



Board Statement

The Board is ultimately responsible for overseeing the Group's sustainability issues. Under the delegation of the Board, the Group's ESG Steering Committee and the ESG Working Group ensure sustainability topics management aligns with the corporate vision. The Group's ESG Management Approach outlines the key ESG issues and drivers identified by key stakeholders and verified by the Board. It sets the cornerstone of HFT's ESG management strategy and is realised through relevant policies and measures.

The Group strives to set meaningful sustainability-related targets related to its business, while the Board monitors the progress through the support of the ESG Steering Committee and the ESG Working Group. In the reporting year, the Group took the first step in setting directional targets on material environmental aspects, to understand the Group's major emission sources and possible management approach in reducing its impacts on the environment.

HFT's Future Plans

Our Operation

HFT will strengthen its supplier management (e.g. introducing supplier risk assessment) to gain a comprehensive understanding of the sustainability risks of its suppliers. It also plans to establish a sustainable procurement policy.

Our People

HFT plans to engage different levels of employees by conducting surveys via Wowlife to understand their needs and as the basis of continuous improvement of the workplace environment.

Our Community

HFT will continue its efforts to consider the community's needs and interests, and further integrate its vision in serving the community within its business value by cooperating with more organisations and local businesses.

Our Environment

Energy Efficiency

HFT will fuel a significant proportion of its operations with renewable energy by 2050, including manufacturing as well as through investment.

Resource Efficiency

HFT will make significant reductions in waste output by 2050 by reducing unnecessary packaging, using better packaging materials and designs and promoting paperless operation.

Water Efficiency

HFT aims to reduce its water footprint by 2050. As the first step, the Group will set up a water efficiency plan to create significant improvements in the supply chain.

Sustainability Governance

| ESG Management Approach | |
|--|--|
| Environment <ul style="list-style-type: none"> Energy saving Environmental protection Carbon reduction | Suppliers, Customers and the Public <ul style="list-style-type: none"> Fair trading Food safety Quality control |
| Corporate Social Responsibilities <p><i>Employee</i></p> <ul style="list-style-type: none"> Safe and healthy working environment Human rights Talent retention | <p><i>Community Involvement</i></p> <ul style="list-style-type: none"> Influence on the society Understanding and respond to socially vulnerable groups Quality of life and wellbeing |
| Operating Principles <ul style="list-style-type: none"> Operation compliance Operating ethics | Corporate Governance <ul style="list-style-type: none"> Transparent Responsible |



The Board

Roles and responsibilities:

- To oversee overall ESG management, ensuring it aligns with international and local regulations
- To anchor a strategic ESG management approach for the Group
- Integrate sustainability concepts into day-to-day operations

ESG Steering Committee

Roles and responsibilities:

- Evaluate and monitor the Group's ESG performance
- Review progress and effectiveness of ESG targets and objectives
- Review and assess ESG risks that are significant to the Group
- Report to the Board on ESG issues

ESG Working Group

Roles and responsibilities:

- Support ESG Steering Committee in policies and action plan execution

Our Operation

- 51.6% of Hung Fook Tong's fresh beverage products are in low sugar content
- 322 key suppliers

Our People

- 865 employees, 717 in Hong Kong, 148 in Mainland China
- 551 employees trained, approximately 4,237 training hours

Our Environment

- 12,933 tonnes of CO2-e of Greenhouse Gas (GHG) Emissions
- 1,360.2 tonnes of food waste recycled, 289.7 tonnes of CO2-e of Greenhouse Gas Emissions reduced

Our Community

- Contributed 323 service hours to the community
- Supported over 132 community projects and 104 organisations
- Over HK\$1.9 million of cash, coupons and in-kind products sponsored



Sustainability Risk Management

An effective risk management mechanism is essential to adapting and mitigating emerging sustainability risks. The ESG Steering Committee and the Risk Management Committee assist the Board in managing relevant risks and are responsible for risk identification, evaluation and management of potential sustainability risks.

1. Identify potential sustainability risks that have impact on the Group
2. Assess the likelihood and impact of the potential sustainability risks on the Group
3. Confirm material sustainability risks
4. Implement management measures
5. Monitor and review the effectiveness of management measures

Environmental Compliance

Risk to HFT

It refers to exposure to litigation, fines or penalties resulting from non compliance with national and local laws and regulations relating to pollution prevention and hazardous materials/waste management. It also refers to excessive expenditure on energy and water supply, management of emissions, solid waste and wastewater quality.

