



LUENTHAI SUSTAINABILITY STRATEGY AND GOALS

Environment | Social | Governance

2017 REPORT



Luen Thai Holdings Limited

聯泰控股有限公司

(Incorporated in the Cayman Islands with limited liability) (Stock Code: 311)

ABOUT THIS REPORT

This 2017 Environmental, Social and Governance (ESG) Report of Luen Thai Holdings Limited (“Luenthai” or “Company”, and together with its subsidiaries, the “Group”) (Stock code: 0311) is our commitment to engage our stakeholders through transparency and responsible reporting. In this report, we illustrate the far-reaching efforts of our Group in ensuring positive and long-term impact to stakeholders, our industry and the environment – showing that economic prosperity and growth can go hand in hand with responsible stewardship.

The Group has adhered to the “comply or explain” provisions of the ESG Reporting Guide as set out in the Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The report contains our 2017 milestones plus 2016 ESG numbers, as well as our newly re-organized, restructured and recently launched Luenthai Sustainability Strategy and Goals. This is our five-year plan demonstrating how we will show eXtraOrdinary care for our people, our communities, and the environment; and how we as an organization will try to become better daily.

This report covers the period from 1 January to 31 December 2017, which is the same period as reported in the Group’s Annual Report 2017. The details of

our corporate governance practices including our Board and its Committees have been set out in the Group’s Annual Report 2017 under the section headed “Corporate Governance Report”. Relevant contents were referenced to previous period when needed.

The report covered our Apparel and Accessories businesses including the start-up of bags business in Cambodia in 2017 and the disposal of non-core businesses including footwear manufacturing for the year ended 31 December 2016.

Collection, validation and analysis of environmental data have been coordinated by our ESG team with engagement support from Clothing Industry Training Authority facilitating the process.

The report has been reviewed and approved by the Board of Directors of the Company. This ESG report is publicly available in English and Chinese. Should there be any discrepancy between the English and Chinese versions, the English version shall prevail. Comments and queries related to this report may be addressed to below contact information:

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MESSAGE FROM THE CEO

Raymond Tan

Luenthai is an eXtraOrdinary Company!

In Luenthai, sustainability goes beyond economic prosperity. We embed sustainability in the core of our business and commit ourselves in showing eXtraOrdinary care for our employees, our communities, and the environment. More importantly, we take this responsibility seriously and we strive to be better each day.

In our recently concluded Luenthai Summit 2018, we gathered hundreds of attendees consisting of various stakeholders: shareholders, customers, suppliers, community partners, executives, and leaders from all of Luenthai global operations. It is in this occasion that we have officially unveiled the Luenthai Sustainability Strategy and Goals, our five-year strategy with focus on our “XO (eXtraOrdinary) CARE” initiatives across the supply chain.

Under our XO CARE for the Community, we lead and support diverse programs especially focusing on children’s welfare through sports activities, education, and the arts. We also help prepare them towards integration to the larger community through livelihood and employment opportunities. This is on top of our growing and varied community service projects across the global locations.

Under the platform of XO CARE for Environment, we have put in place initiatives that reduce our environmental footprint while increasing our hand print through various platforms; aimed at providing flexibility, speed, quality and overall cost and waste reduction.

As we take a step forward on our journey to sustainability, we are much honored to share our association with the United Nations Global Compact. As a Company, we support the Ten Principles of the United Nations Global Compact on human rights, labour, environment, and anti-corruption; and we integrate these into our strategies, policies and procedures, and aspirations.

Today, we are one of the leading fashion and lifestyle apparel and accessories manufacturers in the world. As the Chief Executive Officer of the growing Enterprise Family, I am honored to lead the Group in this eXtraOrdinary journey to sustainability – for a better Luenthai, for a brighter tomorrow.

Raymond Tan
Chief Executive Officer
and Executive Director



ABOUT US

Luenthai is an eXtraOrdinary Company!

We make quality products. We provide excellent services.
We are a leader in fashion and lifestyle apparel and accessories manufacturing.

We have over 36,000 employees in 18 production facilities in 7 countries. We are committed to give the best care to our people, our communities, and the environment in all these locations.

We strive to be better, daily.

Luenthai World



One Product Origin | One Market Destination

(China, Cambodia, Philippines, Bangladesh, India, Indonesia, Vietnam, Hong Kong, New Jersey, and New York)

Product Category

Fashion and Sleep Wear, Sports Active Wear, Sweater and Outerwear, Casual Knits & Woven Wear, Accessories, Fabrics



Luenthai,
an *Extraordinary* company,
**Sustainable Shared Success
through Reinvention**



**XO Care:
Our People
Our Community
The Environment**



**Shareholders
Customers
Suppliers
People
Community**



**Speed
Flexibility
Quality
Cost**

SUSTAINABLE SHARED SUCCESS THROUGH REINVENTION

We are committed to providing value to our stakeholders.

We believe that synergy comes from a sustainable shared success with our partners – Shareholders, Customers, Suppliers, Our People, and our Communities, will create a more positive and long-lasting benefit to the end-consumers, the industry, and the world.

OPERATING PRACTICES

Customer Services and Product Management

The principal customers of the Group are international clothing and accessories brands. The Group has well-established operational experience with these companies offering good quality products and in a highly competitive market share. Efficient communication between the Group and customers has been established through various means, which enable Luenthai and its stakeholders achieve profitability and growth.

The Group respects and protects our customers' intellectual property rights and other trade secrets. For any products that is related to intellectual property rights and trade secrets, the Group will take measures to keep them in strict confidence and prevent unauthorized disclosure of such information.

Effective communication is one of the core values of the Group. This is shown by regularly collecting and analyzing customer's feedback on our products and services. We have kept strong ties with current partners, clients, and stakeholders and will continue to raise product awareness and business partnership to reach maximum client satisfaction.

The excellence of our products has been recognized with different awards worldwide. Our products are manufactured in compliance with the applicable international standards, laws and regulations. Our products are also verified in accordance with the verification standards agreed with our customers.

Supply Chain Management

Luenthai is a global industry manufacturer and multi-product expert in apparel and bags. Luenthai has strategic partnerships with diverse and leading global brands. Good relationship with suppliers constitutes one of the essential elements of the Group's success. To achieve positive business growth, the Group maintains close communication with our suppliers in order to deploy the capability and capacity of the suppliers for accomplishing the Group's business goals.

