



2020 Sustainability Report

Protect and Enhance Health
and Quality of life by Innovation





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List of abbreviations

AHAM	Association of Home Appliance Manufacturers
ASTM	American Society for Testing and Materials
CEO	Chief Executive Officer
BSC	Balanced scorecard
IT	Information technology
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CRM	Customer Relationship Management
CSR	Corporate social responsibility
JSC	Joint Stock Company
DMS	Distribution Management System
GMS	General Meeting of Shareholders
EHS	Environment - Health - Safety
ERM	Enterprise risk management
ERP	Enterprise Resource Planning
ESG	Environmental - Social - Governance
GDP	Gross domestic product
GRI	Global Reporting Initiative
GT	General trade
IFC	International Financial Corporation
UN	United Nations
BOD	Board of Directors
HN	Hanoi
IEC	International Electrotechnical Commission
IoT	Internet of Things
ISO	International Organization for Standardization
KPI	Key performance indicator
KSI	Key strategic indicator
IC	Internal control
IA	Internal audit
MT	Modern trade
NSF	World Health Organization Collaborating Center on Food Safety, Water Quality and Indoor Environment
OECD	Organization for Economic Co-operation and Development
OEM	Original equipment manufacturer
PP	Polypropylene

QA	Quality assurance
QCVN	Vietnamese regulations
R&D	Research and development
SDG	Sustainable Development Goals of the United Nations
SLA	Service-level agreement
Co., Ltd.	Company Limited
UL	Underwriter Laboratories
USD	United States Dollar
VN	Vietnam
VND	Vietnamese Dong
VNSI	Vietnam Sustainability Index

Overview of the Sustainability Report

Based on management, supervision and measurement systems as well as performance reports, Karofi Group's 2020 Sustainability Report is compiled in accordance with GRI Standards of the Global Reporting Initiative. These are the most updated and generally accepted standards for sustainability reporting with higher level of transparency and accountability.

Following IFC's Environmental and Social Disclosure Guide, this Report also helps clarify our strategic direction and commitment on sustainability to the management. Our strategic orientation of sustainability together with prioritized subjects and matters, are matched with 17 Sustainable Development Goals of the United Nations.

Reporting period



The Sustainability Report provides information on sustainability efficiency in overall activities of the Group in the financial year of 2020 (from January 01st, 2020 to December 31st, 2020).

Scope and limitations of the Sustainability Report



Content of the Report is developed from information and data derived from main business activities of Karofi Group, as well as information collected and gathered from affiliates and subsidiaries controlled by Karofi Holding, including Karofi Group Joint Stock Company, Karofi R&D Joint Stock Company, Tecomen Technology Company Limited, Korihome Vietnam Company Limited and Karofi Industrial Joint Stock Company.

Karofi Group is committed to making a great effort to extend the scope and limitations of the Report with a view to meet changing demand of the management in the future

Our factory in Hung Yen

Contact information



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Chapter 1

General information

Highlights in 2020

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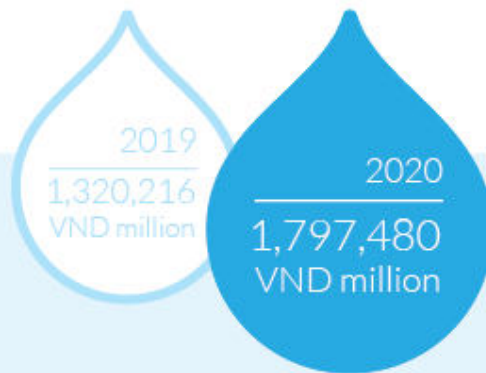
Message from Chairman of the Board of Directors cum Chief Executive Officer

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“Karofi - the spearhead of sustainability”

Highlights in 2020

Total revenue (consolidated)



477,264
▲ VND million
in comparison with that of 2019



Number of employees
>1,500



Stores
7,200



Products are exported to
40 countries
on a cumulative basis



CSR (cumulated)
23
VND billion



425,000
products are manufactured
54
new products



Innogen initiative
7,498
initiatives

Profit after tax



79,136
VND million

▲ **28,012**
VND million
in comparison with that in 2019

Total Asset



1,766,163
VND million

▲ **337,238**
VND million
in comparison with that in 2019

Shareholder's Equity



712,933
VND million

▲ **80,861**
VND million
in comparison with that in 2019

"The most impressive smart water purifier"
as voted by Tech Awards - VnExpress

"The most popular water purifier in 2020"
according to the Report of the water purifier market research in 2020 by Techsci - A global market research company



Message from Chairman of the Board of Directors - Chief Executive Officer

Karofi is proud to be the most popular and most trusted by Vietnamese customers, with the mission of "Protecting and improving health of human in better water and air environment". After almost 15 years of incorporation and development, Karofi has maintained its leading position in the market of residential water purifiers, thanks to its best-quality products and breakthrough changes in its technologies, features and designs. Besides successfully building brands of water purifiers and air purifiers such as Karofi and Korihome, we have also researched, developed and offered home appliances that are practical to the people's health and lives, such as instant water dispensers, air coolers, seawater filters, saline water filters, etc. Thereby, Karofi has contributed in the motivation of market and supply chain development, and improved domestic innovation and production scale based on sustainability criteria taking into consideration interests of stakeholders.

In order to further affirm the leading position, secure growth and enhance practical values for the community, Karofi has always considered strategic sustainability initiatives, commitments and involvement as its top priorities. These are consistently shown in the following focuses:

Commitment to added value and benefits in products and solutions for better quality of life and environment for customers and communities

Karofi has relentlessly launched new products featuring state-of-the-art technologies to improve water use efficiency, reduce consumption of power and natural materials, foster use of environmentally-friendly material solutions and create more added-value for customers and users. For example, Alotec application has been integrated with many products with the aim of establishing smart IoT-based connections and features, for convenience in information check during use.

Constant innovation and improvement for performance enhancement and cost reduction

Karofi encourages and prioritizes application of advanced production technologies for consuming less materials, saving costs, enhancing production performance, reducing emissions to the environment and optimizing water use efficiency. For example, Smax PP filtration system features double capacity while reducing consumption of primary plastics (PP) by more than 50%. Additionally, Karofi has used power-saving machines, while applying filter cartridge production systems with double capacity and the same power consumption.

Fulfillment of the obligation to make direct contribution to the community

Karofi has always made every endeavor to give great support to the community, especially disadvantaged people and areas that suffer unexpected impacts or consequences of natural disasters, epidemics, etc., such as remote and mountainous areas. This support is valued at about VND 10 billion in 2020. Especially during the outbreak of Covid-19 pandemic, Karofi has proactively expanded its business field to production of saline water filters, flood water filters and face masks that meet European and American standards, with a view to giving medical support to the community in parallel with setting aside funds for donation to the fight against Covid-19 pandemic. Besides, Karofi has fulfilled its obligations to the State budget at all times and got commendation from regulatory bodies in 2019 and 2020 as a result.

Sustainable supply chain and engagement with stakeholders

Karofi's sustainability strategy is thoroughly shown in its activities and value chain. Therefore, Karofi has proudly differentiated itself from its competitors in the same industry, and becomes the leading OEM in Vietnam in terms of water purifiers. We focus on seeking and choosing domestic suppliers for promoting and upholding national production capacity, offering the most affordable price and making practical products for better quality of life more accessible to the community. Following Sustainable Development Goals (SDGs) of the United Nations, Karofi has proactively encouraged and given ESG commitments in

In order to further affirm the leading position, secure growth and enhance practical values for the community, Karofi has always considered strategic sustainability initiatives, commitments and involvement as its top priorities.

Chairman/CEO - Nguyen Thy Phuong



its policies on selection of and negotiation with suppliers, with the aim of building a sustainable supply chain and engaging with partners and stakeholders.

Continuous investment in human resource

Karofi's top priorities are human development and human resource quality. Not only offering equal recruitment, compensation and benefit policies and promotion opportunities to employees, we undertake to invest in training and coaching courses for improving human resource quality and planning potential staff. Programs for promotion of reform initiatives and ideas has brought practical values to the Company, while enhancing human resource quality, fostering breakthrough innovation and promoting employee engagement. Additionally, Karofi has strengthened its cooperation with leading engineering universities in Vietnam, to give future engineers opportunities to share practical knowledge, while attracting high-quality human resource to the Group.

Promotion of corporate governance and information transparency


Group restructuring is in progress, with the aim of fulfilling its vision of ranking among global Top 3 groups in water and air industry by 2040. Consequently, the Group's affiliates are

arranged in value chain with more synergy, and more clarity and transparency in ownership structure and connection among these affiliates.

Interests and rights of shareholders are also assured, thanks to application of advanced corporate governance principles and models, restructuring of the BOD and functional committees, establishment of risk management framework and efficient internal control based on COSO principles towards independent monitoring and supervising mechanism. ERP system has been launched and operated to bring high-quality management and administration information for purposes of decision-making and information disclosure to stakeholders. Karofi and the Group's affiliates have their financial statements for 2019 and 2020 audited by globally prestigious companies, such as Ernst & Young Vietnam Limited, for consolidation of financial reporting data for the whole Group.

Apart from the above sustainability focuses directly related to business operations of Karofi and the Group's affiliates, we pay special attention to agreements and initiatives applied to the entire of supply chain and Karofi's stakeholders, with a view to reducing greenhouse gas emissions, responding to climate change and fulfilling Karofi's responsibilities and commitments to the environment, community and society. In the coming years, Karofi will further invest and expand its business size, diversify products and solutions, access new markets and show its willingness to cooperate with and accompany potential partners and investors, for concretizing its vision, mission and strategies.

Hanoi, March 01st, 2021


Chairman of the BOD - CEO
Thy Phuong Nguyen



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Karofi at a glance

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Vision - Mission - Core Values



Vision

The world's Top 3 leading groups in water and air environment industry by 2040



Core values

- Constant innovation
- Customer orientation
- Outstanding commitment



Mission

To protect and enhance the health and quality of life of human in the water and air environment on our beautiful green planet.



