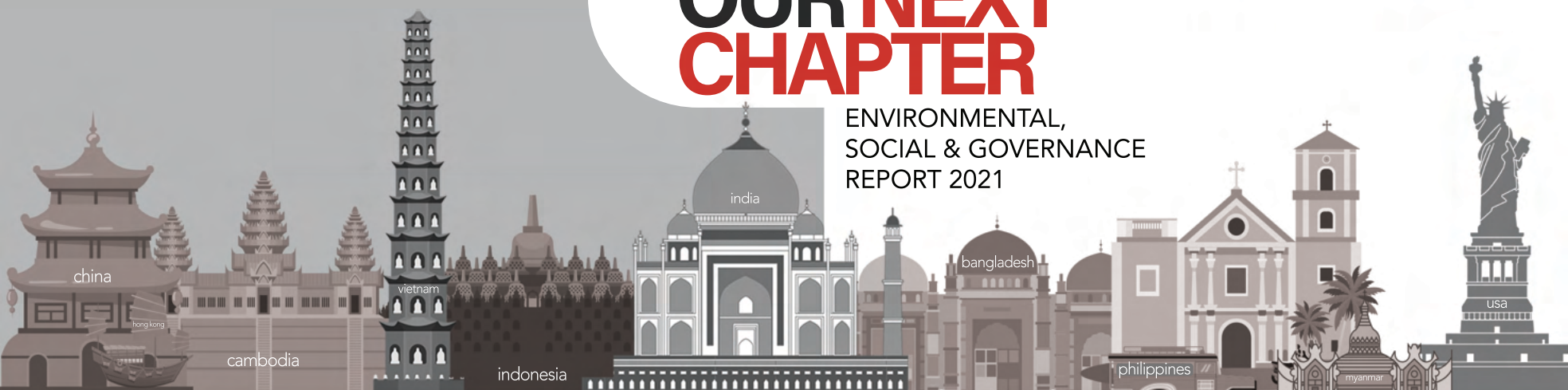


BEYOND OUR NEXT CHAPTER

ENVIRONMENTAL,
SOCIAL & GOVERNANCE
REPORT 2021





Luenthai

an *Extraordinary* company

LUEN THAI HOLDINGS LIMITED

BEYOND OUR NEXT CHAPTER

ENVIRONMENTAL, SOCIAL & GOVERNANCE
REPORT 2021

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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 2021 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 2021 (“2021”), which is the same as the financial period of the Group’s 2021 Annual Report. Relevant contents were referred to previous period when needed.

REPORTING BOUNDARY

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

The scope of the Report represented the Group’s apparel and accessories global operations, covering the People’s Republic of China (“PRC”) including the headquarters in Hong Kong Special Administrative Region (“HKSAR”), and the other 19 operation sites amongst Bangladesh, Cambodia, India, Indonesia, Myanmar, Philippines, United States of America (“USA”), and excluding one accessories manufacturing site in the Philippines which was temporarily closed in 2021.

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 STANDARDS

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).

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 and social topics (for details, refer to the GRI Content Index 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.

REPORTING PRINCIPLES

Reporting principles of Materiality, Quantitative, Balance, and Consistency under HKEx ESG Reporting Guide are followed in the preparation of this Report to ensure unbiased content and quality disclosure and presentation pertinent to the Group's ESG performance and initiatives.

Materiality

The disclosed information are based on the threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported.

Quantitative


All disclosed information are organized and calculated according to a series of internationally standardized methodologies. KPIs in respect of historical data are measurable. The Company's targets are set to reduce a particular impact and thereby the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information is accompanied by narratives explaining its purpose, impacts, and giving comparative data where appropriate.

Balance

The Report provides an objective and unbiased picture of the Group's sustainability performance during the reporting period, avoiding selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.

Consistency

The Report uses consistent methodologies to allow for meaningful comparisons of ESG data over time.



IN PHOTO:
RAYMOND TAN
(CEO PARTNER OF
LUEN THAI HOLDINGS)

**MESSAGE
FROM OUR CEO**

Sustainability is gathering momentum worldwide with the increasing attention towards various issues related to climate change, human rights and social justice. The ongoing pandemic is heightening environmental awareness and driving changes not only at the government and company levels, but also at the individual level. For us at Luen Thai, sustainability is nothing new. It is an important part of our history and a critical element of our future. We recognize the importance of embedding sustainability at the heart of our culture as we look beyond the here and now to create a sustainable business that can thrive commercially through positioning social value creation at the center of our business strategy. We are also aware that we need to do much more than following the roadmap of radical decarbonization to achieve the ambitious sustainability goals. To maximize our impact, we must work with our customers and partners who share our ambition, take bold actions to reinvent our businesses, and implement breakthrough technologies to shape the industry transition toward a decarbonized future.

Reaffirm Luen Thai's commitment to the United Nations Global Compact (UNGC)

I am pleased to renew Luen Thai's commitment to the UNGC and, in particular, reaffirm the alignment of our operations and business strategy with its Ten principles on Human Rights, Labour, Environment and Anti-Corruption. **We were an early signatory to the UNGC since 2003, when one of our key business units made a commitment to support the initiatives to build a more peaceful and prosperous world for all.** On the Group level, our annual Communication on Progress that details the actions implemented by Luen Thai is made at the GC-Advanced level for four consecutive years since 2018. Moving forward, we will continue to act responsibly, refine our targets and make bigger sustainability commitments to support the measures to tackle environmental dangers and societal challenges, further contribute to the United Nation's Sustainable Development Goals. **Our purpose to drive positive changes for people, community, and environment is built from our roots of eXtraOrdinary (XO) culture, and carries a long-standing legacy of Sustainable Shared Success with our partners into the future.**



Well-being and happiness of our people are the foundation of a successful business.

We have a responsibility to do everything we can to assure that everyone is safe while working at or on behalf of Luen Thai. While the COVID-19 outbreak has put us to the test, I am gratified by the responsible actions of all those across our organization and the ability to adjust to rapid changes in the working environment.

Apart from following stringent guidelines to prevent the spread of the virus amidst the pandemic, we encouraged and incentivized all eligible employees to get vaccinated by offering them an extra day of paid leave and prizes donated by the top management team. As of early March 2022, over 99% of our employees globally received first dose of the COVID-19 vaccines, and 96% of employees received the second dose of the vaccine, with 53% receiving a third booster dose. We acted swiftly in managing the new workplace transformation to increase flexibility by implementing remote working and flexible work hours policies. We also digitized legacy processes and offered app-based solutions for everyday tasks. The successful implementation of our response strategies is a huge step forward in bringing this pandemic under control and ensuring the continuity of business.

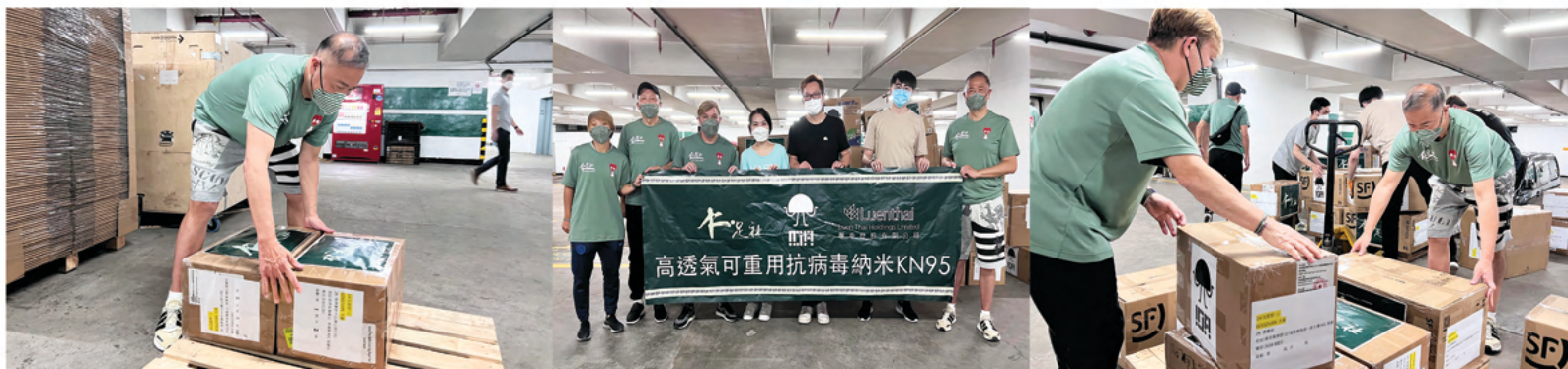
Our XO culture was exemplified when one of our production facilities in Cebu, Philippines was hit by Typhoon Rai in December 2021. I am so thankful and pleased to see the dedication and long hours our leadership team worked in handling the situation both on-site and remotely to provide timely support for all workers who were affected. We activated our XO Care program immediately and raised USD 300,000 in less than two days from our Shareholder Orient International Holdings, our Group founder Dr. Tan Siu Lin, and myself to address the immediate needs of our workers and their families. I am grateful that no one was hurt, and our facility was able to resume operations two weeks later and back to full operations one month after the typhoon.

