing. Externally, we have established service agreements with third-party organisations responsible for repairing or destroying company terminal equipment or storage media. Internally, we also utilise encryption and data-hiding technologies to regulate the processing of sensitive company information documents.

Maintaining the confidentiality of information is a fundamental professional ethic for our employees. Confidentiality requirements are clearly stated in employment contracts, and our employees adhere to the Group’s confidentiality policy regarding client data. Unauthorised disclosure of sensitive information to third parties or outsiders is treated seriously and may result in disciplinary action. We closely manage the risk of customer information leakage.

We have developed the “Emergency Response Plan for Information Network Security” (《網絡信息安全突發事件應急預案》) to address unexpected incidents related to information network security. In the event of an incident, relevant staff members promptly notify their superiors, handle the situation swiftly, and initiate the emergency procedures outlined in the plan. Our core data is regularly backed up to mitigate the risk of internet security emergencies, such as data loss or failure to restore backups during interruptions to the information system’s operation.

During the Reporting Period, the Group did not receive any complaints or litigation concerning data protection and privacy protection, indicating our commitment to safeguarding the privacy and security of individuals’ information.

4.3 Standardising Advertising and Label Management

The Group is fully committed to conducting business promotions in a comprehensive, compliant, and effective manner. We strictly adhere to the Trade Descriptions Ordinance (《商品說明條例》) and the Smoking (Public Health) Ordinance (《吸煙(公眾衛生)條例》), along with other relevant laws and regulations in Hong Kong, to regulate product promotion and ensure responsible sales practices. CBT does not produce cigarettes directly and the Brazilian law on advertising and packaging regarding cigarette are not applicable.

With our extensive sales network, we export cigarettes directly from CNTC Group to the global market (except Chinese Mainland), as well as duty-free outlets within the borders, but outside the customs area, of the Chinese Mainland. We also distribute cigarettes from CNTC Group through our trusted partners. Additionally, we export new tobacco products to the global market (except Chinese Mainland). To regulate these activities effectively, we have implemented the “Dealer Management Measures” (《經銷商管理辦法》) to provide clear guidelines on marketing monitoring methods and procedures. Through monitoring clauses, on-site inspections, and comprehensive reporting, we diligently prevent and address any misleading promotions.

As a socially responsible tobacco enterprise, we actively promote rational smoking behaviour and provide necessary risk warnings. We conduct rigorous reviews of advertising and labelling policies and regulations, ensuring that our advertising content and marketing slogans do not create incorrect associations or misidentify packaging styles, product names, or advertising slogans.

Our unwavering commitment to responsible advertising and label management practices demonstrates our dedication to providing the public with a clear and accurate understanding of our products.

During the Reporting Period, the Group has maintained a strong compliance record with relevant laws and regulations, thereby avoiding any significant non-compliance issues that could have had an adverse impact on health and safety, advertising, labelling, privacy, and the remedies associated with our products and services.

4.4 Premium Customer Services

Procedures and Mechanisms for Handling Customer Complaints

As a responsible distributor of cigarettes and tobacco leaf products, the Group upholds the customer-centric principle, significantly enhances service quality and awareness, and maintains close communication to address customer requirements.

Recognising quality service as one of our primary competitive advantages, our aim is to provide optimal services in our day-to-day operations. We have developed the “Procedures and Mechanisms for Handling Customer Complaints” (《客戶投訴的流程與處理方案》). We actively engage in effective customer communication and gather feedback through daily operational communication, phone calls, email, and etc. We consider every form of feedback as a vital opportunity that should be embraced with dedication and integrity to further enhance our relationship with consumers and customers. When we receive a service- and quality-related concern, it will be promptly forwarded to the relevant department and suppliers for immediate resolution and improvement. If necessary, we may investigate the operations of suppliers for further actions. For significant complaints, a dedicated handling team will be established to jointly formulate a handling plan and follow the instructions of the Group’s management.

Highlights

Standardised Complaint Handling Procedures

During the process of goods acceptance upon arrival at the port, if the goods are damaged due to improper handling during transportation and require a claim to be made to the insurance company, the Leaf Department shall:

- Assist the customers in contacting the supplier.
- Request the supplier to provide relevant claim documents.
- Coordinate with the insurance company to facilitate the claims process for the customers.

In the case of non-insurance compensation issues (such as short shipments beyond the contract allowance, non-conforming quality, discovery of non-tobacco foreign matter, etc.), the Leaf Department shall:

- Promptly gather information upon receiving a customer complaint.
- Notify the relevant supplier within two working days.
- Dispatch personnel or appoint representatives to inspect the problematic goods on-site if necessary.
- Negotiate and find a solution.

Post-sales service follow-up:

- The Leaf Department should stay updated on customer feedback and the usage of the goods.

Regarding feedback on product quality or shipping arrangements:

- The Leaf Department should promptly provide feedback to the supplier.
- Collaborate in proposing improvement plans.

Annual activities and customer relationship maintenance:

- The Leaf Department is responsible for organising visits to Southeast Asian market customers by Chinese Mainland tobacco export units.
- Regularly visit customers according to business needs.

Customer satisfaction surveys play a crucial role in understanding and improving the overall customer experience. They provide valuable insights into customers' perceptions, expectations, and satisfaction levels with our products or services. In 2023, CTIHK's Leaf Department sent the satisfaction surveys to major clients. All surveys indicated satisfaction with the sales representatives' service attitude and product quality, and the satisfaction rate is 100%.

During the Reporting Period, the Group did not receive any complaints regarding customer service. Moving forward, the Group will continue working on optimising the service process to provide customers with more efficient and convenient services.

4.5 Protecting Intellectual Property Rights

The Group is committed to protecting our intellectual property (IP) rights and respecting the IP rights of third parties in accordance with relevant laws and regulations. We develop localized packaging and adhere to all applicable laws and ordinances including Hong Kong's Trademark Rules (《商標條例》) and Copyright Ordinance (《版權條例》) before entering a local market and during the sales of tobacco products.

The Group has established the "Guides for Risk Management of Compliance and Law" (《合規及法律風險管理指南》) to effectively manage the intellectual property of new products. The intellectual property primarily engaged by the Group is focused on trademark registration. Our proprietary brands have undergone trademark registration processes in 94 jurisdictions.

We have engaged a third-party agency to manage the global trademark registration process for our company. Additionally, we maintain meticulous records of the patent status for our industrial company's products, ensuring comprehensive documentation of our intellectual property portfolio. Regarding intellectual property actions related to changes and associated documents for new tobacco products, the following steps are taken:

Recording	We have created standard tracking forms based on the information provided in the registration documents. We conduct quarterly reviews of the registration forms to ensure that valid information is registered and to avoid situations where registration is not updated or irregularly reviewed.
Changes	We have engaged professional institutions to assist in handling any changes in intellectual property.
Monitoring	We have a "one file per item" management approach. The ownership certificates are backed up and kept separate from the original files. We have conducted infringement monitoring work. If any infringement is discovered, we shall file a lawsuit to put a stop to it and investigate the infringement liability

In addition to protecting its own intellectual property, the Group also respects the intellectual property of others and does not use third-party intellectual property without prior authorization. All terminal devices and information systems of the Group are installed and operated with genuine software. The Group does not tolerate any illegal or inappropriate behaviour regarding intellectual property.

5. SUSTAINABLE SUPPLY CHAIN MANAGEMENT

5.1 Local Worker Welfare and Safety

CBT assumes its commitments in relation to Occupational Health and Safety, which are detailed in operational procedures that cover all stages and processes of CBT, from training requirements for new employees to the moment in which the employee performs their job.

Activity within CBT are required to pass collective and individual protection requirements for the operation, including service providers. CBT's commitments are aligned with regulatory requirements, which are guided by its "Work Instructions and Procedures" policy.

Employees are instructed, during the induction of Health and Safety and Service Order, that they may interrupt their activities when they notice a work situation that, in their opinion, involves a serious and imminent risk to their life and health, immediately informing their superior hierarchical.

Employees and contractors are encouraged to take part in frequent training sessions and to wear the necessary PPE. In 2023, an electric hoist overhead crane system for unloading tobacco bales was installed, ensuring greater ergonomics for employees at the receiving unit. By 2024, the new system should be expanded to other parts of the unit. The intention is to avoid manual transportation of heavy loads.

CBT monitors non-conformities of the tobacco farmers who have contracts with CBT through field technicians by completing the prompt Action and/or Irregularities Report, such as People/Child labour/Hazardous work for children under 18; Safe Working Conditions; Income and Working Hours; Forced labour; Fair Treatment; Culture (tobacco); Environment.

The field technicians estimates on crops and the weather, monitor the release of funding, distribute support materials and collect data on living and working conditions on the farm. Concerned about the health and safety of CBT's partners, they provide guidance on how to wear, clean and store the mandatory PPE. They also disseminate the principles of the international STP protocol to which CBT has adhered.

Ensuring the welfare and safety of local workers in the tobacco industry and its production process is of utmost importance for several reasons.

- The well-being of workers is a fundamental human right that should be upheld in all industries. Creating a safe and healthy working environment promotes employee satisfaction, productivity, and overall job satisfaction. By prioritising the welfare of local workers, we demonstrate our commitment to their physical and mental well-being.
- The tobacco industry involves various processes that may pose potential risks to workers if proper safety measures are not in place. From tobacco cultivation to manufacturing and packaging, workers may encounter hazardous substances, such as pesticides, chemicals, and tobacco dust. Implementing robust safety protocols, providing appropriate PPE, and conducting regular training on occupational health and safety practices are essential to mitigate these risks and protect the workforce.
- The tobacco industry operates within a complex supply chain, often involving small-scale farmers and labourers. Supporting the welfare of these workers is crucial for sustainable and ethical business practices. Fair wages, safe working conditions, and access to healthcare and social protection contribute to the overall well-being of these individuals and their communities.



