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This 2019 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 aim to provide key ESG information and data relevant to our operations for the year ended 31 December 2019.

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 Listing Rules"). As part of the Group's ongoing sustainability initiatives to align with global ESG reporting indicators, we have also made reference to the selected Global Reporting Initiative (GRI) Sustainability Reporting Standards for the Environment (for details, refer to the Sustainability section of this report).

This report covers the period from 1 January to 31 December 2019, which is the same period as reported in the Group's 2019 Annual Report. Our corporate governance practices have complied with all applicable provisions of the Corporate Governance Code as set out in the Appendix 14 of the Listing Rules and the details have been set out in the "Corporate Governance Report" in the Group's 2019 Annual Report. Relevant contents were referenced to previous period when needed. The report contains our 2019 milestones and our 2018 ESG numbers. It also includes an update on where we are in Luen Thai Sustainability Strategy and Goals. This is our third year in our five-year plan demonstrating how we will show eXtraOrdinary CARE (XO CARE) for our people, our communities, and the environment; and how we as an organization will try to become better daily.

The report covers our Apparel and Accessories businesses, excluding two manufacturing sites with discontinued operations in China in 2019.

Collection, validation, and analysis of environmental data have been coordinated by our ESG team with engagement support from a third-party specialist consultant facilitating the process.

The report has been reviewed and approved by the Group's Board of Directors. 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 sent to:

Luen Thai Holdings Limited Rooms 1001-1005, 10/F, Nanyang Plaza 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong SAR corporate_communications@luenthai.com

ABOUT THIS REPORT

MESSAGE FROM OUR CEO-PARTNER

参行合~ "Unify our knowledge and actions wholeheartedly." The world around us is going through unprecedented changes. And these are happening in record pace. The 2019 coronavirus disease (also known as COVID-19) is currently impacting every aspect of life around the globe. We also face significant challenges in politics, technology, economics, and the environment that could alter the way we live.

While some changes are necessary for growth to fuel creativity and innovation, there are some things that will remain constant with us in Luen Thai—that **our core values and principles must never waver** as we continue to journey towards **our vision of Sustainable Shared Success Through Reinvention.**

Our core values and principles must never waver as we continue to journey towards our vision of Sustainable Shared Success Through Reinvention.

Since we began in the 1980s, Luen Thai founder and my father Dr. Tan Siu Lin has fully ingrained us the importance of **integrity, trustworthiness, dedication, and diligence. Living out these values**—to have them guide our every business decision—and **unifying our knowledge and action** are **key to our longevity and greater success.** These, I believe, are important as we endeavor to sustain Luen Thai's **global leadership** in apparel and accessories manufacturing and in fashion technology and **delivering long term value and growth** to our shareholders while achieving shared success with our employees, clients, suppliers, and partners, amidst these uncertain times.

This report presents the actions we are taking to positively address ESG issues as well as in digital transformation and disruptive technology, which we consider key pillars in achieving sustainable shared success. We build on from what we know through research and best practices then translate these into concrete practices, programs, activities, and initiatives to improve our impact in these areas.

In 2019, we have reiterated our commitment to our **people and community** through the launch of the Luen Thai Leadership Competency Model, a standard for leaders of the organization across the group and the 7 XO Habits, a guide for employees in becoming effective and true team players as well as a foundation for our digitalization initiatives. Our employees worldwide also continued to show remarkable energy in pursuing volunteer programs and opportunities to support various causes.

During this year, we made strides in **sustainability** by streamlining our processes and ramping up our **digital transformation** efforts to become the world's first paperless factory for both apparel and accessories. We have also begun adopting **disruptive technology** to make fashion more sustainable and create more customized products for our customers.

As a Company, we support the **Ten Principles of the United Nations Global Compact** on human rights, labor, environment, and anti-corruption; and we integrate these into our strategies, policies and procedures, and aspirations.

As you browse through this ESG Report, you will find these and many other steps that we have taken that demonstrate our progress in creating not just a more **sustainable business, but also a meaningful difference in our people, communities, and the environment.**

I would like to express how immensely proud of what we have accomplished and are accomplishing under the ESG. **We still have a lot of work to do,** but I assure our shareholders, customers, employees, partners, and our communities that **we will continue to do better every day.**

Thank you to all those who are on this journey with us to shape a sustainable future.