To enable people to thrive at Luen Thai, we work to build a positive place where every employee is respected, valued, and connected through promoting diversity and inclusion in our workforce. Our achievements are reflected in the GRA (gender, race, and age) data which shows we have a balanced team with a male-female ratio of 58-42 percent at the directors' level and above. The data also reveals that our culture of diversity has attracted talented people from over 20 different countries around the world. We also strive to remove age bias toward younger employees through promoting the reverse-mentoring program where senior executives are mentored by a younger or more junior professional. I trust this would be an effective way to close generational gaps and allow our senior management team to learn and leverage the fresh perspectives, innovations, and creativity of young leaders.



It is our responsibility to do our share to meet the needs of society aside from our own.

Luen Thai has a long history of supporting our communities through collaboration and community engagement. **Our XO Care for Community Plan focuses on promoting employee awareness and volunteerism to serve and contribute to a broader community.** During the pandemic, the Group contributed a combination of monetary donations, medicines, personal protective equipment, hygiene and food products to employees, institutes and community groups.



Apart from the ongoing programs such as “XO Kids” to uphold children’s rights and “Donate an Hour” to boost people’s participation in community work, we also develop new programs each year in different locations around the world to deepen our engagement and strengthen our contribution to society.

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 for underprivileged children through our long-term collaboration with Tuloy Foundation in Philippines and other organizations in different locations. In 2021, we launched XO United Football Club in Cambodia to enable children to learn football, set clear goals and plans for participants to develop the physical, mental, and emotional growth. We will continue to strengthen our connections with local communities to understand their needs. We look forward to further explore opportunities to bring tangible benefits to local communities through partnerships, employee volunteers and donations.



Economic growth and environmental performance must go hand in hand.

We believe the business strategy that includes Environmental, Social and Governance (ESG) factors and broader systemic issues can lead to sustainable outcomes and long-term corporate health. **We are confident that we will lead the change for sustainability, not only based on our culture of governance and social responsibility, but also by being at the leading edge of technology innovation and adoption.**

We have opened a new chapter in the company's history with the formation of joint ventures with NTX™ to build advanced dyeing and printing production center featured with Cooltrans™ coloration technologies in Cambodia and Vietnam. The use of eco-friendly waterless textile coloration technology significantly reduces water, energy, and chemical use, as well as further cutting our carbon footprint and overall wasted materials while keeping highly competitive economics. We are also working to get China production sites up and running for Cooltrans™ in the coming year with increasing customer demand.

We have also accelerated the pace of digital transformation to develop an AI system that will help optimize the production and manufacturing process for our industry. Our digital solutions were awarded with the Software – Apparel trophy at Hong Kong Business Technology Excellence Awards.

We also won the Best in Digital Manufacturing award from our major customer for third year in a row recognizing us as the leader in digitalization among the many elite manufacturing partners across the globe.

The full-suite of our innovative solutions (such as NTX™ nanofiber technology, NTX™ waterless fabric coloring and printing technology, HeatTranx product coloring and printing technology, manufacturing processes automation, AI and digital solutions) enables fabric/material innovation, on-demand manufacturing and printing, and smart retail, significantly improve quality, speed, cost, flexibility, and sustainability across the supply chain. Our efforts in delivering on-demand manufacturing capabilities to our partners will reduce inventory levels and help solve one of the costliest environmental problems in the fashion supply chain that is caused by overproduction.



In the fight against COVID-19, we established a personal protective equipment (PPE) business and developed highly protective, breathable, medical-grade, reusable face masks that leverage our material innovation capabilities and NTX™ nanofiber technology. Our aim is to create a sustainable and highly protective product that not only helps to prevent the spread of the virus, but also reduces plastic waste created by the disposal of masks. We will continue to work with our joint venture partners and expand our efforts to develop other sustainable and highly functional PPEs such as medical gowns and gloves that are in high demand around the world.

We have successfully restructured our manufacturing model towards a demand-focused value chain with China and Non-China operations to capture the opportunity brought by nearshoring/onshoring sourcing trends. Nearshoring/

onshoring holds a huge opportunity to reduce lead times, inventories, and waste production, thereby driving the important sustainability mission while navigating geopolitical risks.

To reduce the waste materials and turn waste into a source of new value, we built an e-commerce platform with direct-to-consumer, build-to-order business model. The new business model leverages the Group's technical expertise in developing high-quality garment products, coupled with advanced sustainable printing technologies to offer an end-to-end solution for influencers to create new, unique clothing using excess fabrics and materials derived from our manufacturing process. The platform is ready to scale following the successful product launches with top-tier fitness and lifestyle influencers in 2021.

Moving forward, we will broaden our offerings and scale the deployment of innovative waterless fabric colorization and printing technology, drive our on-demand manufacturing platform, increase the use of eco-friendly materials and solar energy facilities for reduction of emissions, waste, energy, and water consumption. To promote environmental awareness throughout the entire organization, we will launch a series of activities and campaigns such as "Clear Your Plate" for cutting back food waste, "Earth Hour" to switch off lights for an hour to promote energy saving, and "World Environment Day" to encourage paperless and no plastics working environment, among other things.

Closing

Since starting our sustainability journey in 1970s, we have built a firm foundation that has made our business resilient to the sustainability and economic challenges faced by our industry. I am glad that our sustainability efforts received positive feedback from our customers and industry partners. In 2021, we won the sustainability award from one of our customers for showing the biggest commitment to sustainability among our peers. We were rated as the MVP - Most Valuable Partner by one of our customers acknowledging us as the best vendor in Cambodia. Our China production facility received the highest rating for performance in an assessment and audit to test our ability to operate a fair, healthy, and environmentally-sound workplace. We also reached the highest score and ranking in an assessment targeting to rate performance from perspectives of quality, speed, cost, sustainability, leadership, culture, and manufacturing excellence.

As we head into 2022, we remain committed to creating value for our people, community, and environment. We will drive tangible improvements by setting clear targets and key performance indicators, while continuing collaboration with our partners, customers, and community to run our business with purpose and with an underpinning commitment to sustainability.

RAYMOND TAN
CEO PARTNER OF LUEN THAI HOLDINGS

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.

Around 43,400 employees globally

Manufacturing/Sourcing Countries

CHINA | PHILIPPINES | CAMBODIA | INDONESIA

MYANMAR | INDIA | BANGLADESH | VIETNAM*

SALES/DESIGN OFFICE

USA

HEADQUARTERS


HONG KONG SAR

*Joint Venture

NEW YORK 


 CHINA FOR CHINA MARKET

 HONGKONG SAR

 BANGLADESH


 MYANMAR

 INDIA

 CAMBODIA

 VIETNAM

 PHILIPPINES

 INDONESIA

Dual Circulation Strategy

China for China Internal Circulation
Non-China for International Circulation



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.



FOR OUR PEOPLE

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

FOR OUR COMMUNITY

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

FOR OUR ENVIRONMENT

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

LUEN THAI'S SUSTAINABILITY JOURNEY

Our journey towards serving and our commitment to sustainability have continuously grown and the Luen Thai Sustainability Strategy and Goals¹ was launched since 2018 to strengthen our commitment to our people, community and environment in the 21st century. As a sustainability pioneer in the fashion and lifestyle apparel and accessories manufacturing industry, Luen Thai embarked its five-year journey (2018 - 2022) in setting specific, clear, measurable, transparent and achievable sustainability strategy and targets.



1970s

Philanthropy's
early beginnings



1980s

Tan Siu Lin
Foundation
in China

Environmental
Compliance in
Manufacturing



1990s

Environmental
Compliance in
other manufacturing
facilities

Unified Principles of
Social Responsibility
and Practice (UPSRP)



2000s

"Go Green" Campaign

EcoProfit Certification

Cleaner Production

"iServe. iGive Back"

¹ Full version can be found in https://issuu.com/ltcorporatecommunications/docs/lt_sustainability_book?e=33532779/65934258.

Since 2018, the Group took a major step forward with the preparation of a sustainable development roadmap for the next five years. To secure that these sustainability development goals can be effectively integrated within its day-to-day business operations, factors such as the Group’s current development stage, resource planning and best available technology have been holistically considered in the target setting process. The Group believes that starting out with a planned and gradual implementation will allow improvement actions to be continually refined during the process, and for related priorities to also be set in an incremental manner over time to ensure efficient resource planning.