By prioritising local workers' welfare and safety, we can contribute to the broader goal of responsible and sustainable business practices. It enhances stakeholder trust and ensures compliance with applicable labour laws and regulations. Ultimately, creating a safe and supportive working environment is not only the right thing to do but also beneficial for the long-term success and sustainability of the industry.

Highlights

STP 2.0: Human care in the tobacco industry

The collaboration with local farmers and workers focuses on the improved handling and processing of mature tobacco leaves. The process involves the classification, picking, loading, grading, and drying of the tobacco leaves. We actively promote the suppliers to focus on the areas such as safety concerns and work efficiency.

To effectively address the safety and efficiency issues related to loading tobacco leaves into the kiln, the related suppliers have used the modified tobacco loading ramps in Renxing Town, Lufeng City, Yunnan Province, China. The widespread adoption of these modified ramps, known as “裝煙梯”, has contributed to resolving some of the safety and efficiency challenges associated with this process.

The introduction of these modified tobacco loading ramps has had a positive impact by improving safety measures and enhancing work efficiency. Workers can now categorise and load the mature tobacco leaves more efficiently, reducing the risk of accidents and improving overall productivity. The ramps provide a safer and more ergonomic working environment, enabling workers to handle the tobacco leaves with greater ease and minimizing the potential for injuries.

5.2 Sustainable Supply Chain

The Group recognises the importance of mutual growth with suppliers as a critical factor in implementing sustainable supply chain management. To achieve this, the Group has established robust supply chain management practices aimed at fostering responsible and sustainable supply chain operations and driving overall improvement and development within the system.

To guide and regulate procurement processes and supplier selection, the Group has formulated and implemented the “Administrative Measures for Procurement” (《採購管理辦法》) and “Business Specifications for Imported Tobacco Leaves” (《進口煙葉業務規範》) regulations. These policies serve as guidelines, providing clear instructions and standardised procedures for procurement activities and supplier evaluation.

The Group has set stringent standards for supplier selection and termination, placing particular emphasis on supplier compliance. During the evaluation process, potential suppliers are thoroughly assessed for corporate compliance, management stability, supply capacity, and market acceptance. Additionally, the Group considers suppliers who hold relevant certificates or have taken actions aligned with environmental protection, occupational health and safety, and human rights, giving them preference in supplier selection.

By prioritising suppliers who demonstrate commitment and actions in areas related to ESG factors, the Group actively promotes traceability and sustainable practices throughout its supply chain. This approach not only ensures the Group’s compliance with ESG principles but also encourages suppliers to adopt responsible and sustainable practices, fostering mutual growth and contributing to the overall sustainability of the supply chain.

Through these measures and a commitment to sustainable supply chain management, the Group aims to create a positive impact by fostering long-term partnerships with suppliers that align with its values and promote responsible business practices across the supply chain.

The Group places significant emphasis on responsible communication with suppliers, recognizing that maintaining strong existing business relationships and fostering positive future expansion requires regular visits and effective communication. As part of the Group's supplier supervision mechanism, comprehensive documentation is preserved, including supplier information, service quality assessments, pricing details, and delivery records. Additionally, the Group requires suppliers to provide third-party due diligence questionnaires and business registration certificates, ensuring transparency and accountability.

In addition to focusing on service quality, the Group places equal importance on environmental and social performance when selecting suppliers. For instance, the Leaf Department periodically updates the qualification assessment forms and supplier evaluation reports for imported tobacco leaf suppliers. The Group expects suppliers to provide products and services that meet cost, price, and quality requirements while aligning with the Group's ESG strategy. By jointly contributing to the sustainable development of the planet, suppliers become strategic partners in the pursuit of sustainability. To assist suppliers in identifying their ESG risks, the Group has developed the "Self-Assessment for the Environmental and Social Risks of Suppliers" applicable to specific departments. Suppliers are required to conduct self-assessments, demonstrating their commitments to ethical standards, employment rights, occupational health, environmental protection, and business integrity.

During the Reporting Period, the Group incorporated integrity clauses into supplier agreements, emphasising the importance of business ethics. This ensures that suppliers share the same values and vision for sustainability. In the event of non-compliance and a persistent failure to meet the Group's standards, the Group reserves the right to terminate its business relationship with the supplier.

Throughout the Reporting Period, CTIHK worked with 267 major suppliers, distributed across various regions: 60 in the Chinese Mainland, 53 in Hong Kong and Macau, 108 in other Asian countries, and 46 in areas outside of Asia. CBT has 414 non-tobacco leaf procurement suppliers. These suppliers provided services related to the export of cigarettes, new tobacco products, the import and export of tobacco leaf products, and other daily operations of the Group.

By maintaining open and effective communication channels, implementing strict supplier supervision mechanisms, and prioritising ESG considerations, the Group aims to foster sustainable and responsible practices throughout its supply chain and contribute to the overall sustainability of the industry.

5.3 Sustainable Tobacco Programme in Action

In 2023, we actively promoted the tobacco leaf suppliers in Yunnan Province to implement the Sustainable Tobacco Programme (STP). This initiative reinforced project execution, supervision, and evaluation mechanisms, successfully extending across 13 tobacco-growing prefectures, encompassing 91 pilot areas (including county-wide and station-wide promotions), and impacting an area of 3.4265 million mu (approximately 228,433 hectares). Collaborating with international partners, we encouraged sustainable farming awareness and capabilities among tobacco farmers, training a total of 116,741 households across the province.

We also promoted waste recycling systems, reducing pollution from agriculture by safely recycling and reusing pesticide packaging and agricultural film, reflecting our commitment to environmental protection.

Looking forward, we aim to further advocate the STP project and continuously enhance communication and collaboration with the suppliers by refining assessment metrics, focusing on trainer team development, and improving information systems. Our commitment to the STP project underscores our dedication to promoting green ecological progress and enhancing social responsibility, ensuring the sustainable and high-quality development of Yunnan's tobacco industry.

6. FARMER WELFARE AND HUMAN RIGHTS

We recognise that farmers are integral to the tobacco supply chain, and their well-being is essential for sustainable and ethical business practices; therefore, we foster long-term relationships with our suppliers and working collaboratively to ensure fair and safe working conditions for farmers. By prioritising their welfare, we aim to contribute positively to their livelihoods, promote social responsibility, and uphold human rights standards. We are committed to supporting initiatives that empower farmers, promote gender equality, protect labour rights, and foster sustainable agricultural practices. We believe that by caring for the welfare and human rights of farmers, we can contribute to building a more inclusive and responsible tobacco industry.



6.1 Sustainable Farming

In 2023, we conducted regular visits to our farmers. A minimum of 5 visits per crop season, with a frequency of every 5-6 weeks, resulted in a total of 114,127 farmer visits. These regular visits demonstrate our commitment to farmer loyalty and the continuous improvement of tobacco leaf quality. By maintaining close contact with farmers, we ensure the integrity of our products and uphold our commitment to delivering high-quality tobacco leaves to our customers. Additionally, these visits allow us to address any concerns or challenges faced by farmers. Through this ongoing engagement, we promote sustainability in the tobacco industry, fostering long-term relationships with farmers and contributing to the overall success and integrity of our operations.

Our field technicians work closely with farmer in selecting plants and varieties, as well as placing orders. The farmer is responsible for the entire production process, from seedlings, transplanting, managing the crop, harvesting, curing the tobacco leaves, to preparing and sending the cured leaves for commercial classification.

Throughout the years, a process of continuous improvement has been implemented, resulting in the following achievements:

- Seedling cultivation now utilises the float system as a priority.
- The use of sustainable firewood has become a mandatory criterion within the Certified Biodiversity Tobacco programme.
- There has been a shift from conventional cultivation to minimal tillage or no tillage practices.
- Crop rotation has increased by 45%.
- The adoption of forced air curing barns has been encouraged to enhance the quality of tobacco leaves.

Regular Visits to our Farmers in Brazil

per crop season:

- A minimum of 5 visits
- Every 5-6 weeks

2023:

- 114,127 farmer visits in total

6.2 Success with Our Farmers



By providing agricultural guidance and support, CBT's field technicians can ensure that farmers produce high-quality tobacco leaves. This ultimately contributes to the reputation and competitiveness of our tobacco products in the market. Additionally, by assisting farmers in implementing best practices throughout the production process, we can promote sustainable agriculture and responsible farming practices.

- Agricultural guidance begins with the production of seedlings. At this stage, the technician guides the farmers on how to carry out the correct procedures to obtain strong and healthy seedlings.
- When preparing the crop, the farmers is instructed to prepare the soil correctly, such as the height and distance of the ridges, whether it is necessary to make level curves, especially in rainy years, and carrying out planting techniques.
- When transplanting seedlings into the field, the farmers is advised to observe the ideal transplant period in each region.
- During the harvest phase, the field technician has the role of guiding the farmers in removing the leaves, with the maturity point desired by the company.

- When curing in the curing barn, the farmers receives information (booklet) on how temperature and humidity should be managed, so that the cured tobacco has a Chinese-style colour.
- In storage, the technical guidance aims to maintain the quality and integrity of the cured tobacco, which resulted from all the work put in by the farmers in the previous stages of production.
- When separating the leaves, the technician shows how the classification should be carried out, to benefit the farmers when selling the product to the company.

6.3 Supporting Occupational Health and Safety of Farmers

CBT provides support to farmers about occupational safety and health. Instructions are provided by the field technicians about the use of PPE, the right usage of crop protecting agents and other occupational hazards. CBT works to promote youth development by encouraging children and adolescents attending schools until they complete Brazilian primary education or turn 18 years old.