Raymond Tan

OVER 52,000 EMPLOYEES GLOBALLY

MANUFACTURING / SOURCING COUNTRIES

CHINA | PHILIPPINES | CAMBODIA | VIETNAM | INDONESIA THAILAND | MYANMAR | INDIA | BANGLADESH

SALES/DESIGN OFFICE

NEW YORK, USA

HEADQUARTERS

HONG KONG SAR

USA*



SUSTAINABLE SHARED UCCESS THROUGH REINVENTION

OUR VISION

Luen Thai believes that synergy resulting from working towards sustainable shared success with our partners—shareholders, customers, suppliers, our people, and our communities—will create more positive and lasting benefits to end-consumers, the industry, and the world. At the forefront of our reinvention are quality, speed, flexibility, sustainability, and cost. e Hong Kong Polytechnic University Foundation APPRECIATION RECEPTION



Luen Thai Leadership Summit

Challenge

Luen Thai Recognition as Honorary Life Member of PolyU Foundation

Senior Leaders Forum and Management Board Meeting

Best in Digital Manufacturing

2019 HIGHLIGHTS



GOVERNANCE AND MANAGEMENT

We are committed to the highest standards of governance, consistent with regulatory expectations and best practices. We believe that responsible governance is an essential component of an ethical corporate culture. Governance contributes to effective and transparent oversight by establishing the processes, practices, and structures we use in our work to meet our strategic objectives and optimize long-term value for our stakeholders.

Management Board Meetings

Luen Thai's CEO Management Board meets quarterly, keeps all senior executives aware of how the Company is progressing and adapting, and helps generate new opportunities for getting out of organization silos and creating new means for collaboration. The Company believes in creating the right dynamic balance between unit autonomy and authority through the formation of the CEO Management Board.

Sustainability Governance

To ensure success of Luen Thai's Sustainability Strategy focusing on three core areas on our people, our communities and the environment, a special Sustainability Committee within Luen Thai's Management Board has been tasked to oversee that the sustainability programs are effectively rolled out within all strategic business units and in all Luen Thai locations around the world.

Structure

The Company has utilized the greater resource capability provided by the Orient International/Shangtex acquisition to grow the organization with value-enhancing mergers and acquisitions (M&A) such as the acquisition of Universal Group and JCK (Myanmar) and joint ventures with Yeh Group for waterless fabric printing and Texport Industries for diversifying production to India. Luen Thai will dynamically adjust its structure as these new entities are actualized.

Other organizational adjustments include creating a formal structure and responsibility for innovation focused on the continuing search, acquisition, adaptation, and deployment of new manufacturing and production technology, enabling us to be at forefront of new technology adoption in apparel and accessories.



OPERATING PRACTICES

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

The Group respects and protects our customers' intellectual property rights and other trade secrets. Luen Thai observes the local laws and regulations protecting intellectual property rights, including but not limited to Cap. 528 Copyright Ordinance in Hong Kong, Protection of Customer Rights and Interests Law of the People's Republic of China, and Intellectual Property Code of the Philippines, among other country specific guidelines. For any products that are related to intellectual property rights and trade secrets, the Group will take appropriate 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

Luen Thai is a global industry manufacturer and multi-product expert in apparel and accessories. Luen Thai 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 extensive Group has taken the social responsibility into consideration. working p The sound practices in risk diversification have been in our reviewed to supply chain management. The suppliers are expected to place. The comply with the applicable local regulations governing ethical are comp behavior, employment practices, health and safety, and the suppliers. environment.

invironment.

Integrity and Anti-Corruption

Luen Thai complies with the local anti-corruption rules and regulations, including but not limited to Cap. 201 Prevention of Bribery Ordinance in Hong Kong, Criminal Law of the People's Republic of China, and Anti-Graft and Corrupt Practices Act in the Philippines; among other country specific guidelines. 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

People and Community

As a leader in apparel and accessories manufacturing and in fashion technology, Luen Thai empowers more than **52,000** employees around the globe and enhances the quality of life of communities in our areas of operation.

