



**RAYMOND** Industrial Ltd

利民實業有限公司

Stock Code 股份代號：00229

# Environmental, Social And Governance Report

# 環境、社會及 管治報告

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# 2022

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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, we have embraced the Concept of Corporate Stewardship so as to manage, nurture and grow what has been entrusted to us for handing over in a better condition to the next generation. We are delighted to present our standalone *Environmental, Social and Governance (“**ESG**”) Report*, whose ESG Strategy section details our management approach and elaborates on the performance in seven key forces that drive sustainable business development.

In 2022, the Group is at an inflection of making evermore greater contribution to economic and social progress. We tackled problems spanning climate impact, air pollution, digital piracy and outbreak of diseases such as the coronavirus outbreak. In fostering an ecologically friendly and healthy environment for all stakeholders, we have shown determination to use clean production techniques, and taken positive steps to provide solutions that restrain greed, irresponsibility and short-termism. This is particularly timely because the Group’s production plants and laboratories are located in Guangzhou Nansha, 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. We pursue this vision along eight key forces that drive the business and 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
- Growing an Outstanding and Effective Team
- Socially Minded and Cultivating the Community
- Continuous Innovation and Improvement
- Frugality and Prudent Use of Natural Resources
- Embody and Sustain Culture and Legacy

The Group has established sound systems and measures in all our business areas and effectively implemented our policies through a sustainable organization structure. We regularly reviews our sustainable development strategies and examines our policies on a timely basis to ensure that our 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, government, etc.) 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 environment for the community, and help realise a low-carbon 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 believes that companies should invest in ESG orientation since ESG activities build up social capital and provide insurance safety net when a company faces crisis related to our 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 firm to gain sociopolitical legitimacy, which enables the firm to elicit positive stakeholder responses and gain legitimate political access.

## 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 our stakeholders and maintain the firm's sustainability for the benefits of our stakeholders. To achieve this mission, ESG activities are spearheaded by the board of the Company (the **"Board"**). Comprising three executive directors, three non-executive directors and three independent non-executive directors as of 31 December 2022, the Board is responsible for formulating the Group's overall objectives and 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 Chairman, Chief Executive Officer and other top management personnel of the Company. The SMT is charged with supervising the internal operations of the Group and executing plans developed by the Board. The Group's main business lies in the household small appliances industry, and the SMT provides clear guidelines to effect sustainable development measures within day-to-day operations.

The Company's Health, Safety and Environment (**"HSE"**) Committee was established in 2012 and for the year ended 31 December 2022, it comprised of the Group's 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. In the reporting period, the HSE Committee had convened quarterly meetings to review the Group's HSE performance and examine related projects.



### Stakeholders Engagement

The Group values the importance of communication with our stakeholders and maintains open communication channels with them in order to build trust and long-term relationship. We believe that this improves 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 our daily work or this report. The following table summarises our key stakeholders and the main channels through which we maintain everyday communication with them.

Stakeholder Groups	Main Communication Channels
Customers	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 and interim reports, AGM, 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 conference
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- and medium-term targets, and monitors progress made during the reporting period.

Topic	2023 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. Minimize Supply Chain Risks and Logistics Risks	Develop more stable and more agile global supply chain and logistics for import/export of finished goods and raw material
5. Cybersecurity and Data Protection	Complete ISO 27001 certification process
6. Digital Transformation	Reduce paper usage through cloud technology and run a paperless operations with more e-banking and digitalized processes

## Customer Oriented and Building the Economy

### Customers

The Group’s management team members partner closely with our customers. We help execute those strategies by delivering processes, technology solutions, thought leadership, consultation, marketing and digital communication services, unique insights, and exceptional experiences directly to our customers. We follow a digital strategy to transform our ability to anticipate and serve customer needs to provide distinctive value-add to customers. We follow two guiding principles – (1) Customer First; (2) Team Up to Win – to tailor make products at relatively affordable prices; and provide faster and more responsive service to our customers.

Consequently, 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. Fourth, we have procedures to safeguard intellectual property (IP) rights to protect our customers’ intangible assets. Finally, in 2023, we will try our best endeavour to be certified for ISO 27001 so we have cybersecurity best practices to safeguard consumer data protection and privacy policies.