Our history

2006

September 08th, 2006

VPS Company was incorporated (former name of Karofi Holding)



2009

The first factory was built in Da Ton, Gia Lam, Hanoi

KAROFI®

2012

April 23rd, 2012

Karofi Company was incorporated

2014

September 09th, 2014
Korihome Company was incorporated

Korihome®

2015

January 28th, 2015

VPS had its name changed to Tecomen Group



September 18th, 2015

Purastar Company was incorporated



2016

Karofi's products were exported to overseas market for the first time

2017

The factory with total area of 36,000 m2 in Hung Yen was completed and put into operation

2018

Máy lọc nước khỏe bản
LIVOTEC

2019

Karofi was restructured and Korihome and Livotec were consolidated to be brands of Karofi

2020

Tecomen Group was restructured into Karofi Holding and Purastar was changed to Karofi Industrial



Key water purifier series

Smart water purifier

Karofi KAD - D50
water purifier



Master water purifier

KTF-888 water
purifier



Under-sink water purifier

Karofi KAQ
-P95 water
purifier



OEM water
purifier

Key air purifier series

KAP 317 air purifier



KAP - 115 air purifier



18R air purifier

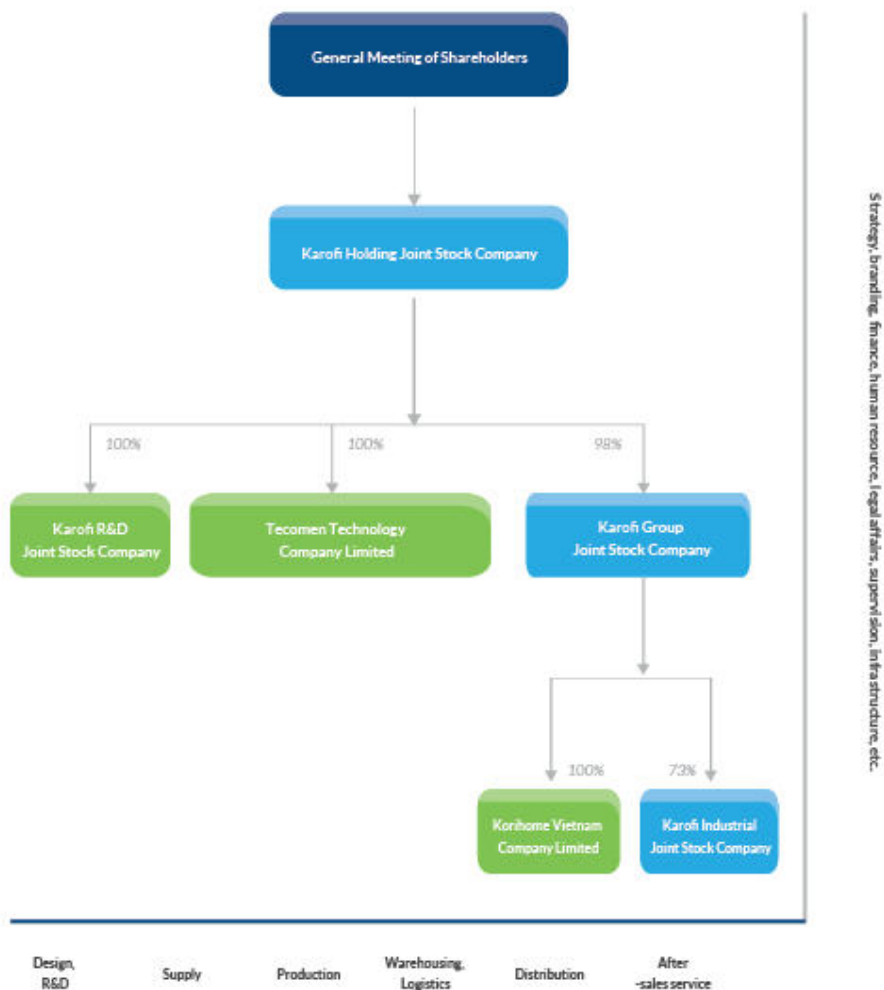


Quạt cây
KF-352DC

- ⊗ Động cơ DC bền bỉ
- ⊗ 26 cấp độ gió
- ⊗ Độ cao tùy chỉnh 3in1
- ⊗ Vận hành êm ái
- ⊗ Tiết kiệm điện năng

KF - 352DC
pedestal fan

The Group's structure along the value chain



The Group's structure based on the intended transformation of the ultimate shareholders' ownership.

	Karofi Holding Joint Stock Company	Karofi R&D Joint Stock Company	Tecomen Technology Company Limited	Karofi Group Joint Stock Company	Korihome Vietnam Company Limited	Karofi Industrial Joint Stock Company
Head office	No. 12, TT1A Lot, Southwest Linh Dam Lake New Urban Area, Hoang Liet Ward, Hoang Mai District, Hanoi	No. 5C, Alley 184/85 Tran Khat Chan, Thanh Luong Ward, Hai Ba Trung District, Hanoi	Tu Ho Hamlet, Yen Phu Commune, Yen My District, Hung Yen Province	8th Floor, HUDLAND Tower, A-CC7 Lot, KDVT Linh Dam, Nguyen Huu Tho Street, Hoang Liet Ward, Hoang Mai District, Hanoi	No. 36 Nguyen Huu Huan Street, Ly Thai To Ward, Hoan Kiem District, Hanoi	5th Floor, HUDLAND Tower, A-CC7 Lot, KDVT Linh Dam, Nguyen Huu Tho Street, Hoang Liet Ward, Hoang Mai District, Hanoi
Website	karofiglobal.com					
Charter capital	VND 300,000,000,000	VND 20,000,000,000	VND 130,000,000,000	VND 360,000,000,000	VND 70,000,000,000	VND 6,700,000,000
CEO/ Director	Mr. Nguyen Thy Phuong	Mr. Tricu Tuyen Hoang	Mr. Nguyen Van Vuong	Mr. Nguyen Thy Phuong	Mr. Nguyen Van Vuong	Mr. Quach Sy Anh



Profile of members of the Board of Directors and professional advisors

Mr. Nguyen Thy Phuong
Chairman of BOD - CEO



Professional qualification

- Doctor of Science of Chemical Nanomaterials, the University of Montpellier, France (2009)
- Master of Science of Environment and Analytical Chemistry, Vietnam National University, Hanoi (2005)
- Bachelor of Chemistry, Vietnam National University, Hanoi

Experience

He has more than 20 years of experience in environmental research. Typical projects in which he has been involved include "Analysis of surface water pollution in Hanoi and application of new technologies to plating wastewater treatment at plating facilities in Hanoi" project (the project was implemented by Free University of Brussels in cooperation with Hanoi University of Science) and "Development of underground water treatment methods using Arsenic in Vietnam and reduction of harms from domestic and drinking water contaminated with Arsenic" project (the project was implemented by Hanoi University

of Science and the Ministry of Health. From 2003 to 2018, he was the Chairman of the Board of Directors of Tecomen Group (former name of Karofi Holding). From 2018 to present, he is the Chairman of the Board of Directors cum Chief Executive Officer of Karofi Group. He is also the author of some scientific research works in France, including "Synthesis of hybrid nanostructured organic and inorganic ion elements. Hybrid nanostructured silicon dioxide contains imidazole group by hydrolysis - polycondensation of mesopore and micropore, decomposed halid imidazole alkyl N,N' - bis" - 2011, 142, 292-300. Thy Phuong Nguyen, P.Hesemann, T.T.M. Linh, J.J.E. Moreau; "Nanostructured polysilsesquioxanes bearing amine and ammonium groups by micelle templating using anionic surfactants" - J. Mater. Chem. 2010, 20, 3910-3917 (DOI: 10.1039/b925352a) - Thy Phuong Nguyen, P.Hesemann, P. Gaveau, J.J.E. Moreau; "Periodic mesoporous organosilica containing ionic bis-aryl -imidazolium entities: Heterogeneous precursors for silica-hybrid-supported NHC complexes", J. Mater. Chem. 2009, 19, 4164-4171 (DOI: 10.1039/b900431a).



Mr. Nguyen Van Vuong
Deputy Chairman of BOD

Professional qualification: Bachelor of Economics, Vietnam University of Commerce

Experience

He has more than 20 years of experience in strategy development, system development, finance, accounting and business management, etc. He is an expert in strategic research, consulting and business administration. Besides, from 2011 to 2015, he was the Deputy Director of VPS Applied Science Company Limited. From 2015 to present, he is Deputy Chairman of the BOD cum Deputy CEO of Karofi Holding. In charge of business and production segment. He is directly involved in orientating, developing and implementing business and operation strategies of the Group. Thanks to him, the Group has been awarded a large number of business contracts by major domestic and foreign partners. In addition, he also led and trained the staff for the Group's development.



Mr. Tran Quoc Viet
Independent non-executive member of the BOD, in charge of the Audit Sub-Committee and Human Resource and Salary Sub-Committee

Professional qualification: Doctor of Business Administration, National Economics University

Experience

- He is the former Deputy Chief Executive Officer of Kinh Do Group and former Chief Executive Officer of North Kinh Do Company. He also had 22 years of experience in managing and running domestic and foreign companies at key positions.
- He has a lot of practical knowledge and experience in transforming family-owned businesses into professional companies that are well-adapted to new business environments.
- He is currently the Chief Executive Officer of Ecopark Group (a member of the BOD), Deputy Chairman of the Vietnam Marketing Association, Chairman of the Institute for Business Management Studies and Applications, an expert in strategic research and consulting, business administration. He regularly acts as an expert of a television program named CEO - Key to success.



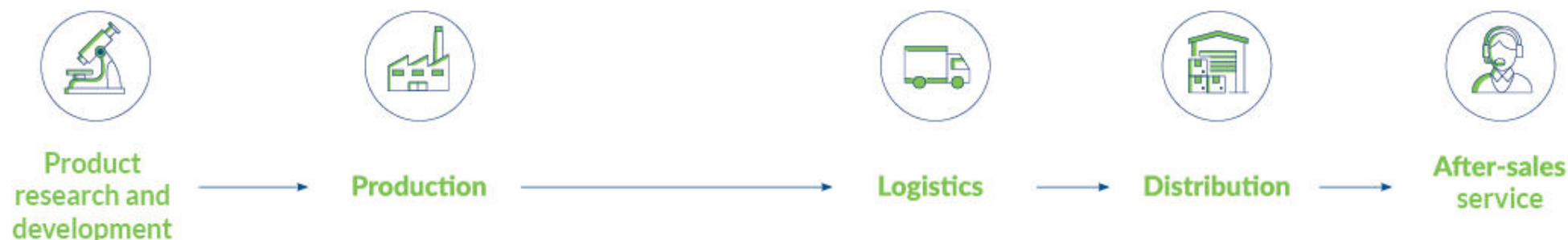
Mr. Hoang Duc Hung
Professional advisor on corporate governance

Experience:

- Hoang Hung is member of North Vietnam Advisory Committee of CPA Australia (2019-2021) a Council member of the Vietnam Corporate Governance Initiative (VCGI). He has more than 26 years of professional experience in advisory and auditing at Big 4 companies in South-East Asia, Australia and the US. He is currently the Founder and Chairman of CGS Vietnam Enterprise Governance Consultancy Limited and the Chairman of Gentis Joint Stock Company (term of 2021-2025).
- He consulted on numbers of World Bank-funded projects such as technical preparation for issuance of a Decree on Internal Audit by the Ministry of Finance (Decree 05), internal audit capacity building for the Ministry of Finance, Ministry of Transport, Ministry of Construction and the State Bank of Vietnam as well as develop guideline and principle for financial supervision for state enterprises (Decree 61).
- Hung has a MBA degree in International finance from Oxford Brookes University (UK) and is a Certified Internal Auditor (CIA) and member of the Institute of Internal Auditors (IIA). He used to be a fellow member of ACCA, VACPA and currently is a member of CPA Australia. He is also qualified as Certified Family Business Advisor (CFBA) under Family Firms Institution (FFI)'s professional programs.

