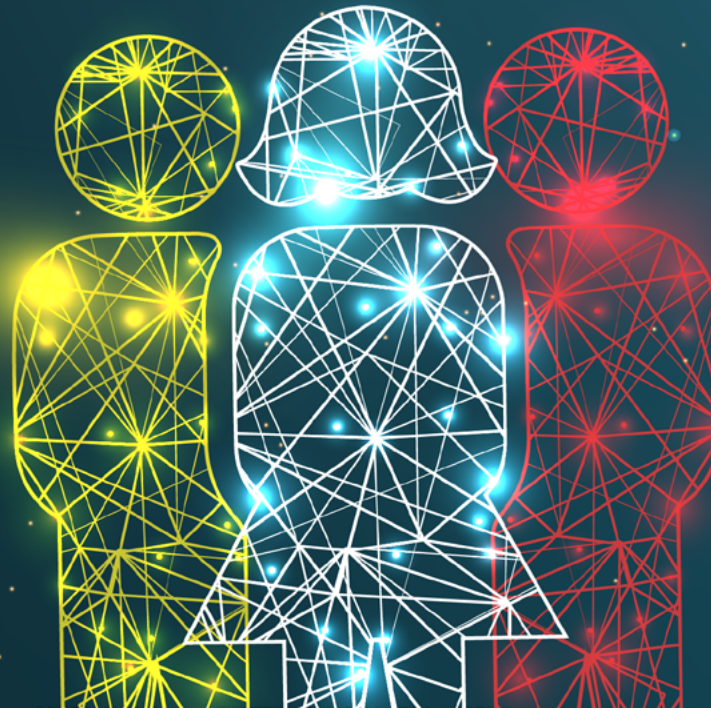


# New Luen Thai New Supply Chain

Environment • Social • Governance

## 2020 Report

 Luenthai  
Luen Thai Holdings Limited  
聯泰控股有限公司  
(Incorporated in the Cayman Islands with limited liability) (Stock Code: 311)



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## ABOUT THIS REPORT

Luen Thai Holdings Limited (hereinafter referred to as “Luen Thai,” “the Company,” “we,” or “our”), together with its subsidiaries (collectively, the Group) (Stock code: 0311), endeavors to integrate corporate social responsibility into our strategic planning and business activities through transparent measures, aiming to maximize values and experience of our customers, nurture our employees’ potentials, conserve our environment, and extend care to our community in adherence to our corporate values.

The 2020 Environmental, Social, and Governance (ESG) Report (the “Report”) demonstrates our dedication and performance in pursuing sustainability during the period from 1 January to 31 December 2020 (“2020”), which is the same as the financial period of the Group’s 2020 Annual Report. Relevant contents were referred to previous period when needed.

## REPORTING SCOPE

The Report presents the ESG management approach, sustainability milestones, and material topics of our global apparel and accessories businesses.

The reporting scope covers the Group’s apparel and accessories global operations, excluding three manufacturing sites with discontinued operations in Vietnam, Thailand, and Indonesia in 2020.

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.

## REPORTING STANDARD

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (HKEx ESG Reporting Guide). Reporting principles of Materiality, Quantitative, Balance, and Consistency under HKEx ESG Reporting Guide are strictly applied during report preparation to ensure unbiased and quality disclosure regarding the Group’s ESG performance and initiatives.

As part of the Group’s ongoing sustainability initiatives to align with global ESG reporting indicators, we have also made reference to the Global Reporting Initiative (GRI) Sustainability Reporting Standards for environmental topics (for details, refer to the GRI Content Index—Environment of this report).

The Report has been reviewed and approved by the Board of Directors of the Group and is publicly available in English and Chinese. Should there be any discrepancies between the English and Chinese versions, the English version shall prevail.

## CONTACT AND FEEDBACK

We welcome feedback on this ESG report and our sustainability performance. For comments or suggestions, please send to:

Address: Luen Thai Holdings Limited, Rooms 1001-1005, 10/F, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, HKSAR

Email: [corporate\\_communications@luenthai.com](mailto:corporate_communications@luenthai.com)



**Raymond Tan**  
Chief Executive Officer

# MESSAGE FROM OUR CEO

2020 has been a turbulent year with multiple crises co-existing at once – a global health crisis, a racial justice crisis and a climate crisis. It was a year like no other, no one has been left untouched by the challenges we face. We live in an era where sustainability is just as fundamental as profitability. A moment like this reveals the importance of our value and longstanding commitment towards a sustainable shared success with our partners: Shareholders, Customers, Suppliers, our People, and our Communities. At Luen Thai, we strive to lead transformational changes across our company and industry, reinvent the way in which we run our business.

*“We live in an era where sustainability is just as fundamental as profitability.”*

We continue to integrate sustainability into our business strategies and goals spanning the entire value chain. I believe we will continue to make an impact that matters with our experiences and capabilities, as well as the collective efforts of our people, partners, and suppliers.

## Responding to Health Crisis

Safety of our employees is the highest priority for us. As we run a people-intensive business, we hold ourselves accountable and responsible for creating a safe environment for all our employees and workers.

*“As we run a people-intensive business, we hold ourselves accountable and responsible for creating a safe environment for all our employees and workers.”*

Apart from imposing the social distancing and mask wearing rules, we also provided face masks to all our employees when masks were in short supply globally, implemented safety measures such as conducting coronavirus disease 2019 (COVID-19) tests, temperature checks, and sanitation procedures. We also launched a donation campaign and used the funds raised to provide rice subsidies to the most vulnerable workers in countries where work has been suspended. I am very proud that our efforts have gone beyond the corporate level to safety of the public. During COVID-19, we quickly stepped up to advance solutions to create sustainable and highly functional personal protective equipment (PPE) for the public. We have



successfully developed reusable and antiviral face masks to address the environmental and cross-infection concerns with the disposable masks. We will continue to develop more sustainable products to help solve environmental and social challenges.

## Embedding Sustainability into Business Strategies and Operations

Our commitment to sustainability drives our approach to decisions we make as a business. We embed sustainability in every aspects of our business from operations to manufacturing processes and supply chain transformation.



We are dedicated to transform our industry by providing sustainable solutions to all our partners. We successfully integrated next generation textile coloration technology into our production process with a goal to reduce water, chemical and energy use, further cutting our carbon footprint and overall material waste.

*“Our commitment to sustainability drives our approach to decisions we make as a business.”*

We are also committed in delivering on-demand manufacturing capabilities to our partners to reduce inventory levels. This could help to solve one of the costliest environmental problems in the fashion supply chain that is caused by overproduction. We continue to upgrade systems, and build AI supported cloud-based smart factories to achieve operational excellence and improve productivity.

Over the years, we have launched several programs such as “No Plastic Bottle,” “Go Green,” “XO Care Environment” to improve environmental awareness of our people and encourage everyone to make an impact through daily actions. Giving back to society has been part of Luen Thai’s culture since founding of the company in 1970s. Philanthropic efforts started decades ago when the company starts to donate to people in need. We are also working with charities and



engaging our employees in “Donate an Hour” and “XO Kids” programs to help charities raise funds, protect children’s rights, and help the underprivileged ones.

Inequalities continue to rise within and between countries. At our company, we stand against racial discrimination and social injustice around the world. We believe we can use our power of engagement to educate, bring people together and set a precedent for equality and inclusion. Increasing diversity in every region in which we operate is the important part of our sustainability strategy. Since 2013, we have adopted a board diversity policy, which was designed to foster inclusive behavior, recruit, and promote talent based on both merit and diversity in gender, race, and age (GRA). We use GRA data to measure



progress we have made. As of December 2020, our employees at director or above level consist of 41% male and 59% female with 12 different nationalities and 5 age groups - 55% aged 46 – 65, 26% aged 36 – 45, 8% aged 26 – 35, 7% aged 66 and above, and 4% in the range of 18 to 25. We will continue to support and promote diversity, create work environment where everyone feels safe and included.

