



**TAYANG 大洋**

**Ta Yang Group Holdings Limited**

**大洋集團控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1991)**

**ENVIRONMENTAL, SOCIAL AND  
GOVERNANCE REPORT**

**2019**

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

The Environmental, Social and Governance (“ESG”) Report published by Ta Yang Group Holdings Limited (the “Company”) outlines the various initiatives of the Company and its subsidiaries (collectively referred to as the “Group” or “we”) in supporting sustainable development and the performance in the social and governance aspects for the seventeen-month period from 1 August 2018 to 31 December 2019 (the “reporting period”).

## Scope of the Report

The Group has two main operating segments, (i) manufacturing and sale of silicone rubber and related products and (ii) providing healthcare and hotel services. The content of the ESG Report mainly outlines the environmental and social policies of the Group in its silicone rubber business, with a focus on the performance of two of its major subsidiaries, namely Dongguan Tai Yang Rubber Plastic Industrial Company Limited (“Dongguan Tai Yang”) and Huzhou Ta Yang Electronic Technology Company Limited (“Huzhou Ta Yang”) in the environmental and social aspects during the reporting period. For the disclosure of key performance indicators for the reporting period, the Group also focuses on the performance of Dongguan Tai Yang and Huzhou Ta Yang. For details of corporate governance, please refer to the Corporate Governance Report in the annual report 2019.

## Reporting Guidance

This ESG Report is prepared in accordance with Appendix 27 to the Main Board Listing Rules, the Environmental, Social and Governance Reporting Guide, issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## Stakeholders Engagement

With the joint efforts of colleagues from various departments, we have a clearer understanding of the current development of the Group in the environmental and social aspects when preparing the ESG Report. The data we have collected not only provides a summary of the initiatives of the Group in the environmental and social aspects during the reporting period but also lays a foundation for formulating short-term and long-term policies for sustainable development.

Acknowledging the importance of stakeholders’ opinions, the Group has therefore committed itself to in-depth communication with all stakeholders through various channels, responding positively to the expectations and concerns of different stakeholders and enhancing corporate management capabilities. The Group’s stakeholders are from different sectors, including government and regulatory bodies, shareholders, partners, customers, employees, the environment, the community and the public. In addition to responding directly to the stakeholders’ demands in daily operation, we have also established effective communication channels through regular meetings, general meetings, visits and interviews to understand the needs of stakeholders and respond accordingly. The opinions of stakeholders are vastly beneficial to formulating and implementing sustainable development strategies whereby we can improve ESG performance.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ENVIRONMENTAL PROTECTION

### Emissions

While committing itself to developing silicone rubber business, the Group has never forgotten protecting the surroundings where it operates. We continue to strictly observe the laws and regulations in relation to environmental protection, including the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, Water Pollution Prevention and Control Law of the People's Republic of China, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes, Environmental Protection Law of the People's Republic of China and Energy Conservation Law of the People's Republic of China, with a view to controlling emissions and conserving resources.

Dongguan Tai Yang and Huzhou Ta Yang both have obtained the ISO14001:2015 Environmental Management System Certification and engaged a third-party company to carry out regular inspection of pollutants, including industrial wastewater, domestic sewage and exhaust gas, discharged by factories to ensure that such emissions meet provincial and industrial emission standards.

### Wastewater and sewage treatment

Wastewater generated by the Group can be classified into industrial wastewater and domestic sewage. Domestic sewage from Dongguan Tai Yang and Huzhou Ta Yang undergoes treatment in the septic tank before being discharged into the municipal drainage system or wastewater treatment plant in the industrial park.

Industrial wastewater from Dongguan Tai Yang mainly comes from the water curtain booths and cleaning operations. Wastewater from water curtain booths is reused in the production process after being treated by a production wastewater treatment facility and such water is regularly replaced and replenished. To ensure that industrial wastewater will not be discharged, industrial wastewater is collected and delivered to qualified units for central treatment. Given that industrial wastewater from Dongguan Tai Yang will not be discharged, industrial wastewater inspection is not required.

