

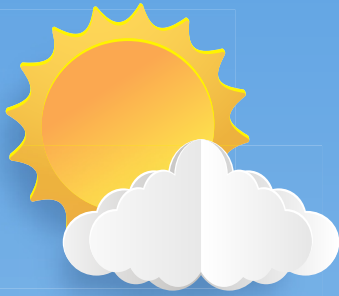


RAYMOND Industrial Ltd
利民實業有限公司

Stock Code 股份代號 : 00229

2019

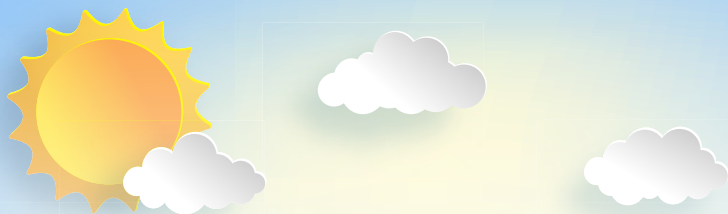
Environmental, Social
And Governance Report
環境、社會及管治報告



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Management Mission Statement

Raymond Industrial Limited ("**RIL**" or the "**Company**", and together with its subsidiaries, the "**Group**") was founded more than half a century ago. In recent years, it has embraced the Concept of Corporate Stewardship that manages, nurtures and grows what has been entrusted to us so that we hand it over in a better condition to the next generation. We are delighted to present our first standalone *Environmental, Social and Governance* ("**ESG**") Report, which details our management approach and performance in seven key forces that drive sustainable business development outlined in the ESG Strategy section below and each key force will be elaborated in more detail in this report.

In 2019, the Group is at the crossroad of making contribution to economic and social progress. We tackled problems from climate impact, air pollution, digital piracy and outbreak of diseases such as the coronavirus outbreak. In fostering an environmentally friendly and healthy environment for all stakeholders, we have shown determination to use clean production techniques, and taken positive steps to provide solutions that retrain greed, irresponsibility and short-termism. The Group's production plants and laboratories are located in Guangzhou Nansha, the People's Republic of China ("**the PRC**" or "**China**"), where environmental and safety laws and regulations are becoming more stringent.

ESG Strategy

The Group has a leadership driven by clear values, vision and mission. There are seven key forces driving the business as it pursues this vision, and they work in unison to give the Group a solid foundation from which to promote sustainable development.

- Long-term Viewpoint and Strategic Approach
- The Importance of People and Human Merit Systems
- Customer Oriented and Building the Economy
- Socially Minded and Building the Community
- Continuous Innovation and Improvement
- Frugality and Use of Natural Resources
- Embody and Generate Culture and Legacy

The Group has established sound systems and measures in all its business areas, and has effectively implemented its policies through a sustainable organization structure. It regularly reviews its sustainable development strategies, and examines its policies on a timely basis to ensure that its sustainable development approach is implemented in daily decision-making and operations.

RIL is determined to achieve sustainable development. We are grateful to our internal and external stakeholders (customers, suppliers, employees, community, investors and government) for their support to achieve this common goal. It is our wish to go forward together so that, while achieving outstanding results for the Group, we can also create a healthier, cleaner and more comfortable and environmentally friendly environment for the community, and help realise a low-carbon and sustainable future.



Long-term Viewpoint and Strategic Approach

RIL focuses on the following key elements of Global ESG Standard to formulate effective long term viewpoint and ESG strategy. The board of directors (the “**Board**”) of RIL believes that companies should invest in ESG since ESG activities build up social capital and provide insurance safety net when a company faces crisis related to its reputation and operational disruption following the core theories postulated by academic scholars from the Strategic Philanthropy School of ESG. According to the stakeholder theory (Freeman and Jones) and strategic and institutional approaches (Fombrun and Suchman), superior social performance enhances firm value by serving as an ex-ante insurance mechanism that reduces the risk to decrease firm value; and establishment of good stakeholder relations helps manage a company’s reputation and legitimacy to enable the management to deliver better financial performance. Corporate donation also positively affects firm financial performance because it helps a company to gain sociopolitical legitimacy, which enables the firm to elicit positive stakeholder responses to gain political access.