Upholding our core values and principles

Underpinning everything we do, including our ESG commitments, are our core values of integrity, trustworthiness, dedication, and diligence. These are the foundations of our XO culture and serve as our guide in the way we work, the way we interact with others, and in how we deliver our service to our customers.

We also strongly believe that knowledge is power, but without action, it is meaningless. Unity in knowledge and action is important as we conduct our business.

Embracing equality in diversity

Nationalities

We always put our people first and we believe in the power of diversity and equality across cultures, locations, and functions. Luen Thai follows the local laws and regulations relating to equal opportunity and anti-discrimination in employment, including but not limited to Cap. 57 Employment Ordinance in Hong Kong, the Labour Law of the People's Republic of China, and The Labor Code of the Philippines, among other country-specific guidelines.

Our diverse Management Board is composed of leaders originating from various countries who are seasoned in a multicultural environment.

We believe that equality in gender, race, and age are imperatives for Luen Thai. They are a central tenet as we increase workforce representation in all countries we operate in.



*Including: Malaysians, Sri Lankans, Turkish, Singaporeans, Taiwanese, British, Canadian, German, and Mexican



* Legal age of employment in China is 16. Legal age of employment in Indonesia is 18, however children ages 13 to 15 are allowed to perform light work.

**Sources:

https://iclg.com/practice-areas/employment-and-labour-laws-and-regulations/china https://www.lexology.com/library/detail.aspx?g=14719cf4-5733-467b-b5c8-9c9fb59a48e5



Age groups

Empowering XO people

We are committed to the learning and development of our XO people. We believe that giving them the tools and resources they need to do their job well not only encourages a culture of excellence but also contributes to Luen Thai's success.

Among the initiatives and programs introduced in 2019 are the following:

 The Luen Thai Leadership Competency Model – a framework featuring nine core competencies that will serve as standard for leaders of the organization across the Group

• The 7 XO Habits (inspired by Stephen Covey's book The 7 Habits of Highly Effective People) – a guide for employees in becoming effective and true team players. This was developed as Luen Thai's foundation in digitalization transformation. In line with this, Luen Thai welcomed its pioneer batch of certified trainers of "7 Habits of Highly Effective People" that are now called "XO Master Trainers" and "7 XO Habits Ambassadors."

• XO SHiNE Management Fundamental Program – a program that aims to impart fundamental management concepts in our business as well as to improve the management and technical capabilities of our managers to help them execute their roles more effectively. It also aims to align the participants' personal development goals and values with Luen Thai's corporate culture and vision.



Total Training Hours per Level





Employee recognition is important to us. We ensure that we show our people that we value their contributions and hard work and provide opportunities for career advancement whenever possible.

As in the past years, we also continue to implement programs to improve employees' happiness and job satisfaction. We use the employee Net Promoter Score (eNPS), a systematic employee engagement survey to ascertain level of satisfaction and engagement of our employees by asking respondents how likely they would recommend the Company as a place to work on a scale of 0 to 10. The eNPS metric helps identify areas where we can do more to achieve our goal to have Happy People and become the Best Place to Work. This is implemented on a regular basis, with the belief that it is a good barometer of happiness and overall attitude and satisfaction about working for the company. The eNPS was fully rolled out in all Luen Thai facilities in 2019.





Practicing fair and responsible employment

We pride ourselves as a responsible employer by strictly adhering to fair labor practices and laws in all the countries it operates in. We maintain a safe and healthy working environment and embrace individual differences by providing our people with the opportunity to maximize their potential.

Keeping our people safe

Luen Thai takes safety seriously. We strive to create a safe and healthy environment for our employees by adhering to internationally-recognized standards on occupational safety and health. We follow the local occupational health and safety laws and regulations, including but not limited to Cap. 509 Occupational Safety and Health Ordinance in Hong Kong, Prevention and Treatment of Occupational Diseases Law of the People's Republic of China, and Occupational Safety and Health Standards Act in the Philippines, among other country-specific guidelines. We also provide our people with the necessary training and equip them with skills to perform their work in a way that is safe for them and their coworkers. In 2019, we accumulated 62,837 safety training hours (2018: 64,922 total safety training hours) across different levels, including the management team, supervisors, and rank and file.