The policy and principles governing the sourcing decision of the Group has taken the social responsibility into consideration. The sound practices in risk diversification have been in our supply chain management. The suppliers are expected to comply with the applicable local regulations governing ethical behavior, employment practices, health and safety, and the environment.

Integrity and Anti-Corruption

The Group has formulated anti-corruption policy, rules and regulations for our employees, contractors and suppliers to minimize the possibility of bribery, extortion, fraud and money laundering. Any contravention to the policy, rules and regulations identified with solid evidence, the contravened parties of services will be separated from the company.

We have a zero-tolerance policy regarding bribery and corruption in any form or at any level in association with any aspect of the Group's activities. We have certain policies on bribery, gifts and entertainment which prescribe the minimum set of rules adopted to prevent, identify and address any instances of alleged or actual bribery or corruption.

The employee induction process for new hires includes extensive guidance on anti-corruption measures. Relevant working policy, rules, regulations, and procedures are being reviewed from time to time. A complaint mechanism is also in place. The detailed anti-corruption guidelines and procedures are communicated to the employees, contractors, and suppliers.

Luenthai,
an *Extraordinary*
company



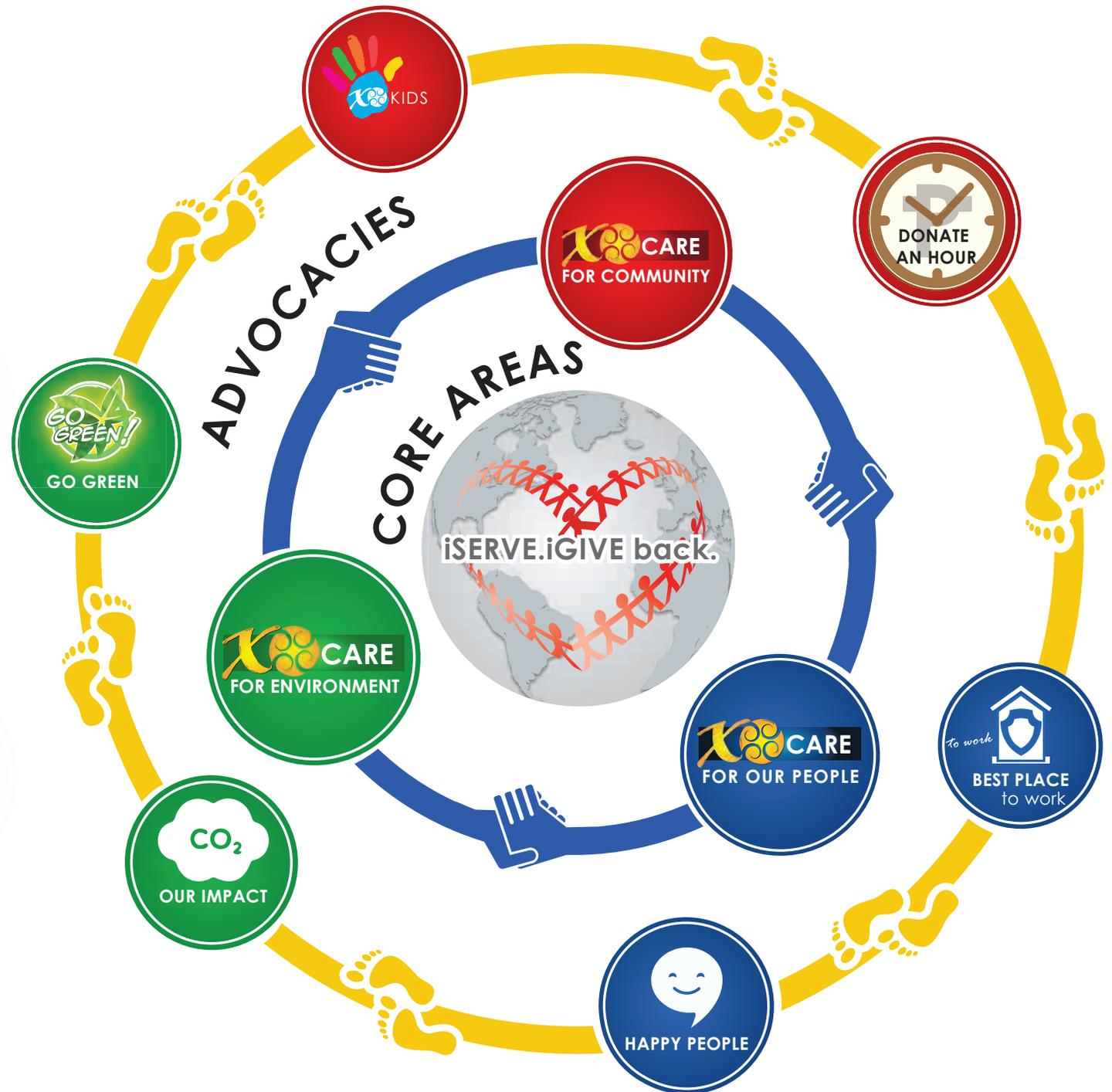
A LUENTHAI SUSTAINABILITY CULTURE

Giving eXtraOrdinary care is a daily habit in Luenthai. Adopted from our culture campaign called “Be XO Daily”, we strive to go beyond the ordinary with special focus on XO CARE for our people, our communities, and the environment.

LUENTHAI SUSTAINABILITY STRATEGY FRAMEWORK

There are three core areas which our Sustainability Strategy focuses on: Our People, Our Communities, and the Environment.

To ensure success of this strategy, a special Sustainability Committee within Luenthai's Management Board has been tasked to oversee that the sustainability programs are effectively rolled out within all strategic business units and in all Luenthai locations around the world.



ICONS

Heart: iServe.iGive Back

Launched in 2009, this program was Luenthai's corporate campaign which drove all the Group's community and charity works. The "I" in the campaign name meant to highlight that every individual should do his/her share in giving back to the community.

Hands: Together

The interlocking hands connecting the three XO Care programs represents our attitude in infusing the spirit of cooperation and teamwork in achieving our sustainability goals.