6.4 Fair Trade and Transparent Engagement

In Brazil, CBT adheres to specific legislation (Law No. 13,288/2016) when engaging tobacco producers to ensure fair trade practice, which outlines the commercial relationship between the parties involved. This law sets forth the rights and responsibilities of both the company and the farmers, which must be upheld. The aim of this Brazilian legislation is to ensure transparency and fairness in the relationship, aligning with the principles of fair trade.



Moreover, this legislation formally establishes two committees comprising representatives from tobacco farmers and industry members. These committees convene meetings to address sector-specific matters, including discussions on tobacco trade.

Through CBT's representatives on the committees, CBT ensure that the views of tobacco farmers are adequately taken into consideration. Tobacco farmers can also come to the company to monitor the classification and trade of tobacco, in a very transparent relationship with the company.

7. HUMAN-CENTRIC WORKPLACE



In accordance with the “people-centred” principle, the Group believes that employees can make significant contributions to the ongoing success of the business. In addition to complying with relevant laws and regulations on employment, inclusivity, occupational safety, and labour standards, the Group is committed to providing a positive working environment that safeguards the well-being and health of employees.



7.1 Employees' Rights and Interests

We are committed to building an inclusive work environment that provides equal opportunities for everyone. We have developed an “Employee Handbook” (《員工手冊》) that standardises various personnel management systems, covering employees' legal rights and interests. This includes policies on fair employment, attendance management, recruitment and promotion, training and development, health and safety, performance evaluation, and code of conduct.

We have established an ESG Employee Handbook to enhance employees' awareness and understanding of ESG practices and encourage their implementation in daily work. It also serves to shape and communicate the company's values, clarifying our commitment to environmental protection, social responsibility, and good corporate governance.

The Group upholds the principles of diversity and non-discrimination. We enforce strict requirements to prevent any violation of regulations and protect employees' rights and working conditions. Every candidate we hire meets the employment and job requirements. We do not discriminate against employees based on race, religion, gender, age, marital status, or any other factors in terms of employment, promotion, or compensation. The Group provides a fair and healthy development platform for employees.

Throughout the Reporting Period, no instances of employing child labour, forced labour, or other violations of employee's human rights have been discovered within the Group.

Recruitment and Resignation

We uphold the principles of “open, fair, competitive, and merit-based” in our recruitment process. We have adopted standardised procedures and selection criteria for interviews and appointments to ensure equal employment opportunities for every candidate. We have developed and implemented the “Recruitment Management Regulations” (《招聘管理辦法》) and clearly stated the rights and obligations of both parties in the contract, respecting and safeguarding the lawful rights of every employee.

We highly value labour rights and strictly prohibit the employment of forced labour and child labour. The Group is in compliance with all applicable laws of Hong Kong and Brazil regarding the prevention of child labour and forced labour, such as the Employment of Children Regulation (《僱用兒童規例》) and the Employment Ordinance (《僱傭條例》) of Hong Kong, the Consolidation of Labour Laws Decree Law No. 5,452 of Brazil, which prohibit the recruitment of people under the legal working age. We do not engage in hiring practices involving coercion, imprisonment, or illegal contracts. We sign written contracts with employees, informing them of the basic terms of employment. We conduct comprehensive background checks by examining original identification documents and making detailed inquiries to verify the personal information listed on application forms, ensuring that we do not employ child labour. If any violations occur, we will consider disciplinary action.

We strictly adhere to the relevant laws and regulations concerning employee departures, follow standardised core management practices, understand the reasons for employee resignations, and strictly prevent any unlawful dismissals. The “Employee Handbook” outlines the arrangements and procedures for terminating employment contracts, and employees can terminate the contract by submitting a resignation letter. The Group seeks to understand the reasons for resignations and improve employment policies. If any employee is found to have seriously violated discipline, laws, acted negligently, or engaged in other activities that harm the interests of the Group, we have the right to terminate their employment contract.

Highlights

Preventing Child labour

CBT's measures aim to prevent, mitigate, or remedy child labour issues in the tobacco production chain, and its specific actions under the "Human Rights Policy" include:

- Requiring all contracted farmers to ensure that children and adolescents (until they complete Brazilian primary education or turn 18 years old) residing on their properties hold proof of school enrolment and attendance.
- Requiring all contracted farmers to comply with relevant laws, regulations, ordinances, and agreements to prevent the involvement of children and adolescents under 18 years old in prohibited activities.
- Contract termination may be considered for contracted farmers or suppliers who do not comply with children's and adolescents' rights or engage in child labour.
- Requiring contracted farmers to inform their workers of their legal rights, strengthen workplace safety measures, including job types, working hours, wages, employment periods, and all statutory benefits.
- Conducting annual sustainable development workshops and providing thematic training to on-site technical personnel.
- Distributing guidance manuals to producers in the state of Rio Grande do Sul regarding accommodation and the employment of labour, to increase awareness and compliance with regulations regarding the avoidance of child labour.

Diversity and Inclusion

The Group is in compliance with all applicable laws of Hong Kong and Brazil regarding labour rights and discrimination, such as the Disability Discrimination Ordinance (《殘疾歧視條例》), the Sex Discrimination Ordinance (《性別歧視條例》), the Family Status Discrimination Ordinance (《家庭崗位歧視條例》), the Race Discrimination Ordinance (《種族歧視條例》) of Hong Kong and the 1988 Constitution of Brazil.

We promote diversity among our employees and strongly oppose any form of discrimination. We strive to eliminate discrimination against candidates and employees based on factors such as gender, age, race, colour, religious beliefs, and sexual orientation. We are dedicated to providing equal opportunities to all employees and job applicants, ensuring fairness, and safeguarding the rights of our employees. We strictly prohibit any form of discrimination based on gender, marital status, pregnancy, family status, race, religion, or disability. Furthermore, the Group upholds a diversity policy for the Board. All appointments to the Board are made based on merit, and candidates are evaluated against objective criteria. We also recognise the importance of diversity within the Board, considering the valuable contributions it brings to the organisation.

We actively promote the creation of a diverse and inclusive culture within the Group through various means and communication channels. We emphasise the importance of listening to our colleagues' opinions and fostering their growth. We strive to establish an inclusive work environment where performance is evaluated based on professional competence, enabling employees from all backgrounds to unleash their full potential.

Remuneration and Welfare

We adhere to the laws and regulations pertaining to remuneration, and have developed the “Administrative Measures for Remuneration” (《薪酬管理辦法》) to enhance the remuneration system continually and establish a flexible adjustment mechanism for remuneration. We conduct regular reviews of our salary standards by comparing them with market benchmarks. This enables us to develop a competitive salary and bonus system that aligns with market conditions. Bonuses are awarded based on both the company’s performance and employee appraisals. We closely analyse individual goals and regularly review feedback in accordance with Performance Management Measures (《績效管理辦法》) and annual performance appraisal targets. This allows us to monitor department performance and employee performance in real time.

We prioritise the well-being of our employees and promote a healthy work-life balance. The working hours, rest days, and holidays provided to our employees comply with local labour laws. Our compensation plan is carefully crafted to attract and retain talented individuals who excel in their roles. We offer competitive welfare packages, such as the mandatory provident fund, the option for early retirement, funeral leave, maternity and paternity leave, comprehensive medical benefits (including dental care, outpatient, and inpatient treatments, etc.), as well as personal accident insurance.

Simultaneously, the Group strictly prohibits any instances of forced labour and guarantees that all employment arrangements are based on voluntary agreement. In cases where overtime work is necessary, the Group’s Employee Handbook explicitly outlines that employees have the right to receive overtime compensation or compensatory time off, as well as reasonable rest periods, in accordance with the terms of their employment contracts.

7.2 Occupational Health and Safety

Ensuring the health and safety of our employees is always a top priority for the Group. We place significant emphasis on the health and security of our workforce. We comply strictly with the Occupational Safety and Health Ordinance (《職業安全及健康條例》) of Hong Kong and strive to provide a healthy and safe working environment.

Health and Safety at the Group’s Hong Kong Office

To uphold a superior standard of occupational safety and health and provide our employees with a comfortable and safe workspace, the Group has implemented the “Safety and Emergency Management Measures” (《安全及應急管理辦法》) and the “Office Workplace 5S Management Measures” (《辦公場所5S管理辦法》), of which, the “Safety and Emergency Management Measures” (《安全及應急管理辦法》) is designed to address various potential accidents and establish a reporting mechanism for safety incidents, and ensure that any instances of delayed reporting, false reporting, or attempts to conceal accidents are effectively monitored and addressed; the “Office Workplace 5S Management Measures” (《辦公場所5S管理辦法》) aims to promote office discipline, maintain environmental cleanliness, and ensure that both personal office areas and public spaces are kept organised and tidy.

We prioritise fire safety and maintain a comprehensive fire protection system within our office premises. To prevent fire accidents, we conduct regular inspections of safety equipment and implement preventive measures to enhance our fire safety management. We ensure that fire prevention supplies are adequately stocked and maintained for their effectiveness. Maintaining clear passages and conducting regular patrols by professionals are essential aspects of our fire safety strategy. We recognise the importance of promoting safety awareness among our employees. Therefore, we mandate their participation in regular fire drills to familiarise themselves with escape routes and emergency procedures. In the event of malfunctioning or replacement/cleaning needs of appliances, we promptly engage qualified personnel to address the issue. We strictly prohibit our employees from handling such matters to ensure their safety.

Occupational Health and Safety: Emergency Evacuation Procedure at CBT

Highlights

Occupational Health and Safety at CBT

- Prioritise employee safety and health and adhere to the NBR 14276 firefighting and emergency brigade (EB) procedural standards to ensure a safe working environment.
- Provide firefighting brigade training and occupational safety measures.