The Group's value-chain based Business Model

Karofi is proud to be a trailblazer in self-developing its own close-loop value chain.



Research and development

Karofi focuses on product groups that guarantee and improve quality of domestic water and air, thereby contributing to protection and improvement of health and life quality for people. Karofi has continuously invested in innovation and standardization of product development processes under ISO IEC 17025, in order to enhance product quality right from the design stage, especially integrate smart technologies for more product features with assured efficiency and safety. It is currently expected that by 2025, all of our commercially available products will get certificate of international standard satisfaction, and our laboratory for water/air purification products will rank among top 5 laboratories in Asia. In detail, water purifiers will get NSF certificate and air purifiers will be granted with UL, ASTM, AHAM certificate. Additionally, our laboratory will strive to hold Lab test certificate under ISO IEC 17025 - Standard of quality management system exclusively applied to laboratories and testing centers, issued by the International Organization for Standardization (ISO). Main activities of product research and development in 2020 include:

- Research and develop 54 new products (in three fields, including domestic business, export and OEM), of which, 100% of air purifiers are developed by Karofi's engineers.
- Research and master production of components for increasing local content to 95%.
- Develop and master the smart technology solution named Aiotec, that helps users to supervise situation of their water purifiers anywhere by Internet-connected mobile phones, once the connection between the solution and mobile phone are established.
- Perform in-depth research of cartridge technologies, and apply environmentally-friendly and recyclable materials with assured safety and efficiency of products.
- Develop a library of product features and research new available technologies for application to future products.

Production

Karofi has been maintaining and complying with internal processes for quality assurance under ISO 9000 standards.

Karofi currently owns a factory in Tu Ho, Yen My, Hung Yen with area of 36,000 m², over 1,000 employees and capacity over 1,000,000 products per year.

Karofi has invested in, imported state-of-the-art machines and technologies from prestigious brands (such as Korean LS), and managed operation under advance technical standards. Investment in and innovation of high technologies have not only helped to enhance quality and capacity, but also contributed to implementation of energy saving and material consumption reduction strategies, thereby mitigating impacts on the environment and natural resources.

In May, 2020, at request of customers in the U.S. market and in order to supply information for assessing satisfaction of conditions and requirements on export to the U.S., production capacity of the factory was audited under ISO 9000 standards of quality management system, by Qima - the leading international organization specialized in supplying solutions and services for supply chain assessment. According to the result shown in the auditor's report of Qima, Karofi's factory got total scores of 8/10, of which, score of social responsibility and the environment is 7.72/10 and 7.60/10, respectively.

The Group's business model based on value chain (continued)

Distribution

Channels and methods for distribution of Karofi's products have been further diversified, such as (1) E-commerce websites; (2) Conventional sales channels; (3) Supermarkets; (4) Projects, etc., with 7,200 points of sale in total in 63 provinces and cities nationwide (including 6,000 conventional points of sale and 1,200 points of sale at supermarkets). Resources and policies for timely and efficient customer care have made Karofi's products more accessible to end users, including customers in remote and mountainous areas or disadvantaged customers. Karofi smart water purifiers have further affirmed their quality, met requirements on export to 40 countries and territories in the world, such as the Africa, Oceania, America, Southeast Asia, West Asia, etc. Thanks to new products featuring various models and innovation of technologies and quality, Karofi has managed to maintain its market-leading position.

7,200
stores

6,000
conventional points of sale

1,200
supermarkets

63
provinces and cities

Products are exported to
40
countries and territories

Customer service

The endless development of the modern society is associated with various lifestyles and serving demands. Karofi well understands customers and provides the best care to customers with special attention, high responsibility and complete commitment to Customer orientation (one of Karofi's core values), thereby, relentlessly fostering relationships with customers, and providing maintenance packages, exciting and considerate experience to customers. Consequently, in 2020, Karofi was proud to become the leading group in terms of customer service and get high rate of satisfaction of customers, dealers/distributors with its customer care service and warranty service:

- 95% of customers are satisfied with customer care service.
- 90% of dealers are satisfied with services.
- 95.2% of customers feel satisfied with and highly appreciate workmanship of technicians.



95%

of customers are satisfied with customer care service

90%

of dealers are satisfied with services

95.2%

of customer feel satisfied with and highly appreciate workmanship of technicians

Our Supply Chain

It can be said that Karofi's supply activities have made a great contribution to its business result in 2020. Although the Covid-19 pandemic got worse and import, export and logistics activities faced difficulties globally, Karofi's supply activities still managed to meet demand for domestic business, export and supply raw materials for production, thanks to reform and innovation solutions.

Main inputs

- Corporate governance system: Transparent and efficient
- Financial resource: Investment from banks and shareholders
- Human resource: Human resource of Karofi and its partners
- Infrastructure and production facilities: Conditions on product manufacture and supply
- Technology application: Reform, innovation and efficient use of resources
- Supply chain: Suppliers, distributors and customers
- Relationships with stakeholders; Regulatory bodies, local communities and employees

MAIN BUSINESS ACTIVITIES

- Product research and development
- Production of water purifiers
- Production of air purifiers
- Sales (products of the Group and OEM)
- After-sales service

Value creation

- Values for shareholders and investors (revenue, profit and corporate value)
- Contribution to the community (taxes and community support)
- Responsibility to employees (create more jobs, improve professional skills and workmanship, recognize, and offer salary, bonus and other interests)
- Values for consumers (water, air quality and other features)
- Values for stakeholders (value chain and market leading)
- Responsibility to the environment (emission management and reduction of natural resource consumption)

Our 2020 Business Result

Consolidated figures according to the separate financial statements for the financial year ended December 31st, 2020, audited by Ernst & Young Vietnam Limited, based on the ultimate shareholding structure assumptions

Total revenue (consolidated)	1,797,480 VND million	▲ 477,264 VND million in comparison with that in 2019	growth rate of 36.15%
Profit after tax (consolidated)	79,136 VND million	▲ 28,012 VND million in comparison with that in 2019	growth rate of 54.79%
Total assets (consolidated)	1,766,163 VND million	▲ 337,238 VND million in comparison with that in 2019	growth rate of 23.60%
Owner's equity (consolidated)	712,933 VND million	▲ 80,861 VND million in comparison with that in 2019	growth rate of 12.79%



Pay VND 100,872 million of taxes to the State budget



VND 10 billion for CSR projects, 5 water purification stations and 48,000 boxes of face masks



Over 1,500 employees



425,000 manufactured products and 54 new products



7,498 production initiatives and solutions for cost-effectiveness

Karofi's water purifier is voted as the most impressive smart water purifier at Tech Awards held by VnExpress.

Karofi is the most popular water purifier brand in 2020 (Report of the water purifier market research in 2020 by Techsci - A global market research company).





Chapter 3

Sustainability strategy

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Actions of Karofi

In order to address these above challenges and seize opportunities, Karofi performed overall identification of risks and challenges at the Group level, thereby, driving and managing strategic goals based on BSC, launching and managing Innogen Initiatives via KSI, while closely controlling possible risks for promptly taking prevention measures via risk management and internal control activities.

Actions towards suppliers

- Seek alternative supplies for control of input costs.
- Invest in research and development for improvement of product quality.
- Automate production lines for production cost reduction and price control.
- Continuously update and communicate statutory policies and regulations of the State for guaranteed compliance.
- Gather waste at separate locations and sign agreements/commitments on treatment of toxic waste with environmental sanitation units under regulations.



Actions towards customers

- Diversify products and renovate technologies in line with changing demand and preference of consumers.
- Supplement selling channels based on new platforms and develop attractive sales programs for increased sales.
- Integrate hi-tech/smart solutions for enhancing superiority and convenience of products.
- Seek long-term funding commitments/agreements for guaranteeing cash flow/balancing funds for business operations in all circumstances.

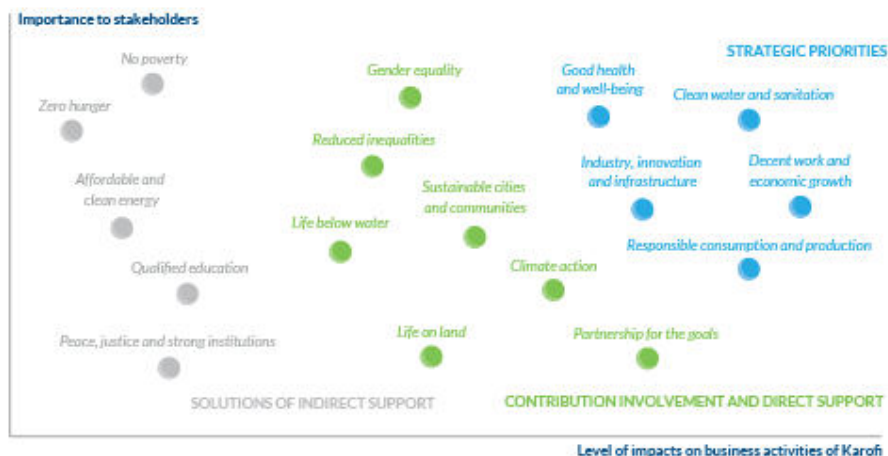
Actions of manufacturing factory

- Develop and communicate scenarios of response to each situation that has impacts on business activities of the Group at various levels.
- Establish the Covid-19 Control Committee and develop, communicate plans for rapid response to new information about the pandemic.
- Develop IT infrastructure for online working in case of social distancing/ local lockdown when the pandemic gets worse, etc.



Strategic goals

In order to concretize business strategies and follow 17 Sustainable Development Goals (SDGs) of the United Nations, Karofi has identified and given its material and prioritized goals based on levels of impacts on overall business activities, in conformity with sustainability strategy of the Group, assuring balance of interests for stakeholders.



Linkage between Karofi's business activities and Sustainable Development Goals

Besides growth, Karofi puts a lot of emphasis on sustainability in 2021 and the next years, by developing teams, policies and action plans for promoting sustainability.

Specific goals:

Economy



Society



Environment

Increase the number of initiatives for renovation of production



Corporate governance



Strategic governance in integrated with sustainable development goals

Internal governance becomes transparent and professional, thanks to application of international frameworks and standards, such as COSO's ERM Framework 2017, COSO's Internal Control Framework 2014 and Vietnam Corporate Governance Code 2018. Karofi has also measured implementation of strategies via internationally accepted enablers, including KPI and BSC. Financial statements of the Group's affiliates are audited by Ernst & Young Vietnam.

Vision, strategic orientation and core values of the Company are made consistent from top to bottom and shown throughout all activities.

Mission
Why do we exist?

Values
What is important to us?



Results of the strategy

Satisfied
shareholders

Satisfied customers

Efficient processes

Trained employees

Diagram of Karofi's strategic management

Engagement between stakeholders and Karofi

The association between business activities and Karofi's sustainability strategy is characterized by understanding, listening and taking actions in harmony with demand and expectation of stakeholders.



