

YANGTZKIANG GARMENT LIMITED

(Stock : 294)

Environmental, Social and Governance Report 2018/19

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Message from Chairman

Headquartered in Hong Kong for 70 years, YangtzeKiang Garment Limited is a garment manufacturer that is committed to providing high-quality products and services. The financial year 2019 has proven to be very challenging for us, given the highly unstable market environment and the rise in operating costs. Our China operations in Panyu and Guigang had a difficult time for the year under review, due to the disorder in the global trade environment caused by trade wars and Brexit. The trade wars between the United States and China are expected to affect our Chinese operations as we primarily produce for higher-end US brands. To tackle this situation, the management has started diversifying production to countries such as Vietnam and Indonesia, taking each country's political, economic and social environment into consideration. Despite all the challenges, we strive to consider the environmental, social and governance ("ESG") issues in our business operation as there is a growing concern over these issues from our customers, suppliers and employees. More importantly, we believe sustainable business practices are fundamental to driving long-term growth, as well as addressing environmental and social needs.

To help strengthen the governance and board oversight of ESG issues, we have set up an ESG committee comprising senior management staff, who will report to the board and the chairman on a regular basis, with the purpose of addressing ESG issues and risks. In terms of risk management, all our department heads and factory managers are required to identify the existing and emerging business risks pertaining to their business lines, as well as to report them to the board's risk management committee for discussion and review on an annual basis, and appropriate measures have been taken in managing the risks.

On the environmental front, we have considered environmental factors such as weather, altitude and orientation, when selecting new sites to expand our operations. This allows us to minimise the physical climate risks associated with a site. On the other hand, we plan to install water metres on each dormitory floor to measure and monitor the water consumption of our staff living on each floor in our factory in Panyu, China. The consumption data collected allows us to monitor water consumption and develop suitable water-saving measures to minimise excessive water consumption.

On the social aspect of business, we require all our suppliers in our supply chain to comply with the Supplier Code of Conduct of our clients, which are primarily fashion brands. Depending on our client's requirements, we strive to comply with some international ESG standards or initiatives, such as the Business Social Compliance Initiative ("BSCI") and Ethical Trading Initiative ("ETI"). Our staff is our greatest asset and we give high importance to their occupational health and safety. In current financial year, we organised regular fire drills and automated external defibrillator ("AED") first-aid training in Hong Kong to improve our staff's awareness and knowledge of health and safety at our workplace.

Looking forward, we will continue to strengthen our ESG governance through regular discussions on ESG issues at the board meetings. Furthermore, we aim to develop a target-setting plan on electricity consumption and water consumption for our head office and factories, as part of our commitment to energy and water conservation. We believe our ESG practices will not only demonstrate our commitment to sustainability, but also build trust among our key stakeholders in the long run.

Chan Wing Fui, Peter

Chairman, YangtzeKiang Garment Limited

24 October 2019

2 About YangtzeKiang Garment Limited

YangtzeKiang Garment Limited (“the Company”) was founded in 1949 and listed in Hong Kong in 1970. Since its establishment, the Company and its subsidiaries (collectively “the Group”) have expanded business from operating a single garment factory to engaging in diversified garment operations globally.

Headquartered in Hong Kong, the Group operates the garment business, including manufacturing, trading and purchasing. The Group manufactures a variety of products such as men's and ladies' shorts, trousers, shirts, polo shirts, T-shirts, coats and knitted outerwear. The Group operates four factories in China (Guigang and Panyu), Bangladesh and Myanmar. Moreover, the Group and other joint venture partners have founded Wuxi No. 1 Cotton Investment Co., Ltd. (“Wuxi Group”). The Group accounts for 49% shares in the Wuxi Group, which is mainly engaged in the production of medium- to high-graded compact yarn, special textile products and garment products.

During the financial year 2018/19, our China operation in Panyu and Guigang had a difficult time for the year under review. The even spread of orders over the high and low seasons as well as an increase in orders contributed to the positive result. However the disorder in global trade environment caused by the trade wars and Brexit has already affected our operation in China.

In addition, our factories in Bangladesh incurred a loss, while the high demand for production in our Myanmar factory for woven garments had generated a profit. Our Wuxi investment was affected by a number factors, such as trade wars, national environmental policies, rising cotton costs, stagnant yarn prices and interest expenses from the Ethiopia project; however, thanks to weak Renminbi, the profitability had greatly improved, despite the low gross margin and increase in interest costs.

We expect the coming year will likely be very challenging. The US-China trade war will affect our China operations as we mainly produce for higher-end US brands. To deal with the situation, the management has started diversifying the production to countries such as Vietnam and Indonesia besides our own factories in Myanmar and Bangladesh. For details about our financial performance, please refer to our [Annual Report 2018/19](#)¹.