Feet: Our Legacy

Footsteps represents the forward looking and practical action steps of our sustainability programs. They are the specific ways Luenthai aspires to achieve its sustainability goals.

SHAPES

Circles:

Represent the unity and totality of the Company's sustainability efforts.

Even Spacing:

A balance of business success and giving back.

Concentric circles:

Represent the common goals and targets to achieve.

COLORS

Blue: People

Representing our loyalty to give the very best to our people.

Red: Community

Representing our passion for community giving.

Green: Environment

There would be no business, if we don't take care of the planet. Thus, we ensure we operate our business with green in mind.

OUR XO CARE GOALS

eXtraOrdinary care for Luenthai means promoting empowerment of individuals by helping them help themselves. Self-responsibility comes from taking care of the community, then further expanding the responsibility to the environment.

Our Goals are guided by these core beliefs:



Luenthai cares for its people and believes that their well-being and happiness are the foundation of excellent services and great products.





Luenthai cares for the community because we believe it is our responsibility to do our share to meet the needs of society aside from our own.



Luenthai cares for the environment because we believe that economic prosperity and environmental stewardship can go hand in hand.



PEOPLE

eXtraOrdinary care for our People is Luenthai's goal when it comes to people sustainability. This belief is translated into action through programs under two main categories: HAPPY PEOPLE and BEST PLACE TO WORK.

As a labor-intensive employer, Luenthai believes that the people's well-being is the foundation of excellent services and great products. Thus, the Company ensures that its people are engaged, provided for, and well-motivated, for them to showcase their passion for work, compassion for their peers and the community, and appreciation and responsibility for nature.

A motivated workforce is a productive workforce. This is one of our core beliefs when we think of our strategy for people.

Our people strategy is based on dual-factory theory that states that there are certain factors in the workplace that cause job satisfaction, while a separate set of factors can cause dissatisfaction. Our strategy, therefore, is to focus on various "hygiene" factors under BEST PLACE TO WORK, and "motivation" factors under HAPPY PEOPLE.





This program highlights motivational factors like recognition, sense of achievement, growth and promotion opportunities, responsibility and meaningfulness of work.



This program spans from basic health & safety, and social compliance to work-life integration and wellness. We believe that through this program, our growing number of production locations will have consistent programs that support only the best quality of work environment, serving as examples for eXtraOrdinary care for employees.

THE LUENTHAI PEOPLE

With a global operation, Luenthai strongly believes in diversity and inclusion in the workplace. The Group is committed to a fair and respectful treatment of employees, regardless of age, gender, rank and differences such as ethnicity, religious and cultural backgrounds.

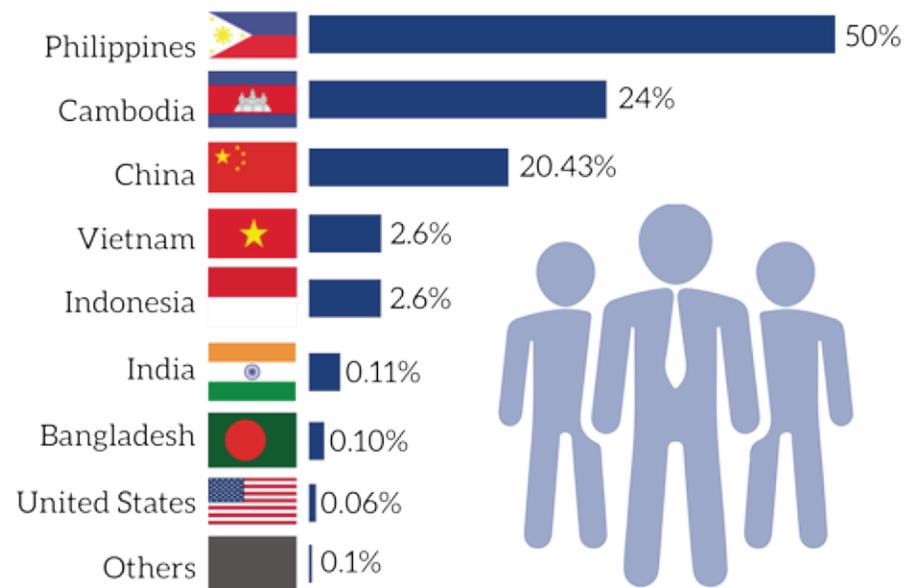


36,000

With our global presence in 7 different countries consisting of over 36,000 employees, we pledge to provide a culture of fairness, equality and diversity across the whole organization guided by the Company values and code of conduct.