HFT's response:

- Established standardised policies and procedures to ensure manufacturing and operational processes are in compliance. In addition, audits are arranged regularly to rectify any potential non-compliance
- Addressed environmental issues that affect customers' choices of products and services

Climate Risks

Risk to HFT:

Climate risks include physical and transition risks. Physical risks include disruptions of operations in supplies and inventory due to flooding, hurricanes, and high temperatures. Transition risks include losing customers due to shifting their preference towards lower carbon footprints product and compliance risks arise from increasing regulatory pressures to reduce impacts of climate change (e.g. carbon pricing policies).

HFT's response:

- Established Climate Change Policy in 2021

Water Risks

Risk to HFT:

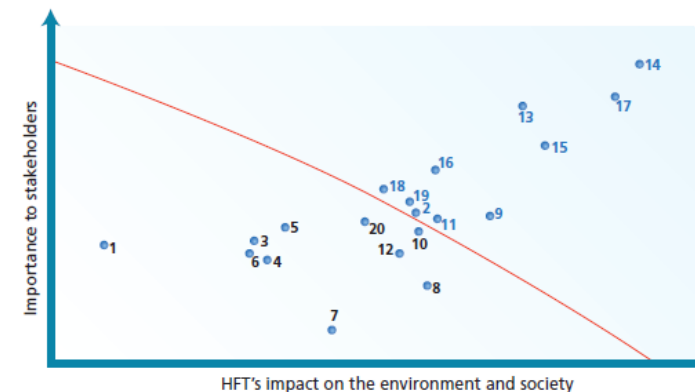
They refer to the risk of exposure to water-stressed regions, leading to insufficient water being available to meet demand which could pose a serious threat to business continuity. Other risks include supply disruptions and losing their social license to operate.

HFT's response:

- Improved water management at Hong Kong and Kaiping factories through increased efficiency, recycling, and proper wastewater disposal



Materiality Assessment



The 10 material topics are marked in blue below:

| Focus area | Index no. | Sustainability topics | Material topic |
|-----------------|-----------|---|----------------|
| Our Environment | 1 | Air and Greenhouse Gas emissions management | |
| | 2 | Waste management | ✓ |
| | 3 | Energy efficiency | |
| | 4 | Water management | |
| | 5 | Efficient use of packaging resources | |
| | 6 | Climate change | |
| Our People | 7 | Comprehensive employment management system | |
| | 8 | Labour rights | |
| | 9 | Healthy and safe workplace | ✓ |
| | 10 | Employee welfare and wellbeing | |
| | 11 | Training and development | ✓ |
| Our Operation | 12 | Supply chain management | |
| | 13 | Product quality and sales service responsibility management | ✓ |
| | 14 | Customers' health and safety protection | ✓ |
| | 15 | Product recalls for quality | ✓ |
| | 16 | Customer complaints handling and response mechanism | ✓ |
| | 17 | Customers' and business partners' interests protection | ✓ |
| | 18 | Anti-corruption | ✓ |
| | 19 | Consideration of community needs and interests | ✓ |
| Our Community | 20 | Community investment | |

Our Approach to Sustainability

OUR OPERATION

• Safeguarding Product Safety and Quality

- Quality Management System
- Product Recall System



• Protecting Customers' Rights

- Customer Privacy and Intellectual Property Rights
- Responsible Marketing and Labelling

| Indicator | Target | 2021 | 2020 |
|---|-----------|------------------------------|------------|
| Average number of complaints received per month relating to product health and safety | <10 cases | 1.33 cases (Target achieved) | 1.83 cases |

• Upholding Business Standards

- Whistleblowing
- Anti-corruption Training

Total anti-corruption training hours: **72.5 hours**

• Delivering Better and Healthier Products

- Low Sugar or Salt Content Products
- Low-calorie Rare Sugar (稀少糖) Products
- Other Green Products e.g. vegetarian options



• Enhancing Customers' Experience

- Customer Services
- Innovative Services - JIKA CLUB mobile application & JIKA ON! online platform



• Sourcing Responsibly

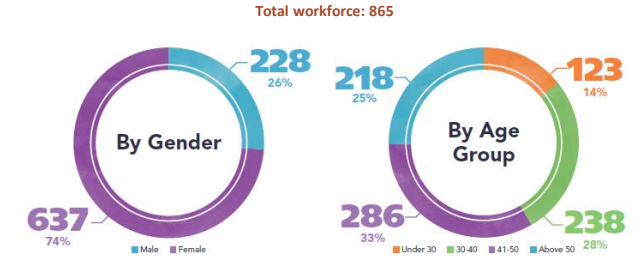
- HFT requires suppliers to render proofs
- The Group has established a risk rating system for the selection of new suppliers
- Due diligence or on-site evaluations are carried out along the production cycle