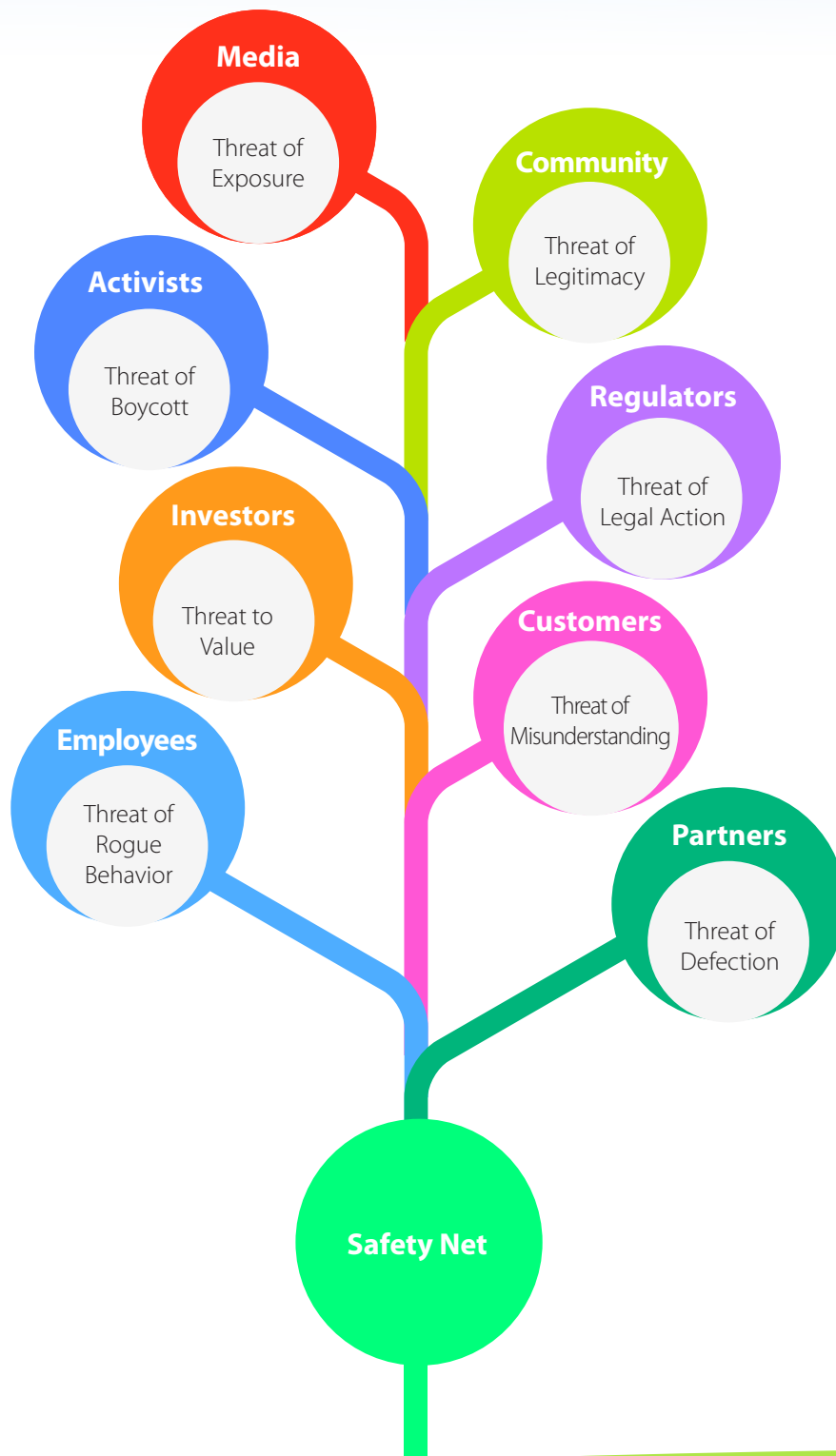
ESG



Managing the Upside of Reputational Risk

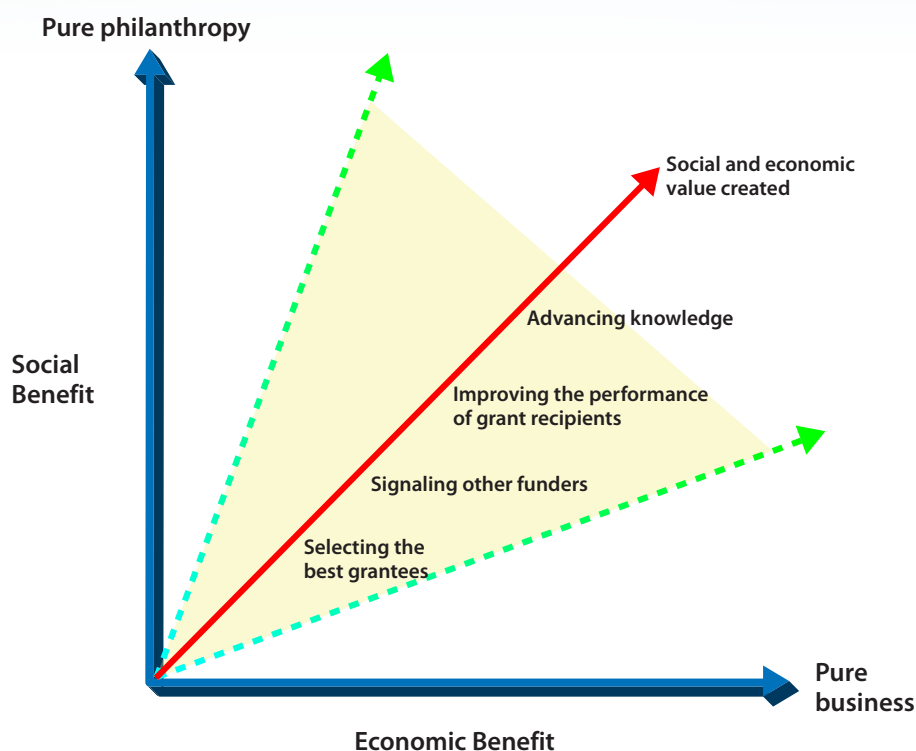


Managing the Downside of Reputational Risk





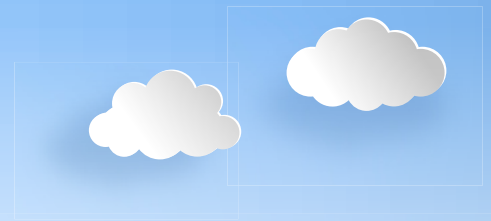
Maximizing Philanthropy's Value



The Importance of People and Human Merits Systems

To embrace a high standard of sustainable development governance, the Group strives to increase the firm value, build up both financial capital and social capital for her stakeholders and maintain the firm's sustainability for the benefits of her stakeholders. To achieve this mission, ESG activities are spearheaded by the Board. Comprising four executive directors, two non-executive directors and four independent non-executive directors as of 31 December 2019, the Board is responsible for formulating the Group's overall objectives and business strategies, as well as monitoring risks. Every year, the Board examines the Group's various risk issues, including those related to the environment, society, governance and climate change, then prioritises risk-management tasks for the year ahead in accordance with internal and external factors. Progress made on each task is reviewed at each Board meeting. Under the Board is the Senior Management Team ("**SMT**") which comprises the Deputy Chairman, Chief Executive Officer and other top management personnel of the Group. The SMT is charged with supervising the internal operations of the Group and executing plans formulated by the Board. The Group's main business lie in the household small appliances industry, and the SMT provides clear guidelines to integrate sustainable development measures into day-to-day operations.