Distribution by Nationality

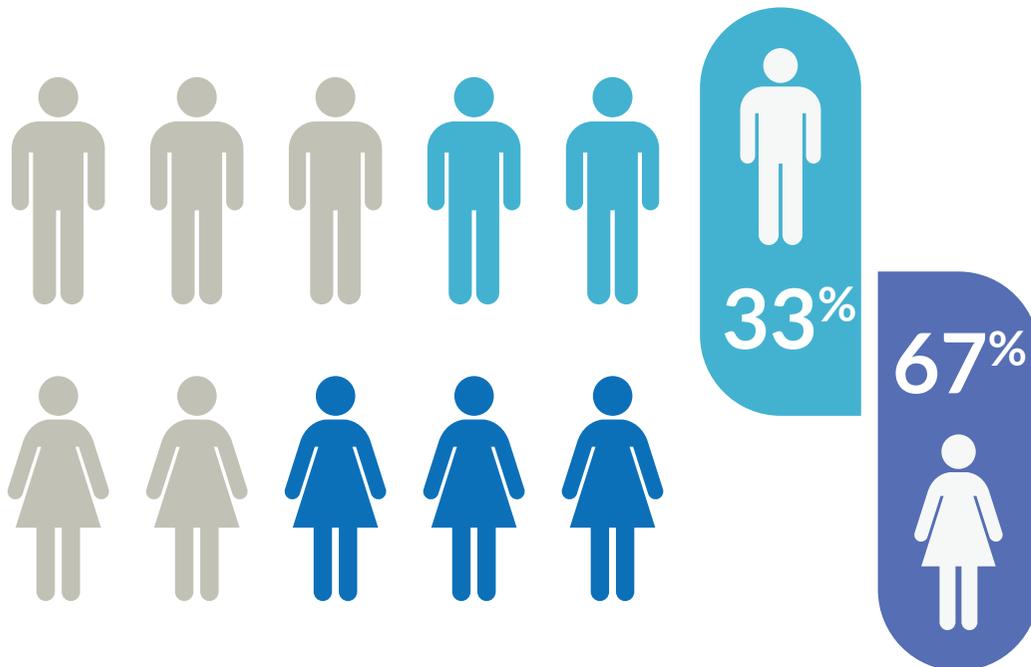
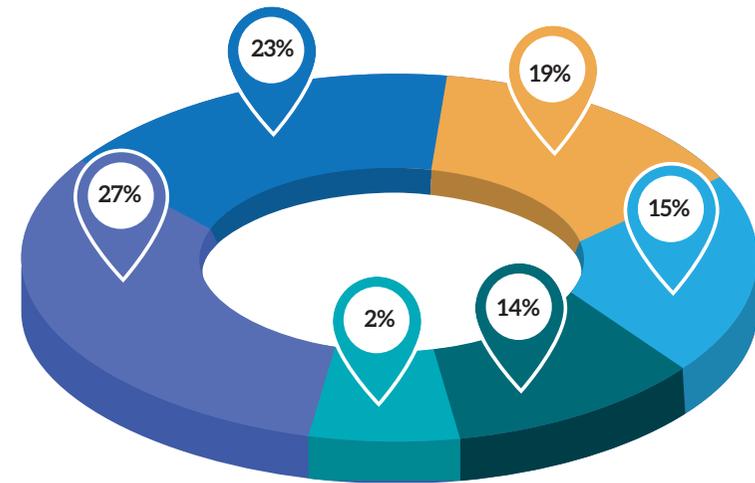
With our worldwide operations, we hire employees of different race and nationality offering equal and fair opportunities. The Group is committed in providing a work environment that values diversity and equality.



Others includes: Malaysia, Singapore, United Kingdom, Sri Lanka, Germany and Mexico.

Age Distribution

A great majority of our employees' age range from 18 to 35 years old. Many of our programs and activities are designed to attract, retain, and motivate the millennial workforce as we consider them as the leaders of tomorrow.



Gender Distribution

More than 60% of our workforce is female. With this in mind, we have specialized programs dedicated in assuring our female workers' wellness and being.

HAPPY PEOPLE

People Development

Under our Happy People initiatives is our employees' career and professional development. We believe in rightfully equipping our employees with the appropriate skills to perform their assigned tasks with great success. The Company organizes various development training programs for both job-related technical and soft skills enhancements covering topics in leadership, group dynamics, cultural sensitivity, people management, among others. In 2017, we completed thousands of training hours for employees in all ranks.

The Leadership Development Series which was later renamed XO LEAD continue to support the Group's objective to promote personal and professional development of our front line leaders. This program ensures supervisors and line leaders improve on competencies vital for effective management of their people, as well as delivery of desired output.

Another training initiative we have successfully launched in 2017 is the JUMP Learning Program. This program consists of a series of learning sessions dedicated to new members of the Sales, Business Development and Merchandising teams. It aims to provide culture of active learning within the Group while building camaraderie and teamwork.

A number of technical training are also being facilitated including but not limited to internal regulations for health and safety, operational compliance, waste management, technical and operational skills in fabric, cutting, sewing, as well as, designing, planning, and customer relations management.

With the success in 2017, we continue to develop more comprehensive and highly engaging training programs for all levels in the organization.

Employee Engagement

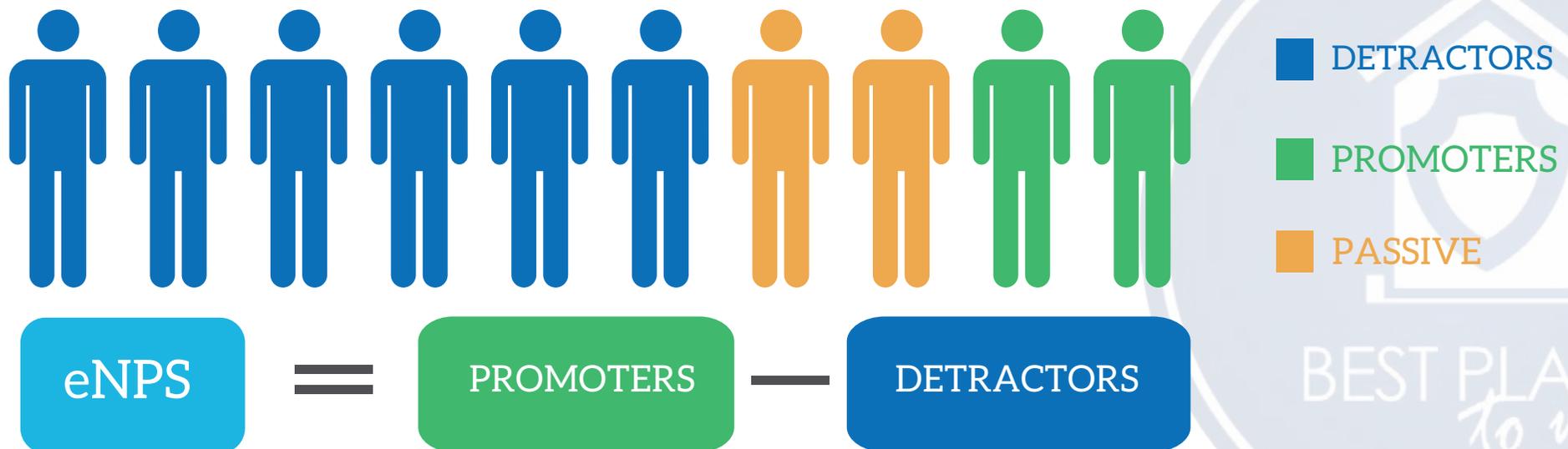
The Group uses a systematic employee engagement survey to ascertain level of satisfaction and engagement of our employees.