2010s

HER Project
“Be XO Daily”
Tuloy Foundation Partnership



2018

Launching of Luen Thai Sustainability Program
Start of Five-Year Sustainability Monitoring
ESG Compliance Reporting



2022

Achievement of XO Care Targets (Our People, Our Community, and the Environment)
Increased engagement with Luen Thai employees and other stakeholders

5-year Environmental Targets



Reduce Carbon Footprint

HKEx ESG KPI: A1.5

COMMITTED TARGETS

Increase the substitution of coal-fired power to reduce generation of “energy indirect greenhouse gas (Scope 2 GHG) emission” incurred from consumption of purchased electricity

PROGRESS BY END OF 2021

Increased the use of solar energy as compared to the baseline year (2018) and avoided the Scope 2 GHG emissions for the equivalent amount



Reduce Energy Use

HKEx ESG KPI: A2.3

COMMITTED TARGETS

Increase the use of self-generated renewable energy to reduce use of purchased (municipal) electricity

PROGRESS BY END OF 2021

Installed solar panels or photovoltaic system for provision of electricity at owned factories in Cambodia, China, and Philippines

5-year Environmental Targets



Reduce Water Use

HKEx ESG KPI: A2.4

COMMITTED TARGETS

Lower water consumption and increase in use of waterless technology for fabric

PROGRESS BY END OF 2021

Attained success in water use efficiency and water reduction since 2018, as revealed from reduced water consumption intensity from 2019 to 2021



Reduce Waste

HKEx ESG KPI: A1.6

COMMITTED TARGETS

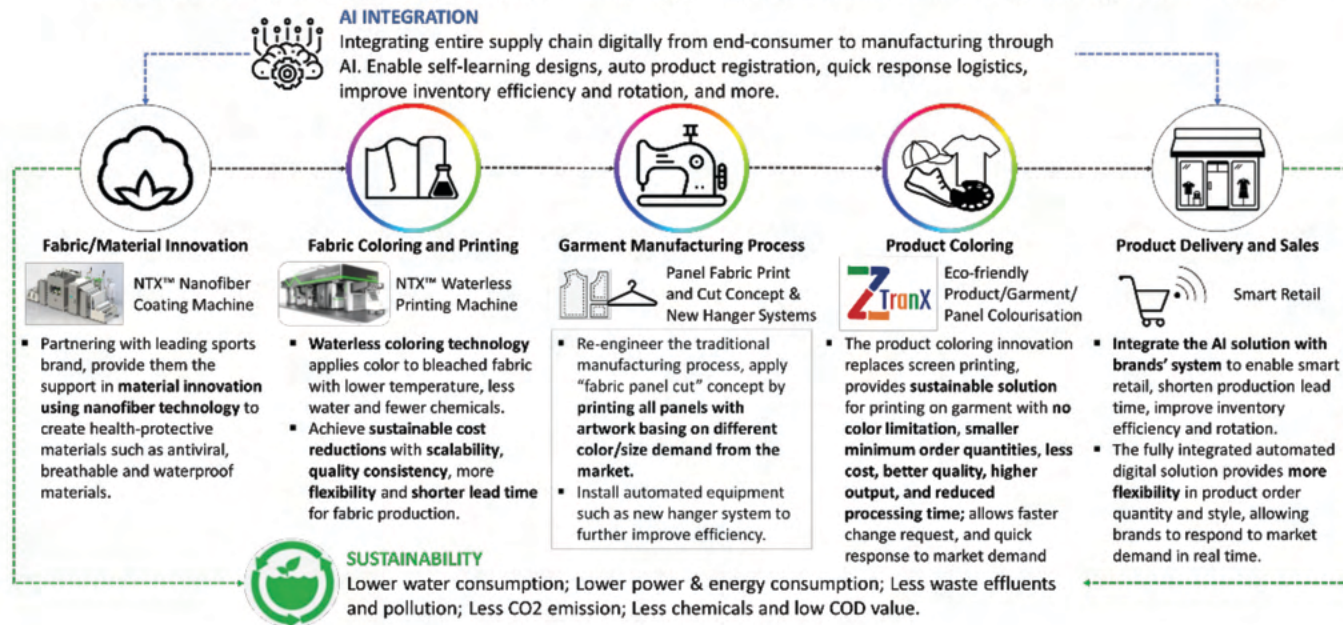
- i) Reduce emission of non-hazardous wastes through diversion instead of direct disposal
- ii) Zero discharge of hazardous chemicals in industrial effluent to the environment
- iii) Increase in use of sustainable materials

PROGRESS BY END OF 2021

- i) Diversion of wastes amounted to 1,516 tonnes by end of 2021
- ii) Compliance with local regulations for monitoring and control of wastewater discharge
- iii) Used eco-friendly materials in product design to reduce waste generation, including the use of organic content materials (yarn), Recycled Claim Standards (RCS) fabrics, and recycled pre-consumer polyamide nylon as well as recycled post-consumer polyester for production

LTH's New Manufacturing Model

Building a new manufacturing model powered by AI with sustainability at its core. Transform the entire fashion supply chain from fabric/material innovation, manufacturing process automation and re-engineering to smart retail.



We launched XO United Football Club in Cambodia to enable children to learn football, set clear goals and plans for participants to develop the physical, mental, and emotional growth.



HIGHLIGHTS



Our startup unit, LTLabs, launched three core products to enable factories to acquire and analyze valuable data that could facilitate end-to-end workflow, support decision making and corrective actions to increase collaboration and enhance overall efficiency with more visibility and transparency across the production floor.

Our e-commerce platform with direct-to-consumer, build-to-order business model had several profitable product launches with top-tier fitness and lifestyle influencers.

**SEW
SEW
YOU**
MADE FOR LIFE
NOT LANDFILL
A LUEN THAI COMPANY

Fashforward

We launched a new generation of surgical respirators that are WHO-compliant as respirators against Covid-19

A NEW GENERATION OF SURGICAL RESPIRATORS



eXtreme protective comfort technology



protective comfort technology



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 2021 Annual Report.

01 BOARD LEADERSHIP ON ESG STRATEGIES

02 SUSTAINABILITY COMMITTEE

03 STRUCTURE

04 INTEGRITY AND ANTI-CORRUPTION



BOARD LEADERSHIP AND OVERSIGHT ON ESG STRATEGIES

The Board of Directors ("The Board") of the Group is committed to upholding the Environmental, Social and Governance (ESG) objectives in the context of current business strategies. This ensures that operations are consistently in compliance with local laws and regulations in the regions where the business is operating, thereby safeguarding the interests of the Group and stakeholders as well as enhancing the corporate brand image.

The Board is responsible for effective governance and oversight of major ESG issues, as well as assessment and management of material, environmental and social risks impacting the group.

The Board assures relevant policies in place on the awareness and timely response to the relevant environmental, social and governance information through different mechanisms and communications with both internal and external stakeholders. Delegated departments and working groups are responsible for the processes on consolidation, analysis, and eventually public disclosure of the ESG performance. In addition to the regular management board meetings, we have established a Sustainability Committee within our Management Board for overseeing the ESG matters pertinent to the policies and practices in the operations. The Board and the designated team members review the ESG performance disclosed in the annual Sustainability Report to assure it is aligned with our business strategy and is complying to the laws and regulations, and to identify sustainability topics that are important to the Group and stakeholders for making appropriate decisions and adjusting the relevant strategies as needed.

The Board evaluates the potential risks as reflected in the ESG information in order to prioritize the ESG topics that have a more significant impact, and to develop effective prevention and control strategies for assurance of the Group's sustainable development, which may include, but are not limited to:

- Install the suitable facilities for resource saving and use of renewable energy
- Adopt and implement advanced eco-friendly technologies and machines
- Explore and deliver new business or manufacturing models that will help to reduce excess inventory and waste derived from the production
- Look for solutions that can turn waste into a source of new value
- Promote awareness and volunteerism to serve and contribute to a broader community
- Pursue the direction of product design using environmental-friendly materials at higher priority
- Strengthen the supplier partnership for exploring green technology and application
- Develop appropriate goals and targets for monitoring and enhancement of sustainability performance