2.1 Our business performance

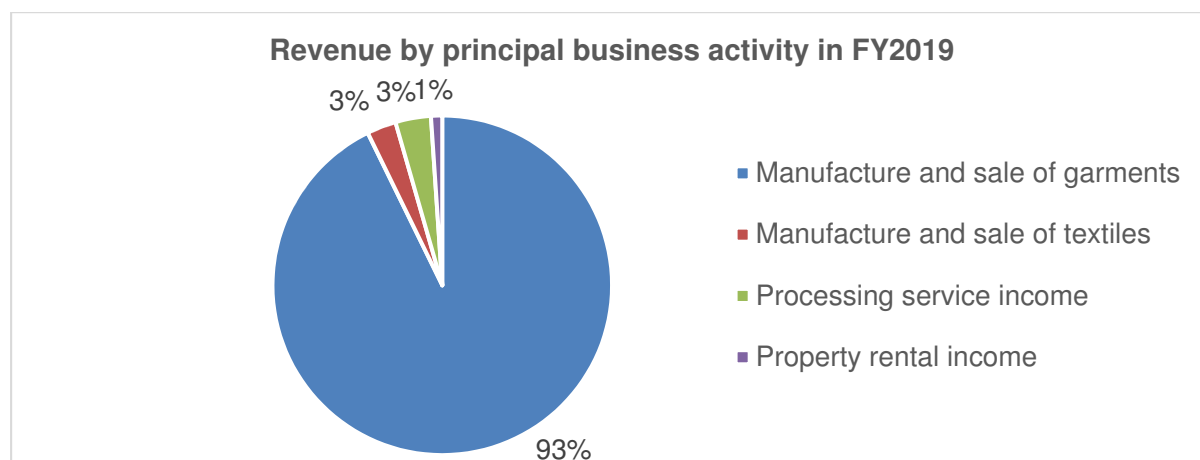
The principal activities of the Group are the manufacture and sale of garments and textiles, as well as the provision of processing services and rental of properties.

Principal activities	FY2019 ² HK\$'000	FY2018 HK\$'000
Manufacture and sale of garments	663,951	695,042
Manufacture and sale of textiles	22,285	20,905
Processing service income	25,262	25,292
Property rental income	6,116	8,041
	717,614	749,280

Table 1: Revenue by principal activity in FY2018 and FY2019

¹ Annual Report 2018/19. Access at https://www.ygm.com.hk/images/upload/E_1819_Annual_Report.pdf

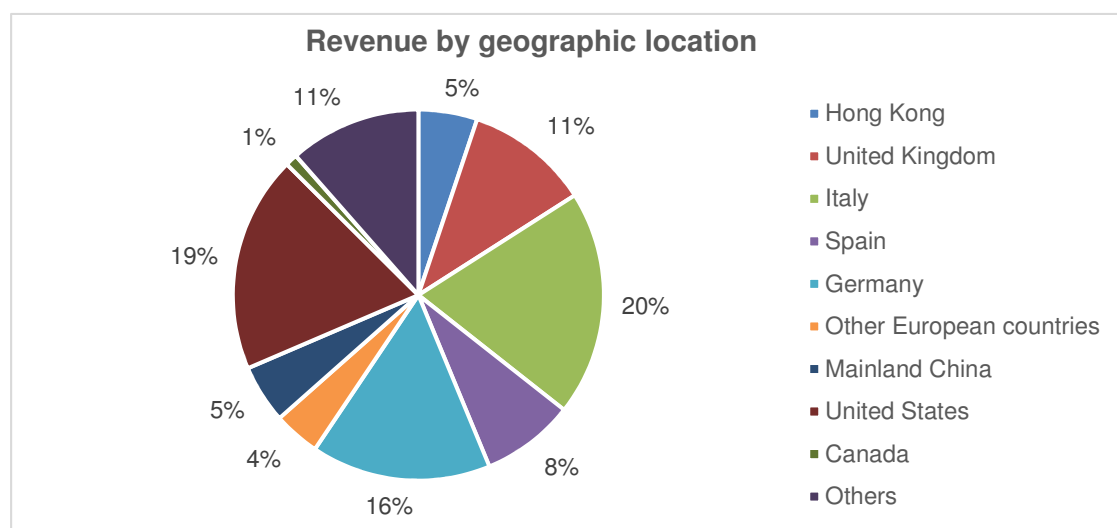
² FY refers to financial year of the Group which begins on 1 April and ends on 31 March of the following year.



The following table shows the information about the Group's revenue by geographical location. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

Location	FY2019 HK\$'000	FY2018 HK\$'000
Hong Kong	36,860	44,255
United Kingdom	77,665	111,321
Italy	141,038	137,493
Spain	58,342	71,593
Germany	112,434	89,293
Other European countries	29,090	32,002
Mainland China	36,510	36,631
United States	135,645	115,173
Canada	7,658	9,749
Others	82,372	101,770
	717,614	749,280

Table 2: Revenue by geographic location in FY2018 and FY2019



3 About this report

3.1 Reporting reference

Our Environmental, Social and Governance (“ESG”) report (the “Report”) was prepared in accordance with the ESG Reporting Guide in Appendix 27 to the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited (“SEHK”). It should be read in conjunction with the Group’s Annual Report 2018/19.