In 2017, the employee Net Satisfaction Score (eNPS) metric was rolled out to provide management the level of engagement of employees.

eNPS regularly serves as an objective means to lead people discussion in identifying areas where companies can do more to achieve the Group's goals for its Happy People initiative. This metric helps create Luenthai to become the Best Place to Work, and enable our employees to perform at their best.

eNPS asks a straightforward questions: "On a scale of zero to ten, how likely is it that you would recommend the Company as a place to work."

eNPS and other measures reflect the continued commitment of Luenthai in addressing employee concerns with scientific and objective measures ensuring responsive, consistent and highly effective employee engagement programs.



Performance Awards & Recognition

Happy People initiatives include employee recognition programs that acknowledge the employees' loyalty, hard work, and actions that support the Company's goals and values.

XO Employee Awards is the rebranded name of top recognition awards given by each Luenthai strategic business unit. It is the Group's yearly recognition award for employees who exemplify the values of our "Be XO Daily" corporate culture – continuously striving to do better, believing in success, exceeding expectations and embracing change.

To be an XO Employee Awardee, employees undergo rigorous screening by a panel composed of management, supervisors, and rank-and-file employees. Screening is done on multiple levels to ensure that the most deserving individuals are recognized.

Currently, this recognition program is being implemented at Luenthai Philippines and Cambodia. In 2018, this will be rolled out to the rest of Luenthai offices and facilities.



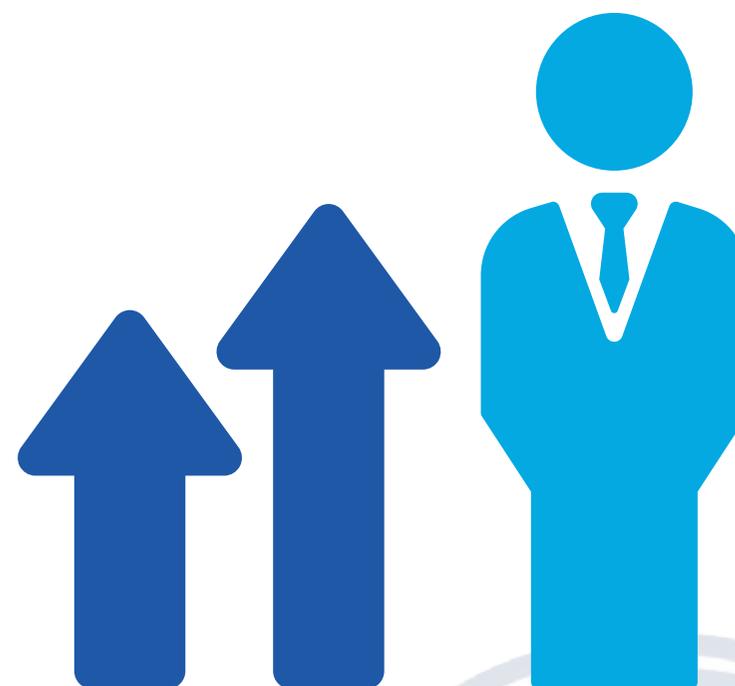
Career Advancement and Growth

Part of Luenthai's performance recognition is providing opportunities for our employees to advance their careers.

We recognize employees' exemplary contribution by providing opportunities for promotion whenever possible. Many of Luenthai's present leaders have risen from the ranks.

In 2017, a total of 847 promotions were processed.

We continue with this initiative by ensuring proper assessments regularly, presenting adequate learning opportunities, and screening of new employees effectively regardless of rank and profile.



847
PROMOTIONS

BEST PLACE
to work

Transparency and Communication

As vital as other employee engagement programs, we treat transparency and communication with high importance in Luenthai. The right to speak and to be heard has been our framework in developing our communication tools. Luenthai employs tools to empower its people and ensure two-way communication channels are made accessibly. Focused Group Discussions (FGD), Town Hall Meetings, General Assemblies and employee hotlines dubbed as “Talk to Us” numbers are few of the more successful tools available to employees.

A total of 51,739 engagement hours were spent in the year 2017.

Focused Group Discussions were concluded allowing undeviating communication between employees and management. General Assemblies were also conducted across the Group where important matters relating to

Group’s direction, strategy, and other subject that will have a direct impact to employees were discussed. The proper channelling and management of concerns per accountability assured the success of this program.

As we continue to explore other ways to enhance our way of communication and with advent of technology, we are now exploring the use of social media in communicating with our people.



Engagement Hours in 2017

Focused Group Discussions, Town Hall, and “Talk to Us”.

BEST PLACE TO WORK

Responsible Employment

Luenthai prides itself to be a fair employer, adhering strictly to fair labor practices and laws. Apart from upholding our own corporate social responsibility standards, the Company takes its responsibility to follow local regulations conscientiously to ensure fair wages, benefits and social protection are accorded to all workers and employees.

To date, we still hold the record of ZERO-TOLERANCE to Forced Labor and various forms of harassment and abuse.

Our successful adherence to applicable laws and regulations are verifiable by awards, citations and recognition given to the Group by respected and internationally renowned organizations.

Talent Recruitment and Retention

Our people are one of our most viable assets. The Group offers a highly competitive remuneration package consisting of monetary and non-monetary rewards for all employees.

Retirement protection, group medical insurance, and discretionary bonus schemes, are among the many that the Group offers under its comprehensive rewards system.

The Group has also been an advocate of promoting open communication and engagement, as it is one of the key factors in sustainable growth and development. All employees are encouraged to participate and express their views through different channels such as face-to-face meetings, focus group discussions, and digital platforms.

Performance Review

Regular and consistent performance review is an essential exercise practiced across the Group. A comprehensive Performance Management System is implemented to assess each employee's contribution that will be the basis for merit increases, job promotion, and individual development plans. This is being conducted at least once a year to ensure that very consistent feedback is in place for improved performance that leads to greater success for the Company. Basis of performance appraisals are employee's work ethics, professionalism, significant contribution, and overall performance.

Employee Discipline

All employees shall be guided by the Employees Handbook. The Handbook contains all rules, conduct, and discipline, which shall be complied by all employees. The Group complies with all applicable legal requirements in its respective jurisdictions; thus, procedures for termination, suspension, or dismissal are all outlined in the Handbook.