Matrix of dependence of stakeholders and impacts of Karofi

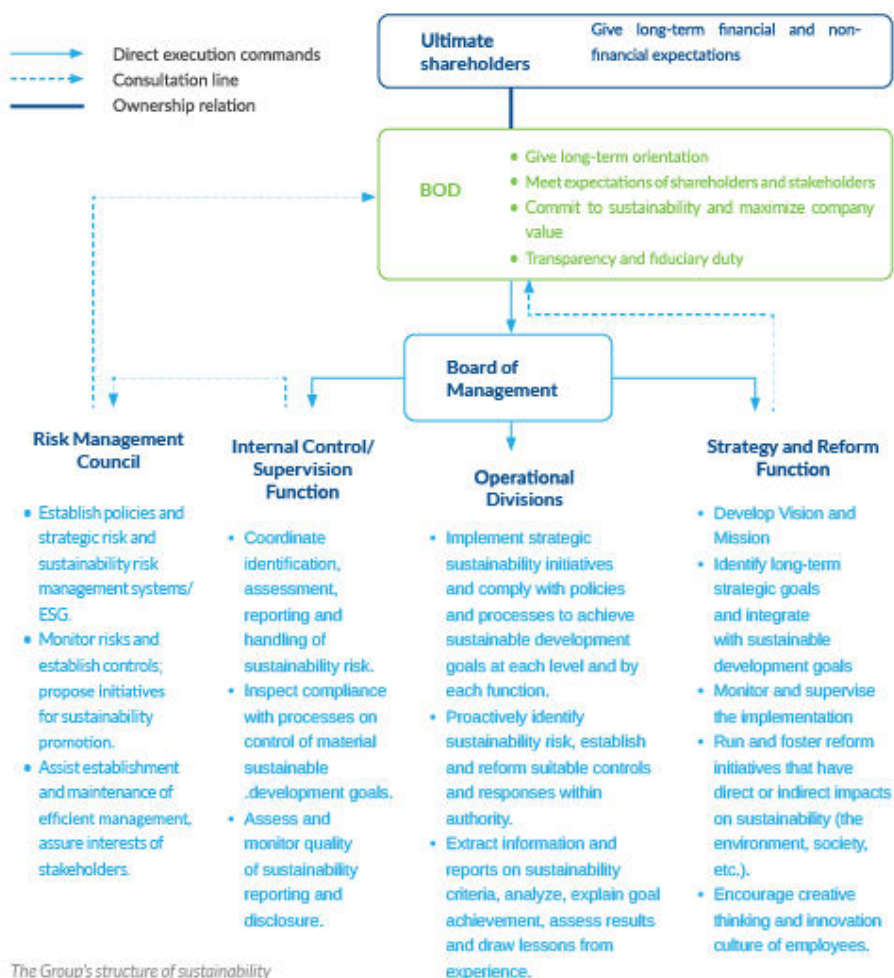


Understand demands and meet expectation of stakeholders

Identification of stakeholders	Exchanged information	Information exchange activities in 2019 and 2020	Information processed by	Demand and expectation	Policies and actions
Customers	<ul style="list-style-type: none"> Collect information from sales employees/ Distributors/Dealers. Give support to question answering and complaint settlement. Communicate via channels. 	<ul style="list-style-type: none"> The average waiting period on call center (second): 8.5. Technicians are on duty 24/7 for support to customers in case of emergency. 	<ul style="list-style-type: none"> Customer Relation/ Care Division 	<ul style="list-style-type: none"> High-quality, safe and affordable price Accessibility Information on product quality and output (water and air) is clear, transparent and reliable. Best care, quick handling of information and complaints 	<ul style="list-style-type: none"> Endlessly reform and innovate, improve product quality. Suitable sales and after-sales policies. Promote staff training for reducing waiting time for complaint settlement, enhancing customer care service quality and increasing rate of satisfaction of customers with customer care products and services.
Employees	<ul style="list-style-type: none"> Review meetings/year-end parties. Training courses for skill and workmanship improvement. Communicate internally and develop corporate culture. Mechanism for exchange and settlement of complaints and denunciations. 	<ul style="list-style-type: none"> 100% of complaints of employees are settled unanimously. 100% of employees are involved in period assessment of personal work performance, capacity and qualification. 	<ul style="list-style-type: none"> Human Resource and Training Division 	<ul style="list-style-type: none"> Suitable and deserving compensation and benefit policies. Contributions and achievements are recognized. Employees are trained and developed for personal capacity. 	<ul style="list-style-type: none"> Issue attractive terms of compensation, benefits and working conditions. Assure transparency and equality in assessment and nomination for promotion.
Shareholders/ Investors	<ul style="list-style-type: none"> Consult via meetings. 	<ul style="list-style-type: none"> Hold a meeting participated by 100% of shareholders. 	<ul style="list-style-type: none"> Shareholder Relation Division 	<ul style="list-style-type: none"> Long-term value of the Group increases 	<ul style="list-style-type: none"> Develop and publish Annual Reports and Annual Sustainability Reports.
Suppliers	<ul style="list-style-type: none"> Seek and assess suppliers. Supervise goods and service supply. 	<ul style="list-style-type: none"> Assess and accept transactions with 365 more suppliers in comparison with the number of suppliers in 2018. 	<ul style="list-style-type: none"> Supply Division 	<ul style="list-style-type: none"> Long-lasting cooperation for mutual benefits 	<ul style="list-style-type: none"> Closely control quality of input products/services. Seek better suppliers when existing suppliers fail to meet quality requirements and/or offer unacceptable price.
Press and media agencies	<ul style="list-style-type: none"> Business operations and product quality. 	<ul style="list-style-type: none"> Post 350 articles on online newspapers. 	<ul style="list-style-type: none"> Public Relation Division 	<ul style="list-style-type: none"> Articles accurately and promptly show the truth. 	<ul style="list-style-type: none"> Good relation for brand promotion and support to recruitment.
Local communities	<ul style="list-style-type: none"> Cooperate with local authorities and associations. Recruit employees residing at the place where the factory is located. 	<ul style="list-style-type: none"> 100% of employees are the locals. Activities for local communities amount to VND 10 billion. 	<ul style="list-style-type: none"> Production Management Division Public Relation Division 	<ul style="list-style-type: none"> Develop local economy. Reduce local unemployment rate. Corporate social responsibility. 	<ul style="list-style-type: none"> Closely cooperate with local communities. Efficiently perform activities for the community.
Other regulatory bodies of the Government	<ul style="list-style-type: none"> Business situation and result. 	<ul style="list-style-type: none"> Taxes amounted to VND 100,872 million are paid to the State budget. 	<ul style="list-style-type: none"> Finance and Accounting Division Legal Affairs Division 	<ul style="list-style-type: none"> Make contribution to the State budget. Comply with legal provisions. 	<ul style="list-style-type: none"> Comply with current regulations. Fulfill obligations to the State budget in full.

Corporate governance

Karofi is in progress of restructuring and has included independent members in the BOD of some affiliates. This will be further applied to all affiliates of the Group in the future. Besides, Karofi has been enhancing and reinforcing its corporate governance based on principles of Good Corporate Governance of OECD and Vietnam Corporate Governance Code issued by the State Securities Commission of Vietnam in 2018.



The Group's structure of sustainability strategy management



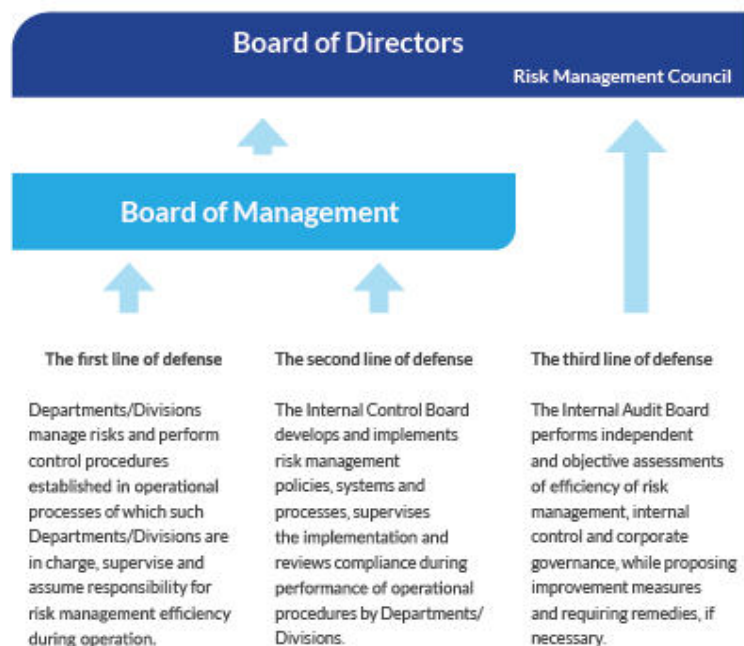
Supervision of sustainability strategy implementation and sustainable risk management by the Group

Karofi also has reviewed and amended the Company Charter to reflect contents related to corporate governance under Enterprise Law No. 59/2020/QH14 (that takes effect from January 01st, 2021 and replaces Enterprise Law No. 68/2014/QH13), while issuing a series of policies and regulations on operation of the Board of Directors, Board of management and affiliates in order to show the suitable relationship between ownership and management. Besides, Karofi has focused on improving quality and efficiency of lines of defense via internal regulations on corporate governance, regulations on operation of the Internal Control/Supervision Function and risk management policies of the whole Group that are developed and applied under COSO's Framework.

Level	Documents	Prepared by	Reviewed by	Issued by
Level 1	Resolutions and Decisions	BOD	Legal Affairs Division	BOD
Level 2	Powers of attorney/ Documents on authorization withdrawal, Financial statements and Economic Contracts	CEO/Operational Division	Legal Affairs Division	CEO/ Person authorized by CEO
	Decisions/Policies/Notices	CEO/Operational Division	Operational Division	CEO/ Person authorized by CEO
	Rules/Regulations	CEO/Operational Division	Internal Control/ Supervision Function	CEO/ Person authorized by CEO
Level 3	Processes (Attached Forms, Appendices, Instructions, Rules/Regulations)	Operational Division	Strategy and Reform Function/Process Management Division of affiliates	CEO/ Person authorized by CEO
Level 4	Other documents (Plans, Reports, Proposals, Meeting Minutes)	Operational Division	Operational Division	As assigned by the Company

Risk management

Risk management structure - Model of three-lines of Defense Model



Karofi aims to develop its risk management system following the three lines of defense model. Accordingly, on October 01st, 2020, Karofi made the first version of of Risk management framework (including risk management policies and processes). Karofi has also completed overall risk identification, analysis and assessment based on functional and divisional risk level in accordance with COSO's Risk Management Framework, thereby making specific action plans for mitigation of significant and extremely significant risk. Besides, the Chapter of Karofi's Internal Control/Supervision Function was discussed to regulate its mandate, duties and organisational structure, of which, functions of risk management, supervision and inspection of compliance with operational processes by Functional Divisions are strengthened. In current stage, the Internal Control/Supervision Function is playing the role of the second and third line of defense via administrative management under control of the Board of Management. But in fact this Function regularly performs risk-based internal audit engagements and reports directly to the CEO and Board of Directors.