Industrial wastewater from Huzhou Ta Yang, including wastewater from screen cleaning operations and wastewater from spraying operations, is discharged into the wastewater treatment plant in the industrial park for treatment after being treated by a self-built wastewater treatment facility subject to emission limits under the Emission Standard of Pollutants for Rubber Products Industry (GB27632-2011).

### Exhaust gas

Organic exhaust gas is generated in various production procedures of the Group, such as printing and spraying. In order to reduce fugitive emissions of exhaust gas as much as possible, Dongguan Tai Yang and Huzhou Ta Yang collect and dispose of organic exhaust gas.

Dongguan Tai Yang disposes of collected exhaust gas properly to meet the standard requirements under the Emission Limits of Air Pollutants (DB44/27-2001) in Guangdong Province, Emission Standards for Volatile Organic Compounds for the Furniture Manufacturing Industry (DB44/814-2010) and Emission Standards for Volatile Organic Compounds for the Printing Industry (DB44/815-2010) in Guangdong Province. The exhaust gas from spraying operations is emitted into the air at a height only upon water scrubbing, UV photolysis and activated carbon adsorption treatment subject to emission standards.

Huzhou Ta Yang collects sulphur-containing and non-sulphur-containing organic exhaust gas separately and applies corresponding treatment techniques to enhance the efficiency of exhaust gas treatment, thereby meeting the standard requirements under the Emission Standard of Pollutants for Rubber Products Industry (GB27632-2011), the Emission Standard of Odour Pollutants (GB14554-93) and the Integrated Emission Standards for Air Pollutants (GB16297-1996). The removal rate of hydrogen sulphide and non-methane hydrocarbons reaches 80% upon treatment of exhaust gas.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Hazardous and non-hazardous waste

Non-hazardous waste includes general industrial solid waste and domestic garbage. Non-hazardous waste such as plastic, silicone rubber trimmings and disposed packaging materials, are generated in the production process, are collected and recycled by qualified collectors.

Domestic garbage from the staff is gathered up and then transported by a particular unit. The garbage produced is cleared up on a daily basis to reduce the spread of odour. Various hazardous waste such as waste lubricating oil, waste ink residues and waste cloths are classified into different categories upon collection and stored separately according to the applicable national and local requirements before collected by qualified units for further treatment.

## Resource Conservation

The Group places great emphasis on resource conservation and strives to enhance the energy efficiency of equipment by strengthening the maintenance of factory equipment, optimizing operation standards and adopting energy-saving measures. Moreover, we have adopted the following measures to enhance efficiency in the use of resources:

- *Enhancing the efficiency in the use of raw materials*

Silicone rubber, major raw materials of our products, is an eco-friendly material. We reduce the amount of waste by better production planning and cooperate with qualified factories in recycling silicone rubber trimmings generated in the production process.

- *Minimising packaging*

Packaging materials are reused to avoid secondary pollution and use recyclable and eco-friendly packaging materials as much as possible.

- *Raising environmental awareness*

The Group raises environmental awareness and standards of the staff through strengthening management and providing training. During the reporting period, Dongguan Tai Yang and Huzhou Ta Yang provided ISO14001:2015-related training courses for employees on the knowledge of waste classification and recycling, water and energy conservation, etc. Meanwhile, we have set strict operation standards for the staff to reduce the amount of exhaust gas generated.

- *The strategic location of factories*

As the production cycles of most of our customers are relatively short, the production facilities of the Group are strategically located in close proximity to our major clients' factories in the PRC, in order to deliver products to our customers on time while reducing carbon emissions from transportation.