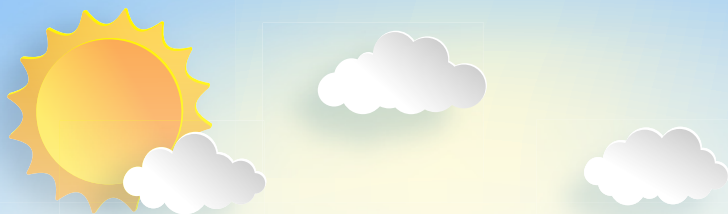
The Company's Health, Safety and Environment ("**HSE**") Committee was established in 2012 and for the year ended 31 December 2019, it comprised the Group's Deputy Chairman, two General Managers and key management personnel from the Human Resources Department of the Group. It is responsible for updating the Group's Health, Safety and Environment Policy and managing related risks and issues, including organisational structure and resource inputs. Policies are then implemented by the Human Resources Department. For the period from 1 January 2019 to 31 December 2019 (the "**Reporting Period**"), the HSE Committee had convened quarterly meetings to review the Group's HSE performance and examine related projects, and significant findings would be published in the quarterly reports to give stakeholders full transparency where the HSE team allocated valuable resources to ESG projects.

Stakeholder Engagement

The Group values the importance of communication with its stakeholders, and maintains open communication channels with them in order to build trust and long-term relationship. We believe it could improve the transparency of the Group, as well as provides useful feedback from stakeholders that can boost our operational performance and reporting content. We maintain close contact with our stakeholders so that we understand their views on the Group's sustainable development efforts. We draw on our stakeholders' insights to help determine the material ESG issues to be addressed in this report. The following table summarises our key stakeholders and the main channels through which we maintain daily communication with them.

Stakeholder Groups	Main Communication Channels
Customer	Corporate website, Customer satisfaction surveys, On-site visits, Overseas visits, meetings
Employees	Group WeChat corporate account, Intranet Employees training/communication sessions
Shareholders and investors	Annual, interim and quarterly reports, Annual General Meetings Investors meetings/emails
Government/regulatory bodies	Meetings/On-site visits
Suppliers	Regular supplier on-site assessments, meetings Procurement processes, product launch briefings
Media	Press releases, Press conferences
Educational Institutions/ Non-Profit Organizations	Sponsorships and donations, Volunteer work





Target Setting and Tracking

To enhance our sustainable development performance, the Group regularly examines and reviews the targets it has set. The following sets out our short-term and medium-term targets, and progress made during the Reporting Period.

Topic	2020 ESG Target
1. Minimize climate change risks	Take measures to avoid risk from flooding and typhoon, and disasters from extreme weather
2. Minimize Coronavirus risks	Devise plan to handle future virus outbreak
3. Combat air pollution	Develop new innovative air purification product
4. Combat virus outbreak	Develop infra-red temperature sensors and related new germs eliminating devices
5. Authorized Economic Operator	Complete certification process by the PRC
6. Digital Transformation	Reduce paper usage through cloud technology

Customer Oriented and Building the Economy

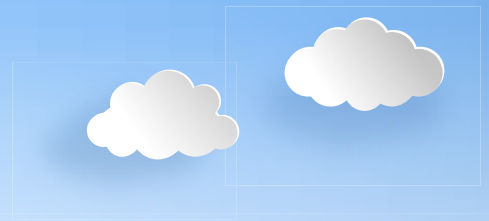
Customers

The Group's management team members partner closely with our customers. We help execute on those strategies by delivering processes, technology solutions, thought leadership, consultation, marketing and digital communication services, unique insights, and exceptional experiences directly to our customers. However, to preserve the environment, energy and natural resources, and minimize wastage, we have invested in the following areas to improve our customer services. First, we have invested in video conference technology and equipment to reduce the number of physical trips overseas to meet with valued customers to cut down on carbon emission due to unnecessary travelling. Second, the Group has a policy to work closely with customers to cooperate on any recalls and safety/health related issue; and the Group has a quality system that handled customers (and related products) complaints. Third, root cause analysis would be conducted on each major customer complaint to avoid re-occurrence of product defects. With full commitment to deliver the best products for our customers, the Group will continue to innovate and develop new products that can improve air quality, reduce air pollution, promote responsible drinking, create a healthy living environment, and offering hygiene and medical solutions to end customers.

According to the World Customs Organization (WCO), an **authorized economic operator (AEO)** is "a party involved in the international movement of goods in whatever function that has been approved by or on behalf of a national Customs administration as complying with WCO or equivalent supply chain security standards. Authorized Economic Operators include manufacturers, importers, exporters...."

The AEO concept is one of the main building blocks within the WCO SAFE Framework of Standards (SAFE). SAFE sets out a range of standards to guide international Customs Administrations towards a harmonized approach based on Customs to Customs cooperation and Customs to Business partnership.





SAFE is based on four core elements:

1. harmonization of the advance electronic cargo information
2. each country that joins SAFE commits to employing a consistent risk management approach to address security threats
3. on request of the Customs administration of the receiving nation, the customs administration of the sending nation will perform an outbound inspection of high-risk containers and cargo
4. definition of benefits that Customs will provide to businesses that meet minimal supply chain security standards and best practices

The essence of the AEO-concept can be found in the Customs-to-Business partnerships. Operators can be accredited by Customs as AEOs when they prove to have high quality internal processes that will prevent goods in international transport to be tampered with. The Customs-Trade Partnership Against Terrorism (C-TPAT) is a safety measure that the trade industry adopts against terrorism. When shipping internationally, safety is of the utmost importance. The C-TPAT provides an added feature to shipping internationally that gets a customer's cargo to its destination quickly and safely, and ensure the integrity of the information (what is said to be in a container, really is in the container and nothing else, more, or less); ensure the integrity of its employees (that they will not put goods in the container that should not be there); and secure access to its premises, to prevent unauthorized persons to put goods in the container.

As a result, customs will trust the operator and perform less or no inspections on goods imported or exported by or via the AEO. This benefits the mover of the goods as goods are available more quickly, which means lower transportation costs. The Group is in the process of getting certified by the General Administration of Customs of the PRC as an AEO, and we hope the certification process will be completed in 2020. Once certified as an AEO, our customers can be reassured of the highest safety standard of products manufactured at our production facilities (AEO status is an internationally recognised quality mark that shows the Group's role in the international supply chain is secure, customs controls and procedures are efficient and meet EU standards).