Regarding recalls and safety/health related issues, we recorded the number and percentage of total products sold or shipped that have been subject to quality recalls for possible risk to safety and health. In 2022, total products sold were 9,705,617 pieces of finished goods; and 890 pieces were recalled due to quality issues, representing 0.009% of total products shipped subject to recalls for malfunctioning reasons. We would like to emphasize that none of the recalled products were related to safety and health reasons.



Regarding number of products related complaints received, we received a total of 9 cases of customer complaints in 2022. We have a standard procedure to deal with customers' complaints: for each case of customer complaint, we would set up a team/committee to investigate the root cause of the complaint and identify all the potential root causes in our supply chain and along our internal processes. We would take corrective actions to solve the problems by adopting a temporary short-term solution and a longer term solutions with continuous improvement.

Regarding practices relating to observing and protecting IP rights, our standard practices are as follows: we would sign a non-disclosure agreement (NDA) with all customers to safeguard any IP rights arising from product development discussion. Furthermore, the Group had been an OEM manufacturer for over 50 years and not once, did our management or staff copy our customers' IP or design and sell similar products in the market without consent from our customers. The Group also retains legal advisory services from a law firm in Chicago, USA and a law firm in Guangzhou, China to safeguard both IPs from our customers' and IPs from our own R&D innovations. On several occasions, the Group has taken legal actions against those manufacturers who infringed our IPs and our customers' IPs.

Regarding practices relating to implementing and monitoring consumer data protection and privacy policies, we have started our ISO 27001 certification process in 2020 and will continue in 2023. Our goal is to enable a safe cyberspace to conduct business on e-commerce platforms and enable multifactor authentication for all our web-based processes. We will provide cybersecurity training for our staff and perform random security testing of our staff, making sure we have instituted policies to protect against whaling, phishing and other forms of cyber-attack. E-commerce is becoming increasingly important for our customers and for us to sell more products to our end-customers, and it is very important that we have policies that can safeguard consumer data and privacy; and protect our sensitive data and trade information from hackers.

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. With our efforts, we hope to improve people's health and well-being through meaningful innovation and products offering. Together we deliver superior long-term value to our customers and shareholders, while acting responsibly towards our planet and society, in partnership with our stakeholders.

### **AEO (authorized economic operator)**

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. AEO 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 takes against terrorism. When shipping internationally, safety is of the utmost importance. The C-TPAT provides an added feature to shipping internationally that gets customers 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 proud to announce that we were certified by the PRC China Customs as an AEO in 2020, and the certification will be valid until 2023 for renewal, and 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 secured, 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 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

The Group has around 2,300 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.





### Total Workforce by Gender

	No. of Employees	Percentage (%)
<b>Male</b>	965	42.60%
<b>Female</b>	1,300	57.40%
<b>Total</b>	<b>2,265</b>	

### Total Workforce by Employment Type

	No. of Employees	Percentage (%)
<b>Full-time</b>	2,265	100.00%
<b>Part-time</b>	0	0.00%
<b>Total</b>	<b>2,265</b>	

### Total Workforce by Age Group

	No. of Employees	Percentage (%)
<b>Under 30 years old</b>	363	16.03%
<b>31-40 years old</b>	302	13.33%
<b>41-50 years old</b>	880	38.85%
<b>Over 50 years old</b>	720	31.79%
<b>Total</b>	<b>2,265</b>	



### Total Workforce by Region of Geographical Region

	No. of Employees	Percentage (%)
<b>Guangdong</b>	719	31.74%
<b>Guangxi</b>	505	22.30%
<b>Hunan</b>	407	17.97%
<b>Henan</b>	113	4.99%
<b>Sichuan</b>	78	3.44%
<b>Yunnan</b>	40	1.77%
<b>Guizhou</b>	80	3.53%
<b>Other regions</b>	323	14.26%
<b>Total</b>	<b>2,265</b>	

### Employment Turnover Rate by Gender

	No. of Employees	Percentage (%)
<b>Male</b>	161	48.06%
<b>Female</b>	174	51.94%
<b>Total</b>	<b>335</b>	

### Employment Turnover Rate by Age Group

	No. of Employees	Percentage (%)
<b>Under 30 years old</b>	237	70.75%
<b>31-40 years old</b>	82	24.48%
<b>41-50 years old</b>	11	3.28%
<b>Over 50 years old</b>	5	1.49%
<b>Total</b>	<b>335</b>	