- *Reduce, recycle and reuse ("3Rs")*

Switch off idle electrical appliances and maintain the room temperature at an optimal level;

Promote electronic communication, both internal and external, to reduce the needs of printings and encourage duplex printing; and

Placing paper recycling bins in the office to collect and reuse single-sided used paper.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EMPLOYEES FIRST

### Employment

The Group has been able to establish its presence in the manufacturing industry of silicone rubber products for years riding on staff commitment and contribution. We strongly believe that good employment policy is the bedrock to promote the Group's sustainable development and maintain long-term stability, enabling the Group to continue to stand out in the industry.

### Rights and Interests of Employees

The Group has established a set of sound human resources procedures to regulate and manage recruitment activities, and carries out its recruitment process in a fair and just manner to recruit suitable talent in strict compliance with relevant laws and regulations, including the Labour Law of the People's Republic of China and Labour Contract Law of the People's Republic of China. Our recruitment process, which is mainly conducted by the human resources department centrally, strives to attract talents through different recruitment channels. Job candidates are free from any discrimination, such as ethnicity, races, age, gender, religion, marital status or fertility status. Candidates are selected as long as they satisfy the job requirements during the recruitment.

### Benefits of Employees

In accordance with laws and regulations, the Group ensures that the working hours of our employees meet the relevant requirements, and they are entitled to rest days and statutory paid holidays with wages in line with local minimum wage standards.

The Group hosts a variety of activities regularly, promotes the cultural concept of work-life balance and creates a harmonious working environment. During the summer holiday, Dongguan Tai Yang arranged 6-8 weeks children-caring campaign for employees, so that the children of the worker would not be left at home alone and unattended. The Group also organizes various recreational activities regularly, for example, short term interest classes, festival celebrations or banquet, sports day and birthday celebrations.

In addition to basic remuneration and leave, Dongguan Tai Yang also pays social insurance fees for our staff, such as endowment, medical care, unemployment, employment injury and maternity, and provides them with long service payment, rewards and allowances to commend for their dedication. For departing employees, the Group will pay the outstanding wages on time as required by relevant laws and regulations.

### Training and Development

The Group is dedicated to providing fair and just promotion opportunities, striving to build a leading work team in the industry. Therefore, we offer outstanding employees promotion opportunities based on employees' work capability, experience and performance.

Moreover, given that the expertise and knowledge of our staff are the keys to the success of the Group, we have invested resources in providing quality training commensurate with the staff at each level to cope with our operation policies and future development needs, as well as to enrich their knowledge, enhance their efficiency, and unleash their potential.

Dongguan Tai Yang and Huzhou Ta Yang design annual training plan regularly and arrange internal and external training for employees based on the needs of each department and in line with future corporate development schemes. The Group provides orientation and training for new staff to help them gain some basic knowledge in the corporate profile, corporate culture and management system. New employees would also participate in induction training arranged by their respective units according to the needs of their positions, which mainly covers job-related operational skills and management systems regarding quality, safety and environment.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Training about the necessary skills and knowledge for the new positions are provided for redeployed staff. In addition, Dongguan Tai Yang will provide at least one on-the-job training bi-annually, offering basic required courses related to the management system, quality standard, etc.

Annual corporate training relating to job-related knowledge, skills and professional qualifications are provided on a regular basis for staff. Furthermore, we also encourage the staff to receive external training. Dongguan Tai Yang provides training subsidies to encourage staff to participate in external training sessions, seminars and professional qualifications assessments, etc.

## Health and Safety

Maintaining occupational health and safety is not only the main responsibilities of the Group but also beneficial to promote long-term development. The Group has established a comprehensive work safety system, which covers a range of work safety tasks, whereby we can prepare for predictable sudden incidents. In order to implement the "Safety First, Prevention Oriented" approach, we set up comprehensive precautionary measures and emergency plans to protect the staff's safety dedicatedly and mitigate the impact of incidents. The Group has adopted a series of strict measures to ensure work operation procedures comply with regulatory requirements and facilitate the enforcement of work safety while strictly complying with relevant laws and regulations such as the Work Safety Law of the People's Republic of China. Under the safety reward scheme, employees and departments with outstanding performance in workplace safety are rewarded.