## Supporting the United Nations Sustainable Development Goals

We cannot solve the world's environmental challenges alone. It is important for us to collaborate with others and bring partners along with us on our sustainability journey. We are working actively alongside our peers and stakeholders, and adapting many of our sustainability

### WE SUPPORT



actions both to tackle immediate issues and to plan ahead for emerging social and environmental needs. One of our key business units participated in the United Nations Global Compact (UNGC), the world's largest voluntary corporate citizenship initiative since 2003. Under this initiative, we made a commitment to defend human rights, comply with labor regulations and respect the environment by adhering to the core principles of the UNGC. In 2018, Luen Thai joined the UNGC as an active participant. We adopted company-wide measures and amended policies to support UNGC's ten principles on human rights, labor, environment, and anti-corruption. We actively participate in areas where we could help to achieve the sustainable development goals to end poverty, protect the planet and ensure

that all people enjoyed peace and prosperity by 2030. In 2020, on the occasion of the 75th anniversary of the United Nations and the 20th anniversary of UNGC, I expressed my support for the UNGC by signing the Statement from Business Leaders for Renewed Global Cooperation. We will continue to further align the UNGC's sustainability strategy, expand our efforts to uphold sustainable and responsible business practices in day-to-day global operations. As we take on greater responsibility, we seek to cooperate with like-minded partners and industry peers, engage our suppliers and customers in areas where we can deliver positive impacts.

### In Closing

I am proud to lead a company that sustainability remains at heart of its operations and planning. I believe commercial success of our company is linked to a commitment to sustainable development. We are excited to commit to even more aggressive goals in 2021 and beyond.

*"I believe commercial success of our company is linked to a commitment to sustainable development. We are excited to commit to even more aggressive goals in 2021 and beyond."*

To our stakeholders and readers, we appreciate your interest in our company and are pleased to share the positive impact of our environmental, social and governance business practices and initiatives.

# LUEN THAI, AN OVERVIEW

Luen Thai is an eXtraOrdinary Company.

Our culture, our people, and vision of the future make us eXtraOrdinary!

We make quality products. We provide excellent services.

We are a global leader in apparel and accessories manufacturing and in sustainable fashion technology.

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.



**Over 44,000 employees globally**

## **Manufacturing/Sourcing Countries**

CHINA | PHILIPPINES | CAMBODIA | INDONESIA  
MYANMAR | INDIA | BANGLADESH | VIETNAM\*

## **SALES/DESIGN OFFICE**

USA

## **HEADQUARTERS**

HONG KONG SAR

*\*Joint Venture*





INDIA

BANGLADESH

MYANMAR

CAMBODIA

CHINA

HONG KONG SAR

VIETNAM\*

PHILIPPINES

INDONESIA

# OUR VISION

## SUSTAINABLE SHARED SUCCESS THROUGH REINVENTION

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.**



XO Food Fund



Distribution of School Supplies to FLO Orphanage



GJM Charity Walk



Yuenthai Supervisory Skills Training

# 2020 HIGHLIGHTS



Luentech Contract Signing



LT Labs



M & V and Luen Thai Partnership



Leadership Summit 2020

# 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.

Our corporate governance practices comply 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 2020 Annual Report.

## Management Board Meetings

The Company believes in creating the right dynamic balance between unit autonomy and authority through the formation of the Management Board. The Management Board meets at least three times a year, 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.

## 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 of subsidiaries, associates, or joint ventures. Luen Thai will dynamically adjust its structure as these new entities are actualized.

There was no material acquisition or disposal of subsidiaries, associates, or joint ventures during the year ended 31 December 2020. Despite the existing difficult and challenging

industry conditions, Luen Thai will continue to look for value-enhancing investments which meet our stringent requirements in order to further expand our product range, production capacity and diversify our geographical risk.

Other organizational adjustments include creating a formal structure and responsibility 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.

## 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.

# STAKEHOLDER ENGAGEMENT

The Group also considers the views of its internal and external stakeholders to strengthen its sustainability governance. It regularly engages a broad set of key stakeholders to identify sustainability issues of importance to them as well as identifies business opportunities and addresses acknowledged risks to further its sustainable development efforts. It is vital for the Group to capture and understand how their views change and ultimately how it can respond and implement improvements appropriately to its business strategy today and in future.

## Internal Stakeholders



Management Board



Independent Executive Directors



Shareholders and Investors



Strategic Customers



Core Suppliers and Business Partners



Employees

## External Stakeholders



Governments and Regulators



Media



NGOs



Environmental Organizations

The Group has identified key stakeholder groups which have concerns about issues that may have a significant impact on its business or those who could be significantly affected by its operations, and also maintains regular communication with these groups through various channels.

## Communication Channels

Regular meetings (including but not limited to shareholder meeting)

Site visits

Press releases

Business communications

Regulatory compliance

Community work

Internet

Direct mails

Public displays

Public news on Company and HKEx websites

# MATERIALITY ASSESSMENT

The Group reviews stakeholder feedback regularly to understand the materiality of issues to the Group's business operation and to its stakeholders. ESG issues are prioritized in accordance with the relevance and importance to the Group and stakeholders; such result has been validated by the Sustainability Committee. Six key sustainability topics are considered as material across the three core areas of providing eXtraOrdinary (XO) CARE for people, community, and environment: employee satisfaction; occupational health and safety; children's welfare; volunteerism; environmental activities; and emission and use of resources.

# OPERATING PRACTICES

## Supply Chain Management

Luen Thai values the long-term relationships with our suppliers and we deeply believe suppliers constitute one of the essential elements of the Group's success. For sustainable business growth, we have formulated the supplier management policy which communicates to suppliers of the Group's expectations and the requirements for this achievement. A supplier selection and evaluation system is in place and the criteria could cover aspects of product quality, social responsibility, and business ethics, in addition to elements of commercial interest.

## Risk Assessment

Different supplied materials are assigned with different risk ratings, consequently the depth of supplier evaluation will vary accordingly in response to the risk ratings; for example, frequency of sample submission for testing and the required report content of hazardous substances testing may vary according to different risk ratings.

According to the risk assessment criteria, suppliers are categorized into different risk levels and assessment ratings. In response to the defined risk level, annual evaluation plan is developed for the supplier. Evaluation could proceed through phone, document and record, or onsite visit, among others. For suppliers that have significant impacts to the supply chain, the Group will carry out evaluation covering the relevant aspects of social responsibility.

The Group generally monitors its existing suppliers on an ongoing basis in terms of their product quality, timeliness of delivery, responsiveness to feedback, and others. The Group assesses the performance of suppliers, other than those designated by customers, generally by way of product sample, review of quality inspection records, and other methods deemed suitable for gauging their compliance with the applicable local regulations governing ethical behaviour, employment practices, health and safety, and the environment.

## Green Procurement

During the selection of a new supplier, the supplier's performance in environmental protection and social responsibility will be reviewed at higher priority. Except for production materials and equipment designated by customers, Luen Thai would prefer to procure equipment

and raw materials containing environment-friendly components and would prioritize the suppliers who are competent to provide these or have achieved environmental management or protection certificates (e.g. International Organization for Standardization (ISO) 14001, Forest Stewardship Council (FSC), etc.). For example, selection and procurement priority is given to the use of energy-efficient machinery, air conditioners using eco-friendly refrigerants, energy-efficient equipment (such as light-emitting diode or LED lighting) and raw materials from eco-friendly sourcing. The Group aims to support environmental conservation through the general practice of green procurement.

# CUSTOMER SERVICE AND PRODUCT MANAGEMENT

Luen Thai's belief that manufacturing of products of high quality is an essential element for sustaining long-term business growth. Through the employment of state-of-the-art technologies and effective quality control techniques, the Group ensures that every product manufactured fulfills the functional requirements of our customers on relevant product safety/quality standards as well as laws and regulations pertinent to product responsibility.

## Product Compliance

In our production and sourcing countries, the Group strictly abides by local regulations as well as those regulations in the customer's home territory. In addition to regulatory compliance, the Group adheres to the customers' standards to assure product compliance with customer requirements during the stages from receipt of raw materials to product delivery. Moreover, we strive to comply with the Code of Conduct from our customers for fulfillment of social responsibility and contribute to the mitigation of environmental and social risks along the supply chain.

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.

## Assurance Process

Our manufacturing process is controlled according to the specified inspection and testing plan. All raw materials from suppliers must undergo incoming quality control conducted by the quality responsible department, and they are distributed for use in the manufacturing plants only after the quality has been verified and passed, while non-conforming materials will be processed and handled according to designated procedures.