## Employment Turnover Rate by Region of Geographical Region

	No. of Employees	Percentage (%)
<b>Guangdong</b>	91	27.16%
<b>Guangxi</b>	72	21.49%
<b>Hunan</b>	55	16.42%
<b>Henan</b>	65	19.40%
<b>Sichuan</b>	18	5.37%
<b>Yunnan</b>	8	2.39%
<b>Guizhou</b>	5	1.49%
<b>Other regions</b>	21	6.27%
<b>Total</b>	<b>335</b>	

## Diversity, Equity and Inclusion

To promote diversity, equity and inclusion, the Group builds and fosters an inclusive workplace where everyone feels valued and heard. The Group has a “No Labelling” policy to issues related to gender equality and LGBTQ+. The Group says “No” to racism and promotes a culture that is open, embraces different view and opinions, flexible, creative and improve cohesion and togetherness amongst employees and other stakeholders. We stand for what we believe in and accelerate diversity and changes. We firmly believe that life would be better when “you are you” (roots and a sense of belonging by being your unique self).

To quote from former CEO of Philips, Mr. Frans van Houten, we, RIL, are also a group that believes “the best innovation derives from a fully inclusive environment that is open to all people, ideas and new way of thinking.” With an active diversity programme, we hope to create the best place for people to work, especially for those who share our passion to promote personal development, inclusion and diversity.

We were inspired by the “Hygge” attitude from Danish culture that fosters togetherness and team work while appreciating good things in life at our factory, though with a Chinese cultural twist. Instead of the Scandinavians’ “fika”, where staff and workers typically talk informally over all aspects of life during a coffee break in Norway, Sweden and Denmark, we held numerous “BaiShen” events, or diety worshipping rituals, when we launched new products and invited major stakeholders from customers or suppliers to build up better rapport while sharing food and happiness, in anticipation of the first products coming out from our production assembly lines.



## Growing 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 be fairly rewarded and compensated – based on top management appraisal from time to time. Our systems and initiatives emphasize 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 dealing with 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. We provide training on anti-corruption law to our staff. In an effort to eradicate corruption, we follow the Hong Kong Independent Commission Against Corruption’s Code of Conducts to avoid conflicts of interest, bribery and corruption in the workplace, and work with local authorities in PRC China to eliminate any types of bribery, corruption, fraud and misconducts that are socially unacceptable behavior. 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. During the reporting period, the Company did not receive any report about fraud and corruption, and the Board was not aware of any material irregularities.

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. We have not been made aware of any concerns on this topic during the reporting period.

### 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. During 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 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 nurtured 3 doctors, 3 MBAs, 4 Masters in engineering/quality management who graduated from either PolyU or HKUST through their participation in the Talent Development Programs.



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 advantages 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 in an 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, 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:

### Percentage of Employees Trained and Average Training Hours Completed Per Employee by Gender

	No. of Employees Trained	Percentage of Employees Trained (%)	Average Training Hours per Employee (hrs)
<b>Male</b>	965	42.60%	49.1
<b>Female</b>	1,300	57.40%	54.4

### Percentage of Employees Trained and Average Training Hours Completed Per Employee by Employee Category

	No. of Employees Trained	Percentage of Employees Trained (%)	Average Training Hours per Employee (hrs)
<b>Middle management</b>	509	22.47%	36.0
<b>Regular employees</b>	259	11.43%	27.0
<b>Production line workers</b>	1,497	66.09%	62.0



## Safe Working Environment

Work safety is the most important aspect at our production facilities and our management team would try our 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) Regulations from the USA. For certain products that required higher quality and safety standard, our production facilities met ISO 13485 standard for medical devices, FDA and HACCP 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 asked 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. On every floor of a factory, there are emergency response instructions, a gas detection fire alarm, fire extinguishers, and an eye washing station for use when necessary. All the 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 also 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:

### Lost Days Due to Work Injury

	FY 2022
<b>Lost Days Due to Work Injury</b>	607

### Work-related Fatalities

	FY 2022	FY 2021	FY 2020
<b>Number of work-related fatalities</b>	0	0	0
<b>Percentage of work-related fatalities</b>	0%	0%	0%

### Nurturing Employee Welfare

Employees are the Group's most valuable assets, so we pay utmost attention to the recruitment process and the retention of talent. As the Group grows, the Group expects every employee will do well, do good and do the right thing for the Group 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 to 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 that the Group's talent management system can be optimised.