OUR PEOPLE

• Creating a Desirable Workplace

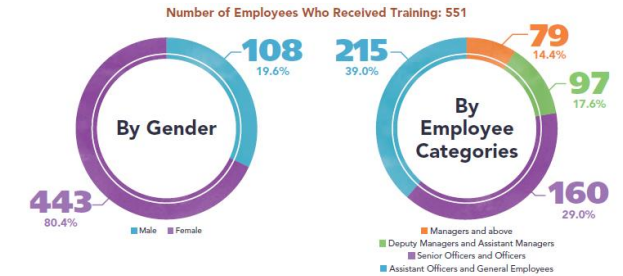
- Remuneration and Compensation
- Recruitment, Promotion and Dismissal
- Working hours and Holidays
- Fair, Inclusive and Diverse Workplace
- Employee Welfare
- Labour Standards



• Nurturing Talents

HFT designs targeted programmes to develop employee skills:

- HFT Life Training
- Food Safety Training



• Protecting the Health and Safety of Employees

The Group's Safety Committee, comprised of various departments and chaired by the Chief Executive Officer, oversees the overall health and safety management, while the Workplace Safety Guidelines are designed for monitoring the workplace. The communication between the Safety Committee, employees, along with the stated policies forms the Group's occupational health and safety system.



Our Approach to Sustainability



OUR ENVIRONMENT

Managing and Reducing Wastes

Food waste

- Donate surplus food to NGOs
- Divert to Organic Resources Recovery Centre Phase 1
- Process into fertilisers

Recyclables

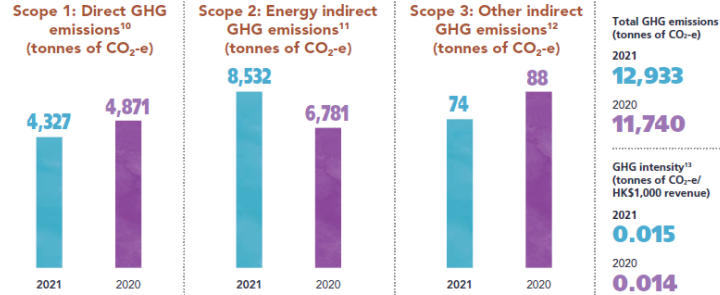
- e.g. paper, metal, plastics
- Engage certified recyclers for re-selling or re-processing

Other general wastes

- Engage waste collectors to dispose of at landfills

Responding to Climate Change

In line with the government's carbon neutral goal by 2050, HFT is planning to formulate a carbon reduction action plan based on scientific reasoning that prioritizes emissions reductions and is driven by technology. We will explore the feasibility of setting quantitative targets to reduce carbon emissions in our operation.



Managing Natural Resources Efficiently

Energy Efficiency

Diesel, natural gas, and purchased electricity were the major types of energy consumed. To reduce energy consumption, measures have been implemented for offices, retail shops in HK and factories in HK and KaiPing.

Resource Efficiency

HFT continuously reduce waste by cutting unnecessary packaging, using better packaging materials and designs, increasing the usage of recycled materials in packaging as well as achieving a paperless office and paperless retailing.

Water Efficiency

HFT has enhanced water efficiency at the production plants, retail shops and offices by installing a steam condensate recovery system, applying stabilizer and adopting extraction process etc.

OUR COMMUNITY

Our Focuses in Connecting Communities

Promoting Health and Wellness

HFT Life – Health and Wellness Workshop Series

HFT partnered with organisations such as WE+ and Hong Kong Family Welfare Society, to co-organize a series of small-group workshops and classes on the promotion of health and wellness. Over 50 hours of programs were organised in 2021, with accumulatively 190 people engaged.



Contributing to a loving community

Chinese New Year Puddings Donation

During Chinese New Year season, the Group partnered with WE+ in donating over 400 pieces of HFT's Chinese New Year puddings to Pei Ho Counterparts (北河同行). The puddings were distributed to the disadvantaged living in Sham Shui Po with the help of HFT Volunteers Team.



Driving Inclusion

Support Local Businesses and Disadvantaged Groups

HFT partnered with Social Ventures Hong Kong, HATCH (合廠) and Chingmama Handmade Workshop (晴媽媽手工工房) to produce handmade soap from upcycled herbal residues. This sustainable project also provided job opportunities for ladies from the local community.



Treasuring Our Environment

Mangroves Cleaning

The Group organised a volunteering event with Hong Kong Young Women's Christian Association in October 2021, to clean up mangroves and visit elderlies in Tai O. During the volunteer event, more than 20 bags of rubbish were collected and cleared to restore the natural habitat of Tai O mangroves.