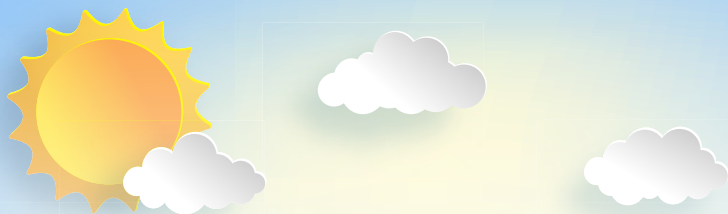
Shareholders and Investors

Institutional investors, such as BlackRock and RobecoSAM, have been taking an approach to investing that aims to incorporate environmental, social and governance (ESG) factors into investment decisions to better manage risk and generate sustainable long-term returns. ESG criteria are therefore conditions precedent that responsible investors use to screen potential investments. As there are more and more ESG investment funds in the market, the Group sees taking a more proactive approach will attract potential investors to buy our shares and may help the Company to increase firm value for existing shareholders.

Employees

As of 31 December 2019, the Group has approximately 3,000 employees. All of them, from production workers to personnel from supporting departments, have made significant contribution to the success of our businesses. Since we are committed to building a diversified and adaptable team, our talent management policies are people-oriented, with particular emphasis on the professional development and personal growth of employees while we strive to nurture a fair, just and inclusive working environment.





Building an Outstanding and Effective Team

The principles of “AIM” (Align with Strategy, Internal Consistency and Management Involvement) are central to the Group’s talent management philosophy. With these principles defining our corporate culture, employees are given equal opportunities to move up their corporate ladder and fairly rewarded and compensated with top management appraisal from time to time. Our systems and initiatives emphasise the qualities we value in our employees. The Human Resources Department has been empowered to provide clear guidelines for its systems, decision making and action, and in compliance with the ISO 9001 standard.

We have strict procedures for handling any conflict of interest, and employees are refrained from participating in activities that are considered unethical and illegal. There are rules regarding employees’ acceptance of gifts and benefits, business entertainment and utilisation of corporate resources; there are also rules on how should deal with connected transactions and related business. In our effort to eradicate corruption, we follow the Hong Kong’s Independent Commission Against Corruption Code of Conducts to avoid conflicts of interest, bribery and corruption in the workplace, and work with local authorities in the PRC to eliminate any types of bribery, corruption, fraud and misconducts that are socially unacceptable behavior. In the Reporting Period, the Company did not receive any report about fraud and corruption, and the Board was not aware of any irregularities. The Board has approved and implemented a whistleblowing mechanism in place to help prevent the violation of laws and regulations. Under this mechanism, any stakeholders (including employees) should first present his/her case to his/her direct superior or the Human Resources Department. If necessary, the stakeholder may file a complaint directly to the members of the Audit Committee and the Board.

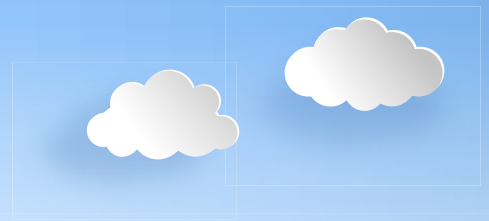
We do not tolerate any form of discrimination in the workplace, and ensure that employee remuneration does not differ because of age, gender, race, marital status or other factors. The Group abides strictly by equal opportunity and anti-discrimination. The Group bans any form of child labour and forced labour at our production facilities, and requests our suppliers to adhere to the same principles.

Talent Development and Nurturing

The Group is committed to cultivating an environment for continuous education. Every year, we provide in-house training for our employees, with topics ranging from work-related management skills and techniques to workplace safety. We also encourage lifelong learning by offering subsidies for external professional training, and we sponsor employees to study part-time Master and Doctorate programs. In the reporting year, we collaborated with the Hong Kong Polytechnic University (“**PolyU**”) and the Hong Kong University of Science and Technology (“**HKUST**”) to enroll our exceptional young talents in the Master (Engineering and MBA) and Doctorate (PhD, DBA) programs.

Nurturing talent is essential to the Group’s success in sustainable development. We have a long-term succession plan overseen by the Group’s Deputy Chairman and members of the SMT. High-potential employees will be hand-picked by the SMT to groom them to join the senior management one day, and to foster the young talents’ trust and loyalty through the Talent Development Programs. Since 2010, the Group had 2 doctors, 3 MBAs, 4 Masters in engineering or quality management graduated from either PolyU or HKUST through their participation in the Talent Development Program.





The new industrial revolution is one characterised by free-flowing data, tighter connectivity between people, places and things and an increased pressure on workers to continuously upgrade their skills to keep up with the pace of change. Besides creating an innovation-friendly space, the Group also needs to upskill its workforce to take full advantage of a rapidly changing global economy. That could happen through a deeper emphasis on skills training for workers through partnership with consulting companies, such as ERP upgrade, to initiate digital transformation in the work processes. The Group will also invest in more automation in the near future. The displacing effect of automation will force many staff and workers into periods of transition from one role to the next. The more education and training programs the Group can offer to our staff, the more adaptable and the more efficient they will become to handle digital transformation.