Finished products must pass through the specified product inspection and testing before delivery to the customers. Whenever required, finished products are sent to external testing agencies or customer-approved internal laboratories for verification of their safety and quality requirements. Data of non-conforming products are analyzed and improvements to product quality are consistently made using reliable quality control instruments.

Through product design, selection of raw materials, and process control, hazardous substances are strictly controlled to ensure the products are in compliance with the environmental and product safety requirements.

## Handling of Customer Feedback

Effective communication is one of the core values of the Group. This is shown by regularly collecting and analyzing customers' 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.

A comprehensive mechanism for handling complaints has been established. The mechanism requires responding to the customer in the specified time frame with results of the analysis and the follow-up actions. It proceeds investigation

on customers' satisfaction and identifies opportunities for improvement in the customer service. Based on the analyzed results from investigation, the Group designates the responsible departments to follow up the complaint cases for corrective and preventive solutions, as well as initiation of product recall procedures when necessary.

## Protection of Confidential Information

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.

Luen Thai has formulated policies and procedures to protect information received from different stakeholders including suppliers and customers. An authorization mechanism has been established to ensure the access and disclosure of relevant information by authorized personnel only.

The Group strictly abides by the applicable regulations of the regions where there are business operations, e.g. Personal Data (Privacy) Ordinance (Chapter 486) of the Laws of Hong Kong and European Union General Data Protection Regulation. Moreover, restrictions have been set for email and file access to allow correspondence with designated customers and suppliers only. Access is granted, to the extent appropriate, to personnel of specialized departments on an as-needed basis.



# PEOPLE AND COMMUNITY

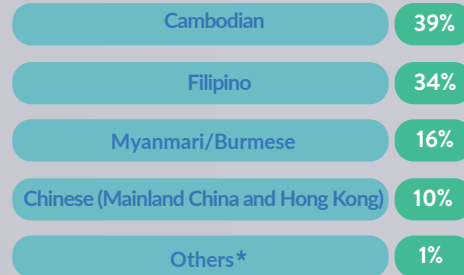
Luen Thai empowers more than 44,000 employees around the globe and enhances the quality of life of communities in our areas of operation.

Majority of our employees are under 50 years old and are employed full-time. With our worldwide operations, we hire employees of different races and nationalities offering equal and fair opportunities.

## Employees by Age



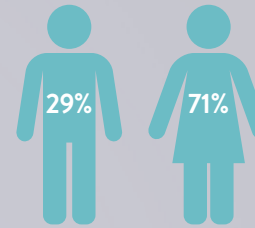
## Employees by Nationality



\*Others include Bangladeshi, Indian, Indonesian, US American, Vietnamese, Singaporean, Malaysian, Sri Lankan, Mexican, German, British

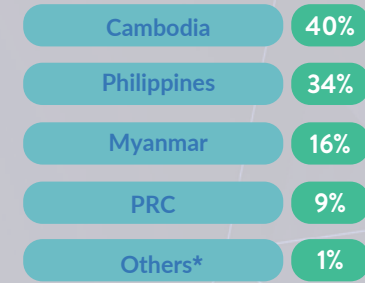
## Embracing diverse viewpoints and perspectives

Luen Thai believes that equality in gender, race, and age is imperative. We believe in the power of diversity across cultures, locations, and functions in all countries we operate in.



Employees by Gender

## Employees by Geographical Region



\*Others include USA, Bangladesh, India, Indonesia

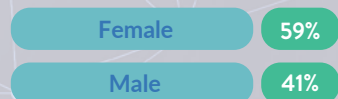
We have an anti-discrimination policy and protection of female employee policy in place to ensure fair wage, treatment, benefits, and welfare. There was no discrimination case in Luen Thai against race, region, gender, nationality, age, pregnancy, or disability in respect of recruitment, training, salary and promotion in year 2020.



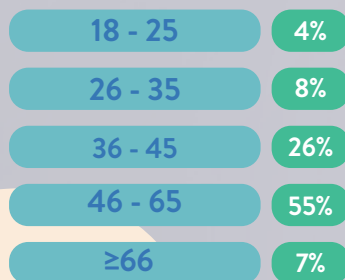


Our Management Board is composed of leaders originating from various countries. In 2020, our employees at director or above level consist of 41% male and 59% female with 12 different nationalities and in five age groups.

### Employees at Director or Above Level by Gender



### Employees at Director or Above Level by Age Group



## Practicing fair business and employment practices

Luen Thai strictly adheres to fair labor practices and laws in all the countries we operate in. We follow 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 Labor Law of the People’s Republic of China, and The Labor Code of the Philippines, among other country-specific guidelines.

Policies on dismissal, recruitment, and promotion are implemented and aligned with local legal requirements. The Company has policies on overtime and holiday compensation, bonus, allowance, incentive scheme, which are aligned with local legal requirements. Allowances, including but not limited to legal required benefits, seniority, incentives, hospitalization assistance, meals, and transportation are given according to necessity, position, or performance. Some factory sites provide accommodations like baby breastfeeding facilities to female employees. Luen Thai complies with local labor laws and regulations and arranges the rest time, working timetables, and holidays strictly in accordance with national requirements. Employees are provided with mandated meal and rest breaks, leave periods, holidays, and vacation days.

In 2020, our global workforce was reduced by 19%, from around 54,000 employees in January 2020 to approximately 44,000 as of December 2020. This drastic dip is largely attributed to the shutdown of economies during the pandemic where we have seen temporary shutdowns and permanent closures of some of our operations. These are very difficult but necessary actions to create a healthy and sustainable future for the Group and the remaining employees.

## Treating our people with dignity and respect

Luen Thai considers forced labor, human trafficking, and slavery as zero-tolerance issues. The Company follows the requirements and instructions of the International Labour Organization conventions and the United Nations Universal Declaration of Human Rights. Our focus is on ensuring fair, safe, and healthy working conditions for the workers who make our products in alignment with international standards and norms. We have established a management system on human rights, including but not limited to policies and procedures, periodic internal monitoring, and worker surveys.

## Upholding children's rights

Luen Thai maintains a zero-tolerance approach to child labor and is a strong advocate in upholding children's rights.

We adhere 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 Labor Contract Law of the People's Republic of China, and The Labor Code of the Philippines, among other country-specific guidelines. Strict policies against child labor are in place.



**zero instance**

We have recruitment and hiring procedures in place, which includes but not limited to identification of documents presented to verify age and submission of most recent photo and government identification. We also strictly follow local legal requirements during the verification process.

## Protecting the rights of our people

Luen Thai strictly follows local legal requirements on association, collective bargaining, and union establishment. We respect the right of workers to form or join in a trade union, or to refrain from doing so. There is policy on freedom of association and collective bargaining, which ensures employees who participate in any legal activities, including but not limited to unions, collective bargaining, peaceful assemblies, and strikes, are not to be retaliated.

## 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.

The 7 XO Habits (inspired and partnered with Stephen Covey's The 7 Habits of Highly Effective People), a guide for employees in becoming effective and true team players, was launched in 2019 and produced 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." Despite the pandemic in 2020, we had additional 57 "XO Master Trainers" and "7 XO Habits Ambassadors" to promote a culture of ownership, teamwork, and continuous learning.



### LUENTHAI'S 7 XO HABITS



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 was fully rolled out in all Luen Thai facilities in 2019. In 2020 however, this was not conducted in some locations.

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. We have dedicated training policies and procedures and develop training plans each year based on the necessity, position, work history, and skills matrix of our employees, as well as the requested training need.

## Employees Trained

Female - 71%  
Male - 29%

Rank and File - 84%  
Supervisors - 11%  
Middle level - 4%  
Senior level - 1%

## Training Hours for Employees

Female - 87,872  
Male - 27,202

Rank and File - 100,613  
Supervisors - 9,107  
Middle level - 4,228  
Senior level - 1,126



## Ensuring the health and safety of our people

Luen Thai cares about the occupational health and safety of our people. We provide a wide range of related trainings, including but not limited to fire safety, emergency preparedness, chemical safety, use of PPE, machine and hand tools handling and first aid.

We adhere 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.

Policies and procedures on different occupational health and safety aspects, including but not limited to fire safety, emergency preparedness, chemical safety, PPE, occupational health check, first aid, and accident handling are established.

