



福壽園國際集團
FU SHOU YUAN INTERNATIONAL GROUP
01448.HK

2023

SUSTAINABILITY REPORT



福壽園國際集團有限公司

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

Stock code: 01448

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Summary of the Report

The Report is the eighth annual sustainability report of Fu Shou Yuan International Group Limited and its subsidiaries (hereinafter referred to as “we”, the “Group” or “Fu Shou Yuan”). It covers our work during the period from January 1 to December 31, 2023 (the “Reporting Period”). The Report provides a focused discussion of stakeholders’ concerns, and a comprehensive description and explanation of Fu Shou Yuan’s performance and management policy in environmental, social and governance areas in 2023, illustrating how Fu Shou Yuan lives up to its commitments to sustainable development.

During the preparation of the Report, the information covered in the Report meets the four reporting principles as required by the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), namely, materiality, quantitative data, balance, and consistency.

Scope of the Report

The scope of the Report is substantially the same as that of the 2023 annual report published by Fu Shou Yuan on April 23, 2024 (“2023 Annual Report”) and covers Fu Shou Yuan International Group Limited and its subsidiaries.

Reporting Guidelines

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

Information Sources and Reliability

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

Confirmation and Approval

Confirmed by the management of the Group, the Report was approved by the board of Directors of the Group on March 22, 2024.

Report Access and Feedback

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

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

Email: ir@fsygroup.com

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

Life is finite, but love is infinite. As a pioneer and leader in the funeral industry, Fu Shou Yuan has always adhered to the values of “respects life and reflects humanity”, respecting and caring for life, and guarding the warm journey of life with sincere service and innovative concepts.

In 2023, facing complex and severe international issues such as population aging and global pandemics, Fu Shou Yuan, as a leading life technology service provider, is well aware of its solemn and heavy social responsibilities. Since its establishment, it has been adhering to the spirit of “Innovative, Genuine, Mindful and Sincere”, integrating the concept of sustainability into its development strategy, adhering to the governance criteria of incorruptible, integrity and honesty and actively promoting the sustainable development of the funeral industry in the new era.

Based on the industry cognition of “farewell to physiological life, and continuation of the spiritual life”, Fu Shou Yuan actively promotes strategic transformation, deepens the strategic positioning as a life technology service provider, and brings new, stereoscopic and warm life perception and life remembrance to the public by technological means. In the past year, Fu Shou Yuan has continuously enriched its service offerings around the “3JI” concept of “Jihao” (literally mark) beautification, “Jizai” (literally record) thickening, and “Jinian” (literally memorial) lengthening, and launched innovative products and services such as “3D digital human”, “immersive digital auditorium” and “shared altar” so that the power of memory and companionship can be continued.

Staying true to our original intention may we repay the society. In line with the original intention of “caring for life and escorting for life”, Fu Shou Yuan has carried out loving public welfare services in many places to build a public welfare picture that benefits people. Meanwhile, Fu Shou Yuan has made continuous efforts in life culture communication and life education, and our Li Ji Academy has officially obtained the “Private School Operation License”, marking that Fu Shou Yuan has entered the ranks of non-academic higher education institutions in the field of life education, and will continue to provide well-rounded industrial talents for the society.

Fu Shou Yuan is well aware of the importance of talent development for the development of enterprises and industries. It provides employees with an equal and diverse workplace, smooth promotion and development channels and a perfect training system to help them realize their self-worth and cultivate “life guardians” with a sense of belonging and mission.

In the global trend of addressing climate change, Fu Shou Yuan also assumes the social responsibility for low-carbon development. Focusing on the product concept of “tombstone slimming and memorial capacity expansion”, we have been driving further development of stone reduction and ecological burial, promoting smoke-free cemeteries and green sacrifices to build a century-old ecological cemetery with resource-saving and environment-friendly materials and processes, and committing to getting rid of the traditional industry model of land dependence and resource consumption, to supporting achievement of the national “dual-carbon” goal with a brand new attitude.

In the future, we will continue to improve our sustainable development system, provide people with high-quality and innovative life technology services, laying a warm background for the end of life, narrowing the gap of time and space for the longing of the living, and guide the society to confront life and death, to cherish life, gathering a glimmer of life for the journey of life.

Bai Xiaojiang

Fu Shou Yuan International Group Limited

Chairman of the Board of Directors and Executive Director

Wang Jisheng

Fu Shou Yuan International Group Limited

Executive Director and President



ECONOMIC ISSUES

Revenue:

RMB **2,628** million
Increase by **21.0%**
compared with 2022

Number of Services:

89,053

Regional Coverage:

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



ENVIRONMENTAL ISSUES

Water Consumption:

» **3.61** tons/ten-thousand
RMB revenue
Decrease by **14.25%**
compared with last year

Power Consumption:

4.98 MWh/million
RMB revenue
Decrease by **14.43%**
compared with last year

Energy Consumption:

12.14 MWh/million
RMB revenue

Non-hazardous Waste:

2.16 tons/million
RMB revenue

Greenhouse Gas Emissions:

4.45 tCO₂e/million
RMB revenue
Decrease by **6.71%**
compared with last year



LABOUR ISSUES

Gender distribution:

» Female employees
accounting for **42.53%**

Training Hours per Employee:

109.83 hours/employee



SOCIAL ISSUES

Customer Satisfaction Rate:

» **99.79%**

Total Public Welfare Expenditure:

RMB **3,128,000**

Number of Suppliers:

679 suppliers, from
6 regions of the country

To our best knowledge, sound corporate governance is a cornerstone for corporate development. We stay focus on the standardization and efficiency of internal governance, reinforce and continuously improve the effectiveness and diversification of corporate governance to enhance corporate competitiveness.

1.1 About Us

Since its inception in 1994, Fu Shou Yuan, as a participant, explorer and promoter in the development and reform of China's death care service industry, has developed into a leading funeral and life technology service provider in China. Over the past three decades, Fu Shou Yuan has been at the forefront of innovations in the industry and committed to achieving breakthroughs in concept, product, service, culture, art and technology. The Group not only offers death care service, but also endeavors to create a life culture platform where memories and emotions are preserved and that inherits traditional values and shoulders social responsibilities.

At present, Fu Shou Yuan's businesses cover various fields, such as cemetery operation, funeral service, equipment and supplies, planning and design, preneed funeral contracts, funeral Internet +, and life education. Our presence has been expanded to over 40 cities in 19 provinces, autonomous regions and municipalities including Shanghai, Henan, Chongqing, Anhui, Shandong, Liaoning, Jilin, Heilongjiang, Fujian, Zhejiang, Jiangxi, Jiangsu, Guangxi, Beijing, Guizhou, Inner Mongolia, Gansu and Hubei.

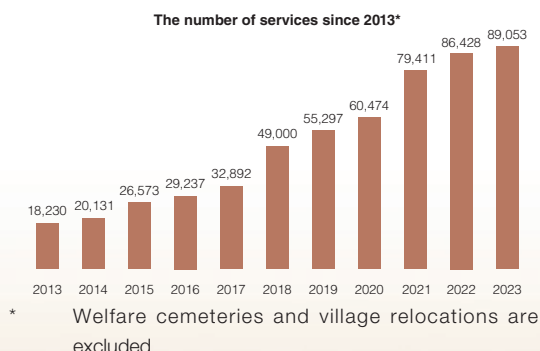
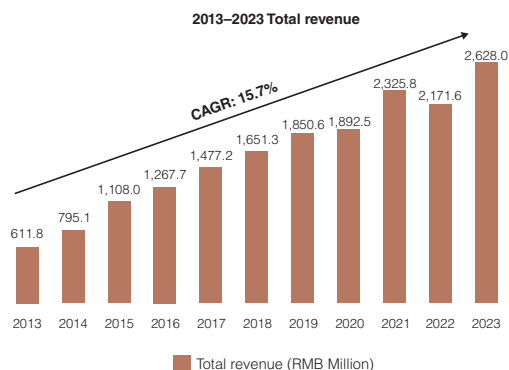
Listed on the Stock Exchange on December 19, 2013, Fu Shou Yuan became a model of compliance management and innovative development of death care service providers in China. During the Reporting Period, Fu Shou Yuan was awarded AA rating in MSCI ESG rating, taking a leading position among its peers in the globe. Furthermore, we have been consistently selected as a constituent of the Hang Seng Corporate Sustainability Benchmark Index, fully demonstrating Fu Shou Yuan's wide recognition in sustainable development.

1.2 Operating Performance

As a life technology service provider standing at the forefront of the times, Fu Shou Yuan has always been adhering to its original intention to face all kinds of uncertainties with high-quality services and passionate beliefs. On the one hand, Fu Shou Yuan accelerates the digital transformation, constantly innovates around the concept of "3JI", and actively builds a digital service system to create a warm commemoration for customers and pass on the value of life. On the other

hand, we shoulder the corporate responsibility of green development, focusing on the "tombstone slimming and memorial capacity expansion" to continue to promote the reduction of materials and land, and to create a sustainable century old cemetery.

In 2023, Fu Shou Yuan has completed one equity interest acquisition, expanded the construction of funeral integration projects, and continued to deepen the exploration and practice of diversified project construction. In product, we focus on the development of digital innovation, with a focus on technological services and innovative services, to create an intelligent cemetery in the ecological form of "technology + Internet", the introduction of "3D digital human", immersive digital auditoriums and other innovative services. At the same time, we continue to deepen and expand our industrial layout, running the industry chain through six major segments, namely burial services, funeral services, funeral equipment, preneed funeral contracts, landscape design services, and "funeral Internet+", forming synergies and multiple risk resistance capabilities. Since its listing, Fu Shou Yuan has steadily increased its revenue and profitability, with a CAGR of 15.7% since 2013. The number of services has been increasing year by year, reaching 89,053 in 2023, a year-on-year increase of 3.04%.



1.3 Corporate Governance

Fu Shou Yuan always maintains a reliable, transparent and fair corporate governance environment, complies with the regulatory requirements for its listing on the Stock Exchange, as well as the requirements of the *Corporate Governance Code* under the Listing Rules of the Stock Exchange, and is committed to improving its corporate governance structure and sustainable development governance structure, protecting rights and interests of shareholders and meeting the expectations of stakeholders to provide strong support for the sustainable development of the Group.



— Board Structure of Fu Shou Yuan —

Audit Committee

Assists the Board in providing independent view on the effectiveness of the Group's financial reporting process, internal control and risk management system.

Oversees the audit process and performs other duties and responsibilities as assigned by the Board.

A total of 2 meetings of the Audit Committee were held in 2023 to review and discuss the interim and annual financial statements, interim and annual results announcements and reports, and make recommendations to the Board on the re-appointment of auditors.

Remuneration Committee

Assesses the remuneration of the Group's executive directors and senior management and makes recommendations to the Board in this regard.

Reviews the performance of senior management and determines their remuneration composition.

A total of 1 meeting of the Remuneration Committee was held in 2023.

Nomination Committee

Plans the nomination policy for consideration by the Board, implements the nomination policy formulated by the Board, and advises the Board on appointment of candidates to fill vacancies on the Board.

A total of 1 meeting of the Nomination Committee was held in 2023.

Compliance Committee

Reviews and supervises the legal and compliance matters of the Group to ensure that the Group's operation complies with all applicable laws and regulations.

Compliance Committee can seek for external advisor's opinion.

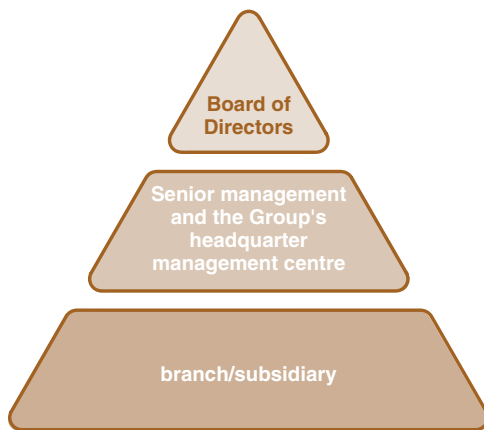
A total of 3 meetings of the Compliance Committee were held in 2023 to approve the disclosure of environment goals of Fu Shou Yuan and the climate change risks it exposes to.

— Committee functions and summary of key work —

Risk Management

Fu Shou Yuan attaches great importance to corporate risk control, where it continuously optimizes risk management mechanism and internal control system, continuously improves the Group's risk prevention awareness and management capabilities, and effectively responds to various risks and challenges in course of business through multi-dimensional risk identification and prevention mechanism, and adheres to compliant operation to ensure risks are under control.

Using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) enterprise risk management model as a framework, Fu Shou Yuan has built a three-tier risk management and internal control system that includes the Board of Directors, senior management, the Group's headquarter management centre and each branch/subsidiary based on its actual situation.



— Risk Management and Internal Control System of Fu Shou Yuan —

Under the risk control structure, we have established a closed-loop management mechanism covering risk identification, risk assessment, risk response and risk inspection to manage risk points in all-round way and full process. In the course of risk identification, we identified list of risks in three aspects, namely policy risk, operation risk and integrity risk, from four types of risks, namely system risk, corporate risk, segment risk and personalized risk, including climate change and risks relating to sustainable development, and evaluated the identified risks in quadrants as high, medium, and low. Based on the assessment results, each department identified the risk priority and materiality rating according to the occurrence possibility and impact degree thereof, and developed and implemented countermeasures to ensure the risks are tolerant.