The Group provides directors and senior executives with latest Listing Rules training to develop and refresh their knowledge and skills. The Group also provides middle management, regular employees and production line workers with various relevant training. The KPIs in the development and training of the Group are illustrated in the chart below:

Development and Training Performance

	No. of Employees	Average Training Hours per Employee (hrs)
Middle management	505	43
Regular employees	315	55
Production line workers	1,977	97

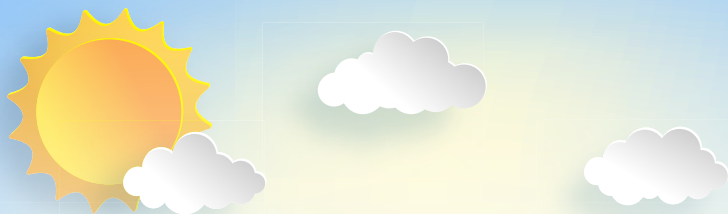
Safe Working Environment

Work safety is the most important aspect at our production facilities and our management team would try their best endeavor to create a safe work place for all employees. We strictly abide by all laws and regulations that are of significance to the Group, related to workplace safety, and that help employees guard against occupational hazards. The Human Resources Department is responsible for ensuring compliance with local laws and regulations, and for conducting regular safety inspections at our production facilities. In the Reporting Period, the Human Resources Department had worked closely with our customers and their respective retail customers, such as WalMart, CVS, Walgreen, etc. to conduct safety inspections and factory audits. Without exceptions, we passed our factory audits and safety inspections, and we are in full compliance with the Occupational Safety and Health Administration (OSHA) in the United States of America. For certain products that required higher quality and safety standard, our production facilities met ISO13485 standard for medical devices, Food and Drug Administration and Hazard Analysis and Critical Control Points standard for products that are in direct contact with food and beverages when in use.

To ensure all employees understand the safety requirement, all employees are required to attend safety trainings after they were hired, and they need to pass our internal safety tests before they were assigned to their job positions at the production facilities. There are sufficient safety equipment on every floor of a factory for use when necessary, such as emergency response instructions, a gas detection fire alarm, fire extinguishers, and an eye washing station. All of these safety equipment meets the local Fire Department requirement and will be checked regularly to avoid malfunctioning and obsolescent parts that would lead to safety hazard.

The Group was in full compliance with the labour laws of the PRC and Hong Kong applicable to the staff in the corresponding locations. Occupational health and safety KPIs were illustrated in the chart below:





Work Injury and Key Occupational Health and Safety Performance

	FY 2019	FY 2018	FY 2019 vs FY 2018 (%)
Number of work injuries	41	47	-12.77%
Medical Expenses due to work injuries (HKD)	78,262.38	87,111.35	-10.16%

Nurturing Employee Welfare

Employees are the Group's most valuable assets, so we pay utmost attention to the recruitment process and the retention of talents. As the Company grows, the Group wants every employee to do well, do good and do the right thing for the company and for the society. We also endeavour to create a work-friendly environment that takes care of not only our employees, but their family members as well. Therefore, our medical benefits also extend to employees' family members. In our pursuit of excellence, we promote life-time learning, and we welcome employees' opinions that can help management identify opportunities for new training programs, new skills (such as digital transformation and FinTech) that can inject extra momentum into employees' career development. The Human Resources Department conducts exit interviews with resigning employees to understand their reasons for resigning, so the Group's talent management system can be optimised.

Supply Chain

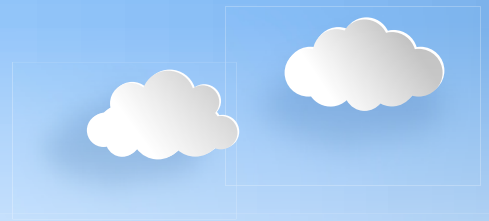
The Group places special attention to development of a socially responsible supply chain as our customers request many components used in our products to be eco-friendly and meet stringent quality & safety standards such as RoHS and REACH (for European Union countries). Our customers require materials to be halogen-free, ozone-free and do not contain conflict minerals (that have been linked with violence/human rights abuses in the conflict zones).

Suppliers are important partners to ensure our Group's success, and we depend on each other to improve our quality, delivery time and agility during time of crisis. The Group's suppliers can be broadly classified into: raw material procurement, machinery and equipment, construction engineering, information technology and goods shipment. For a proper management of the social and environmental performance of our suppliers, we must ensure that they adhere to our strict standards regarding regulatory compliance, production and quality management, labour practices and environmental protection.

Supply Chain Management

The Procurement Department has a list of qualified suppliers approved by the SMT, and the Procurement Department conducts annual assessments, regular assessments and individual-item assessments of these suppliers. All suppliers must meet safety and environmental standard of respective raw materials according to local safety and environmental laws. Our staff can only engage partners from the list of qualified suppliers stored in our ERP database. This policy ensures the Group only engages the best suppliers qualified by the Procurement Department to supply critical components to our production facilities. From time to time, we request samples from our suppliers to run RoHS and REACH tests at our laboratory to make sure all raw materials are free of conflict minerals and chemical and bio-hazards. Each batch of incoming raw material is subjected to random quality inspection and testing, and our Quality Assurance Department keeps digital records of all raw materials that passed our incoming quality check. Non-conforming raw materials would be rejected and returned to our suppliers. Repeated failure to pass our incoming quality check would result in delisting of qualified suppliers from our pre-approved list. Suppliers are encouraged to invest and participate in socially responsible ESG activities but ESG investment is not a prerequisite and mandatory requirement to become our qualified suppliers according to our ESG policy.





The Group requires its suppliers to adhere to strict ethical standards. The Group has a zero-tolerance policy towards corruption and bribery by her business partners. When qualified suppliers sign the supply agreement, they implicitly agree to refrain from engaging in prohibited behavior regarding accepting offering gifts and benefits to our staff and they promise to behave ethically and lawfully. In the Reporting Period, no supplier was warned or disqualified for violating anti-bribery declarations or undertakings, nor was there any litigation involving bribery or fraud.

Socially Minded and Building the Community

Community

Philanthropic initiatives by an ESG conscious company serve to support long-standing needs of communities. Many global leaders have promoted a range of business models aimed at “doing good,” such as social enterprises, purpose-driven businesses and many wealthy owners even set up their own charitable foundations to pursue these social initiatives.

The Group's policy on ESG Investment, Sponsorships and Donations provides guidelines on which community projects to invest. The Group's strategic community investment projects ranges from “environmental protection oriented” to “fostering global harmony”. The Group encourages employee participation in volunteer activities to foster connections with staff and strengthen relationship with local communities in pursuit of sustainable development.

