



Board Statement

As a responsible corporate, Hung Fook Tong (“HFT”) recognizes the significance of sound and competent governance on striving for sustainability excellence. The Board of HFT leads the Group to develop its sustainability agenda with the aim of delivering values to its employees, customers and other stakeholders. 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. ESG issues are reported to the Board regularly to ensure informed decisions are made by the Board.

Going forward, while the existing targets such as on product quality cases and food waste recycling have been met, the Group will continue to develop and enhance its sustainability strategy. We are already working on setting quantitative targets to reduce electricity, fossil fuel, water consumption, as well as waste reduction, enabling better quantification of the Group’s ESG performance in the future.

HFT’s Vision and Mission

Our Vision

Our vision is to become a leader in sustainable food and beverage production business promoting healthy lifestyles for the welling of community.

Our Mission

- Leverage our industrial strengths and know-how to create long term values for corporate sustainable development.
- Keep the authentic herbal tradition while producing products in a modern and innovative way.
- Conserve the resources used during production and business operation to ensure a sustainable environment.
- Promote wellbeing of people and create healthy diet options to enhance the life quality of the community.

Our Core Values

Authentic Operation

Keeping tradition in an authentic and innovative way

Caring People

Caring the well-being of our people

Sustainable Environment

Conserving resources for future generation

Healthy Community

Enhancing health and quality of life

Our Operation

- 63.6% fresh beverage products are sugar-free or in low sugar content
- 357 key suppliers
- 0 complaint case related to product health and safety received in 2022

Our People

- 864 employees, 713 in Hong Kong, 151 in Mainland China
- 66% of employees trained, with 3.68 average training hours per employee

Our Environment

- 12,026 tonnes of CO₂-e of Greenhouse Gas (GHG) Emissions, decreased by 7%
- 957.7 tonnes of food waste recycled, 204.0 tonnes of CO₂-e of Greenhouse Gas Emissions reduced

Our Community

- Contributed 302 service hours to the community
- Supported over 159 community projects and 198 organisations
- Over HK\$2.1 million of cash, coupons and in-kind products sponsored

Sustainability Governance

Board Level

The Board

- Oversee overall ESG management, ensuring it aligns with international and local regulations
- Anchor strategic ESG management approach for the Group
- Drive the integration of sustainability concepts into day-to-day operations

Committee

ESG Steering Committee

- 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

Audit Committee

- Review and approve the internal audit plans
- Review reports prepared by the independent internal control consultants engaged by the Company
- Review the risk management (including ESG risks) and internal control systems
- Oversee the Company’s corporate governance functions including reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements

Working Group

ESG Working Group

- Communicate across operations and geographies, integrating sustainability concepts into day-to-day operations
- Support ESG Steering Committee in policies implementation and action plan execution

Our Sustainability Strategy



Sustainability Risk Management

HFT has a comprehensive ESG risk management framework. The Group has established a set of risk management policies and measures, which have been codified in its policies for adoption. The ESG Steering Committee and the Audit Committee are auxiliary to the Board in managing relevant 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 sustainability risks that are material
4. Implement risk management measures
5. Monitor and review the effectiveness of management measures

Environmental Compliance Risks

Risk to HFT

Risk 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.

HFT's response:

- Established standardized policies and procedures to ensure manufacturing and operational processes are in compliance. In addition, audits are arranged regularly to detect and rectify any potential non-compliance.



Climate Risks

Risk to HFT:

Physical climate risks include disruptions of operations in our retail business, supplies and inventory due to flooding, typhoons, and high temperatures, which become more frequent. Transition risks include risks associated with lower carbon economy transition, for example, increasing regulatory pressures to reduce climate change impacts such as constraints on emissions, carbon pricing/taxation; and changes in demand/supply due to technology and/or customer preference shift to low-carbon products.

HFT's response:

- Adhere to the Group's Climate Change Policy established in 2021 in our operations. The Policy covers governance, mitigation, adaptation, resilience and disclosures regarding climate-related issues.

Packaging Material Selection Risks

Risk to HFT:

Customers paid more attention to the packaging material of the products they select which may affect their consumption choice. The government is now refining the suitable regulatory framework for the Producer Responsibility Scheme on Plastic Beverage Containers ("PPRS") and examining the necessary legislative amendments for further consulting the relevant trades on the regulatory details in the future.

HFT's response:

- Adopted recycled packaging material (rPET, Recycled Polyethylene Terephthalate) in certain beverage bottles in 2022.
- Starting from 1 January 2023, Hung Fook Tong gradually stops handing out plastic tableware in all of its over 120 HFT stores and HFT Life in Hong Kong.

Stakeholder Engagement & Materiality Assessment



HFT's Impact on the environment and society

The 9 material sustainability topics are marked in blue in the list below:

| Focus Area | Index No. | Sustainability Topic | Material Topic |
|-----------------|-----------|---|----------------|
| Our Environment | 1 | Air and Greenhouse Gas ("GHG") 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 | ✓ |
| Our Community | 19 | Consideration of community needs and interests | ✓ |
| | 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

• Upholding Business Standards

- Whistleblowing
- Anti-corruption Training

• Delivering Better and Healthier Products

- Sugar-free, low sugar or low 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 - HFT 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



| Indicator | Target | 2022 | 2021 |
|---|-----------|---------------------------|------------|
| Average number of complaints received per month relating to product health and safety | <10 cases | 0 cases (Target achieved) | 1.33 cases |