Meanwhile, we refreshed risk database and performed risk management training focusing on various risks together with the actual problems encountered in the course of the Group's development over the past three years, and conducted interviews with key personnel and employees in key positions and formulated annual internal audit plans and schemes to implement annual audit task.

Business Ethics

Fu Shou Yuan is committed to maintaining a clean and honest business environment. We uphold the principle of business ethics of integrity and honesty and firmly oppose any form of corruption, unfair competition and monopolistic business practices. During the Reporting Period, the Group and all employees have not been involved in any business ethics violations or corruption lawsuits.

In strict compliance with the *Company Law of the People's Republic of China*, the *Anti-Money Laundering Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China* and other applicable laws and regulations in each place of operation, Fu Shou Yuan has formulated the Anti-fraud Work System, which clarifies fraud control measures, reporting and handling routines, corresponding remediation and punishment procedures.

During the Reporting Period, Fu Shou Yuan compiled and issued the *Standard Guideline for Comprehensive Management of the Anti-corruption Systems Construction*, which primarily includes the anti-corruption policy system, the anti-corruption work system, the anti-corruption monitoring system, the training and education system, and continuously assessed and perfected the systems, which specifically involves in document management and confidentiality, handling of gifts/interests reporting, handling of conflict of interest, employee and business partners' integrity and self-discipline and independent audit of business ethics, with an aim to providing guidance for all employees of the Group in complying with business ethics and resisting corruption and bribery.

Furthermore, the Group optimized and perfected its integrity and self-disciplinary supervision and reporting mechanism, and has a centralized reporting channel in place against fraud cases. Any management, employees and third parties of Fu Shou Yuan and its partners can report real or suspected fraud cases through our reporting hotline and emails. Upon receipt of the report, the relevant departments of the Group will promptly commence an investigation into the specific case in accordance with the relevant

provisions. In terms of whistleblower protection, the Group has made it clear in its internal system that the personal information and privacy of whistleblowers will be kept confidential and that it will provide them with necessary legal support when necessary, so as to effectively protect the legitimate rights and interests of whistleblowers.

In the meantime, we provided a variety of business ethics training for all employees, executives and board members through online and offline channels to enhance the awareness of business ethics and the integrity and clean atmosphere within the Group.

Anti-Corruption Training

During the Reporting Period, we have developed a detailed training plan and continuous improvement plan around the guidelines for anti-corruption system construction. On the one hand, we further enrich and add various anti-corruption and anti-bribery courses on our online platform, and on the other hand, we carry out various special training offline, such as courses like “Legal and compliant operation is the foundation of an enterprise’s survival” and “The finer details fall into place when they align with the bigger picture”, to enhance employees’ anti-corruption awareness and belief and build a culture of integrity.

During the Reporting Period, our employees received a total of 96 hours of anti-corruption training, representing a year-on-year increase of 41.18%; with 394 employees participated in the anti-corruption training, representing a year-on-year increase of 3.14%.

1.4 Diversity of the Board

In the courses of selecting, nominating and confirmation of members of the Board, Fu Shou Yuan considers comprehensively from the perspective of diversity by taking into account various factors such as gender, age, cultural and educational background, race, professional experience, skills, knowledge, length of service and future benefits to the Group. In accordance with the *Board Diversity Policy*, Fu Shou Yuan safeguarded the diversity of the Board while enhancing the effectiveness and corporate governance of the Board continuously, maintained a balanced mix of executive and non-executive directors (including independent non-executive directors) so that the Board is independent and could exercise its decision-making and inspection effectively.

As of the date of the Report, the Board consists of three executive directors, three non-executive directors and four independent non-executive directors, among which, female directors account for 20%. In addition to the three founders responsible for the overall strategic planning and business development of Fu Shou Yuan, there are also three non-executive directors with extensive experience in the manufacturing industry, investment and finance as well as financial area, and four independent non-executive directors with authoritative expertise in their respective industries. Such independent non-executive directors include senior financial and legal experts, and the former board secretary with many years of management experience in listed companies.

With its reputation, leading market position, effective resources allocation and continuous innovation capability, Fu Shou Yuan has grown into a life technology service provider with warmth and responsibility. In the future, Fu Shou Yuan will provide more comprehensive and warm life technology service experience by constantly innovating and expanding its service areas.

1.5 Gender Diversity in the Workforce

The gender ratio in the workforce (including management) is 42.5% female employees versus 57.5% male employees. As a death care service provider, the Group has a higher percentage of female employee in the industry. We fully respect the legitimate rights and interests of every employee, resolutely put an end to possible discrimination within the Group, ensure that employees will not be treated differently due to gender, age, race, nationality, education background, religious belief and other differences, and strive to create a diversified and inclusive enterprise environment.

In order to improve people’s well-being, promote the progress and innovation of death care service industry of China, and become a leading sustainable life technology service provider, Fu Shou Yuan actively listens to the voices of all stakeholders, incorporates sustainability into its strategy, practices the sustainable concept in operation and practice, actively assumes social responsibility, and contributes to the sustainable development of the industry and society.

2.1 Strategy of Sustainable Development

Fu Shou Yuan persists in improving its sustainable development strategies by taking technology-driven, public welfare, historical heritage, green and environmental protection as well as life education as the core, and unifies corporate value creation with social value creation. In 2023, focusing on the “3JI” concept, being the core requirements of “Jihao” beautification, “Jizai” thickening and “Jinian” lengthening, Fu Shou Yuan further improved its performance as a leading life technology service provider in terms of sustainable development.

Fu Shou Yuan Sustainable Development



— The Sustainability Strategies System of Fu Shou Yuan —

Life education

Fu Shou Yuan is committed to spreading life culture and engaging in life education business, and keeps organizing socialized public welfare and popularization projects, breaking through industry boundaries and communicating with the public. During the Reporting Period, Shanghai Qingpu Li Ji Academy of Continuing Education (上海青浦禮濟進修學院) (“Li Ji Academy”) that Fu Shou Yuan established which has both industry-specific and social education functions, was officially granted a private school operation license issued by Shanghai Qingpu Bureau of Education, marking that Fu Shou Yuan has been listed in non-academic higher education organization in life education area, while Fu Shou Yuan’s life education course, namely “A remembrance history of human life (人類生命紀念史)” was selected as an excellent quality education course in Shanghai, with an hope to popularize life culture education from the adolescent stage.

Fu Shou Yuan will continue to focus on life education, advocate people to explore the meaning and value of life, and help them cherish and perceive life with the attitude of “living to death”.

Green and environmental protection

Fu Shou Yuan advocates the concept of ecological civilization and practices green and environmental development. We incorporate eco-friendly and green low-carbon elements in cement design, including the use of green building materials, promotion of eco-friendly sarcophagus, and stay focus on land-saving and ecological burial style of “tombstone slimming and memorial capacity expansion” to reduce stone consumption and save land resources, and conduct “carbon footprint” assessment on tombstone products. During the Reporting Period, we were granted carbon neutrality cemetery certification for three consecutive years, the only one nationwide.

Fu Shou Yuan will continue to practice sustainable green development path centering on the six environmental targets, promote low-carbon transformation and green development from corporations, industries and the society at all levels, constructing ecological cemetery and promote green funeral.

Historical heritage

Fu Shou Yuan attaches great importance to historical heritage and life culture commemoration, and establishes emotional and memory connections between the living and the deceased in the form of a cemetery humanistic memorial museum. During the Reporting Period, we provided a digital commemorative space for customers in customized cemeteries with the cultural theme of “Family History of the People (百姓家史)”, and held body donation for commemoration, “the story of a hundred relics” and other events to express our high respect for life.

Technology-driven

Fu Shou Yuan has grown into a leading life technology service provider. Focusing on digital innovation and development, it has built a smart cemetery in the form of “technology+Internet” ecology which broader life boundary with digital technology. During the Reporting Period, Fu Shou Yuan achieved the intelligent management of cemeteries with the “digital twin” model, furthermore, it has launched life technology services such as “digital human”, “digital farewell” and “immersive digital auditorium”, providing people with a new way to express their emotions and remembrance.

Fu Shou Yuan will continue to inject technology impetus into the industry, beautifying “Jihao”, thickening “Jizai” and lengthening “Jinian” with digital technologies to defend the dignity of life and continue the memory of life.

Philanthropic Undertaking

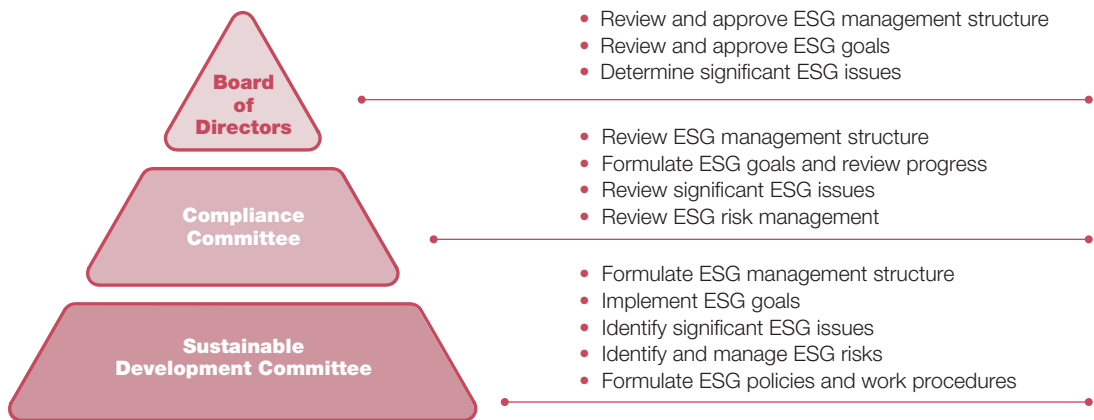
Fu Shou Yuan regards philanthropy as one of the important pillars of its sustainable development strategy. We invested over RMB400 million in charitable undertakings and more than ten million people have benefited. During the Reporting Period, Fu Shou Yuan continuously assisted in the rural revitalization of Yunnan province, attracted more beneficiaries of the “\$1,000 Posthumous Care” (千元身後事) project, and organized “Posthumous Care for special groups” (特殊群體續愛安「家」), thoroughly depicting a public welfare blueprint for the benefit of the public, such as hospice services, charitable pre-need funeral contract, charity wills, land-saving burial in charity day and Qingming sacrificial ceremony.

Fu Shou Yuan will facilitate rural revitalization and provide funeral services that benefit the people with a public-spirited heart, and make unremitting efforts to defend the dignity of life.

2.2 Governance of Sustainable Development

Fu Shou Yuan has established a perfect three-tier ESG governance structure where the Board approves and reviews ESG management structure, targets and reports and identifies significant ESG issues; the Compliance Committee oversees the progress of ESG objectives, regularly reviews ESG management policies, strategies and governance structures, and submits the results to the Board for review and assess the ESG risks; and the Sustainable Development Committee is responsible for establishing the ESG management structure, formulating relevant policies, identifying ESG risks and implementing ESG targets with a final goal of ensuring the Group’s ESG guidelines are effectively applied into daily operations.

During the Reporting Period, the Sustainable Development Committee of Fu Shou Yuan held 2 meetings in total to discuss sustainable development issues, review environmental targets updates for identification and assessment of significant risks and impact of climate change, and updated information and relevant policies and guidelines on sustainable development were exchanged with the management.



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

The Board’s Statement	
The Board responsibility	The Board assumes the ultimate responsibility for Fu Shou Yuan’s ESG strategies and performance. The Compliance Committee plays a leading role in formulating ESG strategies, goals and management policies and coordinating the resource deployment for sustainable development goals and their implementation.
Implementation in daily business	The Sustainable Development Committee is responsible for the day-to-day implementation and monitoring of the action plans and providing the Compliance Committee with recommendations on strategies, goals and management policies in an effort to incorporate sustainable development concepts into its daily operations.
Risk identification	Fu Shou Yuan’s business nature and the environment in which we operate expose us to a variety of potential risks, which may have an impact on the Group’s sustainable development. The Sustainable Development Committee is responsible for identifying, managing, overseeing and controlling risks and supporting the Board on risk analysis and decision making.
Materiality analysis	We regularly organize internal and external activities to maintain close communication with stakeholders, thereby identifying and assessing ESG issues and prioritizing relevant issues. The priority of our materiality issues is determined by the third-party materiality assessment, and the assessment results have been discussed and approved by the Sustainable Development Committee.

Sustainability Risks Management

Fu Shou Yuan strives to incorporate sustainability risks into its overall risk management system. In daily operation and management, we control sustainability risks through identifying and managing policy risk, operational risk and integrity risk. The policy risk identification and management process involves in legal and compliance risks in transition risk from climate change, the operational risk identification and management process involves in physical climate change risk as well as supply chain and occupational health safety risks, and the integrity risk management process involves in business ethics and anti-corruption risks.

In the meantime, Fu Shou Yuan renewed investment valuation and decision-making models during the Reporting Period, incorporating material ESG issues into the evaluation system for investment projects, in which investment valuation decision-making model was embedded in the form of quantifiable coefficients to reflect Fu Shou Yuan’s responsible investment and advanced concept of attaching importance to the sustainable development risks and value of investment projects. In post-investment project appraisal management process, we make follow-up inspection and evaluation on the ESG information and performance of relevant projects.