CBT's Emergency kit in cases of leaks/spills:

- absorbent material,
- waterproof gloves,
- plastic garbage bags,
- plastic bucket,
- shovel (with blade and handle made of non-metallic material),
- cones/marketing tapes;
- container for placing waste (plastic drums).

The area of the CBT building is approximately 43,000 square meters. Equipment including hoses, separators, nozzles, stretchers, isolation barriers, PPE, and other materials are kept in storage rooms or available for use by the Emergency Response Team.

CBT has developed an emergency evacuation procedure. The Emergency Rescue Team and CBT's employees must follow the specified procedures for evacuation upon discovering a situation that could endanger people's lives, the environment, or assets.

The Group is committed to implementing ongoing measures aimed at enhancing the safety and health of our employees in the workplace. During the Reporting Period, we did not receive any complaints or lawsuits pertaining to violations of health and safety-related laws, and there have been no work-related fatalities within the past three years. We remain dedicated to upholding a safe and healthy work environment for all our employees.

7.3 Career Development

The Group places significant emphasis on the development and advancement of our employees. We offer training programmes aimed at keeping them up-to-date with the latest industry trends and the rapidly changing market landscape. We organise suitable training courses, both online and offline, tailored to the specific business characteristics of each sector. These courses encompass a wide range of areas, including enhancing employee skills, occupational safety and health, and various vocational skills training. Our objective is to continuously improve the professional skills and competency of our employees, ensuring they possess the necessary abilities to excel in their roles.



Multiple training activities have been actively carried out to enhance employees' professional competence and skills both in Hong Kong and Brazil.

Career Development Principles at the Group

- We give priority to internal candidates for filling vacant positions, ensuring equal opportunities and non-discrimination among all candidates.
- The selection process follows principles such as alignment of interests, legality, comprehensive motivation, a balance of incentives and constraints, competitiveness, transparency, and confidentiality.
- We provide diverse benefits, including healthcare, education allowances, language assistance, emergency loans, and recognition for length of service.
- We offer support such as daycare assistance, private pension plans, and employee meal cards.
- We comply with relevant regulations regarding employment, compensation, mandatory provident funds, and non-discrimination.
- In case of employee termination, we provide severance pay equivalent to the notice period stated in the contract.
- Eligible employees receive medical coverage that includes outpatient and inpatient treatments.
- We organise training programmes in the international tobacco industry to enhance employees' understanding of industry dynamics and competitive advantages.
- The training covers topics such as industry trends, knowledge of new tobacco products, and updates on corporate governance guidelines.

At CTIHK, a total of 22 themed training sessions and certain training sessions related to new employee onboarding training were conducted. Over 500 employees were trained. The training content was diverse and covered topics such as the latest developments in the international tobacco industry, knowledge sharing sessions on new tobacco products and tobacco leaf business, and recent updates on the “Listing Rules” and “Corporate Governance Code”. Through these training initiatives, employees’ professional abilities and teamwork awareness have been enhanced, leading to a deeper understanding of the Company’s strategy and industry dynamics. The Company remains committed to continuously improving the training content to promote the ongoing development of its employees and achieve sustainable development.

At CBT, 112 training sessions were carried out in total in 2023. 510 employees, including full time and seasonal staff, were trained.

The overview of the employee training of the Group during the Reporting Period is as follows:

Indexes	Average training hours (hours) ¹	Percentage of the employees trained ²
By gender		
Male	18	100%
Female	18.2	100%
By employment type		
Senior	21.9	100%
Middle	16.1	100%
Junior	18.1	100%

In addition to training courses, the Group also attaches great importance to the long-term career development of its employees. Therefore, we have formulated the “Administrative Measures for Post Management” (《崗位管理辦法》), which is a complete job adjustment/promotion plan based on actual needs, and regularly reviewed the suitability of the Group’s job levels. We believe that a complete promotion mechanism can not only promote the sustainable development of the Group, but also help advance the career prospects of individual employees.

¹ Calculation method: the total training hours of employees in each category/the total number of trained employees in each category.

² Calculation method: the number of trained employees in this category/the total number of trained employees, calculated by rounding.

7.4 Our Sustainability Culture

Following the “Corporate Culture Construction and Management Measures” (《企業文化建設管理辦法》), CTIHK organizes various employee activities, including cultural and sports activities (such as watching movies, cultural performances, sports events, outdoor activities, visiting exhibitions, participating in sports events, and staff gatherings) as well as participating in public welfare activities. Depending on the situation, the Company may also invite employees’ family members to participate.

We provide our employees with various opportunities for feedback and open discussion to generate valuable ideas to improve our human resources strategy. We hold employee forums to discuss company development, employee training and team-building activities to better understand employee’s needs and expectations and maintain a positive and inclusive work environment. This year, we organised several activities to enhance employees’ sense of belonging and happiness to the Group.

Case Study: New Employee Training at CTIHK

In September 2023, CTIHK organised a training session for 11 newly recruited employees to help them better understand the Company’s mission and values, familiarise themselves with business processes, and enhance their work skills. The Executive Director and General Manager of the Company Mr. DAI Jiahui personally led the “First Lesson on Joining”, highlighting the importance of talent cultivation and high-quality business development. The Executive Director and Deputy General Manager of the Company Mr. XU Zengyun and heads of other departments also conducted a training on topics such as new tobacco products, cigarette business, financial management, compliance and risk control, and tobacco leaf operations. Through this training, CTIHK demonstrated its commitment to the growth and development of new employees, nurturing valuable human resources for the Company’s future growth.

Embracing Social Responsibility for a Greener Future

On November 10, 2023, CTIHK organised a coastal cleanup event at Po Zhu Tam beach in Tai O, Hong Kong, demonstrating the Company’s steadfast commitment to environmental protection. Employees worked together to remove various types of trash from the beach, collecting over 20 bags of waste and revitalizing the area. The activity not only heightened the team’s awareness of the importance of environmental conservation but also ignited their enthusiasm for spreading the spirit of community service.

Following the cleanup, the team visited Lantau Island to view the Hong Kong-Zhuhai-Macau Bridge from a distance, an experience that not only showcased the grandeur of this national project but also motivated employees to contribute to the development of the Company and the country. CTIHK has been supporting the national “Carbon Peaking” and “Carbon Neutrality” goals and Hong Kong’s Climate Action Plan 2050 (《香港氣候行動藍圖2050》), taking concrete actions to promote the development of green and liveable communities, and demonstrating the responsibility and commitment of Chinese-funded enterprises.



CBT’s Volunteering Group

8. OUR ACTIONS TO SHAPE A GREENER WORLD

We are committed to continuously improving our environmental and social responsibilities to achieve the sustainable development of the Group. We adhere to the management concept of sustainable development to achieve green operations and balanced development. The Group continues to do its best to protect the environment in its business activities and workplaces. In addition to setting environmental goals, CTIHK is also in the process of establishing an environmental management system, and upon successful implementation, it will consider applying for external certification – ISO 14001 Environmental Management System.



8.1 Environmental Targets and Action Plans

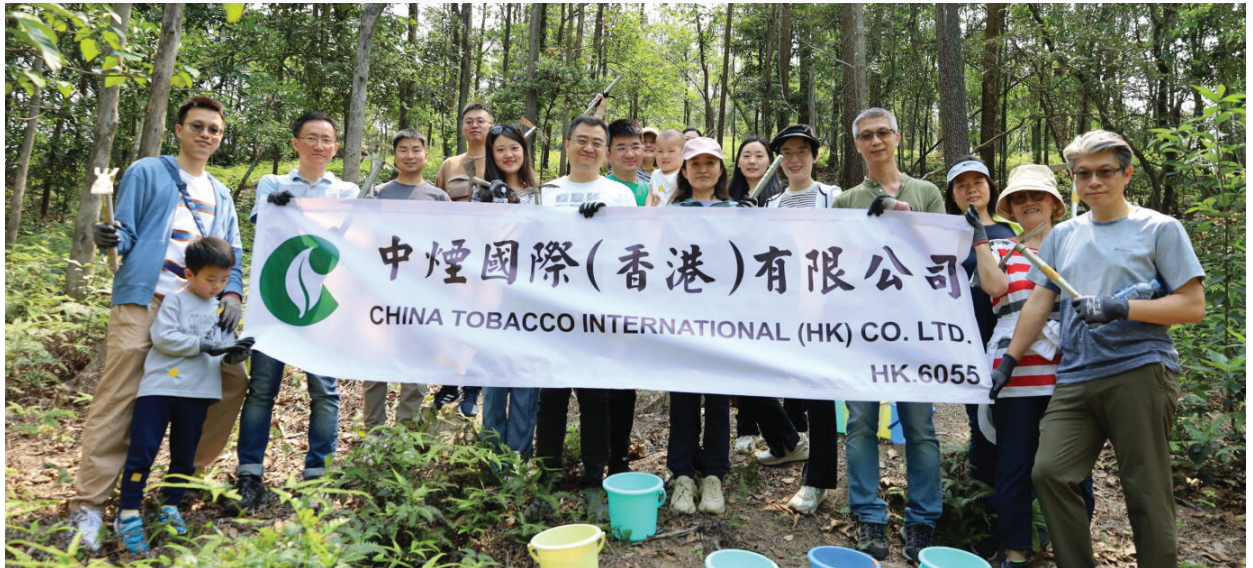
The environmental impacts associated with the operational activities of the Group mainly include the use of energy and water resources, greenhouse gas emissions, and waste generation. Environmental targets enable us to measure and reduce our environmental footprint and promote responsible environmental stewardship. It demonstrates our commitment to responsible practices, enhancing our reputation and meeting stakeholder expectations. Integrating environmental considerations into our strategies enhances resilience, identifies new opportunities, and ensures our long-term viability in a changing business and regulatory landscape.