The Company has health and safety committees with worker members that conduct periodic internal inspections and audits; develop corrective actions and preventive actions. They are also responsible in ensuring corrective and preventive actions for any findings noted during internal check.

In instances where workers are faced with life-threatening risks, they can refuse to work and leave the workstation at any time without need for approval. An emergency preparedness plan under earthquake, fire, storm or flood, terrorism, bomb threat, chemical spillage, and disease outbreak are in place. The Company also regularly conducts emergency drills for employees.



In 2020, Luen Thai did not have any work-related fatality case but with some minor accidents. There are total 11,443 days lost among all of our sites due to work injury or occupational diseases.

One of our facilities in the Philippines has obtained ISO 45001 or Occupational Health and Safety Assessment Series 18001 certificate for occupational health and safety.

## Promoting health and wellness

Luen Thai supports a balanced, healthy lifestyle for its employees. 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.

Prior to the pandemic, fitness and sports events were conducted by fitness experts to help employees reap the benefits of a healthy lifestyle. Recreation facilities like basketball court, volleyball court, table tennis and chess board are provided for employees' use. Meanwhile, we also arrange cultural activities including but not limited to year-end parties, Christmas parties, Chinese New Year and Khmer New Year celebrations, sportsfests, employee showcases, teambuilding activities and department outings, to ensure employees' well-being and increase their belongingness. Activities were minimized or put on hold during the pandemic for health and safety purposes.



## Giving back to our communities

Giving back, for Luen Thai, means more than donating money to those in need. It is also about stepping up to support our communities.



8,033  
Volunteer Hours



153 Families  
1047 Individuals  
Beneficiaries

Our 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.

We encourage our people to contribute to their local community.

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 Luen Thai 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 Luen Thai employees, its immediate communities, including the underserved. It also provides uniforms and equipment needed for competitions and training sessions.

Over the years, the Luen Thai Football School has hired acclaimed football coaches to train and produce 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 Luen Thai 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.

The Group also endorses senior executives accepting business and public office roles which currently include various government and non-government advisory boards and industry associations promoting international export trade, industrial and textile sectors and technologies transfer. Executives' participation in 2020 includes serving on the boards of the Federation of Hong Kong Industries, Confederation of Wearable Exporters of the Philippines, and American Apparel and Footwear Association; as council member of the Hong Kong Productivity Council; and as member on the Trade and Industry Advisory Board of the Commerce and Economic Development Bureau of Hong Kong Special Administrative Region.

We actively work with local governments to provide general health checks to local community, support rubbish collection and infrastructure construction, monetary donations, arrange blood donation activities, sponsor and support government led trainings and support local community to fight against COVID-19.



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.

## Expanding our cause

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



Luen Thai has made charitable and other donations during the year amounting to approximately US\$559,000.



## Awards and Recognition

In 2020, our site DLX Bags Phils. Inc. was rewarded by Freeport Area of Bataan (FAB) at the 7th Annual Stakeholders Night as Employer of the Year for 2019 in recognition of our contribution on employment generation, employees' welfare, and community.

M&V International Manufacturing Ltd. obtained the Award of Landfill by Kampong Chhnang Province Government in December 2020 for our donation of landfill so that there are better landscapes in Kampong Chhnang Province.

Our Hong Kong Corporate Office was recognized by The Hong Kong Council of Social Service with the Caring Company Logo in March 2020.



# SUSTAINABILITY



In Luen Thai, **environmental sustainability** is not just a goal, but an established 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 implement sustainable manufacturing by stringently measuring, monitoring and minimizing greenhouse gas (GHG) and air emissions as well as creating efficient strategies on natural resources and energy consumption.

We invest heavily in technology and equipment that not only improve our efficiency and flexibility, but also helps reduce our carbon dioxide (CO<sub>2</sub>) emissions and minimize the need for some resources.

A number of our apparel factories in the Philippines and Cambodia are certified with international environmental standards such as ISO 14001 Environmental Management and ISO 45001 Occupational Health and Safety.

Due to the pandemic, a significant reduction in resource consumption and GHG emission has been recorded which is mainly attributable to the decrease in production of both apparel and accessories. To our knowledge, we have not breached relevant laws and regulations in our operating regions such as, but not limited to, the Environmental Protection Law of the PRC, Prevention and Control of Atmospheric Pollution/Water Pollution of the PRC, the Environmental Protection Tax Law of the PRC, Decree on The Control of Air Pollution and Noise Disturbance (Cambodia), Clean Water Act and Clean Air Act of the Philippines, and Ecological Solid Waste Management Act of 2000 (Philippines).

## Air Emission Control

The Group's major source of air emissions is from mobile combustion of company-owned vehicles. To curtail the identified emission sources, regular environmental inspection is conducted in manufacturing facilities. Strict housekeeping standards are maintained in manufacturing facilities and external canopy air extraction systems are installed in factories.

Air emissions such as nitrogen oxides ("NOx"), sulphur oxides ("SOx"), and Particulate Matter ("PM") are shown below. The significant increase in NOx, SOx, and PM in 2020 is mainly due to the increase in diesel consumption of company vehicles for servicing of buyers and inspectors to conduct on-site inspections in Cambodia factory. Extra buses were also rented to provide transportation to employees as part of COVID-19 protocols during the community quarantine periods in Philippine factories.

AIR EMISSION <sup>1</sup> in	2020	vs 2019
Nitrogen Oxides (NOx):	8,131 kg	1,079 kg
Sulfur Dioxides (SOx):	8.73 kg	6.63 kg
Particulate Matter (PM):	394.98kg	58.49 kg

<sup>1</sup>Air emission is calculated based on "How to prepare an ESG Report. Appendix 2: Reporting Guidance on Environmental KPIs" published by HKEx.



## Greenhouse Gas Emission Control

Progressive reduction of GHG emission is one of our strategic goals, with the target to trim down the emissions per production for each factory based on its production capacity. Luen Thai manages and reduces GHG emission through digital transformation and implementation of green initiatives. We adopt energy-efficient equipment and renewable energy sources to reduce energy consumption and emission. Regular assessment on GHG emission is conducted to ensure compliance with relevant national standards and evaluate the effectiveness of the initiatives.

The direct GHG emission (Scope 1)<sup>1</sup> of the Group is obtained from the combustion of stationary boiler fuels, including diesel and biomass and mobile fuels, while the indirect GHG emission (Scope 2)<sup>2</sup> is attributed to the consumption of purchased electricity.

The Group has recorded a 46% drop in GHG emission amounting to 25,162 tonnes carbon dioxide equivalent (tCO<sub>2</sub>e) compared with 2019. The decrease is in line with the decrease in production and electricity consumption of the Group.

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<sup>1</sup>Scope 1 emission is calculated based on the published emission factors from “How to prepare an ESG Report. Appendix 2: Reporting Guidance on Environmental KPIs” published by HKEx and “UK Government GHG Conversion Factors for Company Reporting.”

<sup>2</sup>Scope 2 emission calculation is based on the published emission factors from “Emission Factors 2020” by the International Energy Agency.



## Energy Usage

Luen Thai always seeks to enhance its energy efficiency through the use of energy efficient equipment and regular assessment. We use LED lighting systems in production and office areas. We use energy saving equipment, such as air conditioning systems and steam-drying rooms. We are continuously exploring ways to utilize renewable energy and educate our staff to make manufacturing processes environmentally friendly. Facilities' policies and procedures, practices, expectations, and performance are clearly communicated with our employees, suppliers, and customers.

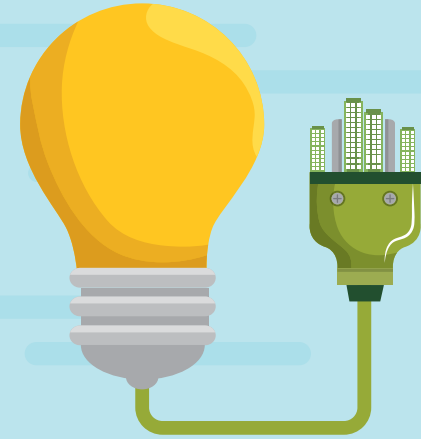
Reduction in energy consumption and increase in the use of renewable energy are established for each factory based on operations and customer requirements and annual review is performed to assess the effectiveness of the initiatives and adjust the targets and measures accordingly.