Total number of employees trained for anti-corruption: **43 employees**

Total anti-corruption training hours: **172 hours**



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:

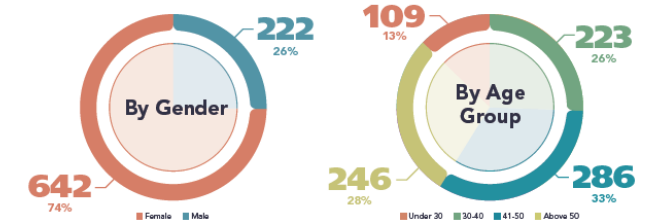
- HFT Life Training
- Food Safety Training
- E-Learning Mobile Application

• Protecting the Health and Safety of Employees

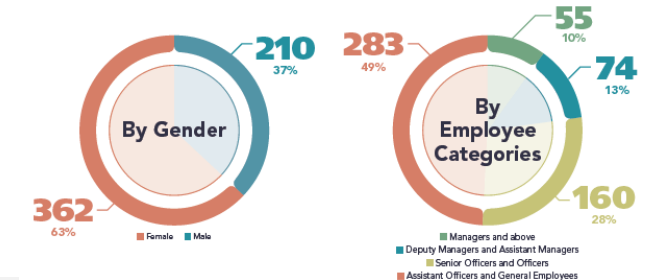
The Group's Safety Committee, comprised of various departments and chaired by the Chief Executive Officer, oversees the overall health and safety management, while the Workplace Safety Guidelines are designed for monitoring the workplace.

| Indicator | 2022 | 2021 | 2020 |
|------------------------------|-------|-------|-------|
| Lost days due to work injury | 226.0 | 555.0 | 506.5 |

Total Workforce: **864**



Number of Employees Who Received Training: **572**



HFT's Safety Committee



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 compost

Recyclables

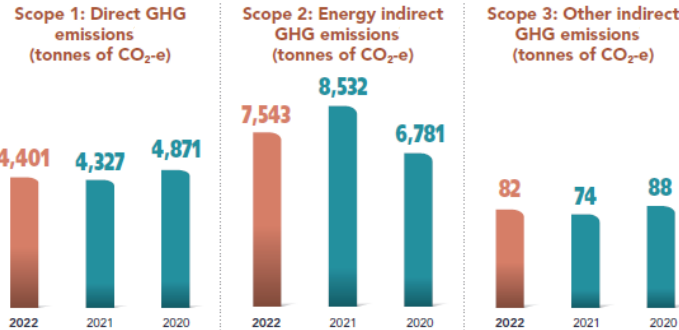
- Engage certified recyclers for re-selling or re-processing for materials like paper, metal, plastics

Other general wastes

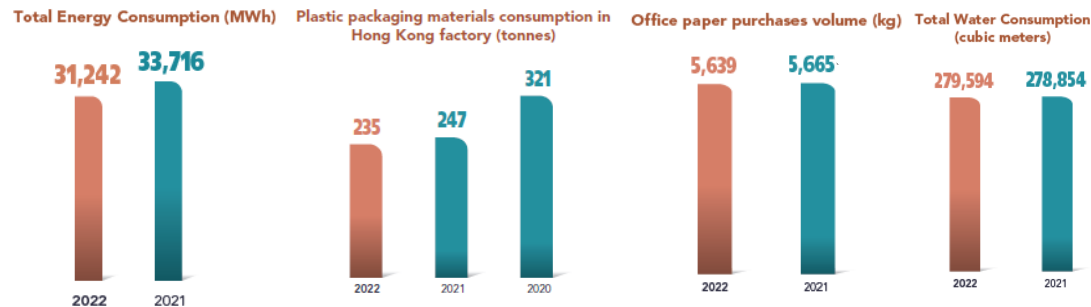
- Engage waste collectors to dispose of at landfills

Responding to Climate Change

HFT has established a climate change policy, covering governance, mitigation, adaptation, resilience and disclosures regarding climate-related issues. To achieve the goal of carbon neutrality in 2050, HFT has been considering to conduct a study on Scope 3 carbon emissions in the supply chain, to set the Science-based Targets.



Managing Natural Resources Efficiently



OUR COMMUNITY

Our Focuses in Connecting Communities

Promoting Health and Wellness

HFT Life – Health and Wellness Workshop Series

During 2022, a series of small-group workshops and classes on health and wellness were held at HFT Life (e.g. singing bowl experience, Pastel Nagomi Art) – involving a total of over 100 man-hours of activities. These workshops were organised in partnership with NGOs and social enterprises.



Contributing to a loving community

Anti-Pandemic Relief Support

As a responsible corporate citizen, the Group provided in-kind sponsorships of anti-pandemic items such as rapid antigen test kits and healthy food products to families in-need, the elderly and patients with chronic illness through our connection with various Non-Governmental Organisations.



Driving Inclusion

Support Disadvantaged Groups

HFT hosted a workshop with the social enterprise FPP (縫補寶) at HFT Life store to promoting awareness of inclusion. FPP is specialised in designing and manufacturing care apparels for the elderly and disabled.



Treasuring Our Environment

Herbal Tea Residues Upcycling

HFT partnered with FoodCycle+ (a local green social enterprise) to organise a green tour for HFT's staff in late 2022 to raise their awareness on food waste recycling. HFT has been donating part of its herbal tea residues to FoodCycle+ since 2019, which then turned them into organic compost "MixO' Plus" (加樂泥).