The Group sets the right environment targets, through in-depth research for the selected target aspects, including tobacco industry research, peers' performance analysis and the Group's environmental performance review.

Target Aspect	Environmental Targets	Indicators	Action Plan	Action Plan Time Frame
GHG Emissions	Improve current GHG emission management system	Establish environmental data collection system	<ul style="list-style-type: none"> Determine the types of data to be collected and corresponding data Identify major emission sources Establish data collection guidelines Identify scope 1, 2 & 3 emissions 	Long term
	Encourage green transportation	Improve fleet management and encourage green travel alternatives	<ul style="list-style-type: none"> Collect vehicle usage data, including mileage, fuel consumption, and inspection record Explore purchasing more energy-saving vehicles in replacement Encourage alternative green transportation methods including walking, cycling and public transport Optimise driving routes, schedules, etc. to improve fleet efficiency 	Short term
Waste Generation	Practice waste reduction at source	Promote green office and reduce office paper usage	<ul style="list-style-type: none"> Improve office waste recycling system collect statistics on the amount of paper waste recycled in the office Encourage double-sided printing Encourage the use of online systems for document filling/approval 	Short to mid term
		Recycle office electronics	<ul style="list-style-type: none"> Develop a recycle plan and check the progress regularly 	Short to mid term
		Reduce overall waste to landfills	<ul style="list-style-type: none"> Review warehouse management process and identify waste sources identify opportunities for improvement Optimise processes and reduce unnecessary steps and material waste 	Mid term
		Sourcing sustainable materials and products	<ul style="list-style-type: none"> Choose biodegradable, reusable, recyclable or recycled packaging materials 	Mid term

Target Aspect	Environmental Targets	Indicators	Action Plan	Action Plan Time Frame
Energy Efficiency	Enhance Energy Efficiency	Reduce the usage in offices and/or warehouse	<ul style="list-style-type: none"> Identify and gradually replace energy-consuming equipment Purchase energy efficient equipment, such as LED lamps, where permitted 	Long term
Water Efficiency	Enhance Water Efficiency	Reduce average water consumption	<ul style="list-style-type: none"> Provide employee guidelines on water saving Install water-saving equipment such as water-saving taps whenever possible 	Long term
For All Aspect	Promote Environmental Awareness at Workplace	Provide staff environmental training/publicity	<ul style="list-style-type: none"> Incorporate environmental training into on-boarding training Develop environmental training and awareness plan to organise energy conservation themed projects regularly 	Short term
		Set up environmental information dashboard in the management service area	<ul style="list-style-type: none"> Install environmental posters and slogans in public facilities at workplaces 	Short to mid term

8.2 Navigating the Path to Genuine Sustainability



Highlights

Renewable Energy and Energy Efficiency Enhancement

- Responding to “Hong Kong Climate Action Plan 2050” (《香港氣候行動藍圖2050》) and the “Energy Efficiency Labelling Scheme” (《能源效益標籤計劃》), we actively maintain an environmentally friendly office space.
- Establishing an environmental management system and considering applying for external certification of the ISO 14000 Environmental Management System.
- Purchasing renewable energy from incentivized sources in Brazil.
- Promoting sustainable practices in planting.
- The use of sustainable firewood has become a mandatory standard.
- We have transitioned from traditional farming methods to reduced tillage or no-till farming, promoting soil conservation.
- Crop rotation has increased by 45%, further enhancing soil health and productivity.
- We actively encourage the use of forced-air curing barns to improve tobacco quality.

We are committed to promoting environmental awareness and sustainability in all aspects of our operations. Recognising the urgent need to address environmental challenges, we have taken proactive measures to minimise our ecological footprint and foster a culture of environmental responsibility. From implementing energy-efficient practices to reducing waste and supporting conservation initiatives, we strive to be a leader in driving positive change. Through our ongoing efforts, we aim to raise awareness among our employees, customers, and stakeholders about the importance of environmental stewardship and inspire collective action towards a greener future.

The Group has developed the “Sustainable Development Policy” (《可持續發展政策》) and corresponding measures to ensure the responsible and efficient management of energy consumption, greenhouse gas (GHG) emissions, as well as the proper handling of domestic waste, sewage, and other pollutants.

We have strictly complied with Hong Kong’s Air Pollution Control Ordinance (《空氣污染管制條例》) and the National Environmental Policy of Brazil and the relevant environmental laws and regulations in the places where we operate. During the Reporting Period, the Group was not aware of any violation of environmental protection laws and regulations.

Greenhouse Gas (“GHG”) Emissions Management

In accordance with the “Greenhouse Gas Protocol” established by the World Resources Institute and the World Business Council for Sustainable Development, as well as the ISO 14064-1 Standard set by the International Organisation for Standardisation, we conducted a comprehensive greenhouse gas (GHG) inventory for our operational sites in Hong Kong and Brazil. The GHG emissions during the Reporting Period are summarised as follows:

	Unit	2023
Scope 1		
Mobile vehicles	tonnes of CO ₂ e	723.43
Coolant	tonnes of CO ₂ e	9.86
Liquefied petroleum gas machinery	tonnes of CO ₂ e	106.79
Diesel machinery	tonnes of CO ₂ e	4.06
Scope 2		
Purchased Electricity	tonnes of CO ₂ e	131.99
Total GHG emissions (Scope 1 and 2)	tonnes of CO ₂ e	976.13
Intensity of GHG emissions		
	tonnes of	
Per square metre (Scope 1 and 2)	CO ₂ e/square metre	0.022
	tonnes of	
Per employee (Scope 1 and 2)	CO ₂ e/employee	2.90

Aside from GHG emissions, the type and data of emissions generated by our fleets are as follows:

Type of Emissions	Unit	2023
Nitrogen Oxides (NO _x)	tonnes	0.21
Sulphur Oxides (SO _x)	tonnes	0.0045
Carbon Monoxide (CO)	tonnes	2.50
Particulate Matter (PM)	tonnes	0.021

The core business of the Group does not directly generate significant exhaust gases and GHG emissions. We have identified that the Group’s GHG emissions are mainly from the fuel consumption of its vehicles (Scope 1) and electricity consumption during business operations (Scope 2). During the Reporting Period, the total GHG emissions of operation sites in Hong Kong and Brazil during the Year was 976.13 tonnes of CO₂e.

Our commitment to reducing greenhouse gas emissions is evident in our daily operations. We prioritise vehicle maintenance and closely monitor their usage to ensure optimal fuel efficiency. To achieve fuel savings, we have implemented strict controls on the approval of official vehicle usage and regularly calculate gasoline consumption based on travel records at our Hong Kong office. Moreover, we actively encourage employees to utilise public transportation whenever possible and advocate for a reduction in the frequency of both official and private car usage.

To reduce air emissions from the motor vehicle, we have formulated the Business Vehicle Management Rules (《商務車輛管理規定》) and prioritised the purchase and use of the business vehicle with Euro 6B emission standard based on the principles of “conservation, efficiency and practicality”.

Water Management

The domestic water CTIHK use is supplied by our property buildings, and CTIHK has no problem obtaining water sources. The Company is fully aware of the importance of water as one of the most precious resources on the planet.

In our daily operations, the Company is committed to minimising water consumption. Regular inspections help the Company detect and promptly address hidden leaks, overflowing tanks, and dripping taps to prevent unnecessary water waste. The Company also displays water-saving reminders in pantries and washrooms, raising employee awareness about the importance of conserving water.

In our Brazil operations at CBT, water consumption is captured from two sources: freshwater billed from AOB and underground water in wells.

During the Reporting Period, the total water consumption of operation sites in Hong Kong and Brazil was 5,023.86 m³.

Water consumption performance	Unit	2023
Total water consumption	cubic meter	5,023.86
Total water consumption intensity (per employee)	cubic meter\employee	14.91

Energy Management

The major source of energy used by the Group is electricity, which is mainly used in the general lighting, air-conditioning, and powering of computers, office equipment and other equipment in the Hong Kong and Brazil operation sites of the Group.

The Group is dedicated to resource optimisation and reducing energy consumption across our business. We closely monitored and analysed electricity usage and distribution through monthly statistics. In the Reporting Period, the total energy consumption of our operation sites in Hong Kong and Brazil amounted to 4,038.15 mWh for the Year.

Energy Consumption Performance	Unit	2023
Total energy consumption	MWh	4,038.15
Total energy consumption intensity (per employee)	MWh\employee	11.98

In addition, we have adopted different actions to improve the efficiency of its lighting, air-conditioning and electrical equipment in line with the principles of green energy conservation and making good use of resources. In terms of lighting, we maximise natural light utilisation and utilise energy-saving fixtures like LED lights. We divide office spaces into different lighting zones and install independent switches in infrequently used areas. For electronic devices, we prioritise energy-efficient office equipment and products with energy efficiency labels. Additionally, we enforce rules for employees to switch off all electrical equipment after work. Regarding air conditioning, we set designated temperatures to ensure optimal electricity usage. By implementing these measures, we strive to reduce energy consumption and promote sustainability in our daily operations.

Case Study: CBT's Clean Energy Practice in Brazil's Energy Free Market

CBT strategically purchases clean energy and lowers its costs at the same time. Through financial analysis and industry research, CBT has noticed the renewable energy policies and incentives in Brazil. The Free Energy Market is a more sustainable and cheaper alternative market than the traditional market in Brazil.

Recognising the opportunity to achieve sustainability and cost reduction, CBT purchases renewable electricity from the energy company Cemig through AOB. The clean energy is originated from sources including hydrogen, wind, biomass, and solar. Its origin refers to the provisions of Normative Resolution No. 77 of August 18, 2004, from ANEEL (National Electric Energy Agency), which regulates energy from an incentivized source.