3.2 Reporting period

The Report covers the ESG management approach and performance of the Group for the financial year from 1 April 2018 to 31 March 2019 — same as the Group’s Annual Report 2018/19 (the “current financial year” or the “year under review” or the “FY2019”)

3.3 Scope of this report

The manufacture and sales of garments accounted for 93% of the Group’s total revenue during the financial year 2018/19, representing its biggest principal business activity. Considering both revenue contribution and the impact of our business activities on the environment and society, the scope of the Report encompasses the Group’s Hong Kong Head Office as well as its other operations in Mainland China, Bangladesh and Myanmar as follows:

Location of Head Office	Name of the Head Office
Hong Kong	YangtzeKiang Garment Limited (“the Company” or “Head Office”)
Location of other operations	Name of subsidiary
Panyu, China	Exquisite Knitters (Guangzhou) Limited (“EQK”)
Guigang, China	Whampoa Garment Manufacturing (Guigang) Co., Ltd. (“WGG”)
Myanmar	Dagon Talent Garment Limited (“DTG”)
Bangladesh	Lavender Garment Limited (“LAV”)
Location of other operations	Name of joint venture ³
Wuxi, China	Wuxi YGM Textile Co., Ltd. (“Wuxi”)
Taizhou, China	Taizhou Changxin Textile (Xinghua) Co., Ltd. (“TZCX”)

Table 3: Entities covered within the scope of this Report

³ The Report covers 100% of the ESG data and performance of our joint-venture, including the consumption of electricity, fuel and water, as well as employment, occupational health and safety, and training data, unless otherwise specified.

4 Stakeholder engagement and materiality assessment

4.1 Stakeholder engagement

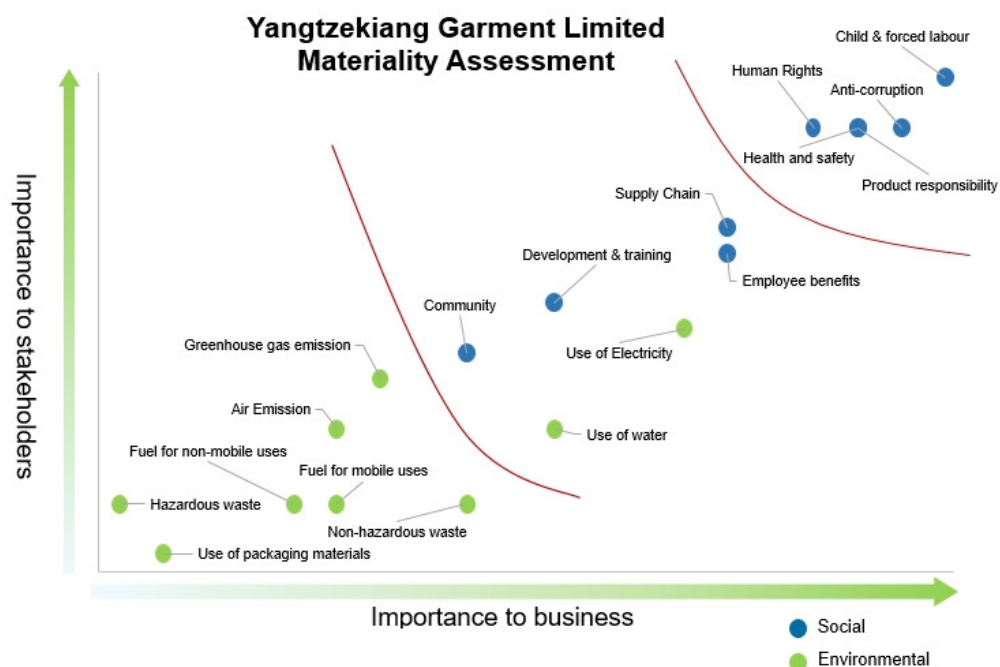
Stakeholder engagement is fundamental to our annual ESG reporting. We communicate with our stakeholders — comprising our customers, suppliers and employees — from time to time to understand their needs and thoughts regarding various ESG issues. Their valuable inputs facilitate our effort to continuously promote and advance towards our ESG commitment.

In preparing this year's ESG report, we held in-depth interviews with our senior management who possessed strong understanding of our business operation. Guided by a third-party consultant, the interviews enabled us to identify the key ESG issues and understand the ESG performance of our business activities during the reporting period.

4.2 Materiality assessment

Materiality assessment helps us identify the ESG priorities that we should focus on and report to our stakeholders. It also helps us better utilise our resources to address the most important issues identified by our stakeholders.

Given that our principal business activity has been relatively stable in the past few years, we continued to adopt the material assessment results, which were determined in FY2016/17, after our senior management's review and validation. The results are presented in the following materiality matrix.



We have also further studied these material ESG issues identified and their relevance to the business operations, and the results are listed in the table below.

Aspect	Material issue	Relevance to our business
Environmental	Use of electricity	Electricity is essential to our business, from the operation of machines to air-conditioning and lighting in our factories, offices and dormitories.
	Use of water	As our operations do not involve fabric processing, such as dyeing and washing, we do not have significant use of water in our manufacturing process. It is mainly required for domestic uses in our production facilities and dormitories.
Social	Child and forced labour	We firmly oppose all forms of child labour and forced labour. We ensure dignity of our employees. Our clients also consider it as an essential aspect.
	Anti-corruption	We do not tolerate bribery, extortion, fraud or money laundering in our business operations.
	Health and safety	We are committed to providing a healthy and safe working environment to our employees.
	Product responsibility	To sustain our business and retain customers' trust, high-quality and safe products with minimal environmental impacts are vital.
	Human rights	We strive to protect the human rights of our employees. Our employees have freedom of association and right of collective bargaining.