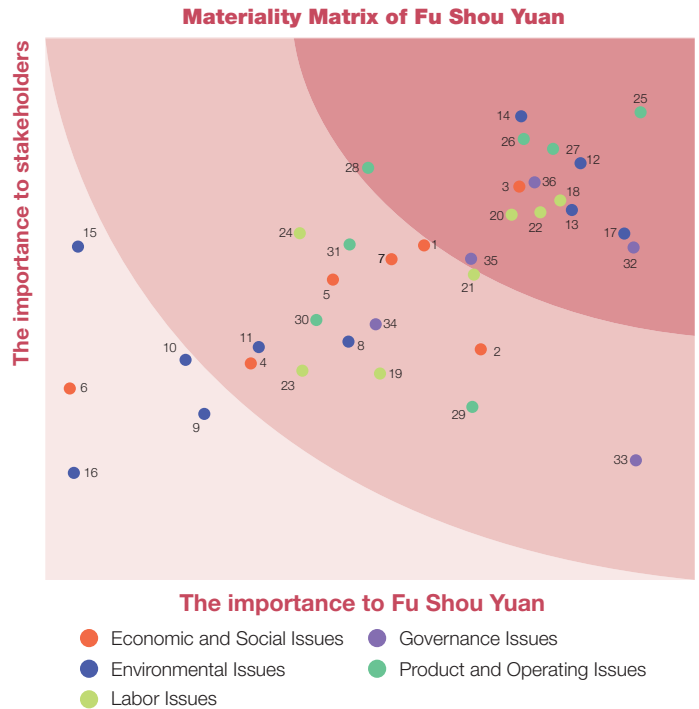
2.3 Stakeholder Communication

Fu Shou Yuan values stakeholder communication and listens attentively to the opinions of parties concerned. We conduct regular and irregular communication and exchanges through on-site communication, emails, WeChat, video and other channels with stakeholders we identified, which can primarily be divided into 8 main categories, including employees, investors, customers, government and regulators, partners, members of the public, media and capital market rating indices. Such communication aims to catch up with the identification and management of risks, discuss development opportunities, collect major concerns and expectations of stakeholders, give feedback and respond through this Report.

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

2.4 Materiality Analysis

Fu Shou Yuan collected opinions from parties concerned through questionnaire surveys, telephone interviews, site visits and face-to-face communication for comprehensive analysis and in-depth exchanges, so as to form a matrix of major issues with 36 ESG issues were identified, of which 15 are issues of major concern in the Report and are disclosed and illustrated in detail in the Report.



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

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



A Life Technology
Service Provider

**Strategic
Transformation**

As a leading life technology service provider, Fu Shou Yuan keeps searching ways to empower life services with modern technology and digitization. With the enthusiasm of innovators and the persistence of upright, and on top of quality perfection, technological breakthroughs and respect and care for life, we always guard the warmth of love and memory in the journey of life.

3.1 Innovating Life Services

Fu Shou Yuan has always put innovation at the core of its strategy and service model. During the Reporting Period, Fu Shou Yuan put forward a life technology service concept of “3JI”, namely “Jihao” beautification, “Jizai” thickening and “Jinian” lengthening, which runs through the solemn cause of ceremonial services, cemetery operations, and the dissemination of life culture and grief counseling.

Funeral Services

Fu Shou Yuan relentlessly pursues to improve its warmth of service and provide people with more emotional value and humanistic care. To this end, we are committed to continuous innovation and provide a diverse range of funeral services.

Fu Shou Yuan kept enriching and optimizing ceremonial burial service offerings during the Reporting Period. On the one hand, we continued to improve original services and products such as “New Look for the Honored Body” body bath, door-to-door house cleaning, foldable environmentally friendly paper coffin, mobile SPA bed for bodies, and imported embalming fluids, which were promoted to more death care service units and well received. On the other hand, a series of innovative services have been added to make farewell beautiful by means of technology during the Reporting Period, for example, Fu Shou Yuan connected for the first time 3D printing technology with embalming and plastic surgery of the remains and restored the traumatized face of the deceased who suffered from accidents with technology. Meanwhile, we vigorously promoted and applied digital means, discussed cooperation with Professor Guo Yike of the Hong Kong University of Science and Technology to develop application scenarios of artificial intelligence content generation (AIGC) technology, and launched new services such as cloud guardian, immersive digital auditorium, and digital funeral.



“Digital humans at different stages of life tell the story of a lifetime”

In the process of memorial service and farewell ceremony, Fu Shou Yuan shows the voice, face and smile and life memories of the deceased at different stages of life in a more vivid manner with AI technology to provide a new carrier for people to remember and feel the temperature of life.

From its use to the end of 2023, the immersive digital auditorium of Fu Shou Yuan has served 54 funerals, farewells, memorial ceremonies and activities, and has been well received.

In order to ensure the smooth and solemn funeral services, Fu Shou Yuan wholeheartedly provides customers with one-stop worry-free service, assigns full-time etiquette personnel, and ensures the closed-loop management of the whole process of informatization through digital information management and QR code comparison and audit mechanism, so as to eliminate the business risks caused by funeral accidents and unclear responsibilities. Meanwhile, we compiled a total of 44 standard operating procedures, which have been tested and distributed to all companies within the Group for specific execution and have been continuously improved in the process of execution.

Cemetery Services

In order to leave traces of life and make memories evergreen, Fu Shou Yuan integrated digital technologies such as artificial intelligence and digital humans into the cemetery services, and built digital cemeteries and shared altars to extend the power of love and companionship, and to soothe trauma and reduce regrets of the living.

“Virtual rebirth”: digital human technology allows companionship and memory to continue

During the Reporting Period, Fu Shou Yuan’s digital human model based on the famous media personality Cao Jingxing was displayed at the scene of the 9th China International Funeral Expo* (第九屆中國國際殯葬設備用品博覽會). At the Expo, Fu Shou Yuan displayed 2D and 3D digital human forms, applying the world’s leading three-dimensional production tools with physical simulation, material and lighting, facial expressions and animation, character control and action fusion, collision detection and physical feedback, dynamic cloth simulation, and artificial intelligence and interaction, which achieves hyper-realistic effects and meets the needs of a wider and deeper application scenarios.



Cao Jingxing’s Digital Human 3D Form



The interaction between the audience and Cao Jingxing’s Digital Human

The micro-film “So You Never Left* (原來你從未離開)” produced by Fu Shou Yuan completely presents the whole process of signing a pre-need funeral contract, training a digital human AI model, and using a digital shared altar. The storyline is tear-jerking and gives people firm strength — as the line that touched everyone said: “Do you really think it can replace you?” The purpose of Fu Shou Yuan’s life technology services is never to “replace”, but to “continue” and “accompany” instead.

Because of this, we maintain a high degree of respect for technology ethics in the process of digital technology transformation, strictly manage digital risks, and fully respect and protect the personal information of every customer. On the basis of complying with relevant laws and regulations and protecting information security in accordance with the standards of key information protection units of the Public Security Bureau, Fu Shou Yuan has set up a strict authorization mechanism when providing life technology services. We sign an authorization agreement with customers, clarifying the scope of use of graphics, audio and video, voices, faces and other information uploaded by customers and the timely freezing and deletion mechanism to prevent information leakage and misuse. We also purchase information security equipment and improve privacy protection measures such as mobile phone number association and real-name authentication, so as to eliminate worries for customers.



Fu Shou Yuan’s Trademark Profile

While providing increasingly diversified life technology services, Fu Shou Yuan attaches great importance to the development of intangible assets and the protection of intellectual property rights, protects its own innovation achievements, and respects the intellectual property rights of others. We strictly follow the *Patent Law of the People’s Republic of China*, *Copyright Law of the People’s Republic of China*, *Trademark Law of the People’s Republic of China*, *Detailed Rules for the Implementation of the Patent Law of the People’s Republic of China* and other relevant laws and regulations to regulate the design, application and registration process of its own trademarks, products and other intellectual property rights and patents. As of the end of the Reporting Period, Fu Shou Yuan had a total of 39 patents and 282 trademarks, among which 12 trademarks were granted during the Reporting Period.

3.2 Perfecting Services with Quality

Digital Service System

In the context of the digital era, Fu Shou Yuan actively builds a digital service system. During the Reporting Period, the Group initiated the upgrade and development of a new version of the cemetery business management system, which has passed the trial operation in Shanghai Fu Shou Yuan and been officially launched, and scheduled to be applied throughout the Group in 2024.

The cemetery business management system covers all the service links of the pre-sales, in-sales, and after-sales of cemetery, and customers can handle all the business online with the help of web maps and other tools, including tomb purchase, burial, shuttle bus reservation, valet tomb-sweeping, potted flower rental, flower purchase and other modules, which solves the pain point that the cemetery is far away from the urban area and the customer is inconvenient to buy the tomb.

The cemetery business management system realizes the unification of database and system architecture, integrates the system website (PC-end), enterprise WeChat mini program (employee-end), and WeChat mini program (client-end), solves the problem of data island with multi-center linkage operation and real-time message push, realizes point-to-point feedback and traceability of customer satisfaction, and effectively improves service efficiency and quality.

Highlights of Digital Service System

Marketing Management

Fu Shou Yuan adheres to responsible marketing concept, standardizes brand management, and actively popularizes and promotes the concept of civilized and green funeral. Meanwhile, we strictly abide by relevant laws and regulations and improve price transparency in accordance with the *Sales Pricing Management Measures of Fu Shou Yuan International Group Limited* and *Sales Discount Management Measures of the Cemetery and Funeral Units under Fu Shou Yuan International Group Limited*, in a bid to regulate sales and management and maintain market stability.

On this basis, Fu Shou Yuan proceeds with the construction of an integrated online and offline marketing model. In terms of the offline channel, we actively participate in public welfare activities, reach out to communities and neighborhoods, develop a network of business agents and our own channels, and consolidate store differentiation ways to attract customers and strengthen communication with existing customers. In terms of the online channel, we gradually expand the scope and traffic of online new media marketing, attracting customers through differentiated marketing planning and promotion and conveying the advanced life culture concept and sincere service spirit of Fu Shou Yuan to the public.

Specialized New Media Team

- Selecting and focusing on building a video creation team to increase account activation through community operation.
- Carrying out targeted training on MCN live streaming and new media copywriting to achieve professional empowerment.

Routine Professional Tools

- Introducing the “Matrix Newrank” professional tool and managing all new media accounts with Fu Shou Yuan tags in a regional matrix to monitor relevant data in real time.

Daily Content Operation

- Operating daily contents of Fu Shou Yuan, producing short videos introducing innovative products and high-quality services, dynamic posters and animation videos around solar terms and festivals, micro-films containing the Group’s “3JI” (“Jihao”, “Jiniao”, and “Jizai”) concept, and the annual video showcasing the Group’s endeavor and development.

New Media Capacity Construction

During the Reporting Period, we revised the *Administrative Measures for Publicity and Communication of Fu Shou Yuan International Group*, established a new *Record for the Examination and Approval of Manuscripts at External Propaganda* and issued the *Notice of Reaffirming the Standardized Use of Authorized Materials* and the *Notice of Reaffirming the Unified VI of the Group*, so as to vigorously promote the standardized management of new media, live broadcast activities, authorized fonts and pictures, and etc. Furthermore, we have set up a hierarchical approval mechanism before the content is released to ensure that the content to be released is free of copyright infringement, misuse of information, misleading information, exaggeration of facts, and other controversies.

On this basis, we cooperate with the issuance of regulations and norms, organize targeted special training, and successively carry out “Group Branding Practice Training” and “Group Safety Management Training (Brand Management)” to establish responsible marketing awareness and improve customer satisfaction and brand recognition.

Customer Communication

Fu Shou Yuan insists on actively listening to customers’ opinions, achieves centralized online management of the Group’s customer resources through the customer relationship management system, which is combined with the newly-built cemetery business management system at the same time to effectively improve customer service capabilities and customer relationship maintenance effects.

Fu Shou Yuan regularly conducts unified customer satisfaction surveys, and during the Reporting Period, a third-party organization was introduced to conduct customer satisfaction surveys for the first time:

- We conducted monthly satisfaction surveys on new cemetery purchasers through QR codes with a feedback rate reaching over 80% of the number of new purchasers. In addition, we conducted on-site sampling surveys for customers who ordered funeral rites. During the Reporting Period, the monthly survey results showed the average customer satisfaction rate was 99.79%, with a 2.79% year-on-year increase.
- A total of four third-party customer satisfaction surveys were carried out this year through approaches such as telephone surveys and intercept interviews. The survey results showed that the overall customer satisfaction performance of Fu Shou Yuan in 2023 was “good”.

In terms of responses to customers’ complaints, we have established a complete process of responding to and addressing complaints and return visits, and the customer complaint handling team would strictly implement the response process according to the established customer complaint handling standards with sensible assessment of the acceded issues and differentiation between after-sales requests and complaints for separate handling. During the Reporting Period, Fu Shou Yuan did not receive any effective complaints.²

Privacy Protection

With the deepening of digital transformation, we attach great importance to the protection of customer information and privacy, strictly abide by the *Data Security Law of the People’s Republic of China* and other laws and regulations, and clarify the security management requirements of information technology infrastructure and system operation in accordance with the *Proposal on the Group’s Information Security Guidance* and other policies within the Group. We desensitize customer privacy data on the system page, and set up privacy information access permissions and prohibiting export mechanisms to reduce the risk of customer data leakage. During the Reporting Period, there was no information leakage in Fu Shou Yuan.

² Effective complaints refer to complaints that incur cost compensation.