Waste Management

The Group adheres strictly to Hong Kong's Waste Disposal Ordinance (《廢物處置條例》) and its subsidiary regulations. Our primary locations, including offices and warehouses, generate non-hazardous waste primarily consisting of domestic waste and used paper. Hazardous waste resulting from our operations is disposed of by approved professional contractors. Examples of hazardous waste include waste batteries, ink cartridges, healthcare waste, burnt-out fluorescent tubes, and septic waste. During the Reporting Period, the total non-hazardous waste from our operation sites in Hong Kong and Brazil amounted to 80.57 tonnes.

Non-hazardous Waste Performance	Unit	2023
Total non-hazardous waste	tonnes	73.54
Total non-hazardous waste intensity (per employee)	tonnes/employee	0.22

In our daily operations, the Group actively promotes waste reduction efforts, particularly by advocating for a paperless working environment. We encourage our staff to embrace digital document viewing instead of printing hard copies. Additionally, we promote practices such as double-sided printing and reusing single-sided printed paper. Furthermore, we prioritise the reuse of office consumables whenever feasible. Through these measures, we aim to minimise waste consumption and foster a more sustainable approach to our work processes.

We have established effective waste treatment and disposal systems. To encourage recycling, we have installed designated recycling bins for used toner, ink cartridges, and paper. Moreover, we actively promote recycling and reusing of office materials by fostering behavioural changes among employees by sending friendly reminders through various communication channels including emails, posters, and intranets. By embracing the concept of “Conserve and Recycle”, we strive to cultivate a culture of waste reduction and raise awareness among our workforce.

9. COMBATING CLIMATE CHANGE

Climate change poses significant threats to the environment, ecosystems, and human well-being. As a responsible and sustainable organisation, the Group recognises the need to minimise its carbon footprint and mitigate the adverse impacts of climate change.

Internationally, we proactively engage and contribute to climate change-related policies and initiatives. We actively supported China's "Carbon Peaking" and "Carbon Neutrality" goals. Additionally, we collaborated with the carbon reduction plans and measures outlined in Hong Kong's Climate Action Plan 2030+ (《2030+氣候行動計劃》). The Group acknowledges the potential risks that climate change poses to its business, customers, industry, and the communities it operates in. Consequently, the Group remains committed to assessing the impacts of climate change on its operations and implementing appropriate enhancements to ensure the continued and resilient operation of its business in the face of extreme weather events or disruptions.



Preparing guidelines for extreme weather events in Brazil

9.1 Climate Change Policies

Establishing climate change internal policies provides a framework for setting targets and monitoring progress towards climate-related goals. It helps guide decision-making processes, ensuring that climate considerations are integrated into various aspects of the Group's operations, such as supply chain management, product development, and resource allocation.

At CTIHK, the Board and management team are fully engaged in managing significant climate-related matters. The Company developed the "ESG Manual" (《ESG員工手冊》) and "Climate Change Management Measure" (《氣候變化管理辦法》). These documents can also refer to the "Terms of Reference on ESG Governance Structure" (《環境、社會及管治架構職權範圍書》), which outlines the Board's role and responsibilities.

In Brazil, the implementation of the ESG agenda was an initiative of CBT. Actions are linked to the directors and the board of CBT and are reported to them.

9.2 Climate Risk Scenario Analysis

By analysing the Group's value chain information as well as the available international climate data, we have referred to the Intergovernmental Panel on Climate Change's Sixth Assessment Report (AR6) and selected internationally recognised Shared Socioeconomic Pathways (SSPs) as assumptions for the climate risk scenario analysis.

- **Optimistic Scenario: SSP1-2.6**

This scenario aims to limit global warming, keeping the global average temperature rise within 2°C. SSP1-2.6 is classified as a sustainable pathway in terms of socioeconomic characteristics. It emphasises sustainable development by balancing economic growth and social well-being while adopting active emission reduction and sustainable development measures. This includes widespread use of low-carbon technologies, improving energy efficiency, promoting clean energy development, and implementing sustainable land-use policies. The goal of SSP1-2.6 is to achieve global temperature control within 2°C through a sustainable development path, mitigating the adverse impacts of climate change and promoting socioeconomic sustainability. This scenario provides policymakers and researchers with a reference to assess the potential impacts of actions taken under specific socioeconomic pathways on global climate and sustainable development.

- **Pessimistic Scenario: SSP3-7.0**

This scenario represents a future of high carbon emissions and unsustainable development. The origin of SSP3-7.0 can be traced to the development process of the SSP framework which aims to provide a range of socioeconomic development pathways reflecting different population, economic, technological, and policy choices' impact on climate change and sustainable development. SSP3-7.0 is characterised by high population growth, low economic growth, lack of international cooperation, slow technological progress, and the development of carbon-intensive industries. In this scenario, global carbon emissions continue to increase, energy systems rely heavily on fossil fuels with limited improvements in energy efficiency and slow development of clean energy. Additionally, there are imbalances in socioeconomic development, increasing wealth disparities, environmental issues, and social instability.

SSPs also consider different transition risks that may lead to significantly different carbon emissions and climate change consequences in the future. We will build a potential climate change risk repository by considering high physical risks and high transition risks.

9.3 Climate Risk Assessment

Climate change poses risks and impacts on agricultural cultivation, bulk commodity import-export, supply chains, and office operations. Therefore, the scope of climate change risk assessment includes the Hong Kong office, the Brazil office, and the warehouses located in Brazil. Following TCFD's recommendations on climate-related disclosures and HKEX's Guidance on Climate Disclosures, we developed a four-dimensional rating scale, and prepared an annual climate change risk questionnaire to assess the climate change risks and opportunities identified. 38 respondents from eight departments in Hong Kong and Brazil participated in answering the questionnaire. Respondents rated each climate change risk/opportunity from four dimensions – Impact, Likelihood, Vulnerability, and Speed of onset. The climate risk total score is calculated by the sum of ratings from four dimensions.

During the Reporting Period, we have identified 11 climate-related risk/opportunities associated with our operations and business decisions.

Risk Category	Description	Business Impact	Financial Impact	Time Horizon
Physical Risks				
Acute Risks				
Increased frequency and intensity of extreme heat waves in tobacco growing areas	Climate change leads to extreme weather such as droughts and heat waves, leading to potential damage risks to fixed assets, the environment, etc.	Severe droughts, heat waves, etc. will lead to a decrease in crop yields. Hot weather will also affect farmers' mental and physical health, leading to a decrease in productivity. Loss of production may result in higher tobacco prices in local markets or scarcity of tobacco substitutes of equivalent quality, thereby increasing procurement costs and reducing profits.	<ul style="list-style-type: none"> Local tobacco leaf prices rise Procurement costs increase Sales profit margins decrease 	Short-term
Extreme flooding in tobacco growing areas and increased frequency and intensity of hurricanes	Climate change leads to extreme weather such as storms and floods, resulting in potential damage risks to fixed assets, the environment, etc.	Tobacco supply chains may face the impact of disasters such as floods and hurricanes, such as those occurring in places such as Brazil. These disasters can cause damage to buildings and goods, as well as crop losses and disruptions to logistics networks, causing disruption to farmers and logistics networks.	<ul style="list-style-type: none"> Local tobacco leaf prices rise Procurement costs increase Sales profit margins decrease 	Short-term

Risk Category	Description	Business Impact	Financial Impact	Time Horizon
Chronic Risks				
Changes in rainfall and weather patterns	Due to the uncertainty and extreme changes in rainfall patterns, the growth and development of crops may be negatively affected. For example, uneven rainfall may result in restricted crop growth and reduced yields; while floods and heavy rains may damage crops and farmland, causing losses.	Long-term worsening weather patterns will have an impact on the tobacco supply chain. The process of transporting, storing, and distributing agricultural products may be disrupted and delayed, leading to unstable product supply; in addition, this may lead to higher agricultural product prices, which will bring consequences to farmers and consumers.	<ul style="list-style-type: none"> Local tobacco leaf prices rise Procurement costs increase Sales profit margins decrease 	
Global average temperature rise	Gradual temperature changes will increase the risk of extreme weather. As temperatures gradually rise, you may experience more frequent and severe extreme weather phenomena such as heat waves, droughts, heavy rains, and storms.	The increased frequency of extreme weather will impact companies' ability to produce and deliver product, including the impact on tobacco farmers and the number of working days lost due to heatwaves.	<ul style="list-style-type: none"> Human capital and operational costs increase Production capacity decrease and costs increase 	Long-term

Risk Category	Description	Business Impact	Financial Impact	Time Horizon
Transition Risks				
Policy and legal risks				
Rising greenhouse gas emissions/carbon pricing	Implementing a carbon tax could have a significant impact on the production and operating costs of carbon-intensive agricultural activities.	The trend of more stringent regulations related to carbon emission pricing/taxation will increase the operating costs of enterprises. In the medium and long term, the increase in carbon pricing may affect the manufacturing and logistics operations of enterprises.	<ul style="list-style-type: none"> • Production operational costs increase • Logistics costs increase 	Long-term
Stricter regulatory policies and disclosure requirements	The world is gradually paying attention to the risks brought by climate change. Local governments have implemented or updated stricter relevant policy supervision on corporate products and services. If companies fail to respond in time, they will cause monetary losses, violate laws and regulations, and even must do business transformation.	<p>Regulation of energy efficiency requirements may affect businesses in factories or mechanized agricultural processes.</p> <p>Complying with increasingly complex regulatory requirements increases the Group's exposure to additional costs and the risk of unintended non-compliance, which may result in regulatory reprimands and financial penalties.</p>	<ul style="list-style-type: none"> • Compliance costs increase • Energy efficiency requirements increases and costs decrease 	Mid to long-term
Technology risks				
Low-carbon technology transformation and expenditure	The market's pursuit of low-carbon products will drive companies to develop lower-carbon technologies and products, and companies' investment in low-carbon R&D may increase.	If companies require technologies to achieve a low-carbon system that are not cost-effectively available (such as low-cost renewable energy and/or low-cost alternative fuel vehicles), then the cost of implementing alternative technologies may increase.	<ul style="list-style-type: none"> • Alternative energy technology implementation costs increase • Investment risk exposure increases • Successful technological transformation could reduce costs and increase profitability 	Long-term