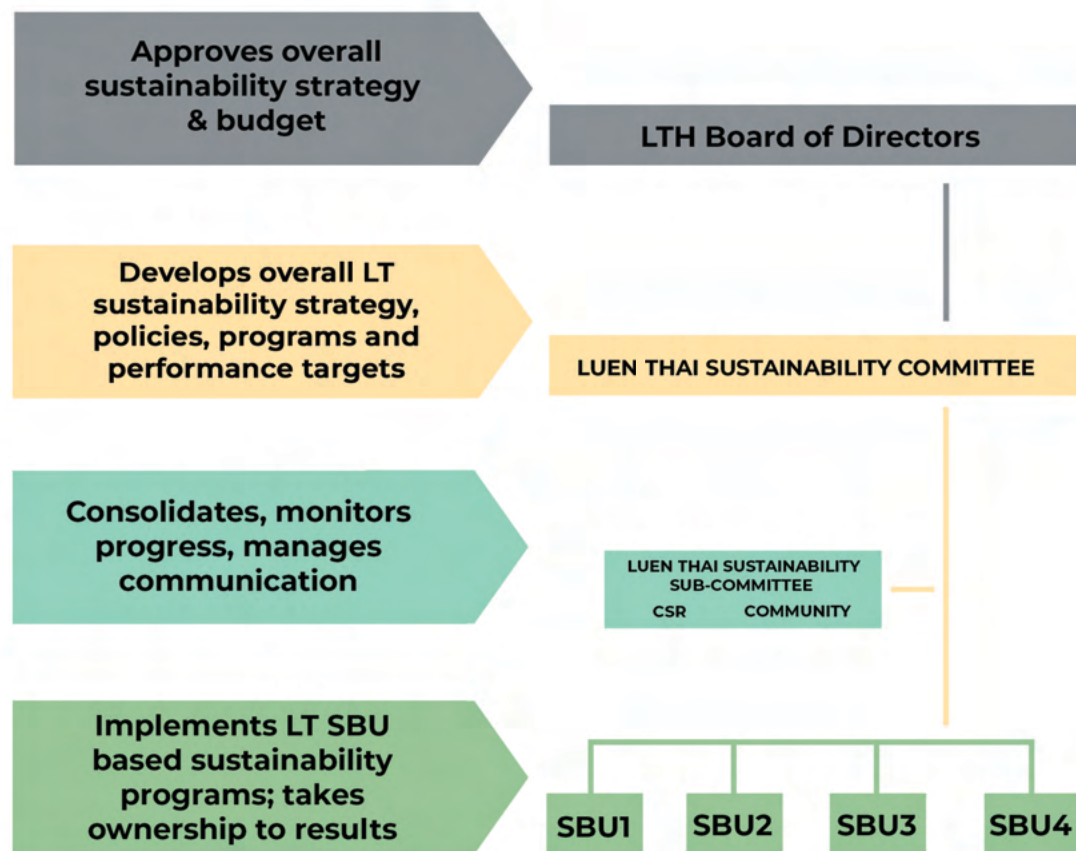
For identifying the opportunities of improvement, the Board reviews annually the ESG strategies against the business challenges of the current year. Also, relevant decision will be made to strengthen employee training for achieving the continual improvement of the sustainability performance. From the Board's assessment of this reporting year, it was confirmed that we have overcome the impacts incurred by the novel coronavirus pandemic and that the Group has strengthened the occupational health and safety measures for protecting employees. These enabled the Group to resume operations at a faster pace and to take the lead in meeting market demand.

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.

Like many other industry sectors, the Board believes that the main factors affecting the Group's ESG performance in the coming year remain the health risks and supply chain strains associated with the novel coronavirus pandemic. Concurrently, for managing the environmental and other compliance risks posed by the global trend against the climate change, the Board will develop strategies or policies and regularly review progress and performance for alignment with the Group's direction of sustainable development.

SUSTAINABILITY COMMITTEE

As aforementioned, to ensure effective execution 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 and advise on the Group's sustainability strategies, work plans and performance targets to advance the Company's ESG leadership. It is not only responsible for identifying, assessing, managing and communicating ESG-related risks, but it also monitors the implementation progress and performance of sustainability programs of all SBUs around the world. The committee is chaired by our Chief People Officer and supported by designated executives within the group.



As part of the Group's ongoing risk management assessment, the committee also ensures significant sustainability issues and risks are integrated into our risk management system and are duly considered in our operation and business strategy. In addition, ESG-related risks and opportunities which may have potential impact on the Group and its sustainability performance are reported to the Board on a regular basis.

ORGANIZATIONAL 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 2021. 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 whistleblowing mechanism is also in place for staff reporting on any suspected or actual incident pertinent to corruption or misconduct. The detailed anti-corruption guidelines and procedures are communicated to the employees, contractors, and suppliers.

Appropriate investigation process is included in the anti-corruption procedure and senior management representatives are involved in the process. There is also adequate and effective procedure to protect employees from retaliation of whistleblowing. By the end of 2021, there was no concluded legal case regarding corrupt practices.

For Board of Directors, we arranged a tailored training session delivered by Independent Commission Against Corruption of Hong Kong Special Administrative Region (HKSAR ICAC) on topics related to roles and responsibilities of company directors in ethical governance, which would update their knowledge on Prevention of Bribery Ordinance and regulations in relation to the corporate governance of listed companies, as well as their awareness to the corruption risks and related fraud relating to the daily operations of listed companies. All directors of the Board attended with 100% attendance.

From the Group's overall perspective in 2021, a total of 3,848 employees participated in the trainings related to the topics of integrity and anti-corruption, which amounted to 7,490 training hours. The trainings covered the selected topics:

- Employee code of practice, handbook briefed at time of onboarding
- Preventive measures against bribery, extortion, fraud and money laundering
- Anti-corruption content related to the prevention of official crimes and corporate governance
- Standards of conduct for procurement personnel, integrity transaction clauses in procurement contracts
- Procedures for declaration of conflicts of interest
- Procedures for reporting violations of integrity or suspected violations of the law
- Relevant laws and regulations training



ZERO CORRUPTION

STAKEHOLDER MANAGEMENT

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
Sustainability Committee
Employees

External Stakeholders

Strategic Customers
Core Suppliers and Business Partners
Government Regulators
Media
NGOs

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 Communication
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;

■ emission and use of resources.

Amongst our stakeholders, we prioritize our external stakeholders’ concerns from customers and suppliers. For this purpose, we have gone through the following processes to identify the material topics with their concerns:

1. Develop survey questionnaire on sustainability topics with reference to the aspects mentioned in the HKEx. The Environmental, Social and Governance Reporting Guide, as well as the topics from market and industry trends affecting the Group’s business strategies.
2. Consolidate survey findings related to our prioritized external stakeholders’ concern on the sustainability topics.
3. Analyze the external stakeholders’ concerns against the priorities of the Group’s business strategies by mapping with the survey findings of the Group’s management representatives on the same sustainability topics.
4. Materiality matrix (shown below) has been prepared based on the aforesaid analysis around the 18 sustainability topics in the following four aspects, where the topics highlighted in red were the material topics identified by the materiality analysis:

Environmental Protection	Human Resource Practices	Business Operating Practices	Community Relations
Energy management	Employment and employee benefits	Quality	Caring for Community
Water conservation	Fair Recruitment	Customer service	
Exhaust gas and carbon emissions	Safety	Responsible production	
Solid waste management	Comprehensive Training	Procurement and supply chain management	
Climate change		Corporate governance	
		Intellectual property rights protection	
		Information security and personal data protection	
		Anti-competitive practices	



Based on the outcome of the materiality analysis conducted in 2021 as illustrated in the matrix above, we have concluded that the top three priorities of our ESG topics are: **Product Quality, Employee Safety, and Customer Service**, which all belong to the social aspects of our operations.

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.

Mechanism for Supplier Selection and Monitoring

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 pertinent to environment and social aspects. As part of the group's supplier management program, all the core existing suppliers are subject to annual evaluation review and only those suppliers achieving passing score results (with continuous improvement areas identified) will be qualified as accredited status to be engaged in business.

During the selection of a new supplier, the supplier's performance in environmental protection and social responsibility are reviewed at higher priority. Per the Group's procurement policy, all new suppliers will have to undergo new supplier evaluation process, which includes a review of the suppliers' basic information, tax compliance, product and service quality and pricing.

Assessment of Environmental and Social Risks in the Supply Chain

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, such as those governing ethical behaviour, employment practices, health and safety, and the product responsibility.

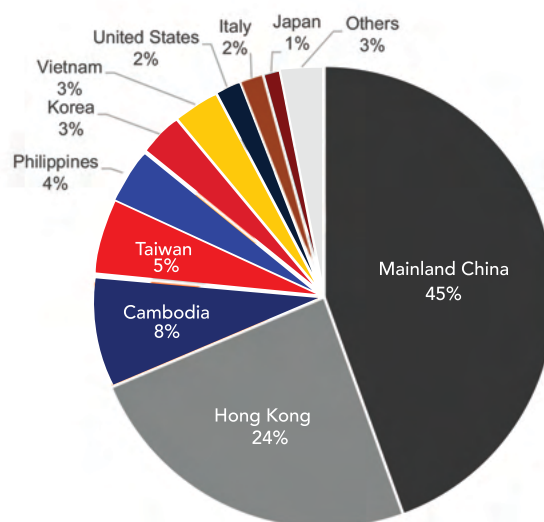
According to the nature and location of the supplied materials and services, the scope of supplier evaluation criteria could be further enlarged to include environmental health & safety, the presence of hazardous materials and chemicals safety, labor and wages, employee relations, education and training to employees as and when necessary.

Green Procurement

Except for production materials and equipment designated by customers, Luen Thai prefers to procure equipment and raw materials containing environment-friendly components and prioritizes 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. By the end of 2021, there are certain core suppliers actively engaging in the Group's green procurement program and will be further promoted to other key suppliers in different regions.