Environment

In order to have healthy communities, we need clean air, natural resources, and a nontoxic environment. Sustainability and healthcare are intricately related since the quality of our environment affects public health. The Group has the mission to preserve the environment for the next generation, and provides a better world for the children of our stakeholders.

The Group has always been proactive in promoting environmental management; working closely with our employees and suppliers to put clean production strategy into practice. We focus on emissions reduction, energy and water conservation, and waste management. We are developing a range of green products (air purifiers and other health care and grooming/hygiene products) to help build a better living environment for all stakeholders. We have the desire to create a greener community by investing in innovations and technology that can make our environment become cleaner and better, while optimizing operations and efficiency from production to product development.

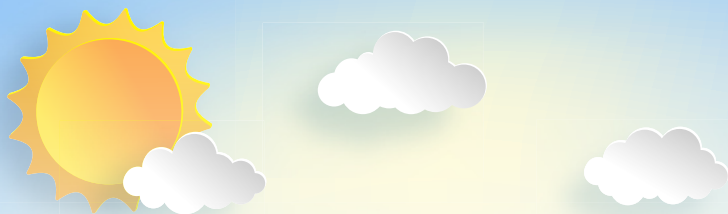
The Group has received the ISO14001 certification since 2006.

Prudent Environmental Management

The Group's HSE Committee outlines environmental policy guidelines and executes specific tasks on a daily basis and monitoring progress. Production processes have been scrutinized to make sure full environmental compliance is met, and clean production principles have been adopted to achieve optimal waste reduction, energy conservation, and create emissions and pollution free eco-friendly workplace. All products manufactured at our production facilities will conform to environmental safety standards as well as meeting our customers' quality requirement. We are committed to run production processes that would fulfill local environmental regulatory requirements.

The Group has also initiated energy savings projects and invested in solar energy panels to heat up water for our workers and installed LED lightings in our offices (both in Hong Kong and in the PRC) and in our manufacturing facilities in the PRC. Both energy savings initiatives not only generated savings for the Group, but also fostered a strong corporate culture to promote sustainability from workers to top management.





Continuous Innovation and Improvement

Green Innovation

In addition to adopting clean production principles and creating an eco-friendly workplace for our employees, the Group's R&D Department also develops environmentally friendly products and offers a range of innovative products that creates a healthy lifestyle at homes for consumers.

Our WiFi connected, IoT compatible air purifiers can be easily integrated into a Smart Home and linked up through devices such as Google Home Mini to allow remote access so consumers can return to their home with fresh clean air free of pollutants. The Group will continue to innovate and develop green products that save energy and offer clean air and healthy environment for end-users. Apart from household small appliances, the Group's R&D team is also looking into opportunities to develop residential/commercial air purification systems for existing and potential new customers. In light of recent coronavirus outbreak, the Group's R&D team is actively developing new line of products focusing on sanitization, improving personal hygiene and monitoring personal health well-being.

Green Travel and Green transportation

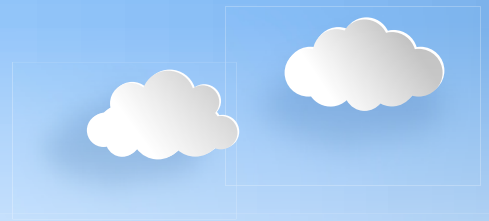
In 2019, the Group had purchased electric cars to replace old diesel/gasoline automobiles for transportation purposes. The Group also encouraged our sales team to reduce the number of overseas trips and stop attending irrelevant trade shows to cut down the number of business trips in an effort to reduce carbon emission.

Digital Transformation and ERP System Upgrade

Technology, such as data analytics and the internet of things, can increase our Group's competitiveness when we can have faster information flow and processing. Technology can also improves cybersecurity. In 2019, the Group has started our ERP system upgrade and will complete our Digital Transformation project in 2020. By the end of this project, the Group's management expects that we can have faster data processing capabilities to handle automatic query and reporting, data mining, optimization and predictive analysis. We will also transform our workplace from a static information processing center to a dynamic information network which allows mobile remote access (such as using DocuSign to sign contracts online, to equip ERP Finance module with e-banking capability). If ERP upgrade is successful, we hope that we can implement cross-functional operations transformation to unlock the Company's full operational potential. In additional, we can scrutinize the entire end-to-end process, from understanding customer needs to the delivery of finished products. Addressing the entire value chain, we can open up larger opportunities to grow our business. Finally, faster information processing can lead to more efficient use of working capital, and better management decisions for discretionary spending.

The Group's SMT is looking at implementing Robotic Processing Automation (RPA), used to automate workflow, infrastructure, back office process which are labour intensive, as the next phase of Digital Transformation program. Nevertheless, we shall not consider investing in Apache Hadoop to initiate use of artificial intelligence at this stage because of our business nature and the investment costs.





Continuous Improvement and ITAKONA program to use more recycling materials

Innovation comes down to creating a better process, finding ways to become more efficient and delivering more value to customers.

Our MIS team will adopt a Big Data Strategy in parallel as we complete our ERP system upgrade. With the Big Data Strategy, we hope that we have access to real-time data from various process activities that allows us to gain insights into many factors, including the following:

- (a) Tracking of product quality and defects
- (b) Supply Chain management and planning
- (c) Optimizing machines
- (d) Engineering analytics
- (e) Predictive maintenance
- (f) Process and quality analysis
- (g) Enterprise resource planning operations, service delivery, supply chain management, and automation of routine decisions

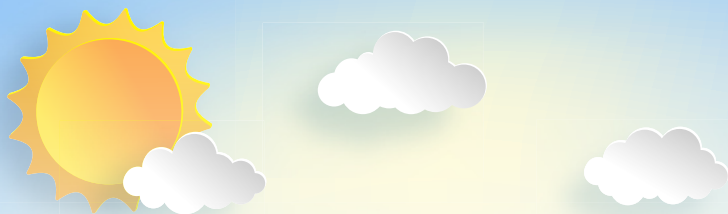
To achieve continuous improvement, our Quality Control Team also considers strengthening the human elements to give more value to our customers:

- (a) Monitor product quality by getting feedback from customers and analyzing defective units returned from retail market to conduct root cause analysis
- (b) Improving products based on call center data and feedback (eliminate bad features from new product development)
- (c) Identify customers need and integrate desired product features in R&D new product development process
- (d) Soliciting inputs from end-users (Amazon users rating and reviews, etc.) to continuously improve existing products design, and make products more user friendly

From our Japanese customers, we learnt the continuous improvement technique called "ITAKONA." ITAKONA stems from the concept of closely analyzing the origins of costs to the levels of 'Ita' and 'Kona', where 'Ita' means metal plates and printed circuit boards, and 'Kona' refers to component materials such as resins and die-cast metals. The term refers to the identification of correct costs by making all theoretical aspects down to the level of such materials "visible".