Risk Category	Description	Business Impact	Financial Impact	Time Horizon
Market risk				
Rising energy prices	Rising energy prices will have an impact on direct operating costs and raw material costs, resulting in increased costs.	Tobacco companies may face the risk of rising procurement costs, such as the cost of certain raw materials (such as water and diesel).	<ul style="list-style-type: none"> Operational costs increase Procurement costs increase 	Short, mid, and long term
Changes in customer preferences	Evolution of consumer and business customer choices towards greener products and services, and changes in consumption patterns.	If companies fail to understand and meet consumer needs in a timely manner under changing circumstances, they may lose profits and customer loyalty. Under the macroeconomy, the economic impact of extreme weather will also lead to a decrease in consumer purchasing power and consumption intention.	<ul style="list-style-type: none"> Product mix adjustment and sales volume changes 	Short-term
Changes in investors' investment intentions	External stakeholders and investors are concerned about corporate ESG-related issues, and particularly unfavourable ESG ratings will reduce investors' willingness to invest.	If a company fails to meet investors' expectations for ESG and climate change risk management, investors may choose not to invest in the company, which will have a negative impact on stock performance in the market and investor relations.	<ul style="list-style-type: none"> Changes in financing capability Ideal ESG ratings will attract more investment 	Short-term
Reputation risk				
Brand image damage	As investors, non-profit organisations, consumers and other stakeholders become increasingly alert to ESG-related issues, companies related to agricultural activities that contribute to climate change (such as deforestation) are increasingly vulnerable to external criticism and reputational risks.	If the enterprise faces reputational damage, it will cause external stakeholders to have a lower or negative perception of the enterprise's image compared to competitors or the company as a whole, thereby reducing market share and revenue.	<ul style="list-style-type: none"> Brand reputation has a negative impact Market share and revenue may decrease 	Mid to long term

9.4 Our Responses to Climate Risks and Opportunities

CTIHK

- Formulate and update emergency plans according to the actual situation.
- Promote water conservation in the course of operations
- Implement energy conservation and emission reduction measures to strengthen the management of greenhouse gas emissions.
- Monitor climate-related information. Develop or adjust internal strategies as needed.

CBT

- Conduct emergency drills related to extreme weather events on a regular basis, check material reserves and personnel response capabilities, and improve emergency procedures according to the drills.
- Work with field technicians and contracted tobacco farmers to diversify procurement options; cooperate with farmers/suppliers to insure and develop contingency plans for critical assets, and strengthen infrastructure to cope with extreme weather.
- In response to extreme weather events, such as heavy rain, floods, typhoons, thunderstorms, etc., formulate emergency plans and drill plans to strengthen the company's response capabilities.
- Develop a Good Agricultural Practice program to adopt sustainable agricultural practices, working with field technicians and contracted tobacco farmers to protect soil structure and reduce the risk of loss and damage.
- Diversify water sources, such as the use of well water.
- Use renewable energy and implement energy-saving and efficiency improvement measures.

The Group understands the importance of proactively addressing climate change risks. By doing so, our business can maintain resilience and effectively mitigate these impacts. Moving forward, we remain committed to taking actions to further enhance our readiness in facing potential climate risks, both in terms of physical impacts and the transition to a low-carbon economy.

10. COMMUNITY DEVELOPMENT

The Group is deeply committed to community development and recognises the importance of respecting local culture, caring for residents in the community, and fostering youth education. As part of our efforts, we actively engage with the local community, seeking to understand and appreciate its unique cultural heritage. We collaborate with local organisations and community leaders to support initiatives that preserve and promote local traditions, festivals, and customs. Moreover, we prioritise the well-being and needs of community residents by implementing programmes that address social issues, provide support to vulnerable groups, and contribute to the overall welfare of the community. In 2023, CBT volunteered and donated to people affected by floods in the Venâncio Aires – RS region. We also place great emphasis on youth education, believing that investing in the education and development of young individuals is vital for a sustainable and prosperous future. Through these efforts, we strive to make a positive and lasting impact on the community, fostering a sense of pride, unity, and growth for all its members.



Highlights

Our Corporate Citizenship in Brazil

We make focused contributions to the community in the areas of education, sports, culture, and social assistance, such as organising activities to distribute school supplies and warm clothing where we have operations.

- In February, we distributed 52 individual school kits to 42 employees' children, including 14 children and adolescents from the Venâncio Aires shelter.
- In May, we donated 18 liters of aluminium can tabs to the Women's Cancer Alliance.
- During the floods in Mariante, hygiene products, cleaning supplies, water, and other essential items were distributed through the First Lady's Office, with the participation of over 30 CBT employees in mobilization efforts.
- In July, we organised a warm clothing and knitting group activity, benefiting 99 employees. We prepared 1,520 garments and 114 pairs of shoes for the First Lady's Office.
- Eight wool quilts, 40 sweaters, and one vest made by weavers were sent to exhibition participants, benefiting 37 children and involving a total of 21 employees.
- We invested a total of R\$1,750,000 in public welfare funds.
- Through contracts with tobacco farmers, we provided tobacco cultivation technical guidance to over 20,000 farmers, including comprehensive guidance from seed production to harvest stages.
- Technicians provided on-site occupational safety and health guidance and encourage children and adolescents to complete their education.

Supporting Local Communities in Brazil

- Tax incentives support: Projects must comply with tax incentive laws and adhere to restrictions, rules, and standards in each incentivized area.
- Priority for communities connected to the company: Projects directly connected to the company, especially those located in major cities (such as Venâncio Aires) and the cities where tobacco purchasing units are located (Venâncio Aires-RS, Araranguá-SC, Pouso Redondo-SC, and Canoinhas-SC, or nearby areas), are given priority consideration.
- Cities with concentrated producers: Projects in cities where a large number of contracted producers are concentrated are given priority consideration.
- Strategic city projects: Projects in strategic cities where the company operates are taken into consideration.
- Alignment of project objectives with company goals: Project objectives need to align with the company's sustainable development agenda goals.

Case Study: Celebrate Mid-Autumn Festival with the Community in Hong Kong

On the eve of the Mid-Autumn Festival, September 22 to 23 2023, CTIHK in collaboration with the team of Hong Kong Legislative Council member Yim Kong, brought warmth to the community of Pok Hong Estate in Sha Tin. The employees of CTIHK personally prepared “Mid-Autumn Packs” and accompanied by Hong Kong legislator Yim Kong office, hand-delivered these care packages to the residents. These “Mid-Autumn Packs” met the residents’ practical needs and conveyed CTIHK’s care and warmth to the community.

The Executive Director and General Manager of the Company Mr. DAI Jiahui emphasised that CTIHK has always been committed to giving back to society, actively participating in charitable activities and striving to enhance the welfare of Hong Kong citizens. This event not only bridged the gap between Chinese-funded enterprises and citizens in Hong Kong but also demonstrated the social responsibility and commitment to serving the Hong Kong community of Chinese-funded enterprises.



Youth Education Support Programme in Brazil

In February 2023, CBT supported the educational needs of employees' families by distributing 52 carefully prepared educational school kits to their children, benefiting 42 employee families. Additionally, CBT expanded the reach of this charitable initiative to the Venâncio Aires City Shelter, where 14 children and teenagers also received support. This programme not only supported the families of our employees but also contributed to the educational efforts within the local community.



APPENDIX I: SUSTAINABILITY DATA STATEMENT⁴

Emissions			
A1.1	Types of emissions and respective emissions data.	Unit	2023
Type of emissions	NO _x	tonnes	4.71
	SO _x	tonnes	0.0045
	CO	tonnes	3.18
	PM	tonnes	0.021
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity ⁵	Unit	2023
	Scope 1		
	Mobile Vehicles	tonnes of CO ₂ e	723.43
	Coolant	tonnes of CO ₂ e	9.86
	Liquefied petroleum gas machinery	tonnes of CO ₂ e	106.78
	Diesel machinery	tonnes of CO ₂ e	4.06
	Scope 2		
	Purchased Electricity	tonnes of CO ₂ e	131.99
	Total GHG emissions (Scope 1 and 2)	tonnes of CO ₂ e	976.12
	Intensity of GHG emissions		
	Per square metre (Scope 1 and 2)	tonnes of CO ₂ e/ square metre	0.022
	Per employee (Scope 1 and 2)	tonnes of CO ₂ e/ employee	2.90
Hazardous waste produced			
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Unit	2023
	Ink cartridge	tonnes	0.0013
	Waste batteries	tonnes	0.0023
	Other	tonnes	9.80

³ The scope of environmental and social data includes CTIHK and CBT based on the materiality of business impact.

⁴ Calculated based on the emission factors in the “Reporting Guidance on Environmental KPIs” in Appendix 2 issued by the Stock Exchange and the Brazilian GHG Protocol Program developed by FGVces and WRI, in partnership with the Ministry of the Environment, the Brazilian Business Council for Sustainable Development (CEBDS), the World Business Council for Sustainable Development (WBSCD).