During the Reporting Period, Fu Shou Yuan launched and completed the evaluation of the graded protection of information security for the two core business systems of funeral and cemetery and the Group's official website, of which the cemetery and funeral systems are rated as the Grade III systems, and the official website as the Grade II system. We set up two-factor authentication for personnel login in the system, enabled the server and system service log function, and added a global WAN application firewall (WAF), physical firewall, log audit, and bastion host to the private cloud platform deployed on the server to improve information protection and management. During the Reporting Period, the evaluation and consulting agency provided information security training covering level protection-related knowledge, information security and data security for Fu Shou Yuan's information technology personnel.



**Filing Certificate of the Graded Protection of Information Security of
Fu Shou Yuan's Information System**

3.3 Reinforcing Quality Assurance

Fu Shou Yuan attaches great importance to the quality and safety of products and facilities, and conducts all-round management and cooperation with suppliers to jointly create a high-quality and sustainable supply chain and provide customers with high-quality products and services.

Quality Management

Fu Shou Yuan keeps strengthening product standardization and normalization requirements in accordance with the *Product Quality Law of the People's Republic of China* and other laws and regulations as well as the internal *Service Product Manual*. In terms of engineering construction, we have formulated the *General Rules for Engineering Construction Management* and other relevant policies, and signed agreements such as the *Quality Assurance Responsibility Letter* with the third-party constructors in the parks to ensure the quality of the project. Besides, we carry out daily safety and quality inspection of cemeteries and daily inspection and spot check of hidden dangers relying on the management team system with multi-level responsibilities implemented at the center, region, entity, and project levels, regularly hold safety emergency drills for rectification of issues identified therein and elimination of potential safety hazards to provide customers with a safe and secure experience during their stay in the parks for tomb-sweeping.

The Group adopts cremators certified by ISO 9001 quality management system, and sets strict product quality standards and staff operating rules for cremators. During the Reporting Period, we improved the design of cremators in each cemetery, and formulated more perfect construction process specifications in aspects like furnace masonry, thermal insulation construction, electrical installation, so as to ensure the service life of cremators under high-intensity cremation operations, reduce maintenance costs, and improve quality and safety. During the Reporting Period, there were no recalls related to product quality and safety issues.

Supplier Management

Fu Shou Yuan manages the upstream and downstream of the supply chain and procurement operations as a whole. In accordance with relevant regulation and provisions, including the *Supply Chain Management Measures*, *Procurement Management System*, *Procurement Bidding Management System*, and *Supplier Management Regulations*, we classify the existing supply chain into three levels for separate and dynamic management and control. During the Reporting Period, we set up *2023-2025 Group Mandatory Control Product Supplier List*, which regulates the procurement management of products at the mandatory control level, so as to ensure product quality and supply stability, and continuously supervise and evaluate the performance of suppliers.

Meanwhile, we incorporate sustainable development and fair operation requirements into our audit criteria at the supplier access stage, and conduct regular evaluations and assessments as well as dynamic management of qualified suppliers to create a sustainable supply chain.

Environmental Standards

- Suppliers shall have environmental protection certifications and relevant permits issued by the state and relevant departments, such as local government pollutant discharge permit and environmental management system certification.
- Supplier shall offer eco-friendly and pollution-free products such as water-based paint and eco-friendly paint.

Social Standards

- Suppliers shall have a comprehensive quality assurance system and have no unqualified situation or administrative penalties in the quality supervision and inspection performed by the state, industry, the Group, and local governments in the past three years.
- Suppliers must undertake that there are no illegal employment, child labor, or forced labor and have occupational health and safety management system certification to protect the rights and interests of employees.

Governance Standards

- Suppliers shall sign and abide by the Supplier Integrity Agreement to maintain honest and clean business ethics.
- Suppliers shall have a good business reputation and have no illegal records in business activities in the past three years.

Sustainable Supply Chain Access and Evaluation Standard Example of Fu Shou Yuan

Fu Shou Yuan evaluates suppliers at the mandatory control level and supervising control level every six months, and implements the principle of “one thing for one evaluation” for project procurement. For suppliers at mandatory control level, we have strengthened the audit requirements and regularly visited on site to review their equipment, plants and employees' workplace. For delegated control suppliers, the regional company is responsible for conducting assessments and evaluations. Through a strict supplier audit mechanism, we assess and evaluate the performance of all suppliers in environmental protection, employee rights protection, business ethics and other aspects of sustainable development, and suppliers with major issues would be interviewed, rectified, adjusted for share or eliminated.

Fu Shou Yuan promotes ESG management requirements to suppliers

Fu Shou Yuan not only pays attention to its own sustainable development, but also insists on promoting the concept of sustainable development to its partners in the supply chain. During the Reporting Period, Shanghai Qingpu Fu Shou Yuan signed relevant responsibility letters with service guarantee suppliers for all sections and lines to clarify the ESG management requirements of Fu Shou Yuan. It also offers relevant training for suppliers on a quarterly basis and performs regular on-site inspections on the ESG system.



ESG Management Presentation to the Suppliers

Supply Chain Risk Management

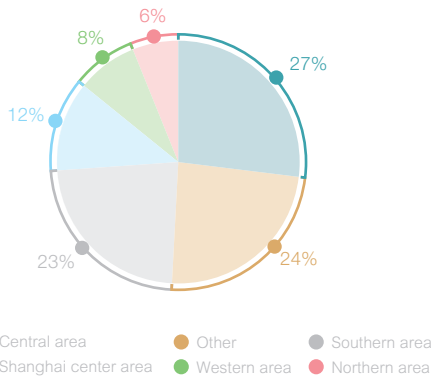
Fu Shou Yuan continues to identify and respond to supply chain risks. In order to prevent supply chain disruption risks and enhance supply stability, we increased the centralized procurement rate of suppliers, updated the supplier shortlisting mechanism, and optimized the supplier structure during the Reporting Period. For the risks related to sustainable development in the supply chain, in addition to monitoring them through sustainable supply chain access and evaluation standards, we also prevent and control them through the purchase of property all-risks insurance, strict safety disclosure and emergency drills, strengthening the integration and digital management of the supply chain, and giving priority to the selection of suppliers within the member units of China Funeral Association.

Construction of Supply Chain Integration Project

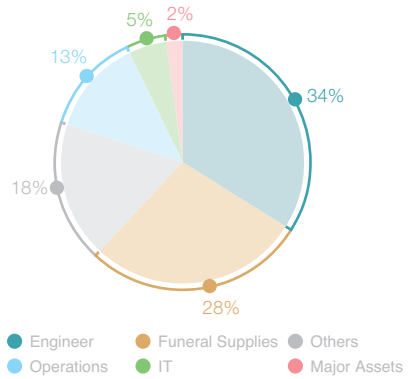
During the Reporting Period, Fu Shou Yuan initiated and completed the construction of the first phase of the supply chain management system, which empowered the multi-contract merge approval function, realizing online management of suppliers and sales contracts, and improving the efficiency of supplier management. We have started the construction of the second phase of the project and planned to develop functions such as whole-process management of sales procurement business and sales inventory management, so as to meet the Group's management and control requirements and realize real-time synchronization of business data and improve data accuracy.

As of the end of the Reporting Period, Fu Shou Yuan had 679 suppliers in total, of which 39 were qualified suppliers for the Group's centralized procurement. During the Reporting Period, 143 suppliers considered environmental and social responsibility factors, including all suppliers for the Group's centralized procurement and partial suppliers for non-centralized procurement, which collectively accounts for about 21% of the total suppliers. The statistics by type and by region are as follows:

Number of Suppliers by Region



Number of Suppliers by Type





A Social Responsibility Practitioner

Delivering Love through Charity

Fu Shou Yuan proceeds to expand its life service model through cross-border cooperation with different industries, and integrates social resources to create better value by undertaking diversified and open public welfare projects.

The Shanghai Fu Shou Yuan Public Welfare Development Foundation (the “Foundation”) communicates with core philanthropic partners in the industry and continuously explores and practices innovative projects in line with national philanthropy policies. During the Reporting Period, Fu Shou Yuan directly invested RMB3.128 million for social welfare charity, and the related beneficiaries exceeded one million people.

During the Reporting Period, our public welfare project won the second prize of the Shanghai Civil Affairs Volunteer Service Outstanding Project and in the Shanghai Hospice Care Service Case Competition. In the future, Fu Shou Yuan will continue to live up to its honor and forge ahead on the road of public welfare.

4.1 Expanding Public Services

Fu Shou Yuan continues to devote itself to public welfare projects, practices its original intention of “caring for life and escort for life”, and strives to make more people feel warmth and strength.

Building a Public Welfare Platform

During the Reporting Period, embracing the world together — the second “Fu Shou Yuan Public Welfare Festival” kicked off. At the festival, the Foundation released eight public welfare projects together with Liaoning Guanlingshan Fu Shou Yuan, including the “Family Hospice Program” (家庭病末安寧計劃), the “\$1,000 Posthumous Care” (千元身後事), the “Public Welfare Pre-Need Contracts of Hospice Care For A Plentiful Life” (「福壽康寧圓滿人生」公益生前契約), and the “Posthumous Care for special groups” (特殊群體續愛安「家」), thoroughly depicting a public welfare blueprint for the benefit of the public, covering hospice services, charitable pre-need funeral contract, charity wills, charity land-saving burials and Qingming sacrificial ceremony.



Fu Shou Yuan’s public welfare IP “Appearance Showing Good Fortune” made its debut again at the Welfare Festival

Organizing Public Welfare Activities

As a participant and promoter of life service undertaking, Fu Shou Yuan has been striving to assume corporate responsibility and social responsibility and spreading the values of “respects life and reflects humanity” through public welfare. Fu Shou Yuan keeps seeking for new platforms and new forms of public welfare and livelihood services to contribute to the construction of a warm public welfare ecosystem for the whole society.

Family Hospice Program (家庭病末安寧計劃)

Fu Shou Yuan and its cooperative social organizations have been jointly launching the “Family Hospice Program (家庭病末安寧計劃)” since 2021. Adhering to the concept of “developing family hospice services and building a life-friendly community”, the program is committed to providing continuous care and end-of-life management services for every family with end-of-life patients.

In addition, we launched online public welfare fundraising together with Lianquan Public Welfare and Tencent Public Welfare to call on more people in the community to pay attention to the elderly who are seriously ill and have no one to depend on and we have cooperated with the Department of Social Work of Shanghai University to establish a practice base for hospice social workers to provide professional training and supervision support for the hospice team. Based on hospice products and team, we seek for social purpose-based business design, balancing public welfare and business participation mechanisms, and clarifying the development orientation of social enterprises.

After three years of on-the-ground project practice, we have developed a model of “Community Tranquility Grid”, and carried out more than 50 community life and tranquility education and support activities in collaboration with local health and civil affairs institutions to provide hospice services, with a total of more than 3,000 participants.



Family Hospice Program (家庭病末安寧計劃) Welfare Project

Fu Shou Yuan participated in the release of the *General Rules for Social Workers of Funeral Services*

During the Reporting Period, the *General Rules for Social Workers of Funeral Services* was jointly issued by the School of Sociology and Political Science Shanghai University, Li Ji Academy and Shanghai Fu Shou Yuan Public Welfare Development Foundation, which was proposed and centralized by the Shanghai Qingpu District Funeral Association. This is the first group standard applicable to multiple fields in China, which is of great guiding significance for the establishment and improvement of a localized hospice-funeral social work hospice care system, as well as the transformation of social workers' service behavior in the future life service undertakings.

4.2 Spreading the Culture of Life

Fu Shou Yuan strives to promote the innovation and development of the funeral industry, sickening roots in the cause of life education for many years to develop talents for the industry, and actively participates in international exchanges to contribute to the progress of the industry.

Industry Construction

Fu Shou Yuan Li Ji Academy was officially granted the Private School Operating License of the PRC issued by Education Bureau of Qingpu District, Shanghai, and obtained operating qualification during the Reporting Period, becoming the first vocational education college with enterprise nature in the death care industry in China, marking that Fu Shou Yuan has entered the ranks of non-academic higher education institutions in life education.

Humanities Faculty: operating adult self-study examination assistance in cooperation with colleges and universities to attract people interested in funeral undertaking to receive continuing education and further education

Industry Faculty: developing and delivering professionals for the funeral industry in cooperation with occupational skills colleges through in-depth industry-university-research integration cooperation

Social Faculty: developing social worker talents in life education in collaboration with the practical power of social life education and colleges and universities

International Faculty: establishing an internationally certified training system together with FIAT-IFTA and other international funeral industry associations

Talent Development Systems of the Four Faculties of Li Ji Academy

Meanwhile, we actively promote industry-education integration for joint school operation and certificate issuance, and establish life education alliances through active exchange and cooperation with colleges and universities. During the Reporting Period, we cultivated social workers and issued vocational skills certificates together with Shanghai University, held a symposium on school-enterprise cooperation and exchange with Beijing College of Social Administration, co-built “Modern Funeral Service Academy” with Changsha Social Work College, and received Yang Guozhu, professor of the Department of Science of Life and Death of Nanhua University in Taiwan, Taiwan Funeral Industry Association and a group of Science of Life and Death scientists’ visit to Fu Shou Yuan to discuss matters on promoting student internships and professional teaching.