## Supply Chain

The Group places special attention to development of a socially responsible and environmentally friendly 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 that materials to be halogen-free, ozone-free and do not contain Conflict Minerals (those 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 broadly be 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.

### Number of Suppliers by Geographical Region

Geographical Region	No. of Suppliers	Percentage (%)
<b>Pearl River Delta Region</b>	216	84.71%
<b>Yangtze River Delta Region</b>	17	6.67%
<b>Overseas</b>	14	5.49%
<b>Others</b>	8	3.14%
<b>Total</b>	<b>255</b>	

### 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 the pre-approved list. Suppliers are encouraged to invest and participate in socially responsible ESG activities even though 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 its 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 year, no supplier was warned or disqualified for violating anti-bribery declarations or undertakings, nor was there any litigation involving bribery or fraud.

When it comes to practices relating to selecting and engaging qualified suppliers, the Procurement team follows the basic principles of excellent quality, competitive costs, good service and on time delivery in the supplier selection process. The Procurement team works closely with the Quality team to perform incoming quality inspection sample check for all components delivered from our suppliers. In case of non-compliance, the Procurement team, together with the Quality team reject the defective parts and asks our suppliers to deliver replacement parts with good quality. Every quarter during the year the Procurement and Quality team would hold quality review and identify suppliers who do not meet our required quality standard. Furthermore, from time to time, both Procurement and Quality teams would send representatives to certain suppliers to inspect their factories and quality systems on site as part of the monitoring practices.

**Glocalization**

In 2023, the Procurement team will follow a strategy that “think globally, act locally”, which is called “Glocalization,” blending globalization and localization. With the Glocalization strategy, the Procurement team will pursue regional and local strategy to reap the two-sided benefits of Glocalization. These benefits include improving lead time by having production facilities closer to our customers; shortening supply chain by reducing lead time and reducing inventory; managing geopolitical risks such as tariffs and local consumers buying preference; and mitigating business continuity risk such as disaster recovery and pandemic readiness. By improving lead time, reducing supply chain complexity, improving service to customers and mitigating tariffs, our Procurement team can align our customers’ need in our product development process and manufacturing operations.

**Socially Minded and Cultivating the Community**

**Community**

Philanthropic initiatives by a 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 consumer well-being products (air purifiers and other health care and grooming/hygiene products) to help build a better overall environment for all stakeholders. We have the desire to create a greener community by investing in innovations and technology that can make our living environment become cleaner and better, while optimizing operations' efficiency and alleviating environmental impact from production to product development.

The Group has received the ISO 14001 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 foster 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 a 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, internet of things (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**

Since 2021, 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 IoT, can increase our Group's competitiveness when we can have faster information flow and processing. Technology can also improve cybersecurity. In 2019, the Group started our ERP system upgrade and completed 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 Group's full and unfettered operational potential. In addition, 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), which is used to automate workflow, infrastructure, back office process which are labor intensive, as the next phase of Digital Transformation program. Nevertheless, we shall not consider investing in Apache Hadoop to initiate the use of artificial intelligence at this stage because of our business nature and the investment costs.

## SQOPE Strategy to Create a Future Smart Factory

SQOPE Strategy stands for (1) Spend management; (2) Quality and regulatory compliance; (3) Operational performance; (4) Productivity; and (5) Excellence.

With the SQOPE Strategy, we hope to create a future smart factory that exemplifies a fully connected way of manufacturing products. A Smart Factory should possess the following characteristics: (a) Data-driven tier governance; (b) Analytics oriented; (c) Connected and collaborative; and (d) Lean/Agile. A Digital Smart Factory eco-system should be scalable and focus on changing management and adoption (people and process). A digital Smart Factory should also address cybersecurity, adopt cloud computing, utilize big data and realize mass customization such as on-demand flexible manufacturing that perfectly matches with customers' need.