We applied the ITAKONA principle in our endeavor to use more plastic resins recycle materials in our products shipped to Japan while achieving no impairment in quality through a meticulous and methodological process. The Group has a designated ITAKONA team to carry out this eco-friendly cost improvement project and we have started to see promising results from both financial and quality aspects of using more recycled materials while at the same time we can preserve the environment and reduce wastage. We will try to apply similar concept to more products in 2020 so we can reduce even more waste and use more recycle material in our production processes.





Frugality and Use of Natural Resources

Lagom är bäst (中庸之道) is the doctrine of moderation about the assimilation process through which individuals and groups of differing heritages acquire the basic habits, attitudes, and mode of life of an embracing culture. A common etymological explanation of the Swedish word “Lagom” is the “group sharing” from the Viking era, which can mean that people of the tribe enjoy the same enough diet and fair distribution, and everyone is “no more, no less, just right.” It does not mean perfection, and it has no negative connotations. This modest attitude towards life is the thinking the Group wishes to foster her ESG culture on energy and water conservation, and the practice of frugality and careful use of natural resources in daily operations.

Energy Saving and Emission Reduction

Volatile organic compounds (VOC) were released during our production processes and these chemical substances are harmful to the environment. Since the release of VOC is unavoidable during the manufacturing processes, careful handling of VOC emissions in accordance with local government laws and regulations is necessary, VOC emissions to the environment must be reduced by investing in certain chemical stripping equipment and clean manufacturing processes, especially for painting and pad printing processes.

The Group also adopts effective energy conservation solutions to save energy such as replacing metal halide lamps with LED lamps; using electrically charged instead of diesel operated forklifts; and replacing part of our fleet to electric cars, to reduce carbon emissions. In the Reporting Period, our Nansha factory have reduced carbon emissions as illustrated in the table below:

CO2 Emissions Performance

	FY 2019	FY 2018	FY 2019 vs FY 2018 (%)
Electricity (kilotonnes CO2)	19.40	20.91	-7.20%
Oil (kilotonnes CO2)	0.02	0.11	-78.63%
Gas (kilotonnes CO2)	0.02	0.02	-15.46%
Total CO2 emission (kilotonnes)	19.44	21.04	-7.60%



Energy Consumption Performance

	FY 2019	FY 2018	FY 2019 vs FY 2018 (%)
Electricity (GWh)	25.02	27.26	-8.22%
Oil (tonnes)	7.42	34.80	-78.68%
Gas (kgs)	8,509.40	10,067.65	-15.48%
Water (000 m ³)	288.97	304.55	-5.12%
Packaging Materials Used for Finished Goods (tonnes)	2,620.57	2,655.63	-1.32%

Emissions Data from Vehicles owned by the Group

Vehicle Type	Nitrogen Oxides (NOx) (g)	Sulphur Oxides (SOx) (g)	Particulate Matter (PM) (g)
Private Car	8,305.37	188.50	611.51
Goods Vehicles	565,692.52	723.54	42,230.39
Total Emission:	573,997.89	912.04	42,841.90

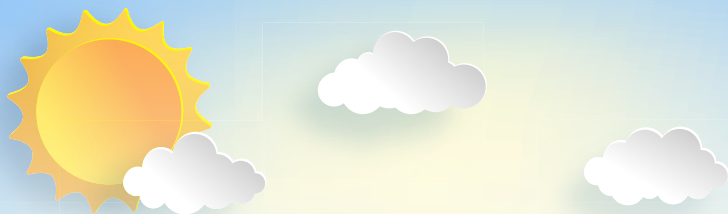
Waste Management

In carrying out industrial production, not only is it necessary to strictly control emissions, but also to deal properly with waste in order to avoid polluting soil and water sources with chemical pollutants. The Group is vigorously managing non-hazardous wastes, which can be classified into recyclable and non-recyclable waste. In the Reporting Period, our Nansha factory collected 476.76 tonnes of non-hazardous waste, which was a reduction of 88.32 tonnes from 2018. There were 20.4 tonnes hazardous waste in the Reporting Period, which was an increase of 4.29 tonnes from 2018.

Water Conservation

The Group tries the best endeavor to minimize water usage and strives to conserve water resources through desalination of river water. The Group's Nansha factory had installed a desalting treating tower to enable us to use recycled river water for cooling during the injection molding process and other production processes as our factory is located next to the Pearl River in Guangzhou district. These water-saving measures have contributed to our 70% water reuse rate.





Embody and Generate Culture and Legacy

Promote Green Living

Healthy lifestyle brings physical, mental and spiritual health to individuals and societies. For the purpose of creating a green living world and preserving ecological balance, we start at the micro-level first by creating a living and work environment for our employees and their families that embraces harmony and balance. Our core values to promote green living are health, beauty and peace. We believe healthy environment ultimately will bring happiness to all stakeholders, and our lifestyle health care solutions will bring all walks of life together to cross different paths together in a better world.

Culture

We believe in frugality, and as financial stewards, we have an obligation to our shareholders to make sure that expense growth does not outpace revenue growth. The Group's management uses sound business planning, budgeting, and financial analysis techniques to evaluate where we spend our precious and limited resources effectively to achieve our strategic goals.

We believe in building mutual trust and better relationship with our stakeholders. Trust is the core foundation upon which we build everything; and building the right culture starting from building trust, is extremely important to our corporate success.