Right from the beginning of 2021, risk categories at all levels, risk measurement indicators, early risk monitoring and supervision systems, action plans and risk reporting systems, have been completed and applied to all affiliates of the Group. Risk communication and consultation activities have been regularly performed via workshops on risk identification and management for managers and employees of the Group.

Risk management policies and processes of Karofi are issued with a view to assuring the smooth linkage among the Risk Management Council, Internal Control/Supervision Function and Operational Divisions. Risk management policies are reviewed and updated annually or on as-needed in case of changes in geopolitical conditions, economy, business environment, legal provisions, business strategies, business networks and technology development, etc. Karofi has also organized training courses in risk management policies and processes for each Department, to ensure that Operational Divisions in general and each employee in particular well understand and comply with issued processes.

For efficient risk management, identified and supervised risk categories will include existing risks and potential risks. In 2020, Karofi identified risks in accordance with top-down and bottom-up approach via workshops, interviews between specialized risk management divisions and operational departments in the Group. Based on the identification result, the Risk Management Council and Internal Control Board assessed and developed risk categories at level T0 (Group level), T1 (Company level), T2 (Department/board/division level), etc., and choose respective risk indicators (KRIs) and risk controls.

The Risk Management Council and Internal Control / Supervision Function organized periodic meetings to identify, assess risk impacts, choose response to each risk and update risk categories that best suit business conditions, from time to time. Risks included in risk categories are managed via inspection of compliance with and operation of the internal control system, with the aim of maintaining an efficient control environment in the Group. Risk management reports that specify result, situation of individual risk supervision, current and future solutions, remaining risks together with suitable responsive measures, are prepared on a monthly basis and submitted to the Risk Management Council and Board of Directors for approval.

Right from the beginning of 2021, risk categories at all levels, risk measurement indicators, early risk monitoring and supervision systems, action plans and risk reporting systems, have been completed and applied to all affiliates of the Group. Risk communication and consultation activities have been regularly performed via workshops on risk identification and management for managers and employees of the Group.



Material risks related to sustainability have been also identified and closely supervised in 2020 and 2021, including:

Strategic risks

These risks result from issues related to resource management and allocation, business environment, communication and relation with stakeholders, such as customers, competitors, investors, etc.

Operational risks

These risks are related to efficient use of resources in performance of day-to-day business activities, implementation of operational processes, information management, system operation, or related to human resource and corporate culture or impacts of external events.

Financial risks

These risks result from financial transactions, including purchase/sale of investments and other business activities, directly affecting financial position, business result and cash flow balance.

Compliance risks

These risks are related to compliance with regulations/internal regulations of the enterprise, laws and other legal documents of the State with respect to business activities, and legal issues related to contracts/commitments.

Risks of market-leading position

Risks related to Karofi's market-leading position are managed through the following activities, including annual review of progress of technology application to new product design in line with general technology development in the world; research, survey of market demands and improvement of designers' creativity; internal information control for suitable time of new product launching; weekly supervision and updating of progress of new product design and production, etc. At Karofi, the Innogen spirit has been widely spread and regularly communicated to all staff to maintain their synergy throughout development of the leading brand.

Risks of product value and quality assurance

Risks of product value and quality are managed through strict quality supervision and control throughout production and warehousing at the factory, as well as during product transport to distributors. The Internal Control/Supervision Function regularly inspects compliance with production processes at the factory and sales processes of distribution channels. Besides, the Customer Service Division proactively and actively cooperates with the Internal Control Division in amicably settling complaints of consumers related to products. All complaints of customers related to product features and quality are referred to the factory and design divisions for suitable and timely adjustments.

Financial risks

Risks of raw material purchase price are managed through regular search for and updating of new suppliers, assessment of existing suppliers' capacity, and signing of material supply contracts specifying controlled price fluctuations with major supplies, in the context of considerable fluctuations of raw materials (especially plastic particles) in the domestic and international market. Besides, Karofi also pays great attention to maintenance of close partnership with major and regular suppliers at all.

Compliance risks

Compliance risks are managed under legal provisions and in favor of shareholders, through regular and timely update of newly promulgated legal documents, absolute compliance with regulations related to powers, responsibilities of the Board of Directors and Board of Management to the General Meeting of Shareholders. Besides, the Legal Affairs Board regularly cooperates with the Internal Control/Supervision Function to review compliance with internal documents (Meeting Minutes, Resolutions, Decisions, etc.) issued in the year.

Identification of material fields

Main sustainability issues	GRI Standards	Disclosures	SDG				
				Job		GRI 401-1,2,3	
Direct economic impacts		GRI 201-1,2,3	 	Labor relation		GRI 402-1	  
Indirect economic impacts		GRI 201-1,2,3	 	Occupational health and safety		GRI 403-1,2,3,4,5,6	
Sustainable procurement practices		GRI 204-1	  	Education and training		GRI 404-1,2,3	  
Materials/Raw materials		GRI 301-1,2		Investment for community development		GRI 413-1,2	 
Energy		GRI 302-1,2,3	  	Diversity and equal opportunities		GRI 405-1,2	 
Water		GRI 303-1,2,3	 	Customer satisfaction			  
Wastewater and waste		GRI 306-1,2,3	 	Customer health and safety		GRI 416-1,2	  
Environmental compliance		GRI 307-1	 	Product and service quality assurance		GRI 417-1,2	  
Research for innovation of product design and technology	 		 	Ethics and integrity (anti-corruption)	 	GRI 205-1	



Chapter 4

Business performance and sustainability governance in 2020

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Sustainable customer relationship

In 15 years of operation, Karofi has well understood customers and pioneered manufacture of products related to water and air at all times, contributing to the improvement of health and life of quality. Thereby, Karofi has relentlessly expanded its product portfolio to meet various demands of consumers of all classes, innovated and improved product quality at reasonable price, as well as promoted after-sales customer services, to transform its customer understanding and customer centricity into positive values brought by Karofi.



Meet various demands of various customers



Communicate via various channels, such as websites, fan pages, video clips on YouTube, trade promotion events/programs, etc.



Customer care call center is parallelly launched on channels, including hotline, email, webchat, Facebook, Zalo.



Brands are divided by customer segments: 03 brands (high class - middle class - low class)



Maintain affordable price and unmatched quality

Vietnamese price - International quality

Quality management process meets

ISO 9001:2015

Product price is publicly and transparently posted on the Company's website.



Transparently publish certificates of product safety

Karofi is the first and unique company to meet QCVN 6-1:2010/ BYT and hold a certificate of potable water at source.



Fully supply information about and detailed user manuals for products produced and traded by Karofi via all online and face-to-face channels during installation



Nationwide distribution channels with quick installation

"Quintuple-one" services:

Receive customers' requests and process information within	1 hour	Make welcoming calls to customers	1 week
Install products free of charge within	1 day	Exchange products for new ones	1 month
		Provide care to customers (phone calls or messages) and remind schedule of cartridge change	1 year



The number of customer care employees increases over years:

2020 (in comparison with that of 2019) 2021 (in comparison with that of 2020) (expected)

▲ **30%**

▲ **25%**

Customer service skills:

100% of employees get trained in profession and soft skills on a monthly/yearly basis by internal trainers or domestically leading experts.



Strengthen investment in communication and marketing activities

A wide range of discount/sales promotion programs (For example, 15-day free maintenance on the occasion of the Year of the Rat; Ultimate bacteria elimination - Water purifiers at extremely affordable price with discount up to VND 5 million, etc.), have made Karofi's products more accessible to consumers.



Pioneer market access and endlessly improve products



Apply built-in technologies and improve customer experience



Foster customer relationship and launch attractive after-sales services



Regularly make and share video clips of troubleshooting with customers, dealers; introduce and give advice on how to use products



Commit to keeping customer information confidential via solutions for optimization of web-based interaction features

Health and safety of customers



Products and services of Karofi have caused no serious impacts to health and safety of customers.

Comply with regulations on communication, marketing and competition

Brand



There is not non-compliance regarding information, brand of products and services. Karofi strictly complies with legal provisions and internal regulations on trade, advertisement and intellectual property at all times.



Product labels are designed and presented under Vietnamese legal provisions on information disclosure. Information is controlled in accordance with internal processes, with the involvement of Marketing, Research and Development, Legal Affairs Division, for honesty, accuracy and transparency.

Communication and marketing



There is not non-compliance regarding communication and marketing activities.



Communication and marketing activities have been lawfully, honestly, publicly and transparently performed by Karofi at all times, for lawful rights and interests of consumers in full.

Competition

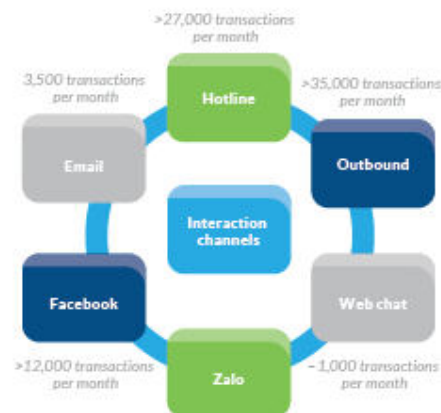


Karofi complies with legal provisions on fair competition, and does not infringe lawful rights and interests of other individuals and organizations.



Karofi gives no misleading comment on products of competitors. Karofi does not collect information and/or trade secret of competitors in illegal or immoral methods. Karofi does not commit any acts that reduce, mislead or prevent fair competition in the market.

Improve quality of customer care service



Focus on training for improvement of customer care quality

Increase rate of customer serving within 15 seconds to more than 92%

ORIENTATION IN 2021

Reduce the average period of complaint handling to less than 48 hours

Increase rate of customer satisfaction with services to more than 95%

Rate of customer serving right from the first time is more than 97%

After-sales policies and activities:



At-home warranty period of up to 36 months



Maintenance/servicing/repair packages are performed by technicians at all days (except for Lunar New Year)



Apply standards on customer care quality



Complaint handling procedures and information about contact points are publicly posted on websites, including Karofi.com and Korihome.com



95% of customers are satisfied with customer care service



90% of dealers are satisfied with services



Rate of customers' calls received by call center employees within 15 seconds is 91.7%



Rate of handling requests of onsite customers under SLA: 73% of events are settled within 24 hours. The average period of complaint handling is 50 hours.



95.2% of customers are satisfied with and highly appreciate workmanship of technicians.