Ultimately, sensors (traceability and predictability) will be implemented in smart factory to enhance advanced manufacturing system that integrates cyber-physical hybrid systems with full automation. Advanced logistic, advanced materials, rapid prototyping, robots and IoT will also become essential parts of a smart factory. As a result, we can achieve highly flexible mass production that can be rapidly adapted to market changes and shorter product cycle time. Digitized manufacturing value chain; highly flexible and resource friendly mass production; and the usage of human centered digital tools, will make our key processes more flexible, more efficient and more innovative.

## 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 allow 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 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' needs 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 2023 so we can reduce even more waste and use more recycle material in our production processes.

## Frugality and Prudent 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 year, our Nansha factory have reduced carbon emissions as illustrated in the table below:

### Emissions Data from Vehicles Owned by the Group

Vehicle Type	Nitrogen Oxides (NOx) (g)	Sulphur Oxides (SOx) (g)	Particulate Matter (PM) (g)
Private Car	3,262.22	72.06	240.19
Goods Vehicles	133,083.76	246.08	9,931.29
<b>Total Emission:</b>	<b>136,345.98</b>	<b>318.14</b>	<b>10,171.48</b>

### CO2 Emissions

	FY 2022	FY 2021	FY 2022 vs FY 2021 (%)
<b>Electricity</b> (kilotonnes CO2)	16.71	21.82	-23.41%
<b>Oil</b> (kilotonnes CO2)	0.01	0.03	-41.11%
<b>Gas</b> (kilotonnes CO2)	0.02	0.02	-15.90%
<b>Total CO2 emission</b> (kilotonnes)	<b>16.74</b>	<b>21.87</b>	<b>-23.46%</b>



## Energy Consumption

	FY 2022	FY 2021	FY 2022 vs FY 2021 (%)
<b>Electricity</b> (GWh)	21.29	27.80	-23.41%
<b>Oil</b> (tonnes)	4.68	7.93	-40.98%
<b>Gas</b> (kgs)	9,539.20	11,341.35	-15.89%
<b>Water</b> (000 m <sup>3</sup> )	173.06	187.86	-7.88%
<b>Packaging Materials Used for Finished Goods</b> (tonnes)	1,963.04	3,322.00	-40.91%

## 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 year, our Nansha factory collected 896.65 tonnes of non-hazardous waste, which was a decrease of 69.86 tonnes from the previous year. There are 42.80 tonnes hazardous waste in 2022, which was an increase of 6.11 tonnes from 2021.

## Water Conservation

The Group tries our 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 Sustain Culture and Legacy

### Promote Green Living

Healthy lifestyle brings physical, mental and spiritual health to any individuals and societies. To 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 obligations 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. Starting from 2019, 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 the PolyU and members of the Group were mentors to students at the School of Business during FY2022. The Group also sponsored 3 – 6 months internship for 2 students from the University of Sheffield and the PolyU.
- (iii) Community and Arts Involvement: Members of the Group participated in events organized by the Hong Kong Philharmonic Orchestra. During the COVID-19 outbreak, one of the orchestra players contracted the virus, and tested positive during the Season Opening concerts in October 2020. In early November 2020, members of the Group went to Hong Kong Cultural Centre to conduct air quality tests using tracer gas and gave recommendations to the Hong Kong Philharmonic Orchestra how to rearrange seating and installed barriers between woodwind and brass players to improve the air exchange rate and air flow inside the concert hall. As a result, the Hong Kong Philharmonic Orchestra could continue to conduct concerts at the HK Cultural Centre without another incident of COVID outbreak afterwards. We shall continue to support the arts and music events in Hong Kong in 2023 and onward.



- (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: A New Era in Governance – Carbon Neutrality and Board Diversity" on 10 December 2022 at the Hong Kong Stock Exchange to promote better corporate governance practices.



**香港獨立非執行董事協會週年會議2022**  
**管治開新篇 - 碳中和及董事局多元化**  
**A New Era in Governance -**  
**Carbon Neutrality and Board Diversity**

- 地點：  
香港金融大會堂  
香港中環交易廣場 1、2 座 1 樓

**2022.12.10 (星期六)**  
**09:00 - 13:00**



- (v) Create a Better Society: In 2022, despite the impact of domestic coronavirus prevention and control and the uncertainties of macroeconomics, and the fact that corporate profits had declined, investment in Corporate Social Responsibility projects had not stopped. The Group continued to give back to the society according to the corporate philanthropic practice of making donation for educational purposes that would benefit the society, and actively making CSR investment for educational infrastructural projects in the Greater Bay Area.