## Work Safety System

Huzhou Ta Yang has established a comprehensive work safety management system and unequivocally sets out work safety management accountability, ensuring each department will enforce relevant laws, regulations and standards diligently. The work safety management system includes safety inspection, safety education training, occupational disease prevention and control and safety protection equipment.

In addition, Dongguan Tai Yang adopts a clearly defined top-down work safety accountability system, under which the staff at each level bear the responsibility to comply with safety policies. Dongguan Tai Yang has established the Work Safety Committee ("WSC") which is responsible for work safety management and implementing the principle of "Regulate Work and Maintain Safety". WSC's responsibilities include researching and devising work safety technical measures and labour protection schemes, arranging and monitoring work safety inspections as well as handling safety-related incidents. WSC carries out work safety inspections, including at least two safety inspections of the factories quarterly, at least two safety inspections of each production unit monthly and daily inspections of all special jobs and equipment, to ensure the smooth running and safety of production.

Under the work safety accountability system, each production unit has to set up a work safety task force which is responsible for providing work safety education, formulating implementation details and operation procedures for work safety and carrying out the instructions of WSC to ensure workplace safety. All machine rooms and production teams have safety personnel in place to oversee the production process. According to the work safety system of Dongguan Tai Yang, machine operators, as well as employees on special positions who handle dangerous materials must go through professional safety skills training, pass assessment tests and obtain relevant licences before becoming eligible to carry out duties independently. New employees, temporary employees, interns and redeployed employees will be qualified to work only when they complete three levels of safety training, including production unit training, machine room team training and production position training.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Labour standard

To prevent the employment of child labour, an identification check is carried out. The Group also mentioned the job duties, working locations and working hours in the employment contract.

To cater to the needs of different positions, Dongguan Tai Yang has adopted three working hour systems, i.e. the standard working hour system, the flexible working hour system and the comprehensive working hour system. The Group also promotes the message of work-life balance. Overtime work is not in practice unless there are urgent production needs. The Group provides overtime pay or compensatory leave in accordance with relevant regulations and prohibits any behaviour of forced labour.

## Prevention and Handling of Accidents

The Group strictly abides by laws and regulations, such as the Fire Protection Law of the People's Republic of China and Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and has established a system to prevent and handle emergencies. To prevent accidents, the Group has formulated precautionary and strengthened safety training to enhance corporate safety management technical knowledge and safety operation skills. The Group has set out detailed solutions and a clear list of emergency personnel with the division of labour to address emergencies such as fire, flood and chemical leakage to reduce casualty and losses arising from accidents.

The Group also takes safety education seriously, for example, Dongguan Tai Yang has a wide range of safety education measures, including posting slogans and distributing leaflets in all departments, workshops and teams as well as hosting activities like "Work Safety Month" and "Walk for Work Safety", to promote national work safety approaches, policies and relevant laws and regulations to employees for the purpose of raising their awareness of workplace safety. Moreover, during the process of manufacturing silicone rubber products, employees may be exposed to chemicals. As such, apart from strengthening professional training in actual operation for these employees, Dongguan Tai Yang has strengthened ventilation equipment to ensure that the air quality in the workshop meets the standard of Occupational Exposure Limits for Hazardous Chemical Agents (GBZ2.1-2007). The Group attaches great importance to fire emergency safety management and formulates comprehensive fire emergency management system. For example, Huzhou Ta Yang carries out fire emergency safety inspection per day and per shift, and potential dangers will be rectified and eliminated once found. Dongguan Tai Yang and Huzhou Ta Yang arranged four safety drills respectively to raise staff's capacity to cope with emergencies during the reporting period. We have also provided employees with sufficient protective gear, such as protective masks and gloves, to reduce the impact of chemicals on employees' health.