Supplier Profile

Luen Thai has been managing a diverse international supplier base of around 1,125 companies for provision of materials and services essential to the Group's production processes. The geographical distribution of the Group's supply base as of 31 December 2021 is summarized as follows:



*Others include Thailand, Indonesia, India, Macau, Singapore, Switzerland, Sri Lanka, Brazil, Canada, Germany, France, UK, Myanmar, Malaysia, Netherlands, Panama, Portugal, and Samoa

CUSTOMER SERVICE AND PRODUCT MANAGEMENT

Luen Thai believes that manufacturing high quality products 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 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.

In 2021, the Group has identified no major product recalls due to health and safety issues. During 2021, the Group received a total of 17 and 3 cases of complaints relating to products and services, respectively. All those complaint cases had been satisfactorily resolved and corrective actions have been implemented to rectify the defects identified and prevent future recurring incidents.

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. No complaint related to the breach of customer privacy was identified in the reporting period.

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 around 43,400 employees around the globe and enhances the quality of life of communities in our areas of operation.

Around 93% of our employees are under 46 years old and nearly 98% of total workforce are employed full-time. With our worldwide operations, we hire employees of different races and nationalities offering equal and fair opportunities.

Employees by Gender

Female	69%
Male	31%

Employees by Geographical Region

Cambodia	44%
Philippines	34%
Myanmar	13%
PRC	8%
Others*	1%

*Others include USA, Bangladesh, India, and Indonesia.

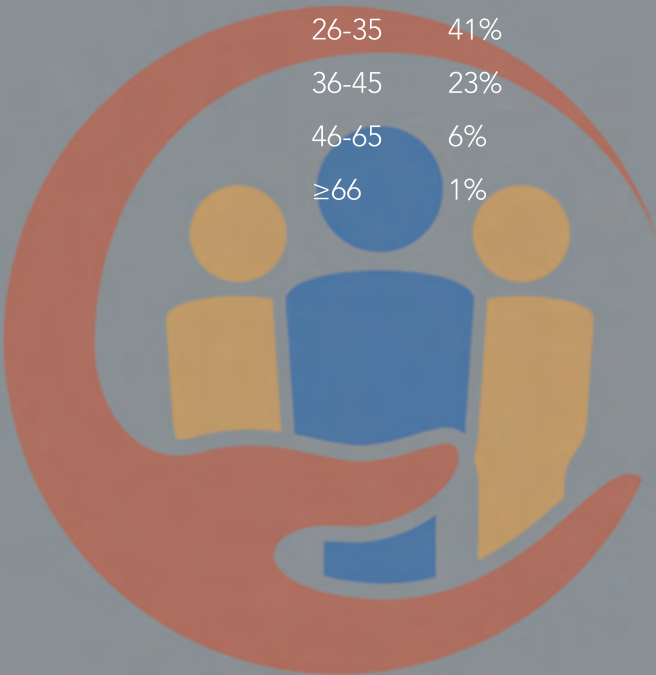
Employees by Age Group

18-25	29%
26-35	41%
36-45	23%
46-65	6%
≥66	1%

Employees by Nationality

Cambodian	44%
Filipino	34%
Myanmari / Burmese	13%
Chinese (Mainland China and Hong Kong)	8%
Others*	1%

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



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.

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 2021.

Our Management Board is composed of leaders originating from various countries. In 2021, our employees at director or above level consist of 58% male and 42% female, with 14 different nationalities and in five age groups.

Employees at Director or Above Level by Gender

Male	58%
Female	42%

Employees at Director or Above Level by Age Group

18-25	2%
26-35	14%
36-45	28%
46-65	47%
≥66	9%

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 2021, our global workforce was slightly reduced by around 1.4% from over 44,000 employees last year to approximately 43,400 as of December 2021. This decrease in workforce size is largely attributed to the hindrance 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.

Employees Turnover Rate by Gender (%)²

Female	30%
Male	26%

Employees Turnover Rate by Age Group (%)²

18-25	36%
26-35	30%
36-45	21%
46-65	17%
≥66	34%

Employees Turnover Rate by Geographical Region (%)²

Cambodia	39%
India	33%
People's Republic of China (including Hong Kong)	30%
United States of America	27%
Myanmar	21%
Philippines	19%
Indonesia	11%
Bangladesh	2%

2a The formula for the calculation of employee turnover rate is the total number of separated employees in the reporting year divided by the average headcount from January 1, 2021 and December 31, 2021.

2b Total Number of separated employees includes both voluntary and involuntary departures. It also include employees (especially in the direct labour employee group) who left during certain periods of the year and re-employed later for employment. This is common in Cambodia and Dandong China, where turnover rates therefore, are higher than other locations.

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. Also, the Group has established communication channels for employees who may file complaint to the company in event of any grievance, and the Group will handle and investigate the case in confidentiality. By the end of 2021, the Group has not identified any legal non-compliance on employment issues, including any incident of discrimination.

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 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.

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. No child labour was found in the year of 2021.

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. No incident of forced labour in any form was found in the year of 2021.

EMPOWERING XO PEOPLE



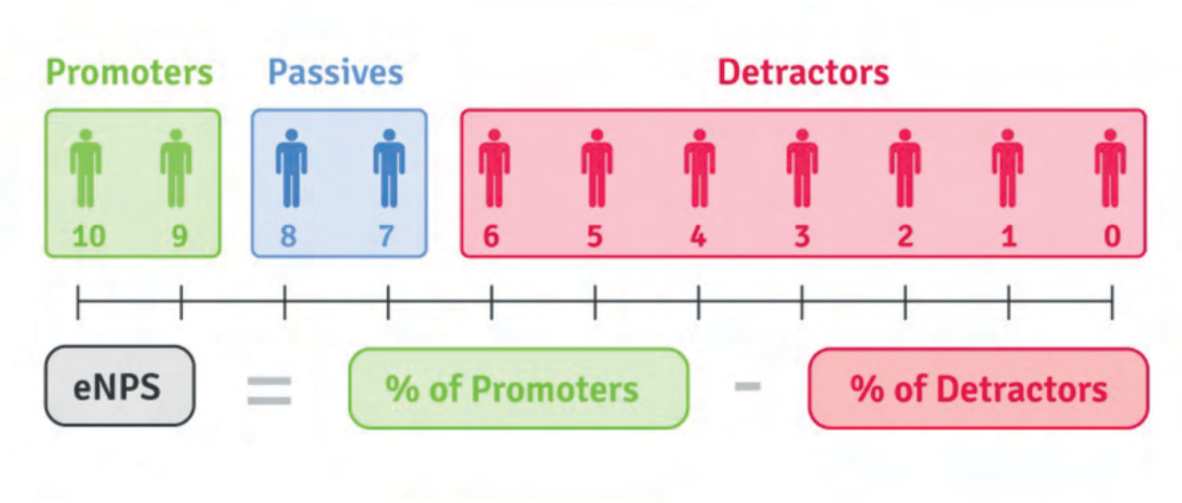
We are committed to the learning and development of our XO people. We believe that giving them the tools and resources they need to do their jobs well not only encourages a culture of excellence, but also contributes to Luen Thai's success.

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 2021, we have "10 XO Master Trainers" and "42 7XO Habits Ambassadors" to promote a culture of ownership, teamwork, and continuous learning despite the pandemic.

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 co-workers. 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 needs. By the end of 2021, the Group’s training programs were conducted for 8,475 participants amounting to 62,312 training hours.

	Number of Employees Trained	% Proportion of Employees Trained	Total Training Hours	Ave. Training Hours per Employee
Female	5,864	20%	49,266	8
Male	2,611	19%	13,046	5
TOTAL	8,475		62,312	
Rank & File	7,129	18%	46,988	7
Supervisors	1,021	45%	9,022	9
Middle level	301	23%	5,387	18
Senior Level	24	28%	915	38
TOTAL	8,475		62,312	

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) (as illustrated in the diagram below), 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 since 2019 and the survey was successfully completed in 2021.



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.

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

In 2021, the Group has provided significant resources to health and safety trainings for employees, which accounted for more than half of total participants and training hours.

Health & Safety Training	Totals	% to Total Training Population
Participants	12,140	59%
Activity Hours	83,289	57%

COMPLIANCE MANAGEMENT

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 and monitored on an ongoing basis by responsible management teams. Regular internal and external compliance audits have been conducted to ensure these policies and procedures are properly conformed with the required compliance standards and practices.

As part of the group’s risk management and internal control systems, management teams of business units also conducted a regular health and safety compliance self-assessment of business operations with corrective action plans to address any non-compliance or control weakness issues.



Two of our facilities, located in the Philippines and Cambodia have obtained ISO 45001 or Occupational Health and Safety Assessment Series 18001 certificate for occupational health and safety.