The Group has consumed a total of 40,454,585 kWh (2019: 60,316,883 kWh) in electricity with an intensity of 0.65 kWh per unit of production for apparel and 1.81 kWh per unit of production for accessories, (2019: 0.60 kWh for apparel and 2.12 kWh for accessories). The decrease is mainly due to reduced production caused by the pandemic and ongoing efforts of the Group to save on electricity costs.

In 2020, boiler fuel consumption was approximately 9,421,105 kg (2019: 4,365,209 kg). The significant increase of boiler fuel consumption is mainly due to the additional apparel workshops of a newly added Cambodia factory to the scope.

### Electricity Consumption (kWh)

2020: 40,454,585 kWh  
2019: 60,316,883 kWh



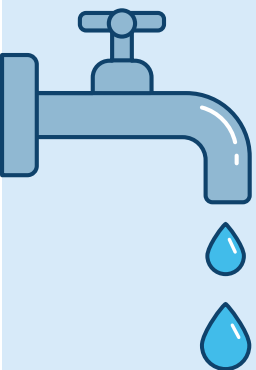
### Electricity intensity per unit of production

2020: Apparel - 0.65 kWh Accessories - 1.81 kWh  
2019: Apparel - 0.60 kWh Accessories - 2.12 kWh

### BOILER FUEL CONSUMPTION

2020: 9,421,105 kg  
2019: 4,365,209 kg

Boiler fuel consumption intensity -  
0.27 kg per unit of production



## Water Conservation

Water is a precious and a finite resource that is increasingly under threat. In Luen Thai, we are aware of our responsibility towards the sustainable use of fresh water. Adoption of water efficient appliances, reuse of water in factory operations, and setting of annual targets in water consumption are part of our strategy. Plumbing devices with built-in flow restrictors are installed in kitchen and washing areas to reduce water consumption. Water purification plant systems and standard procedures have been set-up and constantly upgraded to treat and reuse industrial water and collected rainwater.

Consumption targets on reduction in freshwater consumption per garment and increase in the use of recycled water are formulated for each factory based on operations and customer requirements. An annual review is conducted to assess the effectiveness of the initiatives and adjust the targets and measures.

The Group has consumed an aggregate amount of 1,274,218 cubic meters (2019: 1,595,027 cubic meters) of domestic and industrial water with an intensity of 0.028 cubic meters per unit of production for apparel and 0.03 cubic meters per unit of production for accessories (2019: 0.03 cubic meters for apparel and 0.03 cubic meters for accessories). The decrease in water consumption partly reflected the Group's water conservation actions undertaken since 2017, including the reuse of treated industrial water and collected rainwater.



### Water consumption:

2020: 1,274,218 cubic meters  
2019: 1,595,027 cubic meters

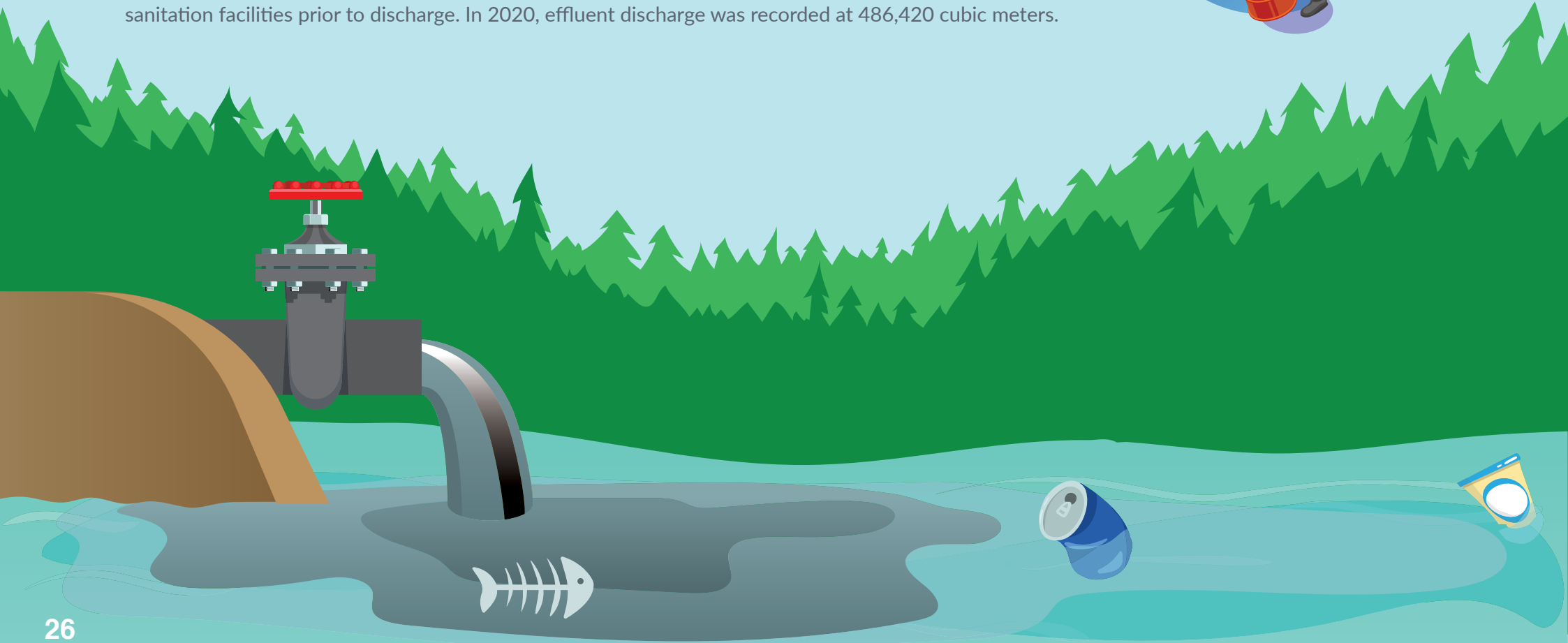
### Water Intensity per unit of production:

2020: Apparel: 0.028 cubic meters; Accessories: 0.03 cubic meters  
2019: Apparel: 0.03 cubic meters; Accessories: 0.03 cubic meters

## Chemical and Wastewater Management

Zero discharge of hazardous chemicals is our steadfast goal. We pose strict control over harmful chemical substances used in products by restricting the use of volatile organic compound and compliance with the Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH"). To ensure workplace safety, hazardous chemicals are properly stored in locked warehouses away from employees.

We also monitor water discharges based on the operational criteria established by local regulations in the areas where we operate. Sewage treatment plants and relevant operational criteria have been established to characterize, monitor, control, and treat wastewater generated from operations, industrial processes, and sanitation facilities prior to discharge. In 2020, effluent discharge was recorded at 486,420 cubic meters.



## Waste Management

We are committed to diverting waste from landfill disposal. We advocate the 4R Principles of Reduce, Reuse, Recycle, and Replace. We also maximize resource efficiency. Waste of all types, including water and energy, are reduced and eliminated at source through production and facility process modification, regular maintenance of equipment, material substitution, conservation, recycling and reusing. Solid waste management procedures have been formulated that waste has to be segregated into recyclable, non-recyclable and toxic waste before handling. We have set up electronic application systems and filing systems to avoid unnecessary paper usage and printing.

Disposal targets such as increase in operational waste diversion and reduction in paper consumption are established with regular assessment on the effectiveness of the initiatives. We have successfully diverted 2,291 tonnes of waste from disposal to recycling, including cardboard, fabric, metals, paper, plastics, toner cartridges and defective products; a total of 20,695 tonnes of waste is directed to disposal.

Apart from reducing at source, we have applied rigorous standards in handling, movement, storage, use, recycling and disposal of both hazardous and non-hazardous waste.



**Generation of Hazardous Waste**  
2020 : 60 tonnes  
2019 : 162 tonnes

**Generation of Non-Hazardous Waste**  
2020 : 22,926 tonnes  
2019 : 18,921 tonnes

**Waste generation intensity 0.00051**  
**tonnes per total production unit**

Non-hazardous waste is mainly classified into the following categories: cut trimmed threads and cut ends, such as linings, fabrics and other non-leather materials; domestic waste, including sanitary and food wraps, cleaning supply, worn out plastics, papers, disposable water bottles, cartons, empty cans and pails, wood scraps and sawdust, and some broken or replaced machine parts. In 2020, non-hazardous wastes was approximately 22,926 tonnes (2019: 18,921 tonnes). The increase is attributed to the consequence of housekeeping activities for sorting and disposal of unnecessary items due to the reduction of total buildings occupied within the accessories factory compound in Philippines.