Table 4: Material issues identified and their relevance to the Group's business

5 Environment

Environmental policy

We primarily operate our garment and textile manufacturing business in Mainland China, Bangladesh and Myanmar. Our main activities include cutting and sewing, ironing and packaging, and dispatching and delivering of the finished products. Our environmental impacts are considered less significant compared to other companies that are involved in fabric processing activities such as dyeing and washing. However, we are committed to protecting and conserving the environment to the extent where it is economically practicable within our operational capabilities.

We are committed to minimising our environmental impacts through the following, whenever practicable:

- Efficient use of resources such as energy, water and raw materials;
- Waste reduction by minimising waste at source and recycling used products;
- Optimisation of material use;
- Compliance with applicable environmental legislation, rules and regulations;
- Regular review of our operational controls to enhance our environmental performance;
- Communication with internal and external stakeholders on environmental performance; and
- Environmental awareness building of employees through education and corporate activities.

To tackle the environmental issues and mitigate their impacts at our operations, our subsidiaries have either developed an overall environmental policy or put in place various environmental requirements to abide by. In addition, our operation in Wuxi has obtained ISO 14001:2015 Environmental Management System certification with respect to the design, manufacture and relevant management process of yarn and textile products.

5.1 Use of resources

According to the materiality assessment results, the use of electricity and the use of water are identified as the Group's most material environmental issues.

5.1.1 Use of energy

Our main sources of energy consumption come from our factories, dormitories and offices. To minimise the use of energy, we seek to properly maintain our equipment, improve equipment designs and implement energy-saving measures.

The breakdown of energy consumption (including the use of electricity and fuel) is presented in Table 5.

Use of Energy	FY2019
Total direct energy consumption	104,045 GJ
Total indirect energy consumption (purchased electricity)	253,372,821 kWh
	912,142 GJ
Total energy consumption	1,016,188 GJ
Energy Use Intensity⁴	
Head Office	0.17 GJ / m ² (floor area)
Subsidiaries (EQK, WGG, DTG, LAV)	0.02 GJ /piece of garment produced
Joint-venture (Wuxi & TZCX)	45.91 GJ /tonne of yarn produced

Note: Fuel properties conversion factors are referenced from Department of the Environment, Food and Rural Affairs of the United Kingdom (DEFRA) Greenhouse gas reporting: conversion factors 2019 for calculating the energy consumed in GJ.

Table 5: Energy consumption of the entities within the reporting scope

During the reporting period, the following initiatives were implemented at our different operations to improve energy-saving and efficiency:

Location	Energy-saving initiatives
Mainland China	<ul style="list-style-type: none"> Turned off lighting during idling period such as lunch breaks
Bangladesh (LAV)	<ul style="list-style-type: none"> Replaced old lighting with LED lighting to enhance energy efficiency Replaced old sewing machine servo motors with energy-efficient ones. These sewing machines are not only safer to use but also greatly enhance the productivity of employees
Myanmar (DTG)	<ul style="list-style-type: none"> Replaced 700 old light tubes with LED lighting, saving 26,627kWh annually Planned to replace the remaining 300 light tubes with LED tubes from June 2019 to March 2020, which is expected to save a total of 38,038 kWh annually⁵

Table 6: Energy-saving initiatives carried out during the reporting period

⁴ The denominator of the energy intensity: Floor area of the Head Office is used for Head Office; production quantity (piece of garments produced) for subsidiaries; and production quantity (tonne of yarn produced) for joint-venture.

⁵ Assume a total of 1,000 light tubes are replaced with LED tubes.

5.1.2 Use of water

As our business does not involve fabric processing such as dyeing and washing, the Group uses relatively less amount of water in the production process compared to other garment manufacturers. In Hong Kong and Mainland China, we have installed water metres to monitor water consumption at our operations, and we were still in the process of installing water metres in Myanmar and Bangladesh facilities during the reporting year.

Use of Water	FY2019
Total water consumption	342,466 m ³
Water Use Intensity ⁶	
Head Office	0.28 m ³ /m ² (floor area)
Subsidiaries (EQK, WGG)	0.04 m ³ /piece of garment produced
Joint-venture (Wuxi & TZCX)	11.87 m ³ /tonne of yarn produced

Table 7: Water consumption of the Head Office and other operations in Mainland China

Remark: As groundwater was used in DTG and LAV during the reporting period, the water consumption was not metered, hence the data was not available.

In Mainland China, water is used mainly for domestic purpose throughout our business operations such as for consumption in dormitories. We invite our employees to not only use water wisely, but also implement proper maintenance to prevent leakages.

In addition, we examine water safety and quality through regular inspections at our business operations in Mainland China, Bangladesh and Myanmar.

During the reporting period, the following water-saving measures were implemented.