Endless innovation and continuous improvement

Karofi has relentlessly innovated and reformed to increase brand value, enhance product quality, meet increasing demand and bring consumers a variety of choices and convenience. Facing the challenging year of 2020 with outbreak of Covid-19 pandemic and slump in purchasing power, Karofi focused on boosting its innovation via Innogen project that has been launched since 2017. Innogen has become a regular, continuous activity and a thinking habit of Karofi's employees so far. Methods for implementing Innogen at Karofi are extremely various, including:

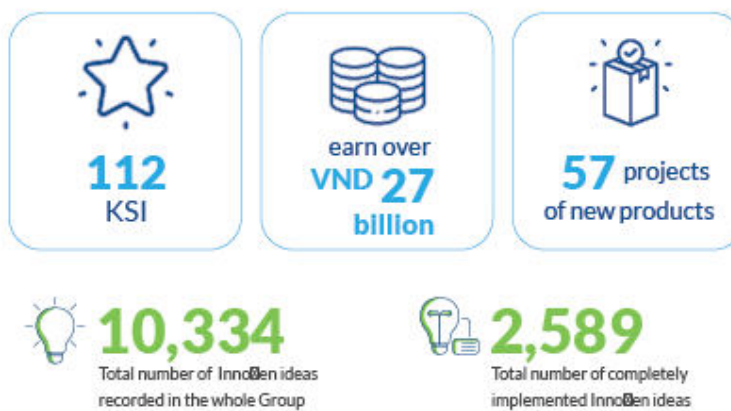
- Software for receiving Innogen ideas on Eoffice.
- Innogen combination with teambuilding activities for managers/departments/divisions.

Innogen ideas aim to concretize strategic goals of revenue increase, profit increase, cost optimization with improved product quality of the Group.

Projects are often divided into three types, including Innovation projects, Investment projects and Product and target projects. Some typical Innogen ideas in 2020 are shown below:



Results of Innogen activities in 2019 and 2020



Projects	Description	Outcomes
Project of pandemic prevention product	In March, 2020, the Covid-19 pandemic broke out in Vietnam and caused difficulties to all lives and economic activities. The Management Board of Karofi rapidly formulated a project on production of pandemic prevention product, such as face masks, disinfectants, etc.	Meet social demands, make pandemic prevention products less scarce, avoid waste of the Company's existing resources and guarantee stable employment for employees.
Project of plastic product improvement	Thanks to improvement in technologies and production processes, such as technology adjustment, change of product thickness, mold repair, etc., costs for production of plastic products have plunged.	Save costs and reduce plastic consumption during production.
Transform financial reporting system using SAP GS	Digitize finance and accounting processes, integrate with electronic taxation processes of the State agencies.	Contribute to digital transformation effort and increase corporate value.
Replace low-pressure valves with possible leakage by thermal relay attached to solenoid valve	Change components to reduce product errors and costs.	Help to save production costs. Reduce leakage rate by 30% in comparison with that in 2019.
CSR project in the Western Region	Give support to the Western people suffering saline intrusion.	Make social contribution and contribute to improvement in quality of life of tens of thousands of people in disadvantaged areas.

In parallel with increasing spending on product feature research and development (R&D) activities, Karofi has developed and integrated IT platforms for various divisions (CRM, DMS, ERP, etc.) into a consistent unit in line with digital transformation trend. Thereby, divisions and departments of Karofi can easily access information related to steps of input supply, production and sales, to analyze and make timely decisions that best suit actual situation.

Outstanding product quality

In 2020, the economy faces a lot of difficulties and challenges. However, turning difficulties into opportunities, Karofi still managed to gain double-digit growth and earn great trust of consumers. According to the Report of the water purifier market research in 2020 by Techsci - A global market research company:



Almost 80% of surveyed customers consider Karofi as the most popular water purifier brand. This rate is highest among water purifier brands.



Karofi holds the highest market share (32%) in the water purification industry.



"Best quality - Most reasonable price - Most considerate service"

Commitment



Supply of self-designed products with **"Best quality - Most reasonable price - Most considerate service"**

Improve and innovate products towards enhancement of output water quality and reduction of environmental impacts



Goals

Top 5

Asian brands by 2025
in water and air purification industry

Top 3

Global brands by 2040
in water and air purification industry

Karofi is the first and only water purifier brand to meet **QCVN6-01:2010** of the Ministry of Health for potable water at source



Fair and equal working environment

Karofi always aims to create a safe and friendly working environment and pays great attention to corporate culture training and development skills for each employee, with a view to helping employees maximally promote their capacity and possibly unrecognized potentialities.



In order to develop a stable and sustainable working environment, Karofi has always reviewed and adjusted its compensation and benefit policies towards fairness and transparency, to build a cohesive, strong and synergistic team for the same goals. Besides, various information, such as corporate culture, typical activities, communication programs for each brand, etc., has been promptly updated via internal media on various platforms, such as websites, emails, etc.

2020 is an extremely challenging year of the global economy because the Covid-19 pandemic has had impacts on all domestic and foreign enterprises. A series of companies had to reduce the number of their employees and transform their working models to adapt and stabilize business, while maintaining the health of their employees. However, Karofi's employees still got great attention and support, that made them change the method for assessment of "Best places to work", Karofi made every endeavor to protect the health and guarantee the rights for employees by communicating and giving employees instructions on compliance with and implementation of pandemic control regulations, developing a safe working environment and supplying them with pandemic prevention products of the Company (face masks, hand sanitizer) for free, for their safety. The Company also assured income, compensation and benefits for employees, avoided decreasing salary or workhours, facilitated and maintained full benefits even when employees worked from home during social distancing due to the pandemic.



Human resource management

Karofi kept developing the Potential Staff Development Program (following the success in 2019) for key positions based on a new organizational structure. Besides, in the broader context, Karofi reviewed and further improved recruitment policies, training policies, work performance management/assessment policies, compensation and benefit regulations, cultural handbook, collective labor agreement and compensation policies for female employees during pregnancy (pregnant employees are entitled to one more rest hour since the seventh month of pregnancy), etc., towards fulfillment and completion of the Company's general goals.

Employment

Create jobs for

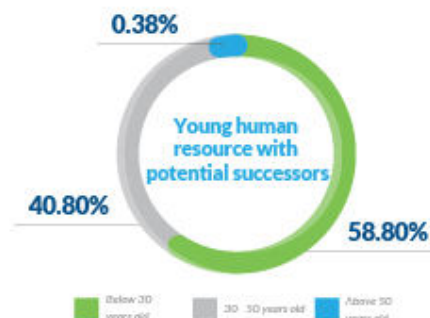
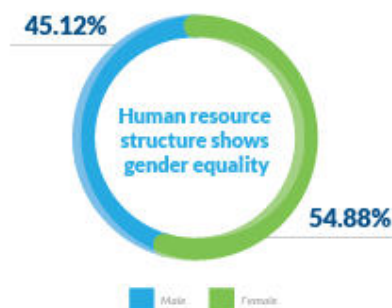
1,500 people

Local workers of the Group

100%

Female employees return to work after maternity leave

100%



Female managers account for

39.58%

5 managers were nominated for promotion in 2020

98% of managers are between 30 - 50 years old

No violation of current legal provisions on female employees during pregnancy

Recruitment notices to all people, regardless of their gender/ethnic group

Education and training

12,765

successful training hours for 1,585 trainees

100% of employees are periodically assessed for work performance and capacity/personal qualification.

Training contents focus on:

- Culture and soft skill (Knowledge of history, culture, Karofiers, rules, regulations, internal regulations, basic necessary soft skills) training programs for new hires.
- Selling operations/skills for the Sales Division.
- Customer care skills by phone for the Customer Service Division.
- Coaching skills for managers
- etc.

Criteria	32,000 hours in 2021
The average training hours (hours/employee)	36
The average training hours for managers (hours/person)	66
The average training hours for employees (hours/person)	36



Result of annual competency assessment



Core competency



Leadership



Professional capacity

Periodic survey of employees' learning demand

Periodically survey learning demand of employees to understand their demand for knowledge improvement, thereby making actual annual training plans to meet development demand of the Group.

Develop training programs

Training programs are developed based on the following content groups:

Culture and soft skill training

- Knowledge of history, culture, Karofiers
- Rules, regulations, internal regulations
- Basic necessary soft skills

Competency training for leaders/managers

- Training courses for leadership and management capacity development, training programs in leadership knowledge, skills and team management

Professional training

- Training in professional/operational capacity for each Unit/Board/Division

Training for potential leaders

- Based on each typical program for talent and successor management of the Group and its affiliates

Training for certificates required by the State

- Including training programs in
 - Safety and hygiene
 - Labor safety
 - Fire prevention and fighting
 - And other typical programs



Expected budget for development training in 2021 amounts to **11,505,710,000 VND**

Endlessly seek and apply new, advanced and hi-tech training methods

- Online learning on E-learning software
- "Virtual" classes on Webex and Zoom
- Guarantee participation by employees in 63 provinces and cities
- Guarantee continuous and uninterrupted training
- Improve training efficiency and strengthen team building

Salary and bonus of each individual are determined based on four factors below:

- (1) Held positions
- (2) Personal capacity shown during employment
- (3) Performed work result
- (4) General business result of the Group

Main salary is adjusted every six months based on overall assessment of work performance, and pay scale of the whole Group is annually adjusted based on inflation rate and average rate of salary increase in the market for each position.

General income structure



Benefits on public holiday and Tet holiday



Some special benefits for managers and leaders



Considerations for bonus and annual salary adjustment

Assessments are often performed in the middle of a year (at the end of June) and at the end of a year (at the end of December). This may be changed at the discretion of the Management Board.

Bonus and salary increase will be considered in case relevant employees have worked at the Company for 12 months or more as of the salary adjustment date, and commit no violation of the labor law.

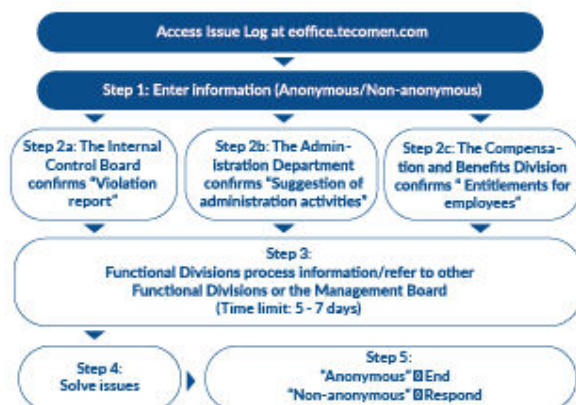


Consideration for salary adjustment in March or September

Corporate culture

Karofi always believes that not only leaders but also any employee of the Company can innovate. Karofi is also ready to rapidly change for competitiveness enhancement, instead of being treading water.

Consequently, since 2017, Karofi has implemented Innogen project and got thousands of new ideas every year. Innogen has not only motivated the Group's employees to give new solutions for business performance improvement, production cost reduction or time saving, but also helped them to boost their labor productivity.