By end of 2021, there was no major legal non-compliance on occupational health & safety issues pertinent to the regulations of the regions where the Group operates its businesses.

EMERGENCY PREPAREDNESS

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 the past three years from 2019-2021, Luen Thai did not have any work-related fatalities. In 2021, there were some minor incidents which incurred approximately 1,600 days lost among all of our sites, as a consequence of work injuries or occupational diseases.

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' wellbeing and increase their belongingness. Activities were minimized or put on hold during the pandemic for health and safety purposes. We observe local Covid-19 restriction protocols such as social distancing, wearing of masks, antigen testing, etc for any event that we celebrate together.



GIVING BACK TO OUR COMMUNITIES

Luen Thai gives back through our XO Care for Community Plan which focuses on promoting employee awareness and volunteerism to serve and contribute to a broader community. In 2021, we managed to organize volunteering sessions under permissible circumstances during Covid-19 through a smaller scale compared to previous years.

Volunteering Activities		Beneficiaries	
Events	22	Families	834
Hours	42	Individuals	823
Participants (including non-staff)	166 (20)	Charitable organizations ³	210

Apart from the ongoing programs such as “XO Kids” to uphold children’s rights, “Donate an Hour” to boost people’s participation in community work, we also develop new programs each year in different locations around the world to deepen our engagement and strengthen our contribution to society.

In 2021, we launched XO United Football Club in Cambodia to enable children to learn football, set clear goals and plans for participants to develop the physical, mental, and emotional growth. XO United Football Club is an extension of the charitable spirit from our long-term collaboration with the Tuloy Foundation in the Philippines that offers free football training to underprivileged children.

Luen Thai has made charitable and other donations in cash and in-kind during 2021 amounting to approximately US\$ 325,000.



³ The statistics on beneficiaries of charitable organizations included those of youth programs.

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.

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 2021 includes serving on the boards of the Federation of Hong Kong Industries, Confederation of Wearable Exporters of the Philippines, American Apparel and Footwear Association, Confederation of Philippine Manufacturers of PPE; 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.

In December 2021, one of our senior executives has been elected as a legislative council member representing the Functional Constituency of Textiles and Garment sector in Hong Kong. The said executive will continue to serve the group as a senior advisor after relinquishing his full-time operational duties at the company by the end of 2021.

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, including donating masks and PPE gowns to different government units and institutions.



AWARDS AND RECOGNITIONS



CAMBODIA

MOST VALUABLE PARTNER AWARD
DIGITALIZATION AWARD
SUSTAINABILITY AWARD
December 2021

PHILIPPINES

GRIT AWARD
January 2022

AWARDS AND RECOGNITIONS

AWARD FOR MANUFACTURING EXCELLENCE



HONG KONG



MANUFACTURING EXCELLENCE
MEDICAL CATEGORY
December 2021



CHINA

5C PERFORMANCE ON
SOCIAL COMPLIANCE
December 2021



ENVIRONMENTAL 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 (CO₂) 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.

In 2021, the Group has not identified any legal non-compliance against the relevant laws and regulations in our operating regions pertaining to emissions or other environmental issues, 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"), Sulfur Oxides ("SOx"), and Particulate Matter ("PM") are shown below. As compared to 2020, there was significant decrease in the emissions of NOx, SOx, and PM of around 30%, 25% and 25% respectively. The drop in emissions was attributed to various countries starting to ease lockdowns from anti-pandemic measures, as such, our factories decreased the number of rented bus services for employee transportation. Therefore, there was less diesel consumption in 2021 which resulted in less air emissions.

Air Emission ⁴	Unit	FY2021	FY2020
Nitrogen Oxides (NOx)	kg	5,700	8,131
Sulfur Oxides (SOx)	kg	6.59	8.73
Particulate Matter (PM)	kg	297.34	394.98

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) 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) is attributed to the consumption of purchased electricity.

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

As compared to 2020, the Group has recorded an increase in GHG emission and intensity of around 27% and 23% respectively. The increment was mainly the consequence of recovery from the COVID-19 impacts in some of our operations, which led to increase in electricity consumption and hence energy indirect GHG emission.

GHG Emission	2021	2020
Scope 1 ⁵	4,811	3,659
Scope 2 ⁶	27,162	21,503
Total GHG	31,973	25,162

GHG Emission (tCO ₂ e)	Total ⁷		Scope 1		Scope 2	
	2021	2020	2021	2020	2021	2020
Apparel	18,799	15,468	4,363	2,847	14,436	12,621
Accessories	13,175	9,694	448	812	12,726	8,882
Overall	31,973	25,162	4,811	3,659	27,162	21,503

GHG Emission Intensity (kgCO ₂ e per unit of production)	Total ⁸		Scope 1		Scope 2	
	2021	2020	2021	2020	2021	2020
Apparel	0.5197	0.4379	0.1206	0.0806	0.3991	0.3573
Accessories	1.2667	1.0008	0.0431	0.0838	1.2236	0.9169
Overall ⁹	0.6865	0.5590	0.1033	0.0813	0.5832	0.4778

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.

5 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".

6 Scope 2 emission calculation is based on the published emission factors from "Emission Factors 2021" by the International Energy Agency.

7 Total GHG emission is calculated by the summation of Scope 1 and Scope 2 GHG emission. Scope 3 emission was not included for disclosure in this aspect.

8 Overall GHG intensity calculation is based on Scope 1 and Scope 2 GHG emission. Scope 3 emission was not included for disclosure in this aspect.

9 Total GHG emission (Scope 1&2) over total production units.

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.

As compared to 2020, the Group has recorded increase in electricity consumption and intensity of around 13% and 9% respectively. The increment was mainly the consequence of recovery from the COVID-19 impacts in some of our operations, particularly commissioning of additional machinery in Accessories Division in Cambodia factory. All these activities contributed to increase in manpower and production output and eventually led to increase in electricity consumption during 2021.

Electricity Consumption		Unit	2021	2020
Apparel		kWh	23,876,387	22,900,212
Accessories		kWh	21,977,335	17,554,373
Overall		kWh	45,853,723	40,454,585

Electricity Consumption Intensity		Unit	2021	2020
Apparel		kWh per unit of production	0.66	0.65
Accessories		kWh per unit of production	2.11	1.81
Overall ¹⁰		kWh per unit of production	0.98	0.90

As compared to 2020, the Group has recorded a significant increase in boiler fuel consumption and intensity of around 51% and 15% respectively. The increment was mainly the consequence of the following changes in Cambodia factory during 2021:

- i. Additional washing area which was connected with steam boiler.
- ii. Switching from the use of forest trees to cashew trees as wood fuel since the use of forest trees was disallowed by a customer. However, this resulted in lower efficiency that caused higher fuel consumption.

Boiler Fuel		Unit	2021	2020
Consumption		kg	14,219,174	9,421,105
Intensity		kg per unit of production	0.31	0.27

¹⁰ Total electricity consumption over total production units

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.

As compared to 2020, the Group has recorded a decrease of 5% in water consumption while intensity was reduced by around 7% maintaining at 0.03 cubic meters per unit of production. It demonstrated the Group's sustainability effort in minimizing water consumption to a steady level during the 3-year period from 2019 to 2021.

Water Consumption	Unit	2021	2020
Apparel	cubic meters	929,168	974,387
Accessories	cubic meters	280,646	299,831
Total	cubic meters	1,209,814	1,274,218

Water Consumption Intensity	Unit per unit of production	2021	2020
Apparel	cubic meters	0.026	0.028
Accessories	cubic meters	0.027	0.031
Total ¹¹	cubic meters	0.026	0.028

11 Total water consumption over total production units

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 2021, effluent discharge was recorded at 466,080 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.

Waste reduction target is achieved through increase in operational waste diversion established with regular monitoring on the effectiveness of the initiative. In 2021, the Group has successfully diverted 1,516 tonnes of wastes from disposal to recycling, including carton boxes, acrylic plastics, chemical containers made of plastic or metals, and metal scraps. The origins of these wastes were mainly from warehouses, die mold making, cutting and sewing workshops, etc. We have designated channels for separating these wastes at different sources, for example, collecting empty chemical containers from hazardous waste areas, discarded carton boxes from material packing and general waste areas, metal scraps from property fabrication scrap area.

Waste Reduction Approach	Unit	2021	2020
Waste Diverted from Disposal	tonnes	1,516	2,291

As compared to 2020, there was a drop of around 775 tonnes in waste diversion. The main reason was one of the key waste diversion contributors, accessories factory in Myanmar was under temporary closure for 4 months in 2021, which incurred a decrease in waste diversion of 1,145 tonnes, accounting for around 73% decrease as compared to 2020.

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.

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 2021, the amount of non-hazardous wastes was largely reduced. The key reason for such significant decrease was mainly attributable 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 in 2020. As compared to the non-hazardous waste amount in 2019 (18,921 tonnes), indeed the waste generation in 2021 was still less than half of the amount in 2019.