Meanwhile, Dongguan Tai Yang and Huzhou Ta Yang arrange free annual medical check-up for employees and regular assessment by third-parties on the working environment of factories to safeguard employees' health.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## OPERATING PRACTICES

### Supply chain management

The Group has always been placing great emphasis on product quality to protect the interests of customers. We stringently manage suppliers to avoid any impact of raw materials on products and adopt strict quality control over the production process.

The Group has established policy and procedure for the selection of new suppliers and reviewing the performance of current suppliers, including the following:

- conduct risk assessments on candidate suppliers' production capability, delivery capacity, financial position and environmental compliance, and obtain sample materials for assessment;
- conduct an on-site assessment as necessary in order to ensure that the supplier meets the production requirements;
- assess the raw materials to ensure that the raw material specifications from the candidate suppliers meet the environmental requirements of the customers and comply with relevant laws and regulations, if applicable;
- review and update the List of Qualified Suppliers regularly; and
- conducts regular assessment on the quality of raw materials on existing suppliers, etc.

Suppliers and potential suppliers who hold certificates on quality control such as ISO9001 or IATF16949 would be preferable. Suppliers with poor ratings and no improvement actions would be directly disqualified.

### Product Quality Management

The Group attaches great importance to product quality. In addition to compliance with relevant laws and regulations, including the Product Quality Law of the People's Republic of China and Production Safety Law of the People's Republic of China, we have also established detailed quality management procedures. For the whole process from the receipt of raw materials to the dispatch of products, we carry out strict quality control on every process to maintain stable product quality in accordance with the requirement of ISO9001:2015 and ISO/TS 16949:2009 certification in Quality Management System.

Taking Dongguan Tai Yang as an example, upon receipt of raw materials, its warehouse staff will check the goods according to the materials and procurement requirements, and the quality control department will examine the appearance and functions of such raw materials on a random sampling basis. When the raw materials pass the preliminary check, the quality control department will stamp a qualifying mark on the packaging of the particular batch of raw materials for storage in the warehouse. If the raw materials fail to pass the preliminary check, the quality control department may reject the batch and request for a follow-up from the supplier to avoid any misuse of unqualified raw materials. During the process of production, inspectors from Dongguan Tai Yang will carry out inspections in accordance with established policies and practices. Not only will they monitor the operation of equipment, but they will also correct any improper operation by the staff in order to ensure the quality of finished goods. In each of the production process, Dongguan Tai Yang deploys inspectors for a comprehensive inspection of the products. All uninspected products will not go through the next process. Before the outbound of finished goods, the quality control department will carry out another inspection of the products. Unqualified products detected in the product inspection are set aside to avoid being mixed up and inspectors will take a record of the unqualified products. After unqualified products are reworked, inspectors will carry out the inspection in accordance with stricter standards. As for storage, Dongguan Tai Yang posts "No Smoking and Fire Making" signs in all storage areas to prevent accidents. At the same time, by taking measures such as monitoring the temperature and humidity of the warehouse, Dongguan Tai Yang ensures that the storage management meets the requirements of ISO14001 environmental management system and the products are properly stored.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

If products are found that is below standard, the quality control department would track the shipments while products with serious quality problems would be recalled. In order to ensure effective implementation of product recall procedures in the event of an emergency, a product recall simulation exercise is conducted at least once a year. During the reporting period, no products sold or shipped are recalled due to safety and health reasons.

## Customer-oriented

The Group always adheres the customer-oriented approach and provides quality products and services to customers. The Group conducts surveys and analyses on client satisfaction regularly and formulates corresponding measures to enhance product and service quality. The scope of the survey can be broadly divided into two aspects, (i) products and (ii) services. The product aspect covers the opinions and suggestions of customers towards the quality, price, appearance or package of our products, while service concerns about the response on handling enquiries and complaints and our delivery capacity. When customer satisfaction is lower than expected, we will raise the issues for improvements and follow up on the implementation of the improvement measures. For unsatisfactory improvement measures, we will re-develop measures until the improvements are completed. Through sorting out and conducting analyses on the opinions and suggestions of customers, the Group can have a better understanding of customers' needs in order to provide services with higher quality. Customers may also file complaints against our products by means of phone, fax or mail. The Group will take every complaint seriously and reply as quickly as possible.