Workplace Safety

Workplace safety and health and safety training are among the key programs under the Luenthai's Best Place to Work initiative. The Company strives to provide the best quality of work environment through its compliance to applicable laws and international standards.

Workplace related accidents in the Group have been closely monitored through our established health and safety committee under our business units. Our health and safety committee focuses in monitoring health and safety compliance and also focuses in developing new initiatives in improving workplace safety and in minimizing risk of workplace accident.

Another approach of the Group in reducing and to some extent avoiding work related accidents is providing ongoing employees health and safety training.

Fire safety and production equipment training were the significant training sessions conducted throughout the Group.

Series of fire drills and evacuation training simulations were conducted for the year 2017 with special training sessions for Fire Hose Handling for Fire Brigade members, First Aid Training, and Emergency Response Training (ERT) and Accreditation.

Chemical Safety Orientation sessions were also held discussing proper management and handling of chemicals including use of Personal Protective Equipment (PPE).

To date, several new developments are also lined up to further improve infrastructure and workplace, thus, providing employees better and safer work environment.



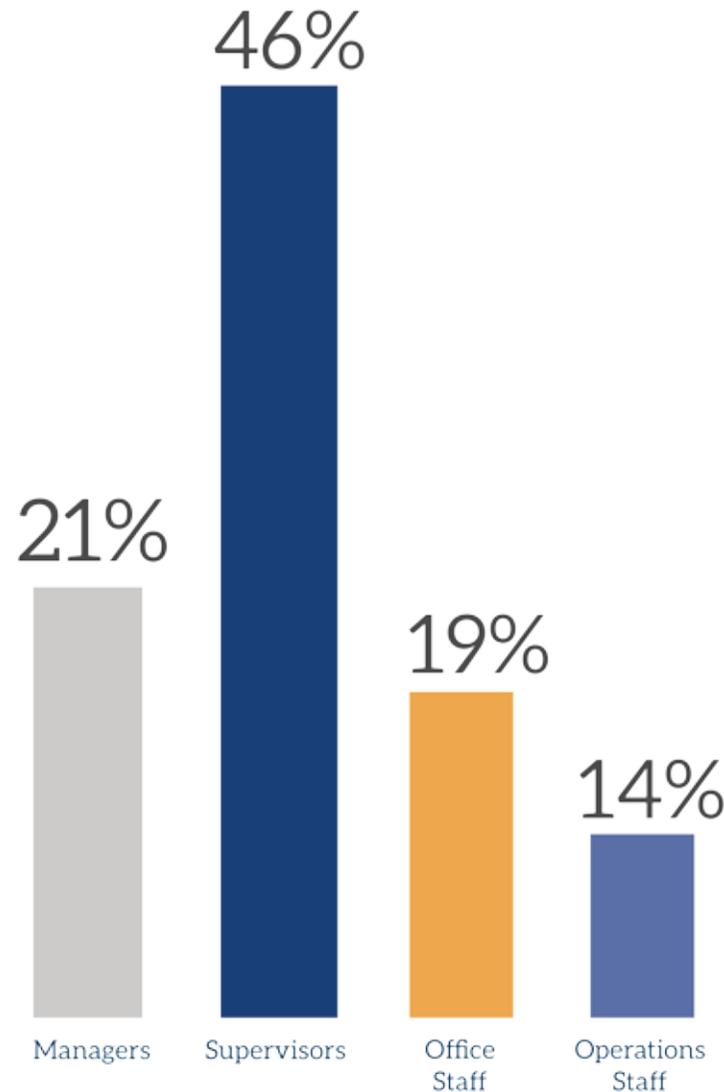
Work-life Integration

Luenthai is committed to be a healthy employer, taking an active role in workplace wellness advocacy and partnering with employees towards a healthier and balanced lifestyle. Aside from the Group's compliance and adherence to local laws and regulations concerning working hours and rest periods, the Group also invests in their health and wellbeing.

The Company holds continuous health-related activities as disease awareness talks, consultations, and provision of services by health professional including doctors, wellness coaches, and nutritionists.

Hundred of hours were dedicated to employees' wellness in the year 2017 with most participation from the Supervisor level at 46% of the accumulated hours.

Distribution of Hours Participated by Employees



Luenthai motivates its employees to take care of their health and fitness through participating in various wellness activities organized by the Company. Fitness and sports events are held by employing the services of experts so that employees can reap the benefit of a healthy lifestyle. All of these are part of the Company's eXtraOrdinary Care campaign. Luenthai believes that healthy employees become happy people and help promote the Company as the Best Place to Work.

The absenteeism rate due to sickness for 2017 was at 1.37% compared to last year's 1.41%. Luenthai will continue to provide effective wellness programs activities to our employees to promote wellness at work.

2017
1.37%



2016
1.41%

ABSENTEEISM RATE DUE TO SICKNESS

COMMUNITY

Luenthai considers its social responsibility towards the community a top priority. With its leadership status, employee-size, and worldwide presence, the company is committed to make a difference in the everyday lives of people. Under the banner of XO Care for the Community, Luenthai pledges to continue its positive contributions to help individuals and groups within the communities where we operate.

Our XO Care for Community centers on two specific areas: advancing children's rights and care, and promoting employee volunteerism that gives our people the chance and freedom to help their own selected charities and advocacies.

We also form partnership with like-minded institutions and organization to spread the most meaningful and beneficial programs for the community.





According to the UN (United Nations) and the ILO (International Labor Organization), millions of children are engaged in child labor, many of which are making textiles and garments. Luenthai has put in place strict policies against child labor. Furthermore, with a strong commitment to advance children and youth development, we actively pursue, support, and initiate programs that benefit the kids, especially the underprivileged ones.



Luenthai has been demonstrating successful employee volunteerism. Through this initiative, Luenthai employees team up to raise funds by donating an hour's work. We give our employees the opportunity to serve the community. We continue to inspire our employees to consider volunteerism as a way of life.

To boost participation and to benefit more people in the community, the company matches a portion of the funds raised.

XO KIDS

Upholds Children's Rights

Luenthai has a strong commitment to uphold Children's Rights and has put in place strict policies against child labor. We prevent the children and the youth from harm and protect their interests as we actively pursue support and initiate programs for them, especially for the underprivileged. We incorporate this thinking into our core strategies and operations.