We strictly adhere to the local laws and regulations relating to 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 PRC, Ecological Solid Waste Management Act of Philippines and Toxic Substances, Hazardous and Nuclear Waste Control of Philippines. We have obtained national hazardous waste generation and transport permits that limit the discharge capacity and require regular assessment for hazardous waste such as waste or used machine oil, busted fluorescent bulb, treated sludge, waste glue and waste ink. Generation of hazardous wastes for 2020 was approximately 60 tonnes (2019: 162 tonnes). The decrease was mainly attributed to the closure of a factory in Indonesia. The wastes are consigned to licensed professional waste collectors for further treatment and handling.

## Natural and Raw Materials Consumption and the Environment

Luen Thai responsibly manages natural and raw material consumption and potential risks throughout the operation cycle. We maintain close communication with customers and material suppliers in the course of material selection and follow customers' quality requirements and standards in selecting materials. The packaging materials for our garment and bag products include carton boxes, plastic bags, and other auxiliary items.

In 2020, the total consumption of packaging materials was approximately 5,265 tonnes (2019: 8,558 tonnes). The decrease is in line with the decrease in production due to the pandemic.



**Total packaging materials:**  
2020: 5,265 tonnes  
2019: 8,558 tonnes



**Water bottle saved**  
2020: 65,378 pieces  
2019: 133,156 pieces

We continue to roll out the #BringYourOwnBottle campaign, which was launched in 2018 as part of our efforts against single-use plastics, in our offices and factories. We provide reusable cups for visitors, while our employees are encouraged to bring their own reusable water containers.

For 2020, the number of single-use water bottles saved by switching to reusable bottles is approximately 65,378 pieces.



## Climate Change

Regular identification of environment, health, safety, and climate risks is our first step of risk management for each production facility, followed by implementation of appropriate procedural and physical controls for the identified risks to ensure regulatory compliance.

Typhoons, floods, heatwaves, and droughts around the world happen frequently in recent years. These events can cause physical damages to our assets and operational disruption, especially for our operating regions near coastal areas, such as the Philippines, which in turn, can result in reduced production capacity, delayed production cycle, risk of not meeting completion targets, increased liquidity risks, and increased repair and maintenance costs. With increasing regulatory requirements to cope with the challenges brought by climate change, the uncertainty on the change of policy may pose policy and legal risk on our business. Thus, we strive to remain climate resilient to withstand extreme climate conditions including incorporating climate-related risks into our risk management process, reducing our carbon footprint through promoting environmental awareness to our employees, customers and suppliers and continuous monitoring our operations. We are also currently exploring opportunities on the use of lower-emission sources of energy and new technologies to reduce operational costs and enjoy reputational benefits.

We take a multi-pronged approach to combat the identified climate-related risks, including engaging qualified third party to assess building safety and introduce measures to strengthen the building structures of our production facilities, carrying out regular air ventilation assessments per Work Environment Measures or other legal requirements, investing in implementation of mitigation measures, purchase insurance to cover financial loss incurred from natural disaster or extreme weather, allocating annual funds for new best available technology, materials and employee training climate change, and establishing emergency preparedness and response plan.

The contingency plan serves as guidance on reporting, responding, and investigating potential emergency situations and events arising from man-made disaster, and natural weather disturbances, including flooding, typhoon, civil unrest, strikes and fire. Emergency drills for fire, earthquake, chemical spill, lockdown simulation and flooding simulation are held regularly to ensure employees are familiarized with evacuation routes, skills of evacuation, and proper application of relevant equipment to handle various emergency situations. To safeguard our employees under emergency conditions, we provide adequate emergency training. Our workplace is well-equipped with emergency appliances, such as fire detection and suppression equipment, adequate exit facilities and recovery plans, additional fire pumps, and automatic fire extinguishers.



## Green Initiatives

Luen Thai empowers its employees towards environmental leadership. As a sustainability leader, we promote environmental awareness and organize environmental conservation and preservation programs and activities with our employees and communities. We actively participate in tree planting, collaborate with other institutions, practice transparent reporting, support green innovation social enterprises, and incorporate the United Nations SDG within our five-year plan.

Luen Thai has a tree planting program. In the past three years, the Group has planted a total of 8,441 trees to help improve air quality and address deforestation.

The Company has cultivated a sense of awareness and responsibility in the heart of our employees to continuously foster an eXtraOrdinary care for the environment with various green events activities such as clean-up drives, waste management programs, annual recycling event for resale of recyclable materials. Moving forward, we are setting targets and key performance indicators (KPIs) for the environmental awareness programs and on volunteerism.



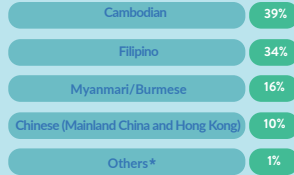


# SUMMARY

## Employees by Age

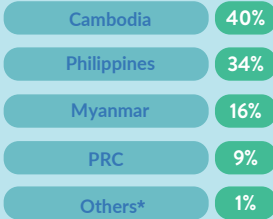


## Employees by Nationality



Employees by Gender

## Employees by Geographical Region



## Water consumption:

2020: 1,274,218 cubic meters  
2019: 1,595,027 cubic meters

## Water Intensity per unit of production:

2020: Apparel: 0.028 cubic meters; Accessories: 0.03 cubic meters  
2019: Apparel: 0.03 cubic meters; Accessories: 0.03 cubic meters



8,033  
Volunteer Hours



153 Families  
1047 Individuals  
Beneficiaries

## Electricity Consumption (kWh)

2020: 40,454,585 kWh  
2019: 60,316,883 kWh



## Electricity intensity per unit of production

2020: Apparel - 0.65 kWh Accessories - 1.81 kWh  
2019: Apparel - 0.60 kWh Accessories - 2.12 kWh



2020  
847 beneficiaries  
of youth programs



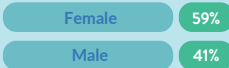
## Total packaging materials:

2020: 5,265 tonnes  
2019: 8,558 tonnes

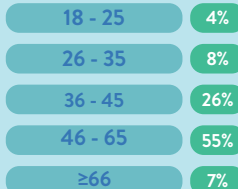


Water bottle saved  
2020: 65,378 pieces  
2019: 133,156 pieces

## Employees at Director or Above Level by Gender



## Employees at Director or Above Level by Age Group



## Employees Trained Training Hours for Employees

Female - 71% Male - 29%  
Rank and File - 84% Supervisors - 11% Middle level - 4% Senior level - 1%  
Female - 87,872 Male - 27,202  
Supervisors - 9,107 Middle level - 4,228 Senior level - 1,126



BOILER FUEL CONSUMPTION  
2020: 9,421,105 kg  
2019: 4,365,289 kg  
Boiler fuel consumption intensity - 0.27 kg per unit of production

AIR EMISSIONS in 2020 vs. 2019  
Nitrogen Oxides (NOx): 8,124 kg | 1,079 kg  
Sulfur Dioxides (SO<sub>2</sub>): 8,73 kg | 6.63 kg  
Particulate Matter (PM): 394.98 kg | 58.49 kg



Generation of Hazardous Waste  
2020: 60 tonnes  
2019: 162 tonnes

Generation of Non-Hazardous Waste  
2020: 22,926 tonnes  
2019: 18,921 tonnes

Waste generation intensity 0.00051 tonnes per total production unit

GHG Emission 2020  
Scope 1: 3,659 tCO<sub>2</sub>e  
Scope 2: 21,603 tCO<sub>2</sub>e  
2019  
Scope 1: 11,302 tCO<sub>2</sub>e  
Scope 2: 35,273 tCO<sub>2</sub>e

GHG Intensity 2020  
Apparel: 0.0004 tCO<sub>2</sub>e per unit of production  
Accessories: 0.0010 tCO<sub>2</sub>e per unit of production

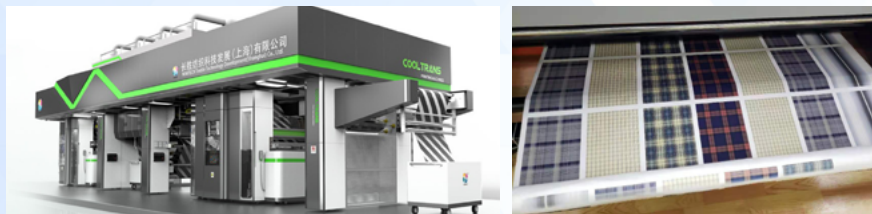


# SUSTAINABLE FASHION TECHNOLOGY

Fashion's environmental footprint is one of the largest in the world. We need to rethink how we make our products. We need to adapt technologies that can help dramatically reduce resource use and waste. To address the increasing demand for sustainability, Luen Thai has been investing in technologies and platforms that would allow us to minimize our environmental impact and reduce costs and waste, while improving our products and operational performance.