Fu Shou Yuan, Shanghai University and Beijing College of Social Administration led the establishment of a new platform for industry-education integration

During the Reporting Period, Fu Shou Yuan actively responded to the establishment of the “Industry-education Integrated Unit of National Funeral Industry (全國殯葬行業產教融合共同體)” project, and declare the project with 246 industry units, social organizations and colleges and universities inside and outside the Group as co-participants. On December 2, 2023, the inaugural conference of the Industry-education Integrated Unit of National Funeral Industry (全國殯葬行業產教融合共同體) was held in Beijing.



Inaugural Conference of the Industry-education Integrated Unit of National Funeral Industry (全國殯葬行業產教融合共同體)

School-Enterprise Cooperation Innovation Project for Social Work Talents Cultivation

During the Reporting Period, the project “Innovative Model of School-Enterprise Cooperation in the Cultivation of Integrated Medical and Funeral Social Work Talents in the Context of Aging” jointly declared by Shanghai University and Fu Shou Yuan International Group was successfully selected into the list of typical cases of the “Double Hundred Plan for School-Enterprise Cooperation” of China Association of Higher Education in 2022.



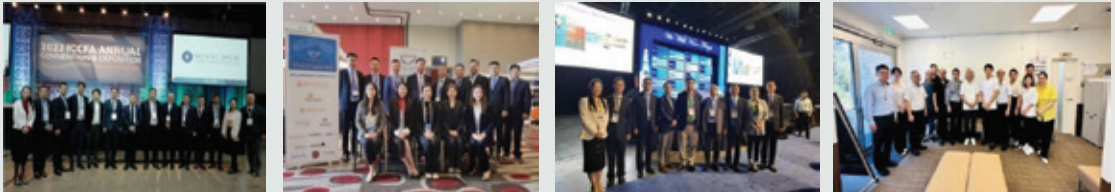
Typical Case Certificate of “Double Hundred Plan for School-Enterprise Cooperation”

Industry Exchanges

Fu Shou Yuan actively attends various industry events and exchange activities to understand the new development trends of the industry, presents the latest achievements of Fu Shou Yuan in area of life technology services to peer colleagues and the public, shares its insights on life causes, and actively joins in international peer exchanges and industry standard formulation, to jointly promote the continuous development and progress of the funeral industry.

Fu Shou Yuan actively attends international industry exchanges

During the Reporting Period, Fu Shou Yuan successively went to the United States, Japan, Australia and other places to attend ICCFA Annual Convention & Expo, the 9th Japan Funeral Expo, NFDA Annual Conference & Expo, and ACCA Annual Conference for in-depth exchange with and study from international colleagues.



Group Photos of the International Exchange Events

Industry Dissemination

Fu Shou Yuan has always insisted on spreading the culture of life and passing on the righteous thoughts of life to all walks of life. During the Reporting Period, we disseminated the concept of life culture in cooperation with a number of large authoritative media at home and abroad to demonstrate updates of Fu Shou Yuan's strategy on life technology service.

Special Topic Cooperation with Overseas Media

- During the Reporting Period, we disseminated “Cemeteries in China Go Digital” in partnership with Bloomberg/Bloomberg Businessweek to introduce life technology services such as Fu Shou Yuan's “digital-twin technology”, and launched a featured news report “In China: Communicating with the Dead with Artificial Intelligence” in collaboration with France Télévision, which was viewed by more than 10 million people, and introduces Fu Shou Yuan's life services and products to the world.

In-depth Cooperation with Industry Media

- During the Reporting Period, Fu Shou Yuan set up a column entitled “Let's Talk About Living Life Culture” in cooperation with China Social Daily *China Social Daily Funeral Weekly*, which successively interviewed and published in-depth discussion reports from leaders of government departments such as the Ministry of Civil Affairs and experts and scholars from all walks of life, and discussed in depth topics such as funeral reform and life and death culture.

Widely disseminated by the mainstream media

- During the Reporting Period, a number of mainstream media platforms such as CCTV, CCTV.com and People's Daily reported actively on the performance of Fu Shou Yuan in the dissemination of life culture and the development of life technology for several times, including the “flash mob” activity of the Life Book House, the establishment of Li Ji Academy, the joint burial activity at the Liaoning Baijia Festival, the body donation and related activities in Chongqing, the Life Reading Club, and the “AI Ceremony” on the winter solstice and so on.

On this basis, we continue to disseminate the life culture concept of Fu Shou Yuan to school students and the public in a variety of innovative forms, helping people understand the funeral industry and face life and death correctly.

4.3 Delivering Love and Care through Charity

At the same time of Fu Shou Yuan's own growth, its public welfare undertakings have also spread from Shanghai to all parts of the nation, affecting more than 40 cities across the country, with a cumulative investment of more than RMB400 million and more than 10 million beneficiaries, covering various fields such as charity assistance, spiritual rescue, hospice care, education sponsorship, life education and environmental protection.

During the Reporting Period, we joined in the “Love under the Blue Sky” public welfare project organized by the Shanghai Municipal Government and the Shanghai Charity Foundation, made additional public welfare donations, including to the New Fourth Army Historical Research Association, and proceeded with the “\$1,000 Posthumous Care” (千元身後事), which expanded the beneficiaries group. We also awarded the “Flower of Life” Inspirational Scholarship to students with excellent character and academic performance in the School of Medical Humanities of Peking University, and sponsored the National Civil Affairs Vocational Skills Competition. We are always grateful in giving back to the society, and do so with kindness and great love for life.

Gratitude for the source of benefit. In future, Fu Shou Yuan will continue to give play to its influence in social welfare, practice its development mission with practical actions, and inject warmth and strength into building a better society.



A High-quality Workplace
Environment Supporter

Employee Care

Fu Shou Yuan firmly believes that talent is the core driving force of corporate development, to this end, we provide employees with all-round care and help, an equal and diverse working atmosphere, improved talent development mechanism and diversified training courses, perfected remuneration and welfare and performance appraisal system, as well as a healthy and safe workplace to share the fruits of development with employees.

5.1 Diversified Employment System

Fu Shou Yuan follows people-oriented and equal employment purpose, respects the rights and interests of every employee, and provides employees with an equal, inclusive and diversified working environment as well as broad stage for talent development.

Sustainable Labor Use

Fu Shou Yuan strictly abides by the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Employment Promotion Law of the People's Republic of China*, the *Provisions on Prohibition of Using Child Labor* and other laws and regulations, ensuring the compliance and fair recruitment, adopts a zero tolerance attitude towards employment of child labor, and conducts strict identification check and background survey on new hires to ensure he/she is of legal age for employment, while resisting all forms of forced labor according to *Regulations on Recruitment Management*. During the Reporting Period, there were no cases of illegal employment such as child labor or forced labor in Fu Shou Yuan.

Guided by our strategy and relying on the digital human resource management system, we constantly improve our talent reserve plan, broaden the channels for talent introduction, and introduce diversified talents through campus recruitment, social recruitment and internal recommendation, to lay a solid foundation for the development of our talent pool.

Campus Recruitment	Social Recruitment	Internal Introduction
Actively conduct school-enterprise counterpart cooperation with relevant colleges and universities, and provide internship and practice opportunities for potential professionals in colleges and universities through professional skills training courses and professional skills competitions, so as to attract and bring in more outstanding talents	Talents are acquired through multiple channels such as recruitment software, local talent networks, new media platforms, and internal referrals.	With reference to the "Internal Talent Competition" plan, we continue to increase internal competition positions, including senior executive position, and continue to seek for targeted training of high-potential employees at all levels.

Diverse Recruitment Channel

During the Reporting Period, Fu Shou Yuan, Shanghai University and Beijing College of Social Administration took the lead and formed an Industry-education Integrated Unit of National Funeral Industry (全國殯葬行業產教融合共同體) with 246 units such as ordinary colleges and universities and vocational colleges in the industry, and compiled the *Industry Development Analysis Report*, *Industry Talent Demand Forecast Report* and *Industry Talent and Technology Supply and Demand List*, with an aim to cultivating batches of professionals with both feelings and skills and academic certification, laying the foundation for talent attraction and reserve for Fu Shou Yuan and even the entire industry.

Subject to various laws and regulations, Fu Shou Yuan implements digital working-hour management to effectively ensure the work-life balance of employees, and manages overtime applications through the digital OA system in accordance with the strict working hours management system, so as to avoid invalid overtime and illegal overtime, which endangered the physical and mental health of employees.

Diversity and Equality

Fu Shou Yuan maintains the employment concept of equality, inclusiveness and diversity. During the Reporting Period, we proposed to update the *Employee Handbook* and other internal systems to further clarify the principle of “anti-discrimination and anti-harassment” in relevant terms, and promised not to discriminate based on gender, age, race, ethnicity, education, marital status, religious belief and other factors in employment, salary, training, promotion opportunities. We provide equal opportunities for employees, and carry out training and publicity for all employees on diversity and equality-related content above. If any unfair treatment such as discrimination and workplace harassment occurs, employees can report the through the reporting mailbox set up by the Group, and we will conduct an in-depth investigation and follow-up as soon as possible to protect the rights and interests of the parties concerned.



Human Rights and Diversity Training Courseware

At the same time, Fu Shou Yuan offers normalized care and protection for female employees, disabled employees, minority groups, and vulnerable groups. We protect the legitimate rights and interests of female employees in strict accordance with laws and regulations such as the *Special Provisions on Labor Protection for Female Employees*, the *Regulations on the Scope of Prohibited Labor for Female Employees* and provide lactating female employees with “Love Mommy House” and other convenient facilities. Besides, we have laid barrier-free facilities in the workplace for employees with disabilities, provide veterans with priority recruitment for corresponding positions and diversified career development training, and promote the employment protection and poverty prevention project in active cooperation with local government, and priority is given to the recruitment of local people in need in suitable positions.

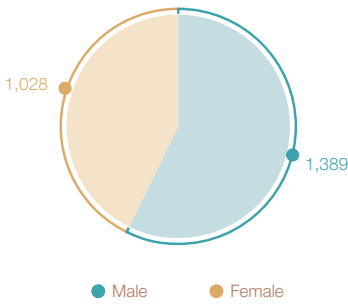
Veterans Job Arrangement and Diversification Development

Most of the veterans' careers in Fu Shou Yuan are security personnel, however, Fu Shou Yuan is committed to providing every employee with a full range of space for development, and encourages employees to find the most suitable development path for themselves through vocational training, job rotation and other mechanisms. In the past few years, a number of security employees have been promoted through training and designated to other departments to serve as department managers and supervisors.

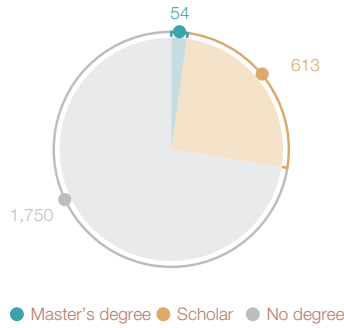
We endeavor to create sound work environment by continuously optimizing our staff structure. As of the end of the Reporting Period, Fu Shou Yuan has a total of 2,417 full-time employees.

Employee overview

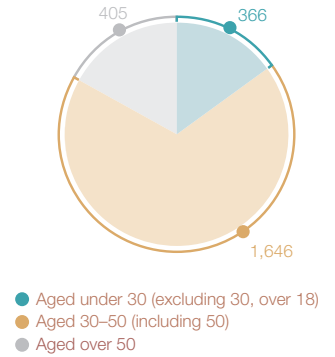
By gender



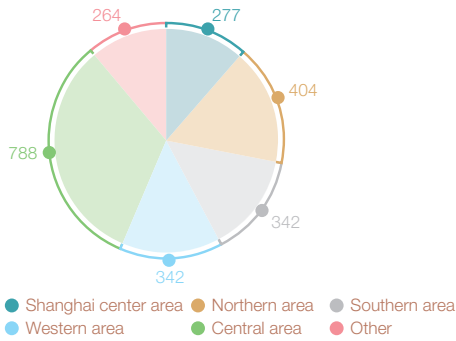
By education



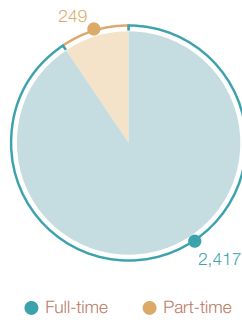
By age



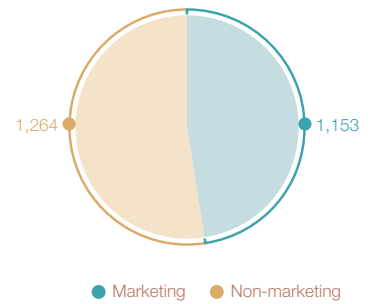
By region



By employment type

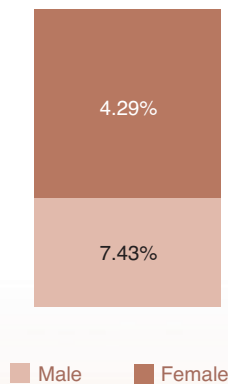


By job type

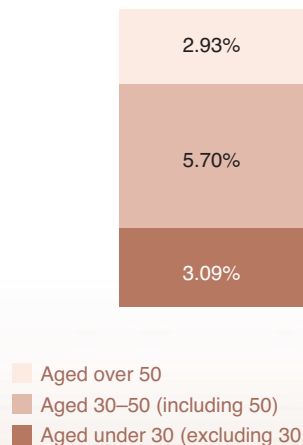


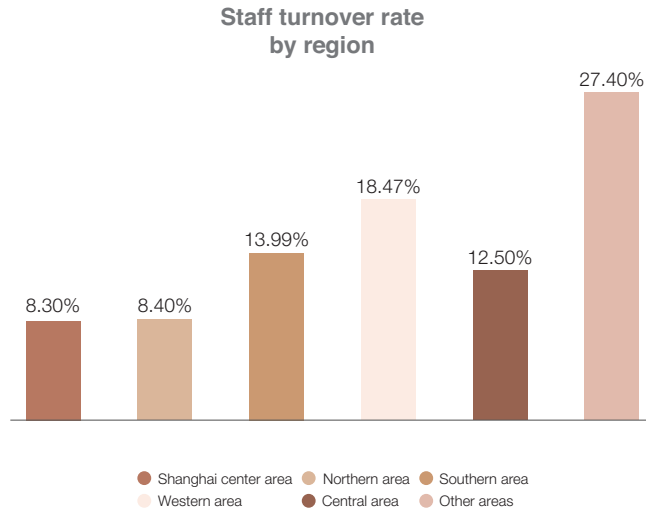
We earnestly protect the rights and interests of employees, keep optimizing internal supervision and communication mechanism and provide all-round protection for the legitimate rights and interest of employees to reduce staff turnover. The staff turnover rate for the Reporting Period was 11.72%, a decrease of approximately 9% from the previous Reporting Period.