Advocating for healthy workplaces and employees

Luen Thai is passionate about health and wellness and partners with its employees towards a balanced, healthy lifestyle. It holds regular health-related activities such as disease awareness, talks, consultations, and provision of services by health professionals including doctors, wellness coaches, and nutritionists.

The Company also holds fitness and sports events conducted by fitness experts to help employees reap the benefits of a healthy lifestyle.

Giving back to our communities

Luen Thai's Donate-an-Hour program (a volunteerism and outreach program) endeavors to provide employees with a platform for community engagement through community service. This initiative allows them to donate their time and resources to causes and charitable institutions within 30 minutes of the facility.



donated by employees

18



USD43,366 total amount donated



1,812 beneficiaries (Individuals)



462 beneficiaries (families)

Enhancing the lives of people in communities

Our vision of sustainable shared success extend to the communities in which we live and work. We believe in making a positive social impact and in helping our communities prosper. We encourage our people to contribute to their local community. Our XO KIDS and Donate-an-Hour programs promote the importance of taking responsibility to meet the needs of society aside from our own.

Nurturing XO children

Helping children become XO KIDS is a priority of Luen Thai. Under the XO KIDS initiatives, we have developed programs that provide access to sports (such as football), performing arts, skills development training, and scholarships.

The Luenthai Football School in Clark, Pampanga, created in 2013 as an academy for youth development through football and social awareness activities, continues to offer regular, free football training to children of Luenthai employees, its immediate communities, including the underserved. It also provides uniforms and equipment needed for competitions and training sessions.

Over the years, the Luenthai Football School has hired acclaimed football coaches to train and produced top caliber players who have been offered full football scholarships from their universities and in the Philippine National Football Team. Through tournaments such as the Luenthai Cup, a fundraiser for Tuloy Foundation, the children are given the opportunity to play with talented players from local and international teams, as well as foster friendships among other youth.



2018: 200 beneficiaries

We have formed partnerships with a passionate network of individuals and institutions such as Tuloy Foundation in the Philippines, Future Light Orphanage in Cambodia, and Tzu Chi Foundation/Guangdong Network Audiovisual New Media's volunteers in China to extend our reach and create positive change globally.

Using the existing platform for its free football program for the youth, Luen Thai has broadened its scope by providing academic grants to enrollees of the Luen Thai Football program who are also beneficiaries of employees. This is initially being implemented in the Clark and San Fernando, Pampanga, Philippines facilities.

Upholding children's rights

We believe that the well-being and education of our future generations are of utmost importance. Luen Thai adheres to the local laws and regulations prohibiting the employment of child labor and forced labor, including but not limited to Cap. 57 Employment Ordinance in Hong Kong, the Labour Contract Law of the People's Republic of China, and The Labor Code of the Philippines, among other countryspecific guidelines. We have put in place strict policies against child labor and actively implement programs that benefit children and the youth, especially the underprivileged. The Company staunchly maintains a zero tolerance approach to child labor and is a strong advocate in upholding children's rights.





of child labor



Expanding our cause

Luen Thai is committed to doing business responsibly and helping communities thrive. We partner with other stakeholders—customers, vendors, government, nongovernment organizations, and academic institutions—who share the same passion for serving and giving back to the community.

We are proud to work with:



Jollibee Food Corporation

Philippine

Red Cross



Balibago Training School

FAB



Divine Mercy Hospital



FAB (Freeport Area of Bataan)



The Outstanding Students of the Philippines





Tuloy Foundation



ASILO dela Milagrosa



Cleaning River



UTAMAKAN KESELAMATAN DAN KESEHATAN KENJA

Health and Safety Day



Tze Chi (慈济)



Guangdong Network Audiovisual New Media

Sustainability

In Luen Thai, environmental sustainability is not just a goal. It is an established sustainability target and initiative to achieve within our five-year plan. It is an integral part of our business strategy to trace our footprint and leave more handprint.

Through our digital transformation efforts and green initiatives, we take an active role in caring for our environment, particularly by saving water and reducing paper usage.

We invest heavily in technology and equipment that not only improve our efficiency and flexibility, but also help us reduce our carbon dioxide (CO₂)emissions and minimize the need for some resources.