Location	Water-saving initiatives
Mainland China	<ul style="list-style-type: none"> Conduct regular quality checks for drinking water as a continual measure Installed water metres on every floor of the dormitory to monitor water consumption of employees
Bangladesh (LAV)	<ul style="list-style-type: none"> Conduct regular quantity and quality checks for drinking water as a continual measure as part the BSCI compliance audit requirements Installed water metres to take the reading of water use Replaced existing washer taps with handle taps to reduce water use Posted water-saving signage in toilets and drinking water facility area Promoted water-saving messages through public address (PA) system regularly
Myanmar (DTG)	<ul style="list-style-type: none"> Collected rain water in brick tanks and used it for flushing workers' toilets Conduct regular checks for drinking water as a continual measure as part the local government's compliance requirements

Table 8: Water-saving initiatives carried out during the reporting period

⁶ The denominator of the water intensity: Floor area of the Head Office is used for Head Office; production quantity (piece of garments produced) for subsidiaries; and production quantity (tonne of yarn produced) for joint-venture.

5.1.3 Use of packaging materials

The packaging materials used in our operations are primarily paper cartons, paper hand tags, tissue papers, plastic bags, and those made of polypropylene (PP) and polyethylene (PE). Not only is the use of packaging materials dependent of client's specific requirements and needs, but they also need to be sourced from suppliers approved or chosen by the clients. Our control over the selection of these packaging materials is very limited. Despite that this issue is not identified as a material issue in our materiality assessment, we continue to make efforts to ensure our packaging materials are kept to the minimum to reduce waste generation. During the reporting year, we also helped our client source specific paper cartons that did not contain any metal staples. By doing so, it would subsequently help facilitate the recycling process of the paper cartons.

5.2 Emissions

Considering the nature of business and the materiality assessment results, our environmental impacts relating to air emissions, hazardous waste or waste water discharge are not considered significant. Nevertheless, we continue to seek compliance with all relevant regulatory requirements and commit to reducing these where possible.

5.2.1 Greenhouse gas emissions

We are aware that energy consumption is the main source of our greenhouse gas (GHG) emissions. To better prepare for the disclosure of this issue, we collected the fuel use data of both stationary and mobile sources during the reporting period. However, as our data collection system with regard to GHG-related data still has room for improvement, we will disclose our GHG emissions of the Group as soon as practicable, and at the same time, we will continue to minimise our environmental impacts by continuously implementing new energy-saving measures.

For further details regarding our energy-saving measures, please refer to Section 5.1.1.

5.2.2 Air emissions

Our operations do not produce any significant air emissions given the nature of our manufacturing business. Nevertheless, we regularly take action to ensure that our air emissions remain as minimal as possible. In addition, we regularly measure the level of air pollutants emitted from the use of boilers and back-up generators to ensure their air emissions abide by the local regulatory requirements without exceeding the minimum pollutant limit. For example, we conduct the stack air emission analysis on the generator on an annual basis in Bangladesh, as per our client's requirements, and the level of all air pollutants were within acceptable limit during the reporting period.

5.2.3 Waste management

General waste

Generating waste fabric pieces is inevitable due to the nature of our business. Nevertheless, we aim to optimise our production methods and plans to minimise fabric waste. In addition, whenever practicable, we collect and recycle our fabric scraps. In Mainland China, any non-reusable fabric pieces were collected by a qualified waste handler. In Bangladesh and Myanmar, our fabric scraps are regularly collected by recyclers.

Any other general waste we produce is disposed of in compliance with local laws and regulations.

Hazardous waste

The main manufacturing process involves in our operation is the sewing of garments, rather than bleaching or dyeing. We also ensure all raw materials needed in our operations are acquired from qualified fabric suppliers. Looking at our operations, lubricant oil and light tubes are the only hazardous waste we generate, and they are disposed of properly through qualified contractors.

5.2.4 Waste water discharges

Waste water generated in our operations is properly handled in accordance with the laws and regulations of the countries in which we operate.

In both Hong Kong and Mainland China, our domestic waste water generated is properly managed by the municipal treatment facilities provided by the government.

In Myanmar and Bangladesh, the sewage generated from domestic use is collected by septic tanks, and further removed by a qualified contractor on a regular basis.

5.3 Environmental compliance

During the reporting period, there were no reported incidents of non-compliance with laws and regulations regarding environmental issues.

6 Social

At the Group, we aim to build long lasting trust with our key stakeholders and seek long-term sustainability. To do so, we adhere to all legal requirements of the countries we operate in, and continuously promote high standards of ethics and integrity in our operations.

In 2017, we established the Social Policy, which provides guidance to our employees and our senior management regarding social responsibility within our business. More precisely, it covers a multitude of social areas including but not limited to health and safety, product responsibility, anti-corruption, labour standards, employment, community investment and supply chain management. We also expect and require all our business partners such as contractors, suppliers and factories to adopt the same social practices.

6.1 Employment and labour practices

6.1.1 Employment

Our Equal Opportunities Policy was developed to provide all our employees with equal opportunities and diversification of labour. We do not consider candidates' gender, marital status, religion, age, race, political affiliation, and physical or mental disability, when recruiting our future employees. On the contrary, we recruit them based on their work experience, skills and knowledge. Furthermore, all our employees have the right of collective bargaining and freedom of association.

Employees wishing to express their grievances to the management, or wanting to report any issues of misconduct including discrimination and harassment, can do so through our formal complaining procedure.