Employee turnover rate by gender



Employee turnover rate by age





Remuneration and Benefits

On the basis of strict compliance with national laws and regulations and remuneration standards, Fu Shou Yuan provides employees with competitive remuneration package and benefits, including but not limited to basic salary, variable performance-based compensation, five social insurances and one housing fund, paid holidays, supplementary business medical insurance, employee equity incentives, accident insurance and employer's liability insurance covering all employees in accordance with the *Fu Shou Yuan International Group Benefits Management System* and the *Fu Shou Yuan International Group Remuneration Management Rules*.

On this basis, we, based on the need of employees, provide them with more diversified and humanized welfare and subsidies, such as communication allowance, medical check-up allowances, high temperature allowances, maternity allowances, expatriate allowances, and condolences to employees in difficulty. For employees who are unable to take enough paid annual leave within one year due to work arrangements, we will provide them with a two-month extended leave, and for employees who take more than the statutory medical leave due to illness, we will provide medical leave beyond the statutory requirements based on their specific circumstances, so as to reduce their worries after struggle.

5.2 Empowering Employee Development

Fu Shou Yuan is committed to providing employees with a broad development platform, smooth promotion channels and improved training system, offer guidance for employee development and promotion, and help them excavate their personal potential and realize their self-worth.

Employee Development and Training

Based on the development of the industry, the actual situation of the Group and employees' needs, Fu Shou Yuan established a scientific and perfect employee training system, formulated the *Education and Training Management Regulations* to regulate internal instructor training, pushed forward the construction of its internal instructor system, and provided continuous support for employees at all levels from the three perspectives of providing leadership training, professional skills training and life culture training online and offline, which covers 7 segments, and built eight practice bases and a faculty team comprising hundreds of teachers to support the trainings.

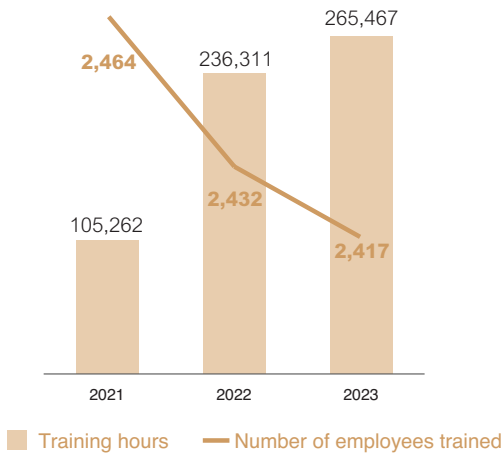
“Hospice Care- Funeral Social Worker” Education and Training

Reservation and emotion management of social work talents and hospice healing skills training are an important way to improving Fu Shou Yuan's life serve quality and resonance. During the Reporting Period, Fu Shou Yuan invited experts from Department of Social Work of Shanghai University to guide and teach the social work talents reserve for Liaoning Fu Shou Yuan, invited senior mentor in life education area to provide emotion management training courses for employees from Inner Mongolia Fu Shou Yuan and organized a group grief coaching workshop for immersive life experience.

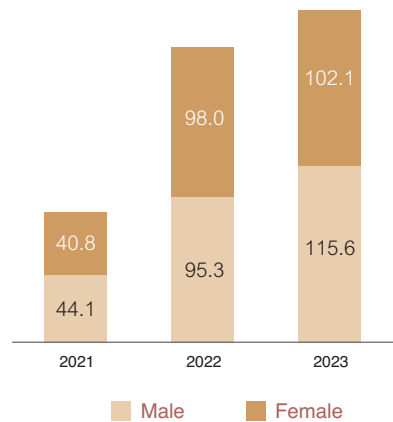
We always vigorously support employees' vocational skills competition, offer them with paid off-the-job training and clarify in the *Reward Measures for Award-winning Employees of Fu Shou Yuan International Group at National Vocational Skills Competition in the Civil Affairs Industry* the reward mechanism for award-winning employees. Meanwhile, we encourage and support all our employees to pursue higher degree or secure vocational skills certificate relating to their own positions, and allow them to apply for relevant expense reimbursement and incentives in our human resources management system. During the Reporting Period, we reimbursed and rewarded a number of employees for their certificates, including but not limited to Professional Qualification Certificate for Social Workers, Professional Certificate in Project Management, Certified Professional Purchasing Manager, Certificate in Junior Psychological Counselor and Certificate for Ability Improvement of Industrial and Information Technology Talents issued by the Ministry of Industry and Information Technology, and so on.

During the Reporting Period, the number of training hours per employee improved significantly compared to 2022 and 2021. Details are as follows:

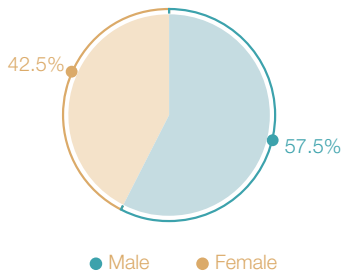
Number of training hours and employees trained in the last three years



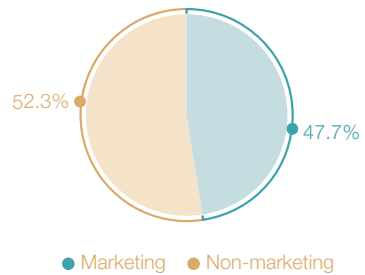
Average training hours by gender

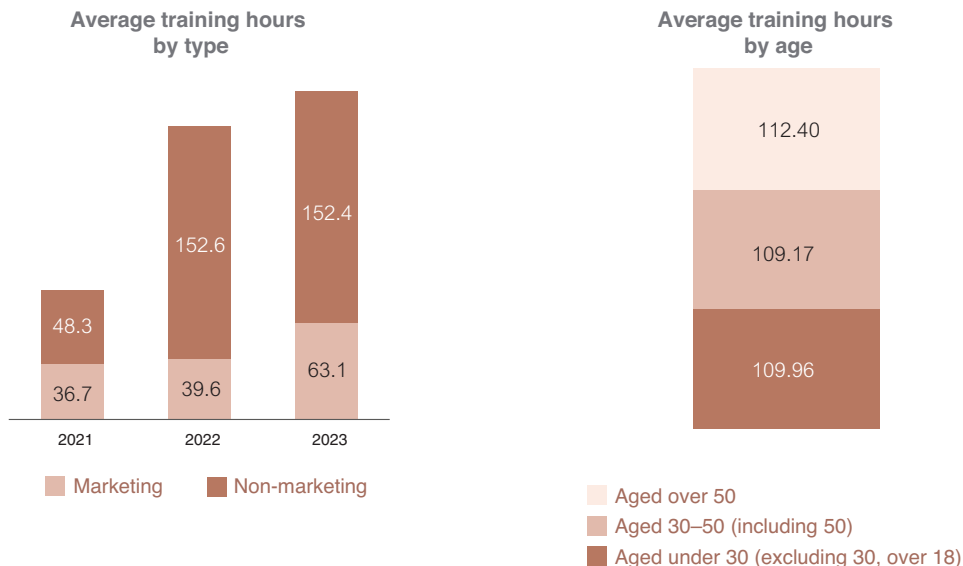


Percentage of trained employees by gender



Percentage of trained employees by category





Staff Promotion Channels

We have established an improved performance assessment system with the Group's Human Resources Center taking the lead in organising monthly follow-ups and interviews on organisational performance in accordance with the "Fu Shou Yuan International Group Organisational Performance Management Measures".

Performance assessment

- Organizing performance assessment on a quarterly basis: the Human Resources Center collects organizational performance data from a Level 1 administrative unit which covers all employees for comprehensive performance assessment.

Performance follow-up

- Monthly follow-up of the performance assessment: Comparing targets and actual achievements on a monthly basis of the PBC³ set at the beginning of 2023, identifying gaps between targets and actual achievements, confirming completed items, in-progress items and left-behind items.

Feedback

- Subsequent improvement and feedback: communicate on a monthly basis with employees on performance, listen to their suggestion and provide them with self-improvement support, and each organisation submits a performance improvement plan (PIP) for the following month based on the performance results for comprehensive analysis.

Fu Shou Yuan Performance Appraisal System

5.3 Protecting Health and Safety

Fu Shou Yuan endeavors to protect the occupational health and safety of its employees, strictly implements production safety responsibility mechanism in strict accordance with the *Production Safety Law of the People's Republic of China*, the *Law on Prevention and Control of Occupational Diseases of the People's Republic of China* and relevant laws and regulations to keep improving the safety management system, and has passed ISO 45001 Occupational Health and Safety Management System review. During the Reporting Period, 7 work-related injuries occurred within the Group, and the number of working days in aggregate for the injured employees lost due to accidents was 191. There were no accidents leading to the death of employees in the past three years.

³ PBC: Refers to business goals, management goals and personal development goals

Fu Shou Yuan strictly executes tasks related to occupational health and safety in accordance with its *Production Safety Management System*. We have arranged rescue equipment in the workplace, performed fire safety emergency drills and on-site inspection, analysis and improvement on safety hazards on a regular basis, and signed with suppliers safety production service contracts to clarify safety responsibility. For operations and positions exposure to higher occupational disease risk and safety risk, we require employees and employees of suppliers to take pre-job safety training and secure occupational health training certificates. During the Reporting Period, the Group offered 123 training on safety in total, covering all employees and contractors and employees of suppliers, with 3,232 participants and 14,681 trained hours.

5.4 Building a Happy Life

Fu Shou Yuan attaches great importance to employees' mental health and organizes rich employee activities on a regular basis, while implementing employee care in all aspects by actively helping employees solve their problems in work and life, so as to improve their recognition, sense of belonging and happiness.

Employee Communication

Fu Shou Yuan respects ideas of each employee, values their suggestions, and organizes to listen to their demands through the labor union to establish an effective negotiation mechanism and protect their rights to know, participate in and supervise the management of the corporate on the one hand. On the other hand, we establish multiple communication and feedback channels, including supervision hotline, mailbox, OA system for the communication, evaluation, follow-up and resolution of employees' demands by categories, collect their voices on a regular basis and smooth the communication channel for colleagues in different positions, levels and departments.

Meanwhile, we conduct employee satisfaction survey on a yearly basis, which involves in dimensions such as remuneration and performance, gender equality, code of conduct, corporate management, and analyze and improve items with relatively low scores. As of the end of the Reporting Period, the employee satisfaction score was 4.31 (on a 5-point scale), a significant improvement over that in previous year.

Employee Care

In order to further improve employees' happiness and sense of belonging, we established an "Employee Care Group" to express our consolation for employees in difficulties, and organized a variety of recreational activities on an irregular basis to enrich their amateur life. Meanwhile, we offer employees with psychological counseling and healing and deliver mindfulness and warmth in the form of life education and life culture perception.



The spring outdoor outreach activity, "come in the spring and camp with the wind" enables employees to release work pressure and show their vitality



A Green Ecological
Development Advocate

**Environmental
Protection**

Fu Shou Yuan firmly believes that environmental protection, rational use of resources, and green and low-carbon development are important to corporate operations and we continue to implement low-carbon and environmental protection measures and follow up the achievement of environmental goals:

	Energy consumption	Greenhouse gas emissions	Water consumption	Waste	Resource usage	Waste gas emission
Goals	Reduce electricity consumption intensity	Reduce greenhouse gas emissions and achieve carbon neutrality by 2030	Reduce water consumption intensity	Improve waste recycling	Reduced average stone use per tombstone	Promote smoke-free cemeteries and increase the proportion of smoke-free cemeteries
Present conditions	Decrease in electricity consumption intensity in 2023	Decrease in greenhouse gas emissions intensity in 2023	Decrease in water consumption intensity in 2023	Increase in waste recycling rate	The average stone use per tombstone in 2023 was 0.1624 cubic meters ⁴	The percentage of smoke-free cemeteries reached over 95%

6.1 Creating Ecological Funerals

With years of green practice experience, Fu Shou Yuan establishes an ecological park area from various aspects such as green design, environmental protection construction, intelligent management and ecological pest control, while changing customs and rituals, advocating green funerals, and promoting land-saving burials and smoke-free tomb-sweeping. We implement the ecological funeral concept of “planning from high starting point, high standard construction, landscaping design and ecological creation”.