Skills Training for the Youth

Under the XO Kids initiatives, Luenthai supports every opportunity that will advance youth development. Under the XO Kids banner, youth are given access to programs to help them realize their career goals. Luenthai also provides life skills and technical skills training to youth, equipping them for greater opportunities to fulfil their potentials.



Youth Development Programs

Luenthai believes in program that are beneficial to the overall development and growth of the children, especially the disadvantaged ones. Under the XO Kids initiatives, the Group endorses senior executives' participation in programs which have been developed to empower the youth and unleash their full potential.

LUENTHAI FOOTBALL SCHOOL

Through the personal and sporting experiences of Raymond Tan, he created the Luenthai Football School in Clark, Pampanga as an academy for youth development through football and social awareness activities.

Luenthai Football School was established in February 2013. It is a free football training to children of employees of the company.

Over the years, the program has grown to also include enrolees from the public such as the underprivileged children from Tuloy sa Don Bosco Foundation, and indigenous communities around Clark, Pampanga, Philippines.

In 2017, the school has served hundreds of children and are still growing.

The school maintains its program of regular and free football training, providing uniforms and equipment needed for training, sessions and competitions.



The football school also has partnered with private schools and football clubs in the aim of bringing more meaningful trainings to more children.

Since its inception, the program has produced top caliber players due to the hiring of nationally-acclaimed football coaches who have competed in international football tournaments.

The top players who have been trained in the Luenthai Football School were offered full football scholarships from their universities as well as membership to women's national teams.

These achievements bring both pride and credibility to the Luenthai Football School as it is now getting national attention through its hallmark activity, the Luenthai Cup, tournament for-a-cause. It is now on its third year.

To date, the Luenthai Football Program has been keeping its charitable spirit alive. Having served hundreds of kids, it continues to build athletic excellence, discipline, and camaraderie for the children and youth.



DONATE AN HOUR

Employee Volunteerism

Luenthai believes and supports giving opportunities to employees to share and serve the community as volunteers. Under the Donate an Hour banner, employees get to participate through the fundraising effort and also actively take part in the design and execution of community service projects as volunteers.

Donate An Hour initiative has gained its popularity as the total amount collected donations through employees' volunteered overtime reached \$18,452.

As we continue to gain more employees who are willingly participating in this volunteerism program, we commit to expand our reach and participation to other community projects.



Community Outreach Programs

Luenthai recognizes that every community has its own needs and potential. Thus, the company strives to maximize its impact to its immediate communities by ensuring to reach communities within thirty minutes of its locations. By assessing our local community's unique needs, Luenthai is able to help in more timely and suitable ways.

In 2017, a total of US\$200,000 was donated by the Group to fund various community projects benefiting thousands of people and communities.

Projects include Adopt-a-School, Adopt-a-Community, fund and support to charitable institutions, medical missions, free football sessions, disaster relief, and free learning and skills training.



APPROXIMATELY

\$ 200,000

AMOUNT DONATED

**DONATE
AN HOUR**

Collaboration

Luenthai believes that key to sustainable shared success is collaboration. To expand its cause, the Group partners with other stakeholders (customers, vendors, government, non-government organizations, and education institutions, among others) who share the same values of serving and giving back to the community.



Provides sewing materials for students

Balibago Training School



Provides sewing materials for students

Porac Training



Provides sewing materials for students

City College of Angeles Training School



Youth organization dedicated in serving the youth

Sulong Kabataan



Free Medical Mission for chosen beneficiaries

Divine Mercy Hospital



Provides Blood Donors

Indonesia Red Cross (PMI)



Blood Letting Program

Philippine Red Cross



Serving Street Children

Tuloy Foundation Inc.



Provides Apprenticeship Program

TESDA



Collaborates on World Aids Day Event

Aids Prevent Commission (KPA)



ool

ENVIRONMENT

Climate change is a real global phenomenon and has become a growing concern by many manufacturing companies, including Luenthai.

As we expand our market, we recognize the need to be more environmentally conscious in the way we conduct our business. From sourcing our materials up to the distribution to end consumers, we will purposely trace and reduce our environmental footprint.

Furthermore, the Group will engage the whole company and our partners in our goal to leave more handprints towards improved environmental sustainability performance.

eXtraOrdinary care for the environment encompasses not only adherence and compliance with environmental laws and regulations in every location where we operate. It means that green thinking has to be embedded in all that we do. Aside from carefully monitoring and controlling our carbon footprint, Luenthai will measure and address all our environmental impact as we deliver our commitment to our stakeholders. Thus, our XO Care for Environment initiatives focus on minimizing our environmental footprint and maximizing our environmental handprint.





To minimize our environmental footprint, key is to conscientiously reduce our impact in the environment while achieving economic growth.



To maximize our environmental handprint, our strategy is to empower our employees toward environmental leadership. We believe that we can successfully achieve sustainability by cultivating a sense of awareness and responsibility in our workplace and in our community.

OUR IMPACT

Effective and Efficient Use of Resources

The continuous improvement in the efficient utilization of resources is one of the goals of the Group. During the year, the Group has implemented different guidelines and policies in order to enhance the efficient use of energy.

The consumption on energy and resources during the production of apparel and bags, which are the core business of the Group, accounts for most of our energy consumptions in the aspects of electricity, water, and packaging materials. With well-established production facilities in strategic locations, the Group is capable to produce excellent products to our customers with improving efficiency and environmental friendliness. The Group is committed to searching for various ways to reduce resource consumption while enhancing our performance, efficiency, and capacity.

Water

The Group is committed to the preservation of the natural resources and the water resource is no exception.

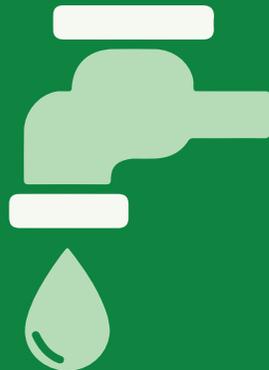
With respect to water resources management policies, the Group is devoted to ensuring compliance with the local discharge regulations for the processing of discharge water.

In order to manage the safe use of water resources in each facility, water purification plant systems have been set-up for the reuse of water. Relevant operation criteria for the treatment of fresh water and sewage have also been formulated.