Our employment contract is in compliance with local labour laws and regulations. These relate to terms such as wages, overtime payment, maximum working hours, compensation, rest period and dismissal. We also take further measures when we believe these to be necessary, such as providing meal allowance for employees who work overtime.

If our employees wish to pursue work-related courses, they are eligible to apply for education allowance upon the completion of probation. All employees are entitled to paid holidays, which include statutory holidays and leave such as sick leave, and maternity and paternity leave as per local laws.

Total number of employees	6,047 ⁷
Percentage of male employees	32%
Percentage of female employees	68%

Table 9: Employment situation of the entities within the reporting scope

⁷ The number includes 3,962 employees working at the Head Office and subsidiaries, and 2,085 employees working for the joint-venture.

In addition, we have provided a nursery room in Hong Kong since FY2018, whereas in Myanmar and Bangladesh, we have not only provided a nursery room, but also a clinic and a child care room with a nurse at the factories. These facilities have showed our care for our colleagues and commitment to building a supportive and inclusive environment for our working moms.

Every year, we also organise various activities for our staff to cultivate positive morale and show our appreciation for their contributions. The following events were organised in FY2019:



Birthday gathering at EQK



Winter solstice meal at EQK



Dinner gathering at DTG



New year gathering at DTG



Mid-Autumn Festival celebration at WGG



Winter solstice meal at WGG

During the reporting period, there were no reported incidents of non-compliance with laws and regulations regarding employment practices.

6.1.2 Health and safety

We are committed to providing all our employees with a safe, hygienic and healthy working environment. To prevent any work-related accidents and injuries, we have published the safety guidelines and communicated these with our staff about the potential hazards that they may face. We have developed proper control methods aimed at identifying and taking action against any potential hazards in our production and living areas. This has enabled us to minimise the risks pertaining to our operations.

We strive to ensure our employees have access to basic necessities such as sanitary facilities, clean drinking water, adequate ventilation and lighting. To ensure workplace safety, smoke detectors, first-aid boxes and fire extinguishers are put in place, and regular testing of ventilation, temperature and dust is conducted.

We have taken additional measures in Bangladesh and Myanmar to ensure the safety of our employees. In Bangladesh, as required by some of our clients, we comply with the requirements of Accord on Fire and Building Safety in Bangladesh (“Accord”), which is an independent, legally binding agreement between global brands and retailers and trade unions designed to build a safe and healthy workplaces in Bangladesh. These clients who require us to comply with Accord are mainly the European brands. We arrange meetings with our employees, doctors and nurses every 2 months to promote health and safety in our factory and minimise any potential risks and hazards.

Number of work-related injuries	27
Number of lost days due to injury	211 days
Number of work-related fatalities	0

Table 10: Occupational health and safety situation of the entities within the reporting scope

During the reporting period, there were no reported incidents of non-compliance with laws and regulations regarding occupational health and safety.

6.1.3 Labour standards

We are strongly dedicated to the adherence of basic human rights for each and every one of our employees, and we firmly oppose any form of forced and child labour. We encourage them to express their thoughts and opinions freely, and ensure they have the right to choose to work with their own free will. We also follow our clients’ human rights requirements, especially regarding long service payment and working hours.

During the reporting period, there were no reported incidents of non-compliance with laws and regulations regarding labour standards.

6.1.4 Development and training

We value our employees and believe they are one of our most important assets. Therefore, we strongly encourage them to take on work-related courses as well as obtain new professional qualifications to further develop and expand their skills. To acquire these new skills, we also provide them with different opportunities such as various seminars conducted by third parties, in-house discussion meetings and on-the-job training.

In addition, we arrange regularly health and safety training and technical training for our employees in Mainland China, Myanmar and Bangladesh to raise their alertness and knowledge over safety issues as well as to meet our clients' expectations and requirements.

In current financial year, we organised regular fire drills and automated external defibrillator ("AED") first-aid training in Hong Kong to improve our staff's awareness and knowledge of health and safety at our workplace.

Total training hours of employees	18,259 hours
Average training hours of employees	3.0 hours per head

Table 11: Development and training summary of the entities within the reporting scope



Automated External Defibrillation (AED) training provided for our Hong Kong staff

6.2 Operating practices

6.2.1 Supply chain management

We greatly value our relationships with our suppliers located in Mainland China, Myanmar and Bangladesh. To establish long-term business partnerships with them, we always choose our suppliers with great care through assessment and evaluation based on five criteria — availability of suppliers for production, price, credibility of suppliers, capability of suppliers, and compliance with local laws and regulations.

We always work closely with both clients and suppliers to ensure proper management and monitoring of the supply chain. Some of our clients conduct audit such as social audit, safety audit and/or technical audit at our factories once a year. If any issue remains outstanding within the period, they also run a follow-up audit to leave no room for non-compliance.

In the global garment industry, the green supply chain has been a growing trend, and it has become crucial to incorporate environmental aspects into our supply chain management for green production. Some of our clients have requested our products to be manufactured in compliance with the Better Cotton Initiative (“BCI”), which promotes better standards in cotton farming and practices.