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 2021 was slightly less than that in 2020. This is due to the temporary closure of an accessories factory in the Philippines in 2021.

Waste Generation	Unit	2021	2020
Hazardous	tonnes	56	60
Non-Hazardous	tonnes	8,588	22,926
Total	tonnes	8,644	22,986
Intensity	kilograms per unit of production	0.19	0.51

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 2021, the total consumption of packaging materials was approximately 7,449 tonnes, (2020: 5,265 tonnes ; 2019: 8,558 tonnes), because a significant portion of production activities was hindered in 2020 by the COVID-19 pandemic.

Packaging Materials	Unit	2021	2020
Carton Box	tonnes	4,132	3,635
Plastic	tonnes	1,870	1,136
Others*	tonnes	1,447	494
Total Consumption	tonnes	7,449	5,265
Total Consumption Intensity ¹²	kilograms per unit of production	0.16	0.12

*Others include labels, plastic strings, tissue

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.

From 2019 to 2021, we have recorded observed an increase in water bottles saved, despite the drop in 2020 due to reduced employees and visitors in facilities under the COVID-19 pandemic.

	Unit	2021	2020	2019
Water bottle saved	piece ¹³	2,270,070	65,378	133,156

¹² Total weight of packaging materials consumption over total production units

¹³ The calculation was based on the estimation and formula as number of employees x 2 bottles per day x number of workdays

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 implemented a tree planting program to help in improving air quality and addressing deforestation. In 2021, the Group has newly planted around 3,000 trees initiated by a Philippine factory, and accumulated the planting of around 11,440 trees groupwide since 2018. With the expected recovery from COVID-19 for 2022, the Group has established initiatives of planting more trees in regions where the Group operates.

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 GROUP

18-25	29%
26-35	41%
36-45	23%
46-65	6%
≥66	1%

**EMPLOYEES AT DIRECTOR
OR ABOVE LEVEL BY GENDER**

Male	58%
Female	42%

EMPLOYEES AT DIRECTOR OR ABOVE LEVEL BY AGE GROUP

18-25	2%
26-35	14%
36-45	28%
46-65	47%
≥66	9%

EMPLOYEES BY NATIONALITY

EMPLOYEES BY GEOGRAPHICAL REGION

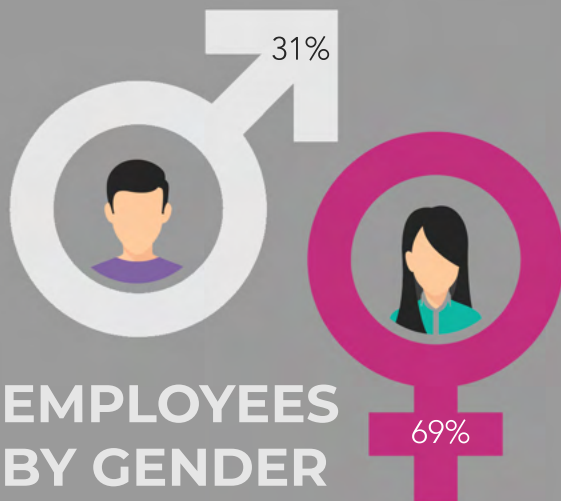
*Others include USA, Bangladesh, India, and Indonesia.



Volunteering Activities

Beneficiaries

EMPLOYEES BY GENDER



	Number of Employees Trained	% Proportion of Employees Trained	Total Training Hours	Ave. Training Hours per Employee
Female	5,864	20	49,266	8
Male	2,611	19	13,046	5
Rank & File	7,129	18	46,988	7
Supervisors	1,021	45	9,022	9
Middle level	301	23	5,387	18
Senior Level	24	28	915	38



Electricity Consumption

	2021	2020
Apparel	23,876,387 kWh	22,900,212 kWh
Accessories	21,977,335 kWh	17,554,373 kWh
Overall	45,853,723 kWh	40,454,585 kWh

Electricity Consumption Intensity per unit of production

	2021	2020
Apparel	0.66 kWh	0.65 kWh
Accessories	2.11 kWh	1.81 kWh
Overall	0.98 kWh	0.90 kWh



Packaging Materials

	2021	2020
Carton Box	4,132 tonnes	3,635 tonnes
Plastic	1,870 tonnes	1,136 tonnes
Others	1,447 tonnes	494 tonnes
Total Consumption	7,449 tonnes	5,265 tonnes
Total Consumption intensity	0.16	0.12



Water Consumption

	2021	2020
Apparel	929,168 cubic meters	974,387 cubic meters
Accessories	280,646 cubic meters	299,831 cubic meters
Total	1,209,814 cubic meters	1,274,218 cubic meters

Water Consumption Intensity per unit of production

	2021	2020
Apparel	0.026 cubic meters	0.028 cubic meters
Accessories	0.027 cubic meters	0.031 cubic meters
Total	0.026 cubic meters	0.028 cubic meters



Water bottle saved

2021	2,270,070 piece
2020	65,378 piece
2019	133,156 piece

Boiler Fuel

	Unit	2021	2020
Consumption	kg	14,219,174	9,421,105
Intensity	kg per unit of production	0.31	0.27

Air Emission

	Unit	FY2021	FY2020
Nitrogen Oxides (NOx)	kg	5,700	8,131
Sulfur Dioxides (SOx)	kg	6.59	8.73
Particulate Matter (PM)	kg	297.34	394.98

GHG Emission (tCO₂e)

G Emission (tCO ₂ e)	Total		Scope 1		Scope 2	
	2021	2020	2021	2020	2021	2020
Apparel	18,799	15,468	4,363	2,847	14,436	12,621
Accessories	13,175	9,694	448	812	12,726	8,882
Overall	31,973	25,162	4,811	3,659	27,162	21,503

GHG Emission Intensity (kgCO₂e per unit of production)

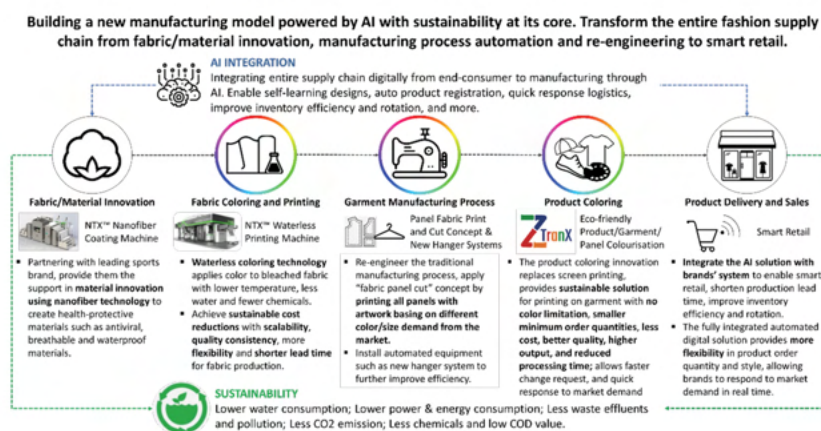
Emission Intensity (tCO ₂ e per unit of production)	Total		Scope 1		Scope 2	
	2021	2020	2021	2020	2021	2020
Apparel	0.5197	0.4379	0.1206	0.0806	0.3991	0.3573
Accessories	1.2667	1.0008	0.0431	0.0838	1.2236	0.9169
Overall	0.6865	0.5590	0.1033	0.0813	0.5832	0.4778

SUSTAINABLE TECHNOLOGY

New Manufacturing Model with China and Non-China Supply Chain

Luen Thai strategy remained steady for the past few years, focusing on achieving long-term growth through building a new manufacturing model and transforming the supply chain functions centered around sustainability. We aspire to lead our industry to a green economy by providing breakthrough technology solutions to our customers.

LTH's New Manufacturing Model



Luen Thai initiatives have been validated by customer demand over the last two years. We were selected as the key strategic partner by our customers to provide innovative solutions (such as NTX™ nanofiber technology, NTX™ waterless fabric coloring and printing technology, HeatTranx product coloring technology, manufacturing processes automation, AI and digital solutions) for enabling fabric/material innovation, on-demand manufacturing and printing, and smart retail while attaining the highest standards in sustainability.

To maximize the value of our strategic partnership with NTX™, we have completed the formation of our joint ventures with NTX™ to build advanced dyeing and printing production center featured with Cooltrans™ coloration technologies in Cambodia and Vietnam.