We become adaptable to changes and we embrace technology, and we are committed to lifelong learning and innovation to create a better world.

Community Activities Linking Arts, Corporate Governance, Education and Environment

RIL's investments in community activities offer support to people in need while promoting stronger social network and foster inclusiveness. In the Reporting Period, the Group focused on key areas to enhance management in order to create a better community by implementing programs that built a better society through a wide range of activities and initiatives:

- (i) Investment in Environment: The Group encouraged the use of recycled paper, and began a program to use more recycled paper in operations including printing interim & annual report booklets. The Group also worked with customers to print product instruction books by using recycled paper materials.
- (ii) Investment in Education: The Group continued to sponsor programs at Hong Kong Polytechnic University and members of the Group gave guest lectures at Hong Kong Polytechnic University during FY2019. The Group also sponsored 3 – 6 months internship for 6 graduate students from the HKUST and the PolyU. The Group's deputy chairman also acts independent manager at the TWGHs Wong Fut Nam College, nurturing young talents at young age.
- (iii) Community and Arts involvement: The Group sponsored a student from Wong Fut Nam College to participate in fundraising charity concert organized by the Hong Kong Philharmonic Society to support community programs for young musicians from less privileged families. The Deputy Chairman of the Group also chaired a fundraising dinner for World renowned pianist Mr. Seong Jin Cho at the Consulate General of the Republic of Korea Residence in Hong Kong to promote cultural and arts exchange.



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- (iv) Corporate Governance: Members of the Group's management founded the HKINED Association (Hong Kong Independent Non-Executive Directors Association) in October 2015 in Hong Kong, and the Association held the "Annual Conference: Business Valuation Standard in Hong Kong" on 19 November 2019 at Hong Kong Convention and Exhibition Center to promote better corporate governance practices.
 - (v) Create a better Society: Members of the Group participated in fundraising events for TWGH (Tung Wah Group of Hospitals) in 2019. Members of the Group also attended the Hong Kong Philharmonic Orchestra's 45th Anniversary Gala Dinner in 2019 to help drive continual artistic excellence, and enable the pride of Hong Kong to thrive.

Climate Change Impact and Coronavirus Outbreak Risk Management

Recently, climate change becomes a pressing issue that threatens the sustainable growth of the world. In view of the aim to keeping the rise in global temperatures below 2°C as per the Paris Agreement, as well as the recommendation of the Task Force on Climate-related Financial Disclosures (TCFD) to enterprises, the Group will continue to strengthen our current environmental measures to manage the downside risk due to climate change. We identified the relevant health and environment hazards due to climate change that would have adverse effect on our manufacturing operations:

- (a) Heatwave during hot summer would cause illness, injuries, cardiovascular disease, respiratory disease and heat stroke. The Group will adopt measures to protect our employees' health during the time of heatwave.
- (b) Infectious disease such as coronavirus outbreak can cause havoc at work, and affect our employees' health and bring disruption in our operations and supply chain as people fear being infected, and the logistic network shut down as a result. Against this background, the Group has a three-pronged strategy to immediately revamp our operations: (1) Business Continuity (contingency planning – how to remotely keep the critical processes going); (2) Costs Control (Contingency plan to optimize fixed costs and adopt fast cost cutting measures); and (3) Cash Management (Revise safety stock level for finished goods and critical raw materials, maintain healthy cash level to weather the storm, and prioritize capital expenditures and cut unnecessary expenses).
- (c) Flooding is a natural hazard that may affect the Group as our Nansha factory is located adjacent to the Pearl River. We have contingency plans and preventive measures ready for natural disaster caused by flooding.

About the Report

The *2019 Environmental, Social and Governance Report* of Raymond Industrial Limited is prepared in accordance with the *Environmental, Social, and Governance Reporting Guide* set out in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Sustainability disclosures are applicable and material, and disclosures of the Group's sustainability performance are made in a balanced manner. The reporting scope is based on the influence of businesses to stakeholders and the consideration of providing in-depth disclosures of material issues. This report covers the Group's performance and measures relating to sustainable development for the period from 1 January 2019 to 31 December 2019 unless otherwise specified.

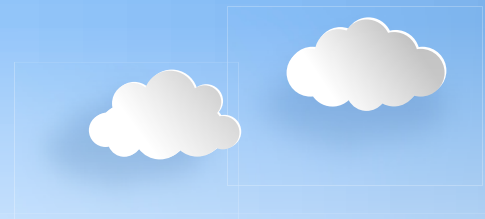




Environmental, Social and Governance Reporting Guide – Content Index

Aspects, General Disclosures and KPIs	Description	Page No. of ESG Report 2019
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Aspect A1: Emissions		
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KPI A1.3	Total hazardous waste produced (in tonnes)	Page 17
KPI A1.4	Total non-hazardous waste produced (in tonnes)	Page 17
KPI A1.5	Description of measures to mitigate emissions and results achieved	Pages 13-17
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Page 17
Aspect A2: Use of Resources		
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KPI A2.2	Water consumption in total and intensity	Page 17
KPI A2.3	Description of energy use efficiency initiatives and results achieved	Page 17
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Page 17
KPI A2.5	Total packaging material used for finished products (in tonnes)	Page 17





Aspects, General Disclosures and KPIs	Description	Page No. of ESG Report 2019
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KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Pages 13-17
B. Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Pages 9-12
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Pages 11-12
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored	Pages 11-12
Aspect B3: Development and Training		
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KPI B3.2	The average training hours completed per employee by gender and employee category	Page 11





Aspects, General Disclosures and KPIs	Description	Page No. of ESG Report 2019
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General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Page 10
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	Page 10
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Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risk of the supply chain	Pages 12-13
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	Pages 12-13
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Page 8
KPI B6.4	Description of quality assurance process and recall procedures	Page 8





Aspects, General Disclosures and KPIs	Description	Page No. of ESG Report 2019
Aspect B7: Anti-corruption		
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KPI B8.1	Focus areas of contribution	Pages 13,18





RAYMOND Industrial Ltd
利民實業有限公司