Members of the Group made RMB3.75 million donations to Minxin Hong Kong School (Guangzhou Nansha) in Nansha, PRC China through the Philip K.H. Wong Foundation in 2022 and the Group donated RMB1.25 million to the same school in Nansha, PRC China in 2022.







- (vi) Recognition on Sustainability Improvement: Philips recognized our sustainability performance and presented the Gold award to recognize the Group's continuous improvement in sustainability in 2020. The Group continued to excel and invest in sustainability improvement in 2022 and the years to come.



## 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 backdrop, the Group has a three-pronged strategy to immediate revamp our operations: Business Continuity (contingency planning – how to remotely keep the critical processes going), Costs Control (Contingency plan to optimize fixed costs and adopt fast cost cutting measures), and 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 as our Nansha factory is located adjacent to the Pearl River, we have contingency plan and preventive measures ready for natural disaster caused by flooding.

## Coronavirus Prevention Effort at RIL Factory

### At RIL Nansha Factory

The Group's management had implemented infra-red temperature detection systems at all entrances of the factory and all the visitors must take a rapid antigens test before they could enter the factory. All truck drivers must stay inside their trucks during loading and unloading of goods and raw materials.

Furthermore, periodically the local health authority would come to our factory to check all our workers and staff to ensure no one was infected with Coronavirus when there was reported infection incident in the neighborhood. Staff and workers are required to undergo nucleic acid testing on a regular basis.

Finally, at our staff dormitory, we renovated an entire floor equipped with WiFi access and Zoom meeting equipment, so all visitors (such as auditors from Hong Kong) who entered our factory after the quarantine period would stay there while doing their works and holding remote access meetings with our staff to minimize COVID infection risks.







In 2022, the Group cooperated with the Nansha local government in coronavirus prevention and control. The Group invested and put in a lot of effort in areas such as coronavirus prevention publicity, procurement of medical supplies, renovated our facilities to transform part of them into quarantine quarters, provided workers access to nucleic acid testing, ensured labour protection and provided care for the infected workers who got sick.

In 2022 the coronavirus related prevention and control expenditure exceeded RMB1.78 million (including purchasing sufficient amount of medical supplies, renovating prevention and isolation facilities, coronavirus prevention related activities and provided salary payment to those contracted COVID and needed to be quarantined). The Group organized 43 nucleic acid tests throughout the year at various time for all employees working at the factory, and maintained zero infection until the coronavirus compulsory nucleic testing was lifted in December 2022.

After the coronavirus compulsory nucleic testing was lifted in December 2022, although the number of infected employees increased significantly, there were no severe cases of critical infection, and all staff and workers were healthy and safe after they recovered from COVID; and we were blessed that no major disruptions in operation happened during December 2022 when the COVID infection reached its peak at our Nansha factory.

## About the Report

The 2022 *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 2022 to 31 December 2022, unless otherwise specified.



## Environmental, Social and Governance Reporting Guide – Content Index

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KPI A1.1	The types of emissions and respective emissions data	Page 19
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Page 19
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Page 20
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Page 20
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	Pages 15-20
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Page 20



Aspects, General Disclosures and KPIs	Description	Page No. of ESG Report 2022
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KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Page 20
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Pages 19-20
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Page 20
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Page 20
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources	Pages 15-20
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Pages 15-20
<b>Aspect A4: Climate Change</b>		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Page 25
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Page 25



Aspects, General Disclosures and KPIs	Description	Page No. of ESG Report 2022
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KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region	Pages 8-9
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Pages 9-10
<b>Aspect B2: Health and Safety</b>		
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	Page 13
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KPI B2.2	Lost days due to work injury	Page 13
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Page 13





Aspects, General Disclosures and KPIs	Description	Page No. of ESG Report 2022
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KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Pages 14-15
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KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Pages 14-15



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KPI B6.2	Number of products and service related complaints received and how they are dealt with	Page 6
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Pages 5-6
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<b>Aspect B7: Anti-corruption</b>		
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 bribery, extortion, fraud and money laundering	Pages 11
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Page 11
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**RAYMOND** Industrial Ltd  
利民實業有限公司