In 2020, we partnered with **NTX™**, a textile technology solutions company, to integrate **Cooltrans®** and **e-Nanofiber™** into our production and product development processes. We have also invested in building an e-commerce platform with direct-to-customer, build-to-order business model to reduce inventory.

**Cooltrans®** is a new and revolutionary textile coloration solution, which comprises 90% less water and no heat to print with superior fastness and precise color accuracy. This novel dye system not only provides high speed printing of patterns and solids in very high resolution, but also helps reduce water, energy, and chemical use.

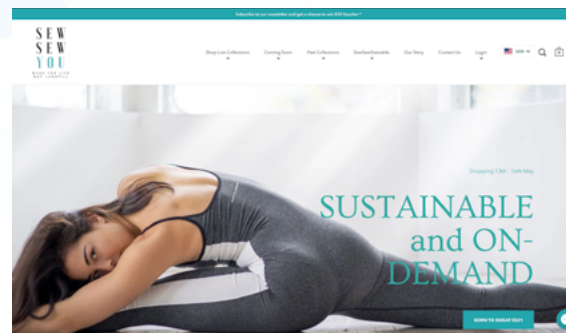


With this technology, Luen Thai can achieve vertical integration by adding fabric coloring and printing, as well as fabric and material innovation capabilities into our fashion supply chain.

**e-Nanofiber™** is a scalable, needleless electrospinning technology that filters pollutants and germs with its highly porous structure. Its precise engineering assures protection against pathogens such as bacteria, virus, and small hazardous particles (PM2.5), providing superior protection without compromising its breathability. This technology enables Luen Thai to develop reusable and antiviral materials for face mask production and other PPE products that do not only help to protect people from COVID-19, but also lessen environmental impact.



Our **e-commerce platform**, supported by our **on-demand manufacturing** capability, is designed to reduce inventory levels that could solve one of the costliest environmental problems in the fashion industry which is caused by overproduction. On-demand manufacturing allows us to produce only what our consumers order. This not only enables us to eliminate costly inventory and harmful waste, but implement a shorter and more efficient supply chain.



SEW  
SEW  
YOU  
MADE FOR LIFE  
NOT LANDFILL

# OUR COVID-19 RESPONSE

Across Luen Thai's business and operations around the world, we took action to provide support for our people, our communities, our customers, and our partners.

Here are some ways we sought to make a positive impact:

## Forming an Emergency Task Force

An Emergency Task Force, headed by the Chief People Officer, was immediately formed at the onset of the worldwide pandemic with representatives from our operations, including Mainland China, Hong Kong, Philippines, Cambodia, India, Indonesia, Myanmar, Bangladesh, USA, and Vietnam. The team immediately took action to facilitate an agile response to matters related to COVID-19 and continues to ensure that the crisis is handled appropriately and prudently by coordinating with all the Business Units and to implement measures that support local government and follow protocols set by the World Health Organization.

## Developing an alert level system and monitoring procedure

A Five-Level Contact Level Risk Alert System was designed to have a standardized manner of monitoring and identification of risk level of employees of various business units for each operating country of Luen Thai; systematically log all employee names who may be at risk of COVID-19 on varying degrees; and determine employee individual action, company action, employee communication strategy, travel and work arrangement protocol under the five risk levels.



## COVID-19

### Alert Risk Level

**Red: Confirmed COVID-19 positive**

Employee confirmed by a local medical authority to be COVID-19 positive

**Orange: First degree contact**

Employee has a prolonged or close contact with someone who is confirmed to be COVID-19 positive

**Yellow: Second degree contact**

Employee has a prolonged or close contact with someone who has first degree contact risk

**Brown: Third degree contact**

Employee has a prolonged or close contact with someone who has second degree contact risk

**Purple: Community contact**

Employee has been exposed in a community/building/area where positive cases have been found, but with no known contact history with anyone confirmed to be COVID-19 positive

**Under monitoring**

Employee found to show symptoms

## Creating a safe and healthy workplace

New policies were developed and a series of measures were implemented to protect our people, while ensuring business continuity.

To mitigate transmission of COVID-19, we enforced basic safety measures such as social distancing, hand hygiene, and wearing of masks and face shields. We also provided face masks to our employees when there was a global shortage in supply.



We emphasized the need to strictly adhere to local and government directives, limited physical interactions with guests, and shifted to virtual meetings and remote work for some employees. We also carried out prevention and control measures such as regular disinfection of workspaces, daily temperature checks for employees and visitors, and proactive screening via daily accomplished declaration forms by employees and visitors.

We also conducted COVID-19 testing in locations where we could make them available for our employees.

We continue to find ways to improve these measures to better ensure the health and safety of our people, community, and partners.

## Managing alternative work arrangements

Depending on our employees' nature of work, we explored various creative and practical work options to allow us to continue business while also protecting the lives and health of our people.

Wherever appropriate, we allowed our employees to work remotely or telework, arranged flexible working hours to minimize exposure with bigger crowds in rush hour commute, and rotated days or weeks in the office with telework. We also trained and encouraged them to make more use of digital tools such as video-teleconferencing platforms.

## Communicating with transparency

Clear, prompt, and transparent communications are essential, especially amidst crises.

For our customers, we have maintained open lines to keep them apprised of any impact to product or service delivery.

For our people, we keep them informed through consistent communication on any changes or news that affects their work and their health.

### Good Hygiene: Your Best Defense

良好的卫生习惯：最好的自我防御 (Against COVID-19 and other viruses)

良好的卫生习惯：最好的自我防御 (对抗 COVID-19 及其他病毒)

**PREVENTIVE STEPS:**

- Wash your hands often with soap and water for at least 20 seconds, especially after:
  - 咳嗽或打喷嚏后
  - 触摸公共区域后
  - 触摸公共物品后
  - 触摸公共交通工具后
  - 触摸公共区域后
  - 触摸公共物品后
  - 触摸公共交通工具后
  - 触摸公共区域后
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  - 触摸公共物品后
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  - 触摸公共交通工具后
  - 触摸公共区域后
  - 触摸公共物品后
  - 触摸公共交通工具后
  - 触摸公共区域后
  - 触摸公共物品后
  - 触摸公共交通工具后

### Masks: Your First Line of Defense

口罩：你的第一道防线 (Against COVID-19 and other viruses)

口罩：你的第一道防线 (对抗 COVID-19 及其他病毒)

**BACKGROUND:**

Wearing a medical mask can help limit the spread of viruses, using a mask alone is not guaranteed to stop infections and should be combined with other prevention measures including hand and respiratory hygiene and avoiding close contact with others.

佩戴口罩可以帮助限制病毒的传播，仅佩戴口罩并不能保证阻止感染，应与其他预防措施相结合，包括手部和呼吸道卫生以及避免与他人密切接触。

**HOW TO WEAR A MASK:**

- Wash hands before putting on and after taking off the mask.
- When taking off the mask, avoid touching the outside of the mask.
- Change your mask immediately after coughing or sneezing or after being in a crowded public place.
- After taking off the mask, fold it inside out and dispose of it properly.

### CONTINUED VIGILANCE IN THE FACE OF COVID-19

持续关注 COVID-19 的挑战

Dear Leader Team,

As we continue to monitor the situation, we remain committed to ensuring the health and safety of our people, community, and partners. We will continue to update you on the latest developments and our response.