Non-hazardous waste produced			
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Unit	2023
	Total non-hazardous waste produced	tonnes	73.54
	Paper	tonnes	37.87
	Plastics	tonnes	10.68
	Others	tonnes	25.00
	Non-hazardous waste generated intensity (per employee)	tonnes/person	0.22
A2 Use of Resources			
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000) and intensity (e.g. per unit of production volume, per facility).	Unit	2023
	Electricity consumption	kWh	789,943.00
	Gasoline	kWh	2,781,299.86
	Diesel	kWh	16,623.64
	Liquefied petroleum gas	kWh	450,288.00
Water Consumption			
A2.2	Water consumption in total and intensity	Unit	2023
	Total water consumption	m ³	5,023.86
	Total water consumption intensity (per employee)	m ³ /person	14.91
Packaging Materials			
A2.5	Packaging material consumption	Unit	2023
	Paper box	tonnes	19,016.75
	Plastic packaging	tonnes	204.36

Total workforce by gender, employment type, age group and geographical region.

B1.1		Unit	2023
Gender	Male	number of employees	279
	Female	number of employees	58
Employment category	Junior	number of employees	44
	Middle	number of employees	30
	Senior	number of employees	12
Age	Below 30	number of employees	84
	30 – 50	number of employees	170
	Above 50	number of employees	83
Employment type	Full-time	number of employees	281
	Part-time	number of employees	0
	Seasonal	number of employees	56
Region	Hong Kong	number of employees	42
	Brazil	number of employees	295

Employee turnover rate by gender, age group⁶ and geographical region.

B1.2		Percentage
Gender	Male	13%
	Female	42%
Age	Below 30	36%
	30 – 50	22%
	Above 50	25%
Region	Hong Kong	26%
	Brazil ⁷	164%

Occupational health and safety

B2	Year	Count
Number of work-related fatalities in each of the past three years (including the Reporting Period)	2023	0
	2022	0
	2021	0
Work-related fatality rate in each of the past three years (including the Reporting Period)	2023	0
	2022	0
	2021	0
Lost days due to work injury number of days	2023	0

⁶ Employee turnover rate by gender and age groups are calculated based on CTIHK's statistics in Hong Kong.

⁷ CBT's operations and recruitment are highly correlated to seasonality and agricultural practice. CBT works with seasonal employees and contractors. Therefore there's a high turnover rate in Brazil.

The percentage of employees trained by gender and employee category

B3.1		Unit	2023
	Male	%	100
	Female	%	100
	Senior	%	100
	Middle	%	100
	Junior	%	100

B3.2	Average training hours completed per employee by gender and employee category.	Unit	2023
	Male	Hours	3.99
	Female	Hours	7.00
	Senior	Hours	2.96
	Middle	Hours	4.76
	Junior	Hours	4.99

Number of suppliers by geographical region.			
B5.1		Unit	2023
	CTIHK		
	Chinese Mainland	number of suppliers	60
	Hong Kong and Macau	number of suppliers	53
	Asia (Excluding Chinese Mainland, Hong Kong and Macau)	number of suppliers	108
	Outside of Asia	number of suppliers	46
	CBT		
	Tobacco farmers in Brazil	number of suppliers	20,711
	Non-tobacco suppliers in Brazil	number of suppliers	414
	CTIHK and CBT suppliers (excluding farmers)	number of suppliers	681
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		0
B6.2	Number of products and service related complaints received and how they are dealt with.		0
Anti-corruption			
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		0
Community Contribution			
B8.2	Resources contributed (e.g. money or time) to the focus area.		R\$1,750,000.00

APPENDIX II: STOCK EXCHANGE ESG REPORTING GUIDE INDEX

Mandatory Disclosure Requirements

Governance Structure

A statement from the board containing the following elements:

2.1 Board Statement

- (i) a disclosure of the board's oversight of ESG issues;
- (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and
- (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.

Reporting Principles

A description of, or an explanation on, the application of the following Reporting Principles in the preparation of the ESG report:

Reporting Standards

- **Materiality:** The ESG report should disclose: (i) the process to identify and the criteria for the selection of material ESG factors; (ii) if a stakeholder engagement is conducted, a description of significant stakeholders identified, and the process and results of the issuer's stakeholder engagement.
- **Quantitative:** Information on the standards, methodologies, assumptions and/or calculation tools used, and source of conversion factors used, for the reporting of emissions/energy consumption (where applicable) should be disclosed.
- **Consistency:** The issuer should disclose in the ESG report any changes to the methods or KPIs used, or any other relevant factors affecting a meaningful comparison.

Reporting Boundary

A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change.

Reporting Scope

Subject Areas, Aspects, General Disclosures and KPIs

A. Environmental

A1: Emissions	General Disclosure Information on: (a) the policies; and (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 non-hazardous waste.	8. Our Action to Shape a Greener World
A1.1	The types of emissions and respective emissions data.	APPENDIX I: SUSTAINABILITY DATA STATEMENTS
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	APPENDIX I: SUSTAINABILITY DATA STATEMENTS
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	APPENDIX I: SUSTAINABILITY DATA STATEMENTS
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	APPENDIX I: SUSTAINABILITY DATA STATEMENTS
A1.5	Description of the emission targets set and the steps taken to achieve them.	8.1 Environmental Targets and Action Plan
A1.6	Description of how hazardous and non-hazardous wastes are handled and description of the emission targets set and the steps taken to achieve them.	8.1 Environmental Targets and Action Plan

A2: Use of Resources	<p>General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.</p> <p>A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).</p> <p>A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).</p> <p>A2.3 Description of energy use efficiency targets set and the steps taken to achieve them.</p> <p>A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, the water use efficiency targets set, and the steps taken to achieve them.</p> <p>A2.5 Total packaging material used for finished products (in kg) and, if applicable, with reference to per unit produced.</p> <p>General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.</p>	<p>8. Our Action to Shape a Greener World</p> <p>APPENDIX I: SUSTAINABILITY DATA STATEMENTS</p> <p>8.2. Navigating the Path to Genuine Sustainability</p> <p>8. Our Action to Shape a Greener World</p> <p>8. Our Action to Shape a Greener World</p> <p>APPENDIX I: SUSTAINABILITY DATA STATEMENTS</p> <p>8. Our Action to Shape a Greener World</p>
A3: The Environment and Natural Resources	<p>A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.</p>	<p>8. Our Action to Shape a Greener World</p>
A4: Climate Change	<p>General Disclosure Policies on identifying and dealing with material climate-related matters that had and may have impact on the issuer.</p> <p>A4.1 Description of the material climate-related matters that had and may have impact on the issuer and the actions taken accordingly.</p>	<p>9 Combating Climate Change</p> <p>9 Combating Climate Change</p>

B. Social

B1: Employment	General Disclosure (a) the policies; and (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, holidays, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	7 Hunan-Centric Workplace
	B1.1 Total number of employees by gender, employment type (e.g. full-time or part-time), age Company and geographical region.	APPENDIX I: SUSTAINABILITY DATA STATEMENTS
	B1.2 Employee turnover rate by gender, age Company and geographical region.	APPENDIX I: SUSTAINABILITY DATA STATEMENTS
B2: Health and Safety	General Disclosure Information on: (a) the policies; and (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.	7.2 Occupational Health and Safety
	B2.1 Number of work-related fatalities and work-related fatality rate in each of the past three years (including the Reporting Period).	APPENDIX I: SUSTAINABILITY DATA STATEMENTS
	B2.2 Lost days due to work injury.	APPENDIX I: SUSTAINABILITY DATA STATEMENTS
	B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	7.2 Occupational Health and Safety
B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	7 Hunan-Centric Workplace
	B3.1 The percentage of employees trained by gender and employment ca	7 Hunan-Centric Workplace
	B3.2 The average training hours completed per employee by gender and employment category.	7 Hunan-Centric Workplace

B4: Labour Standards	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	7 Hunan-Centric Workplace
	B4.1 Description of measures to review employment practices to avoid child and forced labour.	7 Hunan-Centric Workplace
	B4.2 Description of steps taken to eliminate such practices when discovered.	7 Hunan-Centric Workplace
B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	5 Sustainable Supply Chain Management
	B5.1 Number of suppliers by geographical region.	5 Sustainable Supply Chain Management
	B5.1 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5 Sustainable Supply Chain Management
	B5.3 Description of the practices relating to identifying environmental and social risks at each stage of the supply chain, and how they are implemented and monitored.	5 Sustainable Supply Chain Management
	B5.4 Description of the practices that promote the use of environmental protection products and services when selecting suppliers and how they are implemented and monitored.	5 Sustainable Supply Chain Management

B6: Product Responsibility	<p>General Disclosure Information on: (a) the policies; and (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.</p> <p>B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.</p> <p>B6.2 Number of products and service-related complaints received and how they are dealt with.</p> <p>B6.3 Description of practices relating to observing and protecting intellectual property rights.</p> <p>B6.4 Description of quality assurance process and recall procedures.</p> <p>B6.5 Description of consumer data protection and privacy policies, and how they are implemented and monitored.</p>	<p>4. Product Innovation and Responsible Marketing</p> <p>4. Product Innovation and Responsible Marketing</p> <p>4. Product Innovation and Responsible Marketing</p> <p>4. Product Innovation and Responsible Marketing</p> <p>4. Product Innovation and Responsible Marketing</p>
B7: Anti-corruption	<p>General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.</p> <p>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.</p> <p>B7.2 Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.</p> <p>B7.3 Description on anti-corruption trainings provided to the directors and the employees.</p>	<p>3.3 Anti-corruption Management</p> <p>3.3 Anti-corruption Management APPENDIX I: SUSTAINABILITY DATA STATEMENTS</p> <p>3.3 Anti-corruption Management</p> <p>3.3 Anti-corruption Management</p>

B8: Community Investment	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.	10. Community Development
	B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	10. Community Development
	B8.2 Resources contributed to the focus area.	10. Community Development