In 2019, we have also made reference to the selected GRI Sustainability Reporting Standards for the Environment. This material references Disclosure 301-1 from GRI 301: Materials 2016, Disclosures 302-1 and 302-3 from GRI 302: Energy 2016, Disclosures 303-4 and 303-5 from GRI 303: Water and Effluents 2018, Disclosures 305-1, 305-2, and 305-5 from GRI 305: Emissions 2016, and Disclosure 306-2 from GRI 306: Effluents and Waste 2016.

Managing our resources effectively and efficiently

It is our goal to continuously improve the efficient utilization of resources. In 2019, we implemented various guidelines and policies to enhance the efficient use of energy.

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

MARANC

Water Conservation

Water is precious and irreplaceable. Yet it is a finite resource and is increasingly under threat. We, in Luen Thai, are aware of our responsibility towards the sustainable use of fresh water.

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

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

In 2019, our aggregate amount of domestic and industrial water consumption was approximately 1,595,027 tonnes (2018: 2,128,660 tonnes). Such decrease of water consumption partly reflected the Group's water conservation actions undertaken since 2017, including the reuse of treated industrial water and collected rainwater.

The water intensity per unit of production is approximately 0.03 tonnes for apparel and 0.03 tonnes for accessories (2018: 0.03 tonnes for apparel and 0.05 tonnes for accessories).

Water consumption: 2019: 1,595,027 tonnes 2018: 2,128,660 tonnes

Water intensity per unit of production:

2019: Apparel - 0.03 tonnes; Accessories: 0.03 tonnes 2018: Apparel - 0.03 tonnes; Accessories: 0.05 tonnes Luen Thai takes a strong stance against the proliferation of single-use plastics. Since 2018, the Company has been implementing its #BringYourOwnBottle campaign and encourages employees and visitors to bring their own reusable bottles or refuse single-use disposables. This has been rolled out in our offices and factories across the globe.

For 2019, the number of single-use water bottles saved by switching to reusable bottles is approximately 133,156 pieces.



Water bottles saved: 2019: 133,156 pieces



Raw Material Consumption

Luen Thai maintains close communication with branded customers and material suppliers in the course of material selection. We follow branded customers' quality requirements and standards in selecting materials. The packaging materials for our garment and bags products include carton boxes, plastic bags, and other auxiliary items.

In 2019, the total consumption of packaging materials was approximately 8,558 tonnes (2018: 4,838 tonnes). The increase is mainly attributable to carton box consumption in our acquired bags production in Myanmar and Thailand since November 2018, and expanded bags production in Cambodia.



Packaging consumption

2019: 8,558 tonnes* **2018:** 4,838 tonnes *due to increased bags production

Energy Usage

Luen Thai implements 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



In 2019, electricity consumed was approximately 60,316,883 kWh (2018: 49,381,681 kWh). The increase in electricity consumption was due to the expansion of our bags production in Cambodia and consumption of the acquired bags production in Myanmar and Thailand.

Luen Thai has actively engaged in energy conservation projects in various locations and has continued to pursue energy saving options by using environmentally friendly light tubes and by optimizing air-conditioning units since 2017. To further enhance our credibility, a number of our apparel factories in the Philippines and Cambodia are now certified with international environmental standards such as ISO 14001 Environmental Management

With continuous effort, we believe that energy saving targets will be achieved. The electricity intensity per unit of production is approximately 0.60 kWh for apparel and 2.12 kWh for accessories (2018: 0.65 kWh for apparel and 1.59 kWh for accessories).



Reducing our environmental impact

Air Emissions

Luen Thai has taken steps in controlling the emission sources of air pollutants, mainly generated from the fuel combustion of boilers. In 2019, our manufacturing facilities and company-owned vehicles emitted approximately 1,079 kg of nitrogen oxides (NOx), 6.63 kg of sulphur dioxide (SOx), and 58.49 kg of particulate matter (PM). Luen Thai is continuously monitoring the emission quality in conformance with the Work Environment Measurement as part of our Occupational Safety and Health requirements.

> In 2019, boiler fuel consumption was approximately 4,365,209 kg (2018: 8,269,772 kg). Such decrease was mainly due to the ease of biomass usage in one China factory. In addition, we have adopted more energy efficient usage of pressed-wood dust in the China and Cambodia factories since 2018.