Ecological Construction of a Century-Old Cemetery

With the vision and goal of building a century-old sustainable ecological cemetery, we avoid ecologically vulnerable areas in site selection and carry out greening transformation and ecological restoration of the park area taking full use of waste graveyard and mines, to build an ecological cemetery that coexists in harmony with the natural environment; meanwhile, we entrust the survey and design institute in the place of project under construction to provide geological exploration report verifying topographic structure and soil properties, so as to determine the feasibility and design rationality of the construction and ensure the quality of the project can be tested.

We try to use eco-friendly building materials that can be degraded or recycled as well as resource-saving and environment-friendly construction processes wherever possible in the process of construction. In the process of park maintenance and management, we achieve the intelligent management of engineering management, greening maintenance management and energy consumption management in the park, which has effectively improved the management efficiency through the analysis and prediction function of the digital-twin platform on the one hand, and on the other hand, in the process of greening and maintenance, we select and breed plants suitable for the local ecological environment and water and soil features, adopt physical control and biological control methods for pests and diseases, and avoid the use of toxic agents and the discharge of harmful substances.

Green Funeral Promotion

Fu Shou Yuan is committed to opening a new era of green funeral, implementing the management regulations on prohibiting burning and smoking and launching alternative eco-friendly tomb-sweeping services. At the same time, we also follow the *Guiding Opinions on Promoting Land-Saving Ecological Burial*, optimize cemetery products design with the idea of land saving, miniaturization and environmental protection to accelerate stone material replacement and reduction and carry out carbon footprint testing on tombstone products. In the past few years, the proportion of sales of Fu Shou Yuan’s land-saving burial products has continuously increased, and the stone use and land use of unit tomb have decreased significantly.

⁴ The increase in average stone use per tombstone in 2023 over that in 2022 was mainly due to the increase in single tombstone use caused by the year-on-year increase by 54% in the amount of art tomb processing in the product sales structure.

Carbon Footprint Testing on Tombstone Products

During the Reporting Period, Fu Shou Yuan entrusted China Quality Certification Centre to conduct a “carbon footprint” evaluation on the tombstone products purchased by Shanghai Fu Shou Yuan and estimated the annual carbon emission of the tombstone products of the Group and the entire industry based on the carbon footprint generated by each tomb, so as to reduce energy consumption and improve energy efficiency in a targeted manner and achieve low-carbon transformation. Upon testing, the total GHG emissions per cubic meter of tombstone products in processes of the raw material acquisition, manufacturing and product transportation were estimated to be 2,149.62 kg CO₂e.

Healing Garden Ecological Land-saving Burial

The healing garden project in Shanghai Fu Shou Yuan park area fully embodies our ecological funeral concept, in which the land-saving burial garden products and recyclable ecological products occupy an area of 70%, and replace stone with glass, aluminum alloy, copper products, ultra-high-performance concrete, artificial crystal and other eco-friendly materials. 295 graves of urn products can be provided in an area of 110 square meters, which greatly reduces stone use and land occupation. The project also includes public worship places, theme gardens, customized products, sunken shared spaces and intelligent product and service systems to meet different customer needs with low-carbon, eco-friendly and diversified products and services.



Aerial View of the Healing Garden

6.2 Addressing Climate Change

Fu Shou Yuan strives to assuming its responsibility as a corporate citizen in global climate change and actively responds to the national “dual carbon” strategic goal. We conduct the identification and response to risks of climate change from the four dimensions, namely governance, strategy, risk management and metrics and targets, with reference to the Task Force on Climate-related Financial Disclosures (TCFD) after considering the industry conditions, our own strategy and operations, and supervise the effective implementation of climate-related responsive measures by way of specific risk prevention and control training and special audits.

Types of risks	Names of risks	Descriptions of risks	Responding measures
Transition risk	Law and Regulation risk	The regulations and policies related to low-carbon transformation and ecological burial have become stricter, bringing higher environmental costs and increased compliance risks to the industry	<ul style="list-style-type: none"> Evaluate tombstone products' carbon footprint to understand the greenhouse gas emissions of the Group and of the industry to respond to the stricter disclosure requirements Strictly meet the pollutant emission standards of crematoriums Continue to promote the construction of smoke-free cemeteries Increase the overall environmental efficiency of the cremation process and upgrade and optimize equipment
	Technology risk	The impact of technological improvements or innovations resulting from the transition to a low-carbon, energy-efficient economy	<ul style="list-style-type: none"> Research and develop new environmental-friendly cremation machine technology innovation, and optimize exhaust gas purification system and combustion control system Promote the development and implementation of intelligent IoT, online rituals, and virtual cemeteries
	Market risk	The market for environmentally friendly cremation, green burial, and landscape cemetery has created demand for more new products such as land-saving burial, ecological burial, etc.	<ul style="list-style-type: none"> Vigorously develop ecological land-saving burials, and launch land-saving products including indoor burials, lawn burials, forest burials, flower bed burials, three-dimensional burials, waterscape burials, and tower burials Replace stone with eco-friendly materials such as glass, aluminum alloy, copper products and UHPC materials Launch Hui Xin Valley digital cemetery, digital funeral, spiritual healing space to satisfy market demands
	Reputation risk	Green and low-carbon has become the mainstream consensus, and the company's negative events in the low-carbon economic transformation may affect the company's brand image and market confidence	<ul style="list-style-type: none"> Strictly implement the development strategy of ecological civilization and promote the green and healthy development of all sectors Actively promote the concept of green development and utilize online and offline marketing channels to develop a green, low-carbon, and sustainable brand image of Fu Shou Yuan

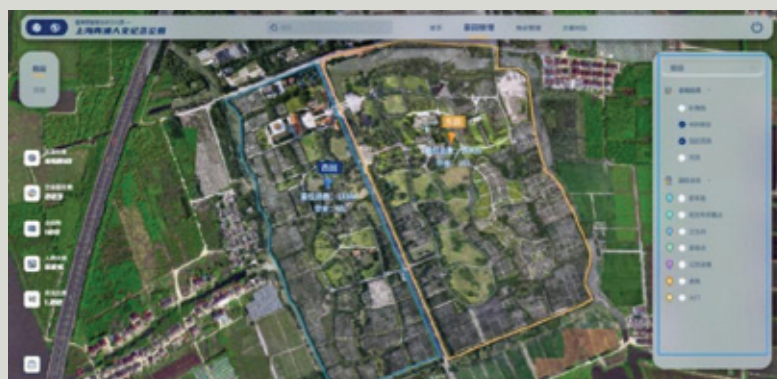
Types of risks	Names of risks	Descriptions of risks	Responding measures
Physical risk	Acute risk	Flood risk: operation sites located in East China and other areas with rainy seasons and frequent typhoons may encounter problems such as damage to cemeteries, deterioration of ashes, and loss of urns	<ul style="list-style-type: none"> • Follow up and develop responsive control measures for flood risk and conduct risk control training by the Safety Risk Management System Optimization Team • Formulate <i>Emergency Plan on Preventing Typhoon and Flood</i> to regulate rules and clarify responsibility • Purchase “property all-risk insurance” to hedge and mitigate the potential damage from flood disasters • Strengthen pre-disaster preparedness, such as temporary housing and tree reinforcement across the relevant region • Improve disaster response work, such as real-time monitoring of water levels • Carry out post-disaster restoration work, such as investigations of electricity facilities etc.
	Chronic risk	Drought risk: operation sites in northern, northeastern and central China with low annual precipitation may increase the pressure on irrigation water and the risk of fire during tomb-sweeping	<ul style="list-style-type: none"> • Follow up and develop responsive control measures for potential secondary disasters from droughts and conduct risk control training by the Safety Risk Management System Optimization Team • Purchase “property all-risk insurance” to hedge and mitigate the potential secondary disaster caused by drought • Formulate <i>Emergency Plan on Preventing Fire</i> to improve responsive and handling capacity • Establishment of a firefighter patrol mechanism to prevent fires • Optimize water-saving irrigation systems to save water in drought seasons • Insist on the concept of “appropriate trees for local conditions” and choose local native species that are easy to survive, drought resistant and compatible with the local ecosystem
	Extreme heat risk: operation sites in the southern area may be at risk of increased frequency and severity of extreme heat weather	<ul style="list-style-type: none"> • Formulate <i>Emergency Preparedness and Response Plan on Preventing Heatstroke and Cooling</i> and conduct emergency drills • Design and construct recreational corridors to enhance air circulation and improve service quality 	
	Extreme cold risk: operation sites in northern area may be at risk of increased frequency and severity of extreme cold weather	<ul style="list-style-type: none"> • Replace plant with simulated materials with low-frequency of maintenance to prevent excessive use of water and freezing of plants, which is conducive to restoring soil fertility 	

6.3 Practicing Green Operation

Fu Shou Yuan always adheres to the practice of green operation and puts energy conservation and consumption reduction as its top priority for low-carbon operation. Meanwhile, we strictly regulate the “Three Wastes” management to ensure no negative impact is occurred to the environment and assume environmental protection responsibilities we shoulder with practical actions.

Environmental Protection

Fu Shou Yuan has established and further improved the park management visualization platform. We intelligently monitor and manage environmental data such as energy consumption and emissions in the park with digital-twin technology, and carry out reasonable planning and unified arrangement on vehicle use, implement data accuracy and efficiency of analysis and management, and identify energy consumption abnormalities or facility damage and leakages in a timely manner to effectively avoid damage to the environment.



Park Management Visualization Platform Interface

In terms of construction maintenance of the park, we consistently implement requirements and measures on environmental protection by requiring the contractors to sign and strictly abide by the *Responsibility Letter on Environmental Protection at the Construction Site*; in terms of green office, we advocate double-sided use and printing of papers to achieve paper-less office and intend to include the clause that “in principle, priority should be given to new energy vehicles in replacing vehicles for administration purposes” into the *Provisions on Managing Vehicles for Administration Purposes of the Group (2024 Revision)*, and encourage green travel of employees. During the Reporting Period, we integrated energy conservation, environmental protection and health elements into the main design of the new-built complex office building for our Shanghai Fu Shou Yuan. The building adopts eco-friendly building materials and techniques, and is designed to gain natural lighting and ventilation at the utmost to reduce energy consumption demand for air-conditioning and lighting, rationalize the use of spaces, and reduce land occupation.

Energy Management

Fu Shou Yuan attaches great importance to energy management to improve energy utilization and reduce energy consumption. We strictly abide by laws and regulations in the place of our operations including the *Energy Conservation Law of the People's Republic of China*, apply energy conservation and consumption reduction measures in our own operation and value chain, and promote the reduction of comprehensive energy consumption by improving equipment performance, optimizing energy structure and strengthening intelligent control.

Cremation Machine Combustion Control System Optimization

During the Reporting Period, we re-selected the model and designed the burner and combustion control system by performing assessments on numerous suppliers and optimized the cremation machine combustion control system. The burner and controller parts we finally selected were applied in the Jiaxing funeral parlor project. Upon calculation, the renewed combustion control system as a whole may effectively shorten the time for cremating and in turn improving energy efficiency.

During the Reporting Period, the energy saving numbers of Fu Shou Yuan are as follows:

	Unit	Total amount in 2021	Total amount in 2022	Total amount in 2023
Purchased electricity	mWh	11,293	12,628	13,083
Coal	ton	294	40 ⁵	59
Kerosene	litre	11,026	11,527	15,136
Diesel	litre	753,999	512,149	713,890
Natural gas	cubic meter	514,057	443,054	431,491
Gasoline	litre	484,655	329,139	564,730
Comprehensive energy consumption ⁶	mWh	32,389	25,366	31,910
Comprehensive energy consumption intensity	mWh/ RMB million revenue	13.92	11.68	12.14
GHG scope I	ton CO ₂ e	4,876	3,154	4,232
GHG scope II	ton CO ₂ e	6,288	7,202	7,461
Total GHG emission ⁷	ton CO ₂ e	11,164	10,356	11,693
GHG emission intensity	ton CO ₂ e/ RMB million revenue	4.8	4.8	4.45

Water Management

Fu Shou Yuan stays focused on effective management and efficient use of water resources and keeps improving its own water resources utilization efficiency following such laws and regulations as the *Water Law of the People's Republic of China*. In the office area, we use sensor faucets, and the office water consumption is reduced by 20% year on year; in the park areas, we make full reuse of rainwater and river water and improve water utilization through water-saving and green irrigation methods such as sprinkler irrigation and soakaway irrigation. During the Reporting Period, Fu Shou Yuan had no issues with sourcing and using water, and there were no violations caused by unreasonable water source and water use.

During the Reporting Period, the usage of water resources by Fu Shou Yuan is as follows:

	Unit	Total amount in 2021	Total amount in 2022	Total amount in 2023
Municipal pipeline water consumption	ton	325,264	131,515	159,847
Natural water withdrawal	ton	651,760	778,470	787,737
Water consumption intensity	ton/RMB0,000 revenue	4.20	4.21	3.61

Emission Management

On the basis of strictly following laws and regulations and technical standards such as the *Environmental Protection Law of the People's Republic of China*, the *Law of the People's Republic of China on the Prevention and Control of Water Pollution*, and the *Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution* and the *Technical Specification for Quality Inspection of Pollutant Discharge Permit* (HJ 1299 –2023), Fu Shou Yuan has formulated the “Three Wastes” emission management regulations to consistently implement the efficient “Three Wastes” management and treatment measures, weakening the impact on the natural environment considering its own operations and emissions.