随着我们继续监测局势，我们仍然致力于确保我们的员工、社区和伙伴的健康与安全。我们将继续向您更新最新的发展动态和我们的应对措施。

## Coming together with WE ARE ALL IN

We launched the “WE ARE ALL IN” initiative as part of our collective effort to stay afloat. Everyone from the management team to the non-labor workforce voluntarily participated to temporarily reduce their monthly pay by 3% to 50% or take no-pay leaves. The Company intends to pay back the contributions once the business has fully recovered.



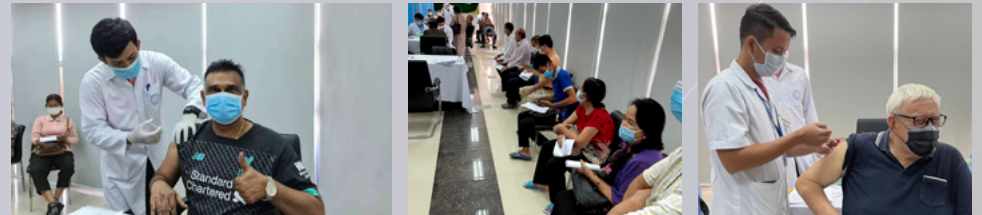
## Reaching out to vulnerable employees with XO Food Fund

We have also received substantial donations from our shareholder Orient International Holdings, our founder Dr. Tan Siu Lin, and other senior management teams. These were used to provide rice subsidies to the most vulnerable workers in countries where work has been suspended and had the least support from the local governments.



## Moving forward

As of publication of this ESG report, COVID-19 vaccination programs have been rolled out in key country locations such as Mainland China, Hong Kong, Cambodia, the Philippines, and the USA. We are also proactively procuring vaccines in countries where it is not readily provided for by the government. We have also been conducting local information awareness campaigns to give our employees best possible information about vaccines and vaccination programs to encourage them to inoculate as soon as it becomes available in their locations. Senior leaders around the world also set the example to take vaccination when they are made available to ease employees doubts over the safety and efficacy of vaccines. To date, more than 4,000 employees worldwide are protected by at least one dose of vaccine.



Traditional Chinese herbal medicines have also been sent to locations with active cases to help prevent and complement the treatment of COVID-19. We are committed to doing all we can to keep everyone safe. We commend our leaders and employees for keeping our business operating safely and responsibly. We thank all those who work tirelessly every day in carrying out critical tasks to manage this crisis. Their eXtraOrdinary example of commitment and solidarity have been vital in helping us get through this crisis. There is still a lot to be done as we continue to navigate this crisis and Luen Thai will continue to find ways of doing better in providing eXtraOrdinary CARE for everyone around us.

# HKEX ESG REPORTING GUIDE INDEX

Mandatory Disclosure  
Recommended Disclosure

Subject Areas, Aspects, General Disclosures and KPIs		Reference Section of This Report
<b>A. Environmental</b>		
<b>A1 Emissions</b>		
<b>General Disclosure</b>		Sustainability: Air Emission Control Greenhouse Gas Emission Control Waste Management
<b>KPI A1.1</b>	The types of emissions and respective emissions data	Sustainability: Air Emission Control
<b>KPI A1.2</b>	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Sustainability: Greenhouse Gas Emission Control
<b>KPI A1.3</b>	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Sustainability: Waste Management
<b>KPI A1.4</b>	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility)	Sustainability: Waste Management
<b>KPI A1.5</b>	Description of measures to mitigate emissions and results achieved	Sustainability: Air Emission Control Greenhouse Gas Emission Control
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Sustainability: Waste Management

Subject Areas, Aspects, General Disclosures and KPIs		Reference Section of This Report
<b>A. Environmental</b>		
<b>A2 Use of Resources</b>		
<b>General Disclosure</b>		Sustainability: Energy Usage Water Conservation Natural and Raw Materials Consumption and the Environment
<b>KPI A2.1</b>	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	Sustainability: Energy Usage
<b>KPI A2.2</b>	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Sustainability: Water Conservation
<b>KPI A2.3</b>	Description of energy use efficiency initiatives and results achieved	Sustainability: Energy Usage
<b>KPI A2.4</b>	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	Sustainability: Water Conservation
<b>KPI A2.5</b>	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced	Sustainability: Natural and Raw Materials Consumption and the Environment
<b>A3 The Environment and Natural Resources</b>		
<b>General Disclosure</b>		Sustainability: Natural and Raw Materials Consumption and the Environment
<b>KPI A3.1</b>	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them	Sustainability: Natural and Raw Materials Consumption and the Environment

Subject Areas, Aspects, General Disclosures and KPIs		Reference Section of This Report
<b>B. Social</b>		
<b>B1 Employment</b>		
<b>General Disclosure</b>		People and Community
<b>KPI B1.1</b>	Total workforce by gender, employment type, age group and geographical region	People and Community
<b>B2 Health and Safety</b>		
<b>General Disclosure</b>		People and Community: Ensuring the health and safety of our people
<b>KPI B2.1</b>	Number and rate of work-related fatalities	People and Community: Ensuring the health and safety of our people
<b>KPI B2.2</b>	Lost days due to work injury	People and Community: Ensuring the health and safety of our people
<b>KPI B2.3</b>	Description of occupational health and safety measures adopted, how they are implemented and monitored	People and Community: Ensuring the health and safety of our people
<b>B3 Development and Training</b>		
<b>General Disclosure</b>		People and Community: Empowering XO People
<b>KPI B3.1</b>	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	People and Community: Empowering XO People



Subject Areas, Aspects, General Disclosures and KPIs		Reference Section of This Report
<b>B. Social</b>		
<b>B4 Labour Standards</b>		
<b>General Disclosure</b>		People and Community: Upholding children's rights
<b>KPI B4.1</b>	Description of measures to review employment practices to avoid child and forced labour	People and Community: Upholding children's rights
<b>B5 Supply Chain Management</b>		
<b>General Disclosure</b>		Operating Practices: Supply Chain Management
<b>B6 Product Responsibility</b>		
<b>General Disclosure</b>		Product compliance Protection of Confidential Information Assurance Process
<b>KPI B6.3</b>	Description of practices relating to observing and protecting intellectual property rights.	Protection of Confidential Information
<b>KPI B6.4</b>	Description of quality assurance process and recall procedures	Assurance Process
<b>KPI B6.5</b>	Description of consumer data protection and privacy policies, how they are implemented and monitored	Protection of Confidential Information
<b>B7 Anti-corruption</b>		
<b>General Disclosure</b>		Integrity and Anti-Corruption
<b>B8 Community Investment</b>		
<b>General Disclosure</b>		Giving back to our Communities
<b>KPI B8.1</b>	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Giving back to our Communities
<b>KPI B8.2</b>	Resources contributed (e.g. money or time) to the focus area	Giving back to our Communities

# GRI CONTENT INDEX—ENVIRONMENT

GRI Standards	Description	Section or Feedback
GRI 301: Materials		
301-1	Materials used by weight or volume	Sustainability: Natural and Raw Materials Consumption and the Environment
GRI 302: Energy		
302-1	Energy consumption within the organization	Sustainability: Energy Usage
302-3	Energy intensity	Sustainability: Energy Usage
302-4	Reduction of energy consumption	Sustainability: Energy Usage
GRI 303: Water and Effluents		
303-1	Interactions with water as a shared resource	Sustainability: Water Conservation
303-2	Management of water discharge-related impacts	Sustainability: Chemical and Wastewater Management
303-4	Water discharge	Sustainability: Chemical and Wastewater Management
303-5	Water consumption	Sustainability: Water Conservation

GRI Standards	Description	Section or Feedback
GRI 305: Emissions		
305-1	Direct (Scope 1) GHG emissions	Sustainability: Greenhouse Gas Emission Control
305-2	Energy indirect (Scope 2) GHG emissions	Sustainability: Greenhouse Gas Emission Control
305-4	GHG emissions intensity	Sustainability: Greenhouse Gas Emission Control
305-5	Reduction of GHG emissions	Sustainability: Greenhouse Gas Emission Control
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Sustainability: Air Emission Control
GRI 306: Effluents and Waste		
306-2	Waste by type and disposal method	Sustainability: Waste Management



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