> Luen Thai aims for gradual increase in the utilization of environment-friendly fuel, such as biomass, and planting more trees which can help reduce carbon footprint and hence conserve the environment.

Boiler fuel consumption: 2019: 4,365,209 kg 2018: 8,269,772 kg

Air Emission in 2019;

Nitrogen Oxides (NOX): 1,079 kg

Particulate Matter (PM): 58.49 kg

Greenhouse Gas Emissions

Luen Thai maintains manufacturing operations and facilities in strategic locations in China, the Philippines, Cambodia, Indonesia, Vietnam, Myanmar, and Thailand. We are dedicated to complying with the relevant environmental protection laws and regulations in the corresponding locations such as air and greenhouse gas (GHG) emissions, wastewater discharge, and treatment of hazardous and non-hazardous wastes, including but not restricted to the Environmental Protection Law of the People's Republic of China, Prevention and Control of Atmospheric Pollution/Water Pollution of the People's Republic of China, Philippine Clean Water Act and Clean Air Act, and Environmental Protection and Management Law of Indonesia, among other country-specific guidelines.

We are committed to the progressive reduction of GHG emissions over time. Total GHG emissions from our factories fall within mainly Scope 1 (direct emissions from operations mainly comprised of boilers, generators, and vehicles) and Scope 2 (energy indirect emissions induced by purchased electricity), with the emission amount presented in the unit of tonnes of carbon dioxide equivalent ("tCO₂e). In addition, computation of GHG emissions arising from electricity consumption has adopted the latest emission factors, reflecting the updated country or regional emission intensity.

For 2019, Luen Thai recorded total GHG Scope 1 and Scope 2 emissions at 46,575 tCO₂e (2018: 41,966 tCO₂e). The overall increase is in line with the increase of electricity consumption for the said year.

Luen Thai manages and reduces emissions of greenhouse gases through various means. It has implemented different policies including the adoption of environment-friendly manufacturing facilities and equipment used with renewable energy. The Group timely measures the amount of pollutants to achieve our goals in reducing emissions.





Total: 41,966 tCO₂e Scope 1: 11,344 tCO₂e Scope 2: 30,622 tCO₂e



Waste Management

Luen Thai complies with the local environmental protection laws and regulations in the disposal, transfer, and handling of hazardous waste, including but not limited to the Prevention and Control of Environmental Pollution by Solid Wastes of the People's Republic of China; Philippine Toxic Substances, Hazardous and Nuclear Waste Control Act; among other country-specific guidelines. The hazardous waste is handled by licensed professionals to minimize the risk of the hazardous waste brought to the environment.

We implement a waste management strategy to alleviate the environmental impact of hazardous and non-hazardous waste disposal. We also adopt the principles of "reduce, reuse, recycle, and replace" for improving waste management.

Our total generation of hazardous waste (mainly treated sludge, coal ash from boiler fuel, oil/lubricants and chemicals) was approximately 162 tonnes in 2019 (2018: 483 tonnes). Such decrease is due to the decrease of hazardous waste from our bag factory in China coupled with decrease of sludge disposal in one of our apparel factories in the Philippines.

Meanwhile, the non-hazardous waste (mainly fabric wastes, domestic wastes, cardboard, and paper) was mainly sent to the landfill or handled by licensed recycler and incinerators with aggregate amount of approximately 18,921 tonnes in 2019 (2018: 9,191 tonnes). The increase was mainly due to the disposal of fabric and general wastes from our bags factory in Myanmar and Cambodia during the year.

Generation of Hazardous Waste 2019: 162 tonnes 2018: 483 tonnes Generation of Non-Hazardous Waste 2019: 18,921 tonnes 2018: 9,191tonnes

Investing in a sustainable smart supply chain

As a provider of apparel and accessories products, Luen Thai's supply chain is comprised of hundreds of suppliers of various products and services. Luen Thai has been investing towards a sustainable supply chain that is both technologically-driven as well as environmentfriendly.

Years ago, we began building the "Factory of the Future" in several strategic locations 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.

Maximizing our handprint

Water-Free Dyed Fabrics

The apparel industry is one of the largest consumers of water and is also responsible for polluting the environment with chemical waste. Luen Thai uses fabrics that use waterless dyeing technology which eliminates water and processing chemicals.