In order to make each employee understand and take actions towards core values, Karofi has fostered internal communication activities to promptly communicate various information about corporate culture, team building activities, vacations, events, etc. to all employees via various channels, such as websites, emails, Facebook groups, radio, newsletters, etc. In addition, Chairman of the Board of Directors has chaired training programs in corporate code of ethics to all employees of the Group for many times. The Chief Executive Officer is fully responsible for supervising employees' compliance with the code of business conduct. Besides, all managers are required to sign intellectual property agreements, non-disclosure agreements and non-competition agreements issued by the Group, right after joining its affiliates.



Labor safety

Occupational health and safety



- 100% of employees are equipped with uniforms (clothes, protective shoes, gloves, face masks, etc.) in conformity with their positions.



- Signboards/signposts are installed at places where machines are operated for labor safety.



- The EHS Division is established to supervise and communicate production safety issues to each and every team/workshop. Besides, the EHS Division assesses risks at workplace of Departments/Boards/workshops on an annual basis and give solutions to positions that are unsafe and may affect or cause accidents to employees.



- In 2020, the Company proactively prevented, responded to the Covid-19 pandemic, took suitable measures to protect employees from the pandemic, required employees to declare their conditions, and required employees residing in red zones to self-isolate at home, etc. Besides, the Company cooperated with local authorities in controlling the pandemic and maintaining production activities, etc.



- All employees are trained in labor safety, fire prevention and fighting and rescue.



- The Company also cooperated with local fire and rescue departments in holding rehearsals for emergencies.



Collective bargaining

All employees are parties to the collective labor agreement. The Trade union was established, maintained right after the Group was established, and has always shown its important role in protecting employees' rights and performing cultural, sporting, commendation and motivational activities for all employees of the Group.

100%

of employees are parties to the collective labor agreement.

Child labor and forced labor

There is no use of and no significant risk of child labor or forced labor by suppliers.

0

child labor and forced labor are used.

Close cooperation with partners for mutual development

Suppliers

Karofi seeks long-lasting cooperation with suppliers sharing the same development orientation, in order to create sustainable values. Consequently, Karofi chooses its partners in an objective and strict manner based on defined criteria.

Process of supplier seeking and selection



In 2020, Karofi was awarded a Certificate of merit by the Vietnam Association for anti-counterfeiting and trademark protection for its anti-counterfeiting achievements and effort.



100% of suppliers sign performance agreements, specifying anti-corruption and anti-bribery requirements.



Sign agreements on clean material requirements and against child labor, with suppliers.



Seek Vietnamese component and material suppliers to order at least 50% of pump ends and 100% of pressure tanks, to raise local content of products to 80%.



Always accompany suppliers in completing and improving quality of components and materials under international standards.

Situation of cooperation with suppliers in 2020

Total suppliers: 1046

Geographical regions



Total value of transactions with suppliers

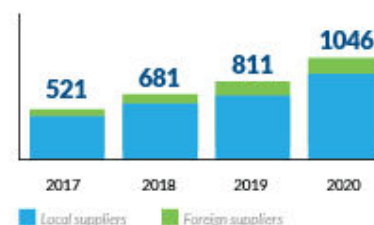


Rate of purchase budget spent on local suppliers

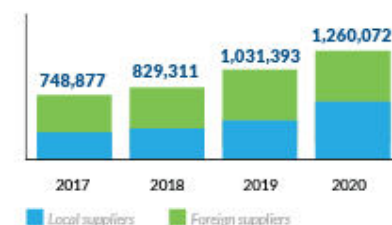


Situation of cooperation with suppliers in during 2017 - 2020 period

Geographical regions



Total value of transactions with suppliers (VND million)



Close cooperation with partners for mutual development (continued)

Suppliers

Karofi's products are sold in 63 provinces and cities via various distribution channels and globally present. These have promoted the leading position of Karofi in the industry.

100

Distributors

6.000

Conventional retail stores

1,200

MTs

TOP 1

OEM in Vietnam

70-80%

of demand for water purifiers

40

Countries in the world



- Relentlessly maintain and develop the distribution system based on stringent, transparent and fair criteria, in all aspects of legal affairs, finance, infrastructure, business and management capacity, working environment, corporate culture, etc.



- Survey satisfaction of distributors/retail stores to seek and adopt solutions for improving quality of the cooperation between two parties.



- Hold training and coaching courses for distributors to develop general workforce of the industry.



- Expand customer base by accessing customers that are schools, hospitals, enterprises, etc....

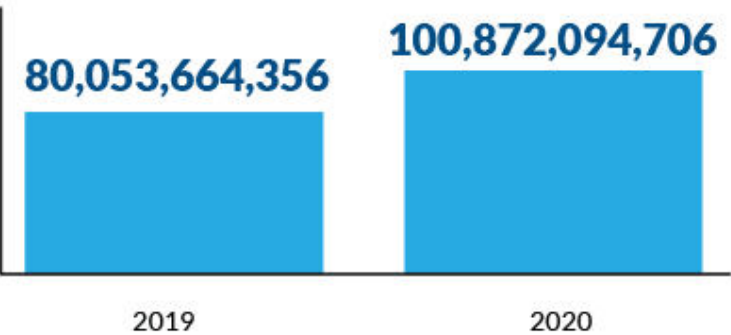


- Complete the e-commerce channel to diversify interaction methods and improve convenience for consumers.

Corporate social responsibility and community support

Besides contributing to promotion of locally economic benefits, creating jobs, improving lives and increasing income for local employees, Karofi has made great contribution to the local budget.

Amount of contributions to the State budget over years (VND)



"Devotion to Vietnam's future" Project

total budget of almost VND 23 billion

2015-2016

4,500,000,000 VND

Implementing the Project, Karofi gave water purifiers to cancer villages where water is polluted.

300
home water
purifiers

Karofi gave 300 home water purifiers to seven cancer villages where water is polluted.

In some serious cancer villages, the locals have their health conditions checked and assessed by doctors and experts of Vietnam - Cuba Hospital.

Thanks to the Project, about **15,000 students and 1,500 poor people** had the opportunity to access and use purified and safe water. Moreover, purified water was supplied to **over 25 training institutions** including kindergartens, primary schools and secondary schools in polluted areas.

2017-2018

5,000,000,000 VND

Give purifiers with built-in RO were given to major hospitals nationwide.

- (1) Vietnam National Children's Hospital,
- (2) National Hospital of Obstetrics and Gynecology and Central Eye Hospital,
- (3) E Hospital,
- (4) Accommodation area for relatives of K Hospital's patients,
- (5) Can Tho Stroke Hospital,
- (6) National Institute of Burns,
- (7) Four major hospitals in Bac Giang,
- (8) Dong Hoi General Hospital,
- (9) North Quang Binh General Hospital

Almost 200 water purifiers in total were funded within five years and supplied 60 million liters of purified water to hospitals.

**almost
200**
water purifiers

60 million
liters of purified
water

2019

2,000,000,000 VND

Other programs

30
water purifiers
were given to
kindergartens in
mountainous areas

**The Prime
Minister**
gave four Karofi
water purifiers

Implementing the **Humane Water Well** Program, Karofi gave 30 water purifiers to kindergartens in mountainous provinces.

School Water in Thuong Tin, Ha Tay.

Supply clean water to the Sea Environment Program in Thanh Hoa.

Supply a clean water supply station (amounted to almost VND 500 million) to people of Duc Hiep Commune, Quang Ngai.

The Prime Minister Nguyen Xuan Phuoc gave four Karofi water purifiers to people of Tan Hiep Island Commune, Cu Lao Cham.

2020

10,000,000,000 VND

Give support to the community during Covid-19 outbreak in 2020

25
hot and cold
water purifiers

48,000
boxes of face
masks

Give 25 hot and cold water purifiers to hospitals directly involved in prevention of and fight against the Covid-19 pandemic in Covid-19 hotspots, including Vinh Phuc and Ho Chi Minh City.

Give 35,000 boxes of face masks to Bach Mai Hospital and Ha Loi, Vinh Phuc.

Give 8,000 boxes of face masks to the Embassy of France and French students.

Give 5,000 boxes of face masks to "Quang Nam - Da Nang: Millions of hearts toward" program.

Give support to the Western Region during historic saline intrusion in 2020

Give four water purification stations and mobilize hundreds of tank trucks purifying and carrying millions of liters of purifier water.

1,200,000,000 VND

Give support to the Central Region

Give 500 water purifiers to three Central provinces suffering damages caused by floods.

Provide free water purifier repair and warranty service after floods.

500
water purifiers

Free
repair and
warranty

"Devotion to Vietnam's future" Program has been launched since 2015, with the strong belief that health of people best shows Karofi's corporate social responsibility, that has been always pursued by the Group during business development and expansion.

Post-flood healthcare

Give

4 Water purification stations **500** water purifiers

to Central provinces suffering floods, including Quang Binh, Quang Tri, Hue and Ha Tinh.

Provide warranty and change cartridges free of charge for

2,500 households

in Central provinces suffering floods.

Accompany:

The Ministry of Health
The Ministry of Education and Training and famous actors and actresses, such as

Quyen Linh, Thuy Tien, Tran Thanh

in performing charity activities, organizing medical examinations and giving water purifiers to disadvantaged households.



Donate products for prevention of and fight against Covid-19 pandemic

Give

48,000

boxes of face masks

to Bach Mai Hospital, Ha Loi Commune and the Embassy of France.

Give

25

hot and cold water purifier

to hospitals directly involved in prevention of and fight against the Covid-19 pandemic in Covid-19 hotspots, including Vinh Phuc and Ho Chi Minh City.



Efficient use of energy and natural resources

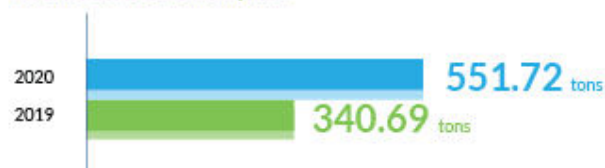
In 2020, epidemics and natural disasters had negative impacts production output in months and the number of job lots. However, Karofi further reorganized and standardized technologies of each product, production line and machine in conformity with its sustainability orientation. Karofi has made every endeavor and managed to assure stable quality, safety, health, environment, and save consumables, raw materials and energy.

Raw materials

Karofi successfully researched and applied some environmentally-friendly raw materials that guarantee product functionalities and quality, such as:



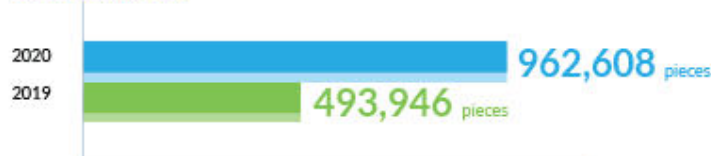
Activated charcoal consumption:



Activated charcoal made from coconut shells



Carton consumption:



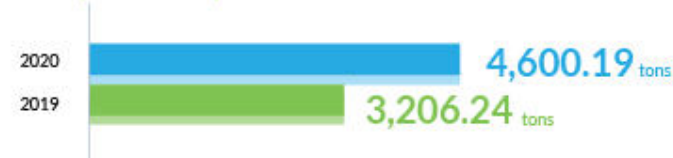
Cartons made from recycled paper



Reuse a part of cartons for making partitions and packing internal items, etc.