6.2.2 Anti-corruption

As stipulated in our social policy, we have taken a zero-tolerance approach to bribery, extortion, fraud or money laundering. If an employee observes any suspicious activity mentioned above, he or she must immediately report to the management or the relevant government department.

There were no reported incidents of non-compliance with laws and regulations relating to anti-corruption during the reporting period.

6.2.3 Product responsibility

Product quality and safety are our top priorities. To achieve client satisfaction and fulfil their expectations, we emphasise and follow the principle of “Quality First” as a way to continuously improve our product quality.

Raw materials are chiefly sourced from the suppliers designated by our clients. Both the Group and its suppliers have taken relevant actions in the production process to ensure product quality, such as installation of quality control systems and implementation of zero defect testing in our factories. Moreover, our clients — mostly international fashion brands — regularly visit our factories to conduct audits as well.

To ensure product safety, we strive to ensure no hazardous ingredients are used in our manufacturing process. The Group has secured the quality of products and manufactured in accordance with the requirements of clients and operating areas. For instance, our Wuxi operation has obtained ISO9001: 2015 and thus maintained the quality management system with respect to the design and manufacture of yarn and textile products.

To protect the intellectual property rights of our customers’ clothing design, we have implemented the following guidelines at our factories:

- Visitors or employees (excluding relevant staff) are prohibited from taking photographs in the production area.
- Employees are not allowed to share any information related to the Group's trademarks, raw materials, product development, craftsmanship, orders, prices and profits with any irrelevant personnel.
- The relevant department shall sign agreements related to intellectual property rights and confidentiality with suppliers.
- Serious disciplinary action is taken against any perpetrator. Any external party found stealing or collecting the Group’s confidential information will be prosecuted.

In case of any complaints and recall requests, the Group handles each case with prompt response, examines the reasons for the raised concerns and keeps internal records. Before shipping the products to clients, we inspect and test products in every order to ensure all relevant requirements are met. Shipments are only executed after receiving an approval from the clients on the Acceptable Quality Limit (AQL) report.

There were no reported incidents of non-compliance with laws and regulations relating to product responsibility during the reporting period.

6.3 Community investment

We strive to contribute and support the communities where we operate. As such, we have mobilised our employees to engage in community activities by setting up the YGM Corporate Volunteering Team back in 2014. The team provides employees with the opportunities to participate in volunteering work and activities. To promote the participation of our employees, we offer the following incentives to the participants:

1. Fare subsidies;
2. Certificates;
3. Insurance purchased by the Group; and
4. Colleagues taking part in charity and volunteer services are granted a half-day leave for every two activities participated.

During the reporting period, the charitable donations made by the Group amounted to HK\$20,000 (excluding the donations made by the joint-venture⁸). Looking ahead, we will continue our search for opportunities to support the communities through donations or volunteering.

⁸ The donations of our joint-venture amounted to RMB224,100.

7

ESG data

Environmental KPIs				
Use of Energy	Unit of Measure (UOM)	FY2019	FY2018	
Total direct energy consumption	GJ	104,045	-	
Total indirect energy consumption (purchased electricity)	kWh	253,372,821	240,324,122	
	GJ	912,142	865,167	
Total energy consumption	GJ	1,016,188	-	
Electricity Consumption		FY2019	FY2018	
Head Office	kWh	837,263	840,057	
EQK	kWh	1,736,493	1,800,619	
WGG	kWh	1,745,860	2,006,380	
DTG	kWh	532,988	456,469	
LAV	kWh	1,157,050	1,080,413	
Wuxi	kWh	226,215,537	234,140,184	
TZCX	kWh	21,147,630	-	
Total Electricity Consumption	kWh	253,372,821	240,324,122	
Total Fuel Use by Operation		FY2019		
		Head office	Subsidiaries	Joint-venture
Natural gas	GJ	-	4,337.60	-
Diesel	GJ	-	2,273.48	33.61
CN Gas	GJ	-	95,253.03	-
Gasoline	GJ	163.32	878.61	1,105.84
Total Fuel Used	GJ	163.32	102,742.71	1,139.46
Energy Use Intensity			FY2019	
Head Office	GJ/m ² (floor area)		0.17	
	kWh/m ² (floor area)		46.77	
Subsidiaries (EQK, WGG, DTG, LAV)	GJ/piece of garment produced		0.02	
	kWh/piece of garment produced		4.99	
Joint-venture (Wuxi & TZCX)	GJ/tonne of yarn produced		45.91	
	kWh/tonne of yarn produced		12,753.19	

ESG data (continued)

Use of Water			
Water Consumption	UOM	FY2019	FY2018
Head Office	m ³	5,323	3,692
EQK	m ³	51,825	56,855
WGG	m ³	54,837	59,020
DTG	m ³	-	-
LAV	m ³	-	-
Wuxi	m ³	222,059	227,295
TZCX	m ³	8,422	-
Total Water Consumption	m³	342,466	346,862

Water Use Intensity		FY2019
Head Office	m ³ /m ² (floor area)	0.28
Subsidiaries (EQK, WGG)	m ³ /piece of garment produced	0.04
Joint-venture (Wuxi & TZCX)	m ³ /tonne of yarn produced	11.87

Note: Fuel properties conversion factors are referenced from Department of the Environment, Food and Rural Affairs of the United Kingdom (DEFRA) Greenhouse gas reporting: conversion factors 2019 for calculating the energy consumed in GJ.