2,028,435 tonnes

Consumption of Industrial and Domestic Water in 2017

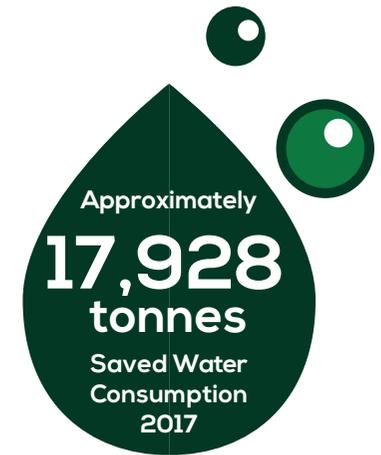
1,843,000 tonnes in 2016



The aggregate amount of the domestic and industrial water consumption of the Group was approximately 2,028,435 tonnes (2016: 1,843,000 tonnes). Such increase was mainly due to addition of water consumption of our bags production in Cambodia in 2017.

The Group has saved approximately 17,928 tonnes of water consumption by reusing treated industrial water in 2017. Whilst the water conservation projects being implemented in last year will be on-going, the Group has pursued other water-saving options such as rainwater collection in 2017.

The water intensity per unit of production is approximately 0.03 tonnes for garments and 0.07 tonnes for bags (2016: 0.03 tonnes for garments and 0.04 tonnes for bags).



0.03 tonnes

Water Intensity per unit of production in 2017



0.07 tonnes

Water Intensity per unit of production in 2017

Use of Raw Materials

The Group maintained close communication with branded customers and material suppliers in the course of material selection. We followed branded customers' quality requirements and standards in selecting materials. The packaging materials for our garment and bags products include carton box, plastic bag, and other auxiliary items. In 2017, the total consumption of packaging materials was approximately 5,443 tonnes (2016: 8,400 tonnes). The reduction of consumption was correlated to the production volume and any changes effected in customers' packaging requirements or standards during the year.

2017
5,443 tonnes



Packaging
Materials
Consumption

8,400
tonnes
in 2016

Use of Energy

The Group implemented its energy management strategy through the following initiatives: installation of environment-friendly air conditioning systems, energy-efficient lighting systems, and environment-friendly steam-drying room.

Electricity



41,995,718 kWh

Electricity Consumption in 2017

44,255,000 kWh in 2016



**Approximately
1,311,027 kWh**
*Saved Electricity
Consumption in 2017*



0.65 kWh

*Electricity Intensity per unit
of production in 2017*



1.51 kWh

*Electricity Intensity per unit
of production in 2017*

In 2017, the Group consumed approximately 41,995,718 kWh electricity (2016: 44,255,000 kWh). The Group has saved approximately 1,311,027 kWh of electricity consumption by using environmental friendly light tubes and by optimizing air-conditioning units in 2017.

With continuous effort, the Group believes that a gradual increase in energy saving will be achieved. The electricity intensity per unit of production is approximately 0.65 kWh for garments and 1.51 kWh for bags (2016: 0.60 kWh for garments and 1.16 kWh for bag).

Boiler



8,404,601 kg

Fuel Consumption in 2017

9,820,000 kg in 2016

In 2017, the boiler fuel consumption was approximately 8,404,601 kg (2016: 9,820,000 kg). The decrease was due to a more energy-efficient usage of pressed-wood dust in Vietnam factory in 2017. The Group aims for gradual increase in the utilization of environment-friendly fuel, such as the biomass fuel, which can help to reduce the carbon footprint and hence attain success in environmental conservation.

GREENHOUSE GAS AND CARBON EMISSION

The Group has established manufacturing operations and facilities in different strategic location including China, the Philippines, Cambodia, Indonesia, and Vietnam. The Group is dedicated to complying with the environmental regulations in the corresponding locations.



The Group manages and reduces the emissions of air pollutants, including the greenhouse gas, through various means. The Group has implemented different policies in order to reduce emission of air pollutants, such as adoption of environment-friendly manufacturing facilities and equipment which enable the use of renewable energy. The Group measures the emissions of the air pollutants timely so as to achieve our goals in emissions reduction.

Waste Management

The Group has complied with the environmental protection regulations in the disposal, transfer, and handling of hazardous waste. The hazardous waste is handled by licensed professionals in order to minimize the risk of the hazardous waste brought to the environment.

The Group has implemented waste management strategy to alleviate the impact on the environment from both hazardous and non-hazardous waste production. The Group adopts the principles of reducing, reusing, recycling, and replacing for improved waste management.



The Group's total production of hazardous waste was approximately 298 tonnes in 2017 (2016: 800 tonnes). Such decrease was attributable to the reduction of coal ash from boiler fuel in 2017.

Meanwhile, the non-hazardous waste was handled by the recycler, incinerators or sent to the landfill with aggregate amount of approximately 7,400 tonnes (2016: 8,100 tonnes). The decrease was partly due to solid waste reduction program adopted by one of our Philippines factories in 2017.



Our Sustainable Smart Supply Chain

Luenthai has been investing toward a sustainable supply chain that is both technologically driven as well as environmentally friendly.

In 2016, the Group began building the “Factory of the Future” that is becoming a hub for smart innovations and living up as an example of responsible and sustainable manufacturing.

Since its inception, we have been building our smart capability under our digitalization and automation platform. The end-goal for this strategy is to have a sustainable supply chain which is not only customer-focused, flexible, and efficient but also green.



GO GREEN

Maximizing the Handprint

Giving extraordinary care for the environment means we have to equally work as hard in maximizing our handprint as we try hard to reduce our footprint. This means we have to create positive impact on the environment through a more structured advocacy.

In the next five years, we will expand our circle of influence from actively participating in tree planting activities to focusing on raising awareness, to collaborating with other institutions, to venturing in transparent reporting, to supporting green innovations and social enterprise, and to supporting the United Nations Sustainability Development Goals.

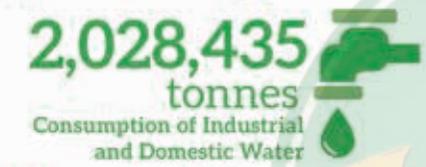


1,378

Trees
Planted
2017



SUMMARY





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