Automated Folding and Bagging Machines

Automating key steps in the finishing and packing processes not only saves time, but also increases productivity, reduces factory lead time, and uses less energy. Luen Thai uses automated folding and bagging machines to improve speed and flexibility in high-volume requirements.

Laser Printing

One of the downsides of traditional garment printing is exposure to hazardous chemicals which harm workers and the environment. Luen Thai invests in laser printing, which requires fewer processes and uses less chemicals.

Giving XO 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 a positive impact on the environment through a more structured advocacy.

We will continue to 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.

No. of trees planted: 2019: 5,278 trees 2018: 3,155 trees

Digital Transformation

Luen Thai strongly believes that digital transformation is imperative to remain relevant in these rapidly changing times. As a testament to this, we are one of the earliest players in the industry to lead digital transformation and recognized by our customers as a leader in information technology in the Original Equipment Manufacturer (OEM) space.

Building up on what we have begun in our Smart Factory, we will continue to upgrade our smart technologies by integrating new capabilities such as the Internet of Things (IoT), cloud computing, and artificial intelligence, while extending the technology beyond production processes to our entire enterprise. This will allow us to access relevant data in various geographical locations, facilitating quicker, more collaborative, and transparent communication and decision-making.

Long-term, this will allow us to develop new revenue streams, increase margins, and create value to our stakeholders. In 2019, we were able to save 142,997 work hours due to automation and digitalization.



Work Hours Saved by Automation and Digitalization



Luen Thai received the "Best in Digital Manufacturing" award at the 2019 adidas Partner Summit in Guangzhou, China on March 13, 2019.



Sew Sew You platform



LTLabs platform

Disruptive Technology

The industry of apparel and accessories undergoes constant changes as it is in its nature to be fashionable, to keep up with trends. Innovation and sustainability are more important than ever.

Luen Thai believes that we need to seize the opportunities brought about by disruptive technology as they spell the difference between survival and extinction in the Information Age. We have begun the process of creating a formal structure for innovation development, focusing on the search, acquisition, adaption, and deployment of new manufacturing and production technology. Our partnership and deployment of a leading textile printing technology to supply eco-friendly fabric is one example of putting this concept and initiative in action.

We will continue to search for disruptive technology that is sustainable and able to streamline our processes, improve quality, speed, cost, and flexibility. We believe our efforts in integrating the technology into our systems and production methods will enable us to be at the forefront of the new technology adoption in the apparel and accessories business.





THE LUEN THAI 20/20 VISION

Luen Thai's 20/20 Vision takes us to the future we want. Our perfect vision enables us to see things clearly, near and far. It shows us how to go towards our destination and what to focus on.

Our vision is clear even if things seem far-reaching. These four pillars fundamental to our sustainable shared success will remain constant despite the changing times -

- Prioritize our people and community as our most important asset
- Remain strongly committed to sustainability and align this with business strategies
- Fully embrace digital transformation to find new revenue streams and offer new value to all our stakeholders
- Seize the opportunities brought about by disruptive technology as they spell the difference between survival and extinction in the Information Age

Our perfect vision allows us to see things that are near us such as our targets under our 3-Year Focus.

- Optimize full growth potential of the Accessories business
- Expand our sports activewear business
- Expand our casual and fashionwear business
- Grow our share in the highly competitive Chinese market

These will remain as our guide as we move closer to our vision of SUSTAINABLE SHARED SUCCESS THROUGH REINVENTION.



SUMMARY



OUR COVID-19 RESPONSE

As of publication of this ESG Report, the world is facing great uncertainty with the spread of COVID-19.

Luen Thai is one with the global community in containing the spread of the disease and in ensuring the well-being of our people, partners, and communities. The Company has adopted measures to improve preparedness for and response to COVID-19.

We will continue to work with health authorities on efforts against COVID-19.

Our thoughts go to all those affected by this disease. We wish you a speedy return to good health.

For all the men and women on the frontlines of COVID-19 across the globe, we thank you for your heroism every day.

We wish everyone good health and strength during this difficult time.





Rooms 1001-1005, Nanyang Plaza 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong SAR (852) 2193-3800 www.luenthai.com