⁵ In 2022, some subsidiaries of Fu Shou Yuan replaced coal boilers with electric boilers, which led to a significant drop in coal consumption.

⁶ The comprehensive energy consumption is calculated based on the General Principles for Calculating Comprehensive Energy Consumption GB/T 2589–2020.

⁷ The GHG emission is calculated using the latest national grid average carbon emission factor of 0.5703 tCO₂/MWh issued by the Ministry of Ecology and Environment for consultation on the Methodology and Reporting Guidelines for Corporate Greenhouse Gas Emission Accounting for Power Generation Facilities (Revised Version 2022).

The waste generated during the Group's operation is mainly non-hazardous waste, including ritual waste, domestic waste, a small amount of construction waste, dead branches and weeds and other garden waste. We enhance classification, collection, recycling and disposal of wastes in our day-to-day management with the goal of "reduction, recycling and harmless disposal". We entrust the municipal environmental sanitation management office to carry out garbage removal and transportation, set up garbage classification bins in the park, and carry out garbage classification training for employees. On this basis, we try our best to recycle and reuse recyclable non-hazardous waste resources to reduce its impact on the environment with practical actions.

To address the potential negative environmental impacts of hazardous waste, on the basis of complying with the *Standard for Pollution Control of Hazardous Waste Storage* (GB18597–2023), the *Technical Specification for Setting Identification Signs of Hazardous Waste* (HJ1276–2022), the *Technical Code for Collection, Storage, and Transportation of Hazardous Waste* (HJ2025–2012) and the *Standard for Pollution Control of General Industrial Solid Waste Storage and Disposal Sites* (GB18599–2001) and other relevant laws and regulations in the operation area, Fu Shou Yuan regulates the disposal and management of hazardous wastes in accordance with the management requirements of the local government for hazardous waste classification and is committed to reducing the generation of hazardous waste from the source in the production and operation process.

During the Reporting Period, the waste generation numbers of Fu Shou Yuan are as follows:

	Unit	Total amount in 2021	Total amount in 2022	Total amount in 2023
Non-hazardous waste	ton	4,617	4,267	5,687
Non-hazardous waste intensity	ton/RMB million revenue	1.99	1.97	2.16
Hazardous waste	kg	327	270	683
Hazardous waste intensity	kg/RMB million revenue	0.14	0.12	0.26

Fu Shou Yuan strictly manages waste gas emission in accordance with laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution* and the *Technical Specification for Flue Gas Treatment Engineering of Industrial Boiler (2021)*. Waste gas emissions of Fu Shou Yuan are mainly the fugitive emissions of waste gas in the cemetery and waste gas from self-operated cremation machine. For fugitive emissions of waste gas from traditional rituals such as tin foil and ghost money combustion, we keep promoting smoke-free cemetery and strictly implement the policy of no smoking and no discharge within the cemetery to eliminate source of waste gas while advocating changing customs and rituals and promoting green and virtual rituals. For waste gas from cremation machine, we keep upgrading the exhaust gas purification system of cremation machines, reduce their waste gas emission by using efficient and eco-friendly processes and improve the environmental protection performance of facilities and equipment.

Improvement of the Exhaust Gas Purification System of Cremation Machines

We applied novel dual-fluid atomization cooling tower into exhaust gas purification system to quickly cool down the temperature of flue gas in the cooler and shorten time for cooling, efficiently and effectively control pollutant and the secondary transformation and regeneration thereof. Practices demonstrated that compared with air-cooled heat exchangers, improved cremation machine exhaust gas purification system can effectively avoid and control high-temperature heating pollutant and further reduce dioxin pollutant emissions by over 10%.



Exhaust Gas Purification System Field

During the Reporting Period, the waste gas emissions of Fu Shou Yuan are as follows:

	Unit	Total amount in 2021	Total amount in 2022	Total amount in 2023
Exhaust gas emission	cubic meter	61,070,000	90,030,000	86,930,000
Nitrogen oxides emission	ton	7.08	6.75	6.52
Exhaust gas emission intensity	cubic meter/RMB0,000 revenue	262.57	414.58	330.78

The wastewater generated by Fu Shou Yuan in the course of daily operations mainly comes from the domestic wastewater from employees' office activities, canteens and kitchens, cemetery greening wastewater and funeral wastewater. All our domestic wastewater is discharged to the sewage treatment plant through the municipal pipenet work for unified treatment. Cemetery greening wastewater is mainly reused or returns to the ground by natural infiltration or evaporates naturally. For funeral wastewater, after the treatment of an advanced sewage treatment facility, it is collected from the wastewater pipe network to the biochemical adjustment tank and finally discharged upon further procedures, such as disinfection, and confirming that the wastewater meets the *Discharge Standard of Water Pollutants for Medical Organization*, the *Regulation on Urban Drainage and Sewage Treatment*, and the first level standard of the *Integrated Wastewater Discharge Standard*. Due to the foregoing reasons, there is no hazardous or polluted wastewater discharged by Fu Shou Yuan.

No.	Award-winning Company	Name of Award	Awarding Time	Issuing Authority
1	Fu Shou Yuan International Group	2023 China Innovation Brand Top 500	May 2023	China-Asia Economic Development Association, Global Times, Xinhuanet client-side
2		2023 Outstanding Digitization Innovation Enterprise	May 2023	Organizing Committee of the Brand Innovation and Development Conference
3		2023 Green Sustainability Contribution Award	June 2023	Syobserve.com, Syobserve-Public welfare (www.gongyidaily.com) and other domestic public media and financial media
4		2023 Digital Transformation Driver Award	July 2023	the 12th CFS Finance Summit
5		Typical Case of the “Double Hundred Plan for School-Enterprise Cooperation” of China Association of Higher Education in 2022	November 2023	China Association of Higher Education
6		The 8th Golden Tangerine Awards of Time Finance•ESG Times Pioneer Listed Company Award	November 2023	The Times Weekly
7		10th Asia Short Movie Art Festival Golden Begonia Award, Peace of Mind (《心安》)	November 2023	China TV Artists Association
8		2023 Golden Hong Kong Stock Award	December 2023	Zhitongcaijing (www.zhitongcaijing.com)
9		2023 Typical Communication Case of Corporate (Fu Shou Yuan 3JI project)	December 2023	Economic Media Association of China
10		“Top 10 Public Welfare Projects of the Year” from the 6th Shanghai Public Welfare Selection (Public Welfare Humanistic Walking Project)	January 2023	Organizing Committee of Shanghai Public Welfare Selection
11	Shanghai Fu Shou Yuan	2022 Carbon Neutrality Certificate	May 2023	Shanghai Environment and Energy Exchange
12	Temshine Design Agency	2022 International Design Awards Honorable Mention (“Shanghai Fu Shou Yuan • Huixin Valley” project)	February 2023	International Design Awards
13	Fu Shou Yun Technology	2023 Corporate with Digital Influence	December 2023	Organizing Committee of the STIF2023 4th International Sci-Tech Innovation Festival
14	Shanghai Fu Shou Yuan Public Welfare Development Foundation	Second Prize at Shanghai Hospice Care Service Case Competition	October 2023	Shanghai Hospice Care Service Management Centre

Category	Name
Corporate governance	Company Law of the People's Republic of China
	Anti-Money Laundering Law of the People's Republic of China
	Anti-Unfair Competition Law of the People's Republic of China
	Advertising Law of the People's Republic of China
Employment	Labor Law of the People's Republic of China
	Labor Contract Law of the People's Republic of China
	Employment Promotion Law of the People's Republic of China
	Social Insurance Law of the People's Republic of China
	Provisions on the Scope of Prohibited Labor for Female Employees
	Provisions on the Prohibition of Using Child Labor
	Special Provisions on Labor Protection for Female Employees
Law of the People's Republic of China on the Protection of Women's Rights and Interests	
Intellectual property rights	Patent Law of the People's Republic of China
	Copyright Law of the People's Republic of China
	Trademark Law of the People's Republic of China
	Detailed Rules for the Implementation of the Patent Law of the People's Republic of China
Data security	Data Security Law of the People's Republic of China
Health and safety	Production Safety Law of the People's Republic of China
	The Law on Prevention and Control of Occupational Diseases of the People's Republic of China
Environmental protection	Law of the Peoples Republic of China on the Conservation of Energy Resources
	Water Law of the People's Republic of China
	Environmental Protection Law of the People's Republic of China
	Law of the People's Republic of China on the Prevention and Control of Water Pollution
	Law of the People's Republic of China on the Prevention and Control of Solid Waste Pollution
	Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution
Death care	Regulations on Funeral Management
	Implementation Rules of the Law of the People's Republic of China on Land Administration
	Guidelines on the Promotion of Land-saving Ecological Burial
Quality management	Product Quality Law of the People's Republic of China

General Disclosures and KPIs		Section	
A Environmental			
A1: Emissions		General Disclosure: policies on air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6.3 Practicing Green Operation
	A1.1	The types of emissions and respective emissions data.	6.3 Practicing Green Operation
	A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	6.3 Practicing Green Operation
	A1.3	Total hazardous waste produced and, where appropriate, intensity.	6.3 Practicing Green Operation
	A1.4	Total non-hazardous waste produced and, where appropriate,intensity.	6.3 Practicing Green Operation
	A1.5	Description of measures to mitigate emissions and results achieved.	6.3 Practicing Green Operation
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	6.3 Practicing Green Operation
A2: Use of Resources		General Disclosure: policies on the efficient use of resources, including energy, water and other raw materials.	6.3 Practicing Green Operation
	A2.1	Direct/or indirect energy consumption by type in total and intensity	6.3 Practicing Green Operation
	A2.2	Water consumption in total and intensity.	6.3 Practicing Green Operation
	A2.3	Description of energy use efficiency initiatives and results achieved.	6.3 Practicing Green Operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	6.3 Practicing Green Operation
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not disclosed as packing material is rarely involved during the operation
A3: The Environment and Natural Resources		General Disclosure: policies on minimizing the issuer’s significant impact on the environment and natural resources.	6.1 Creating Ecological Funerals
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6.1 Creating Ecological Funerals
A4: Climate Change		General Disclosure: policies on identifying and responding to major climate related matters that have and may have an impact on the issuer.	6.2 Addressing Climate Change
	A4.1	Description of the major climate related issues that have and may have an impact on the issuer, and response actions.	6.2 Addressing Climate Change

General Disclosures and KPIs		Section	
B Social			
B1: Employment		General Disclosure: information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5.1 Diversified Employment System
	B1.1	Total workforce by gender, employment type (e.g., full-time or part-time), age group and geographical region.	5.1 Diversified Employment System
	B1.2	Employee turnover rate by gender, age group and geographical region.	5.1 Diversified Employment System
	B2.1	Number and rate of work-related fatalities each year over the past three years (including the reporting year).	5.1 Diversified Employment System
	B2.2	Lost days due to work injury.	5.3 Protecting Health and Safety
	B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	5.3 Protecting 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.	5.2 Empowering Employee Development
	B3.1	The percentage of employees trained by gender and employee category (e.g., senior management, middle management and others).	5.2 Empowering Employee Development
	B3.2	The average training hours completed per employee by gender and employee category.	5.2 Empowering Employee Development
B4: Labor Standards		General Disclosure: information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	5.1 Diversified Employment System
	B4.1	Description of measures to review employment practices to avoid child and forced labor.	5.1 Diversified Employment System
	B4.2	Description of steps taken to eliminate such practices when discovered.	5.1 Diversified Employment System
B5: Supply Chain Management		General Disclosure: Policies on managing environmental and social risks of the supply chain.	3.3 Reinforcing Quality Assurance
	B5.1	Number of suppliers by geographical region.	3.3 Reinforcing Quality Assurance
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	3.3 Reinforcing Quality Assurance
	B5.3	Description of practices for identifying environmental and social risks in each link of the supply chain, where the practices are being implemented, how they are implemented and monitored.	3.3 Reinforcing Quality Assurance
	B5.4	Description of the practice of promoting the use of environmental protection products and services when selecting suppliers, where the practices are being implemented, how they are implemented and monitored.	3.3 Reinforcing Quality Assurance

General Disclosures and KPIs		Section	
B6: Product Responsibility	General Disclosure: information on the policies and 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.	3.2 Comprehensive Services with Quality 3.1 Innovating Life Services 3.3 Reinforcing Quality Assurance	
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No involvement of products that need to be recalled for safety and health reasons
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.2 Comprehensive Services with Quality
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	3.1 Innovating Life Services
	B6.4	Description of quality assurance process and recall procedures.	No involvement of quality inspection or product recall
	B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	3.2 Comprehensive Services with Quality
B7: Anti-corruption	General Disclosure: information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	1.3 Corporate Governance	
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	1.3 Corporate Governance
	B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	1.3 Corporate Governance
	B7.3	Description of anti-corruption training provided to directors and employees.	1.3 Corporate Governance
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.	4. Public Welfare	
	B8.1	Focus areas of contribution (e.g., education, environmental issue, labor needs, health, culture, or sports).	4.1 Expanding Public Welfare Services 4.2 Spreading the Culture of Life 4.3 Delivering Love Through Public Welfare Activities
	B8.2	Resources contributed to the focus area (e.g., money or time).	4.1 Expanding Public Welfare Services 4.2 Spreading the Culture of Life 4.3 Delivering Love Through Public Welfare Activities