Plastic particle consumption:



Use plastic boxes for internal circulation, instead of cardboard boxes



Microplastics consumption:



Use primary plastics in waterproof components



Rate of recycled plastics:



Use recycled plastic particles instead of iron materials

In the future, Karofi's Research and Development Division will keep researching and seeking other materials to make our finished products "greener".

Energy saving

Karofi aims to develop sustainably. Thus, right from the purchase stage, Karofi always prefers power-saving and environmentally-friendly equipment and machines.



from 12.48 kWh/product to
11.85 kWh/product

In order to reduce energy consumption by about 5% (from 12.48 kWh/product to 11.85 kWh/product), Karofi performed the following activities:



1.

Power meters are installed at all workshops/areas for recording daily power consumption. In case of abnormalities, reasons and solutions must be found out.



2.

Inverters are used in installation of motors (ventilation fans, engines and pumps) for power saving.



3.

Lighting layout conforms to production activities. Lamps are arranged based on lines for each area (only necessary lamps are turned on).



4.

Radar sensors that automatically shut down are installed (at water closets).



5.

The Electromechanical Division/SS Board regularly inspects, reminds/ applies penalties to employees who waste power (fail to turn off equipment when leaving work).

save power by
40% - 60%

Karofi uses inverters for machines, helping to save power by 40% - 60%, in comparison with normal equipment.

100%

All lighting systems inside production workshops and outside the factory and office use LED bulbs.



6.

Heavy-duty equipment (air heaters) is shut down in the rush hour.



7.

Products that do not require plastic particle drying are shut down. Plastic drying hoppers are not used.



8.

Cycle time of the whole plastic workshop is decreased by 15% on average, to increase productivity and reduce power consumption.



9.

When electricity grid of Hung Yen becomes overloaded, Karofi will disconnect load from power supplies.



10.

Power-saving practices (turning off equipment when not in use) are communicated to employees.



11.

Employees who do not comply with the above regulations will bear penalties, while employees gain excellent achievement in power saving and innovation will be commended and encouraged.

In parallel with increasing spending on product feature research and development (R&D) activities, Karofi has developed and integrated IT platforms for various divisions (CRM, DMS, ERP, etc.) into a consistent unit in line with digital transformation trend. Thereby, divisions and departments of Karofi can easily access information related to steps of input supply, production and sales, to analyze and make timely decisions that best suit actual situation.

Protection of the environment and water resource

Karofi has applied industrial RO technology to improve circulation and reusability of wastewater in the factory. Karofi has also put water-saving posters at taps and water closets.

At present, the factory using three industrial water purifiers with capacity of 500 liters/hour each, for wastewater treatment. Treated water will be supplied to water tanks of the plastic workshop (for mold cooling, etc.) and to canteens (for vegetables and dish washing, etc.). In 2019, 7,670 m³ of wastewater was treated. There are four wastewater monitoring in a year and sampling take place in March, June, September and December. Treated wastewater of Karofi always meets class-A quality standards.

The whole of waste and rubbish generated during production, domestic and industrial activities are collected and treated by fully authorized facilities that sign relevant contracts with the Group.

The Group also built an exclusive site for storage of hazardous waste that is separate from the site for non-hazardous waste. Domestic waste will be collected via waste containers and gathered at waste storage houses on a daily basis.

	2019	2020
Nước bề mặt	20,474 m ³	22,836 m ³ ▲

KAROFI

Chúc bạn một ngày làm việc hạnh phúc!

Nhớ Rửa tay cho sạch – Tắt vòi cho nhanh bạn nhé!



Hotline COVID-19 Karofi : 0981 085 966

	2019	2020
Power	4,656,191 kWh	3,645.961 kWh ▼
DO 0.05s	706 Liters	447 Liters ▼
Chemical oxygen demand (COD)	44.80 Mg/liter	4.70 Mg/liter ▼
Biological oxygen demand (BOD)	20.30 Mg/liter	12.60 Mg/liter ▼
Total suspended solids (TSS)	38.00 Mg/liter	32.00 Mg/liter ▼
Total weight of reused/disposed hazardous waste (under legal provisions)	0.01 Tons	0.011 Tons ▲
Total weight of recycled hazardous waste (under legal provisions)	0.03 Tons	0.28 Tons ▲
Total weight of composted/solidified hazardous waste (under legal provisions)	1.61 Tons	0.52 Tons ▼
Total weight of burnt hazardous waste (under legal provisions)	0.22 Tons	0.02 Tons ▼
Total weight of recycled non-hazardous waste (under legal provisions)	561.63 Tons	569.88 Tons ▼



Appendix

GRI index

GRI 102 - General Disclosures

Standard no.	Title of GRI Standard	Sustainability Report	Page
102-1	Name of the organization	✓	25
102-3	Location of headquarters	✓	25
102-4	Location of operations	✓	25
102-5	Ownership and legal form	✓	24
102-6	Markets served	✓	30
102-7	Scale of the organization	✓	25, 30
102-8	Information on employees and other workers	✗	
102-9	Supply chain	✓	28-32
102-10	Significant changes to the organization and its supply chain	✗	
102-11	Precautionary Principle or approach	✗	
102-12	External initiatives	✗	
102-13	Membership of associations	✗	
102-14	Statement from senior decision-maker	✓	12-13
102-15	Key impacts, risks, and opportunities	✓	36-37
102-16	Values, principles, standards, and norms of behavior	✗	
102-17	Mechanisms for advice and concerns about ethics	✗	
102-18	Governance structure	✓	42, 46-47
102-19	Delegating authority	✓	46-47
102-20	Executive-level responsibility for economic, environmental, and social topics	✓	46
102-21	Consulting stakeholders on economic, environmental, and social topics	✓	44-45
102-22	Composition of the highest governance body and its committees	✓	26-27, 47
102-23	Chair of the highest governance body	✓	26
102-24	Nominating and selecting the highest governance body	✗	
102-25	Conflicts of interest	✗	
102-26	Role of highest governance body in setting purpose, values, and strategy	✓	46
102-27	Collective knowledge of highest governance body	✗	

Standard no.	Title of GRI Standard	Sustainability Report	Page
102-28	Evaluating the highest governance body's performance	✗	
102-29	Identifying and managing economic, environmental, and social impacts	✗	
102-30	Effectiveness of risk management processes	✓	48-51
102-31	Review of economic, environmental, and social topics	✗	
102-32	Highest governance body's role in sustainability re-reporting	✗	
102-33	Communicating critical concerns	✗	
102-34	Nature and total number of critical concerns	✗	
102-35	Remuneration policies	✗	
102-36	Process for determining remuneration	✗	
102-37	Stakeholders' involvement in remuneration	✗	
102-38	Annual total compensation ratio	✗	
102-39	Percentage increase in annual total compensation ratio	✗	
102-40	List of stakeholder groups	✓	43
102-41	Collective bargaining agreements	✗	
102-42	Identifying and selecting stakeholders	✓	43
102-43	Approach to stakeholder engagement	✓	44-45
102-44	Key topics and concerns raised	✓	40-41
102-45	Entities included in the consolidated financial statements	✓	25
102-46	Defining report content and topic boundaries	✓	06
102-47	List of material topics	✓	52
102-48	Restatements of information	✗	
102-49	Changes in reporting	✗	

GRI 103 - Management Approach

Standard no.	Title of GRI Standard	Sustainability Report	Page
103-1	Explanation of the material topic and its Boundary	✓	54-55
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103-3	Evaluation of the management approach	✗	

GRI 201 - Economic Performance

Standard no.	Title of GRI Standard	Sustainability Report	Page
201-1	Direct economic value generated and distributed	✓	10-11
201-2	Financial implications and other risks and opportunities due to climate change	✗	
201-3	Defined benefit plan obligations and other retirement plans	✗	
201-4	Financial assistance received from government	✗	

GRI 202 - Market Presence

Standard no.	Title of GRI Standard	Sustainability Report	Page
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	✗	
202-2	Proportion of senior management hired from the local community	✗	

GRI 203 - Indirect Economic Impacts

Standard no.	Title of GRI Standard	Sustainability Report	Page
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203-2	Significant indirect economic impacts	✓	69, 79, 82, 84-87

GRI 204 - Procurement Practices

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302-2	Energy consumption outside of the organization	✗	
302-3	Energy intensity	✗	
302-4	Reduction of energy consumption	✓	90-91
302-5	Reductions in energy requirements of products and services	✓	90-91

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303-1	Interactions with water as a shared resource	✓	92
303-2	Management of water discharge-related impacts	✗	
303-3	Water withdrawal	✓	92

GRI 304 - Biodiversity

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302-2	Significant impacts of activities, products, and services on biodiversity	✗	
302-3	Habitats protected or restored	✗	
302-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	✗	

GRI 305 - Emissions

Standard no.	Title of GRI Standard	Sustainability Report	Page
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305-2	Energy indirect (Scope 2) greenhouse gas (GHG) emissions	✗	
305-3	Other indirect (Scope 3) greenhouse gas (GHG) emissions	✗	
305-4	Greenhouse gas (GHG) emissions intensity	✗	
305-5	Reduction of greenhouse gas (GHG) emissions	✗	
305-6	Emissions of ozone-depleting substances (ODS)	✗	
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GRI 307 - Environmental Compliance

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GRI 308 - Supplier Environmental Assessment

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Standard no.	Title of GRI Standard	Sustainability Report	Page
401-1	New employee hires and employee turnover	✗	
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GRI 402 - Labor/Management Relations

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306-1	Workers representation in formal joint management -worker health and safety committees	✗	
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306-3	Workers with high incidence or high risk of diseases related to their occupation	✗	
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405-1	Diversity of governance bodies and employees	✓	69
405-2	Ratio of basic salary and remuneration of women to men	✗	

GRI 406 - Non-discrimination

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GRI 407 - Freedom of Association/Rights to Join Trade Union and Collective Bargaining

Standard no.	Title of GRI Standard	Sustainability Report	Page
406-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	✗	

GRI 408 - Child Labor

Standard no.	Title of GRI Standard	Sustainability Report	Page
408-1	Operations and suppliers at significant risk for incidents of child labor	✗	

GRI 409 - Forced or Compulsory Labor

Standard no.	Title of GRI Standard	Sustainability Report	Page
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	✗	

GRI 410 - Security Practices

Standard no.	Title of GRI Standard	Sustainability Report	Page
410-1	Security personnel trained in human rights policies or procedures	✗	

GRI 411 - Rights of Indigenous People

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411-1	Incidents of violations involving rights of indigenous people	✗	

GRI 412 - Human Rights Assessment

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GRI 414 - Supplier Social Assessment

Standard no.	Title of GRI Standard	Sustainability Report	Page
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GRI 415 - Public Policy

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GRI 416 - Customer Health and Safety

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