ESG data (continued)

Social KPIs		
Employment Details	UOM	FY2019
Total number of employees	Number	6,047
Gender		
Male employees	Number	1,914
Female employees	Number	4,133
Employment Type		
Full time employees	Number	6,016
Part time employees	Number	31
Gender		
Under 16	Number	0
Aged between 16-29	Number	2,965
Aged between 30-50	Number	2,615
Aged 51 or above	Number	467
Working Location		
Hong Kong	Number	166
Mainland China	Number	3,141
Myanmar	Number	915
Bangladesh	Number	1,822
Others	Number	3
Employee Category		
Senior management	Number	51
Middle management	Number	312
Non-management	Number	5,684

Turnover		
Total turnover	Percentage	24.4%
Turnover by Gender		
Male	Percentage	19.1%
Female	Percentage	26.9%
Turnover by Working Location		
Hong Kong	Percentage	28.9%
Mainland China	Percentage	28.2%
Myanmar	Percentage	6.8%
Bangladesh	Percentage	26.5%
Others	Percentage	-

Training and Development		
Average Training Hours of Employees		
By Gender		
Male	Hour	1.8
Female	Hour	3.6
By Employee Category		
Senior management	Hour	6.2
Middle management	Hour	3.3
Non-management	Hour	3.0

8 SEHK ESG Reporting Guide Content Index

	Aspects	Section	Remarks
A	Environmental		
A1	Emissions Policies relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Compliance with relevant laws and regulations that have a significant impact on the issuer	5. Environment (P.7-11) 5. Environmental policy (P.7) 5.3 Environmental compliance (P.11)	
A1.1	The types of emissions and respective emission data	5.2 Emissions (P.10-11) 5.2.1 Greenhouse gas emissions (P.10) 5.2.2 Air emissions (P.10) 5.2.3 Waste management (P.11) 5.2.4 Waste water discharges (P.11)	The data is not tracked based on the materiality of the issues to our business and stakeholders. However, we are improving our data collection system for better disclosure in the future.
A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility)	5.2 Emissions (P.10-11) 5.2.1 Greenhouse gas emissions (P.10) 5.2.2 Air emissions (P.10)	
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility)	5.2.3 Waste management (P.11)	
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g., per unit of production volume, per facility)	5.2.3 Waste management (P.11)	
A1.5	Description of measures to mitigate emissions and result achieved	5.1.1 Use of energy (P.8) 5.2.1 Greenhouse gas emissions (P.10) 5.2.2 Air emissions (P.10)	
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	5.2.3 Waste management (P.11)	
A2	Use of Resources Policies on the efficient use of resources, including energy, water and other raw materials	5. Environment (P.7-11) 5.1 Use of resources (P.7-10)	
A2.1	Direct and/or indirect energy consumption by type (e.g., electricity, gas or oil) in total (kWh in '000s) and intensity (e.g., per unit of production volume, per facility)	5.1.1 Use of energy (P.8)	
A2.2	Water consumption in total and intensity (e.g., per unit of production volume, per facility)	5.1.2 Use of water (P.9)	

	Aspects	Section	Remarks
A2.3	Description of energy use efficiency initiatives and result achieved	5.1.1 Use of energy (P.8)	
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	5.1.2 Use of water (P.9)	
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	5.1.3 Use of packaging materials (P.10)	The data is not tracked based on the materiality and level of control of the issue. However, we are improving our data collection system for better disclosure in the future.
A3	The Environment and Natural Resources Policies on minimising the issuer's significant impact on the environment and natural resources	5. Environment (P.7-11)	Information regarding the environment and natural resources has been provided in the previous sections.
A3.1	Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them	5.2.3 Waste management (P.11)	
B			
B1	Employment Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer regarding the following: <ul style="list-style-type: none"> ▪ Compensation and dismissal ▪ Recruitment and promotion ▪ Working hours and rest periods ▪ Equal opportunity and anti-discrimination ▪ Diversity ▪ Other benefits and welfare 	6. Social (P.12-17) 6.1 Employment and labour practices (P.12-15)	
B2	Health and Safety Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations	6. Social (P.12-17) 6.1.2 Health and safety (P.14)	

	Aspects	Section	Remarks
B3	Development and Training Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	6. Social (P.12-17) 6.1.4 Development and training (P.15)	
B4	Labour Standards Policies and compliance with laws and regulations on preventing child and forced labour	6. Social (P.12-17) 6.1.3 Labour standards (P.14)	
B5	Supply Chain Management Policies on managing environmental and social risks of the supply chain	6. Social (P.12-17) 6.2.1 Supply chain management (P.15-16)	
B6	Product Responsibility Policies and compliance with relevant laws and regulations on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	6. Social (P. 12-17) 6.2.3 Product responsibility (P.16-17)	
B7	Anti-corruption Policies and compliance with relevant laws and regulations relating to bribery, extortion, fraud and money laundering	6. Social (P.12-17) 6.2.2 Anti-corruption (P.16)	
B8	Community Investment 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	6. Social (P.12-17) 6.3 Community investment (P.17)	