During the reporting period, the Group did not recognize any non-compliance with relevant laws and regulations related to advertising and labelling and did not use incorrect information for publicity to mislead customers.

## Privacy data protection and intellectual property rights

To safeguard customer data and the confidential information of the Group, we specifically request our senior management and senior technicians to undertake confidentiality obligations and comply with the Non-Compete Clause within two years after the termination of their employment contracts. If customers request for extra measures to protect their intellectual property, the Group will also enter into confidentiality agreements with them in full respect for their privacy.

## Anti-corruption

Furthermore, we abide by the laws and regulations against corruption, blackmail, fraud and money laundering, such as the Criminal Law of the People's Republic of China, and forbid all employees to engage in any malpractice or fraud in the name of the Group.

Any employee who is in breach of the rules may be dismissed or even held criminally liable.

## COMMUNITY ENGAGEMENT

As a socially responsible corporation, the Group has all along been engaging in community activities while expanding its footprint, with an aim to pay back to society. The Group always encourages employees to actively participate in community and voluntary work to further the benefits of local communities and render assistance to the needy.

In July 2019, Dongguan Tai Yang participated in the blood donation activity held in the factory organized by the local government. Meanwhile, the Group has strengthened its ties and communication with various communities for the well-being of society, in an effort to advocate a caring and serving spirit.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## KEY PERFORMANCE INDICATORS

The following data only cover the operations of Dongguan Tai Yang and Huzhou Ta Yang for the seventeen-month period ended 31 December 2019. In future, the Group will consider expanding the coverage of operations in the ESG Report. The figures in this ESG report may be higher than those in the previous report as the reporting period of this ESG report is longer than that of the previous one.

	Unit	Period ended 31 December 2019
<b>Environmental Indicator</b>		
Air pollutants emissions		
Nitrogen oxides	Kg	37
Sulphur oxides	Kg	3
Particulate matters	Kg	6
Greenhouse gas emissions		
Direct emissions (Scope 1)	t CO <sub>2</sub> e	20,915
Energy indirect emissions (Scope 2)	t CO <sub>2</sub> e	508
Other indirect emissions (Scope 3)	t CO <sub>2</sub> e	20,254
Intensity of greenhouse gas emissions	t CO <sub>2</sub> e/HK\$ million revenue	153
		40
Waste		
Total hazardous waste	Tonne	11
Intensity of hazardous waste	Tonne/HK\$ million revenue	0.02
Total non-hazardous waste	Tonne	37
Intensity of non-hazardous waste	Tonne/HK\$ million revenue	0.07
Use of Resources		
Diesel	L	190,675
Intensity of diesel consumption	L/HK\$ million revenue	366
Petrol	L	160,062
Intensity of petrol consumption	L/HK\$ million revenue	307
Electricity	MWh	24,456
Intensity of electricity consumption	MWh/HK\$ million revenue	47
Steam	Tonne	1,424
Intensity of steam consumption	Tonne/HK\$ million revenue	3
Water	m <sup>3</sup>	139,143
Intensity of water consumption	m <sup>3</sup> /HK\$ million revenue	267
Packaging material consumption	Tonne	115,929
Intensity of packaging material consumption	kg/HK\$ million revenue	234

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Period ended 31  
December 2019

## Employment Indicator

By gender	
Male	469
Female	494
By age	
Below 30	231
30 to 50	695
Over 50	37

## Occupational health and safety

Number of work-related fatalities	0
Number of work-related injuries	13
Lost days due to work-related injury	272

## Training

Average training hours per employee	
By gender	
Male	6
Female	7