The use of eco-friendly waterless textile coloration technology significantly reduces water, energy, and chemical use, as well as further cutting our carbon footprint and overall wasted materials while keeping highly competitive economics. This technology was identified by our customers as a key enabler in helping them achieve their ambitious sustainability goals. Some of our customers who are top sportswear and fashion brands in the world have shown their interests to produce products using our waterless coloring technology. For us to deliver superior value to our customers through vertical expansions, we have added HeatTranx technology powered by NTX™ to enhance our sustainable supply chain capabilities. HeatTranx is a disruptive waterless product coloring technology that replaces traditional screen print and allows for printing on garment with no limitation on color and minimum order quantity, enables us to produce products at much lower cost with better quality, higher output and reduced processing time for faster development and production. One of the top sportswear brands has started using HeatTranx technology for product development and production in 2021.



NTX Cooltrans - a more eco-conscious textile colorization

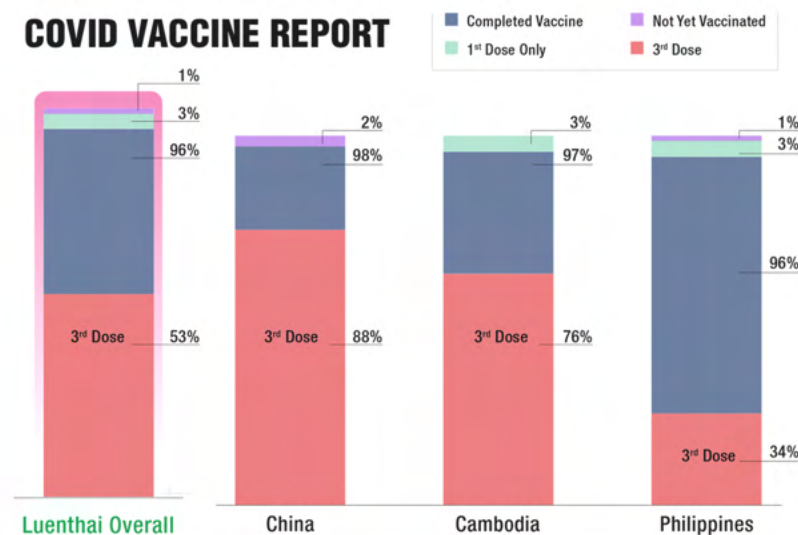
The customer is leveraging the full suite of our solutions to develop a “New China Retail Supply Chain Model” to achieve vertical integration and streamline the processes from fabric garment material innovation, fabric coloring, product design and development, product printing, OEM (original equipment manufacturer), sales and marketing to sourcing and logistics.

We also incorporated third-party AI systems into the full value chain of our automated manufacturing operations in China to facilitate decision making and problem-solving processes using real-time data to allow for a quick response to customer demands and requirements. The new model aims to not only drive the top-line growth, but also significantly improve quality, speed, cost, flexibility, and sustainability across the supply chain.

We have successfully restructured our supply chain model and strengthened manufacturing capabilities to reduce vulnerabilities amid the global supply chain uncertainties, shortages, and interruptions. An increasing number of fashion retailers and brands are transforming to a demand-focused value chain, and advancing their efforts in optimizing apparel/accessories production through nearshoring/onshoring and automation. Nearshoring/onshoring holds a huge opportunity to reduce lead times, inventories, and waste production, thereby driving the important sustainability mission while navigating geopolitical risks. We reorganized our supply chain to support both nearshore and offshore sourcing strategies through China and Non-China operations, where China domestic manufacturing capacity is supporting the China focused expansion, and production facilities outside of China are supporting the non-China market. As a result of the supply chain reorganization, majority or 69% of our sales from China operations comes from domestic orders, while the export businesses in China are reduced to 31% in 2021. This has proven to be an effective way of reducing currency and geopolitical risks.

OUR COVID-19 RESPONSE

Amidst the pandemic, Luen Thai's top priority remains to be the personal health and safety of our people. We are closely monitoring advice issued by the World Health Organization (WHO) and local governments in each of our markets. We will continue to follow stringent guidelines to prevent the spread of the virus and take all necessary actions to protect our employees and their families. We believe that achieving a high vaccination rate is the key to get out of the current pandemic. We encourage all eligible employees to get vaccinated while respecting the individuals who are apprehensive about the vaccines for different reasons. We take the responsibility of educating our people, sharing accurate information and resources about vaccination with all of our members and the larger community. We boast of high vaccination rate across the organization. As of early March 2022, over 99% of our employees globally received first dose of the COVID-19 vaccines, and 96% of employees received the second dose of the vaccine, with 53% receiving a third booster dose. We believe this is a huge step forward in bringing this pandemic under control and ensuring the continuity of business. We will further accelerate the vaccination program and multifaceted initiatives so that all members of our community can lead their lives in safety and with peace of mind.



While various countries are relaxing pandemic controls, Luenthai is still upholding our "Mask On" policy at our premises, and where self test kits are allowed to be used, we schedule routine RAT self test for our employees and ensure early home isolation of infected employees. In 2022 we have shifted our COVID 19 preventive strategy from mitigating severe illness and deaths to enhancing the wellbeing of our employees. The XO GOOD Employee Wellness Program will be launched in April 2022 to promote and support our employees to build strong body and mind to combat the ongoing challenges brought about by COVID 19. We have elevated the monitoring of absenteeism rate that is due to ill health, so we can continue to devise programs that will better enhance the vitality of our employees.

OUR COVID-19 RESPONSE

In the fight against COVID-19, we established a personal protective equipment (PPE) business and quickly developed highly protective, breathable, medical-grade, reusable face masks that leverage our material innovation capabilities and NTX™ nanofiber technology. The premium masks and medical respirators we developed are one of the very few respirators in the world that meet WHO specified performance standards for PPE and passed dual certified protection standards (EN14683 Type IIR and EN149 FFP2). The superior protection comes with antiviral function and 99.99% bacterial filtration efficiency certified by ISO 18184 and ISO 20743. Our factory is also an ISO14644 Class 7 Cleanroom facility with ISO13485 Quality Management System for Medical Devices. In addition, we are recognized as the recipient of the Hong Kong Business' Made in Hong Kong Awards 2021 – Medical Category, for our mask products. The masks we developed are at the stage of large-scale production and commercialization. We will continue to take advantage of our nanofiber technology and expand our efforts to develop other sustainable and highly functional PPEs such as medical gowns and gloves that are in high demand around the world.

There is still a chance of Covid infection despite being vaccinated, therefore Luen Thai provided employees in all locations with these medical grade masks that we produced. It provides additional protection and comfort to our employees.

A NEW GENERATION OF SURGICAL RESPIRATORS



eXtreme protective comfort technology



protective comfort technology



HKEX ESG REPORTING GUIDE INDEX

Environmental Aspects	General Disclosures and KPIs	Reference Section of This Report
A1 Emission	<p>Information on:</p> <ul style="list-style-type: none"> - the policies; and - compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.</p>	Environmental Sustainability
KPI A1.1	The types of emissions and respective emissions data.	Air Emission Control
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emission Control
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and where appropriate, intensity (e.g. per unit of production volume, per facility).	Waste Management
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.	Air Emission Control, Greenhouse Gas Emission Control
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management Chemical and Wastewater Management

Environmental Aspects	General Disclosures and KPIs	Reference Section of This Report
A2 Use of Resource	Policies on efficient use of resources including energy, water and other raw materials.	Environmental Sustainability
KPI A2.1	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).	Energy Usage
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Water Conservation
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Usage
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Conservation
KPI A2.5	Total packaging material used for finished products (in tonnes), and, if applicable, with reference to per unit produced.	Natural and Raw Materials Consumption and the Environment
A3 The Environment and Natural Resources	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environmental Sustainability
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Natural and Raw Materials Consumption and the Environment
A4 Climate Change	Policies on identification and mitigation of significant climate-related issues when have impacted, and those when may impact, the issuer.	Environmental Sustainability
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Social Aspects	General Disclosures and KPIs	Reference Section of This Report
B1 Employment	<p>Information on:</p> <ul style="list-style-type: none"> - the policies; and - compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.</p>	People and Community
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Embracing diverse viewpoints and perspectives, Practicing fair business and employment practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Practicing fair business and employment practices
B2 Health and Safety	<p>Information on:</p> <ul style="list-style-type: none"> - the policies; and - compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to providing a safe working environment and protecting employees from occupational hazards.</p>	People and Community
KPI B2.1	Number and rate of work-related fatalities.	Ensuring the health and safety of our people
KPI B2.2	Lost days due to work injury.	Ensuring the health and safety of our people
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Ensuring the health and safety of our people

Social Aspects	General Disclosures and KPIs	Reference Section of This Report
B3 Development and Training	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People and Community
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Empowering XO people
KPI B3.2	The average training hours completed per employee by gender and employee category	Empowering XO people
B4 Labour Standards	Information on: <ul style="list-style-type: none"> - the policies; and - compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People and Community
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Upholding children's rights, Protecting the rights of our people
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Upholding children's rights, Protecting the rights of our people
B5 Supply Chain Management	Policies on managing environmental and social risks of supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supplier profile
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Mechanism for supplier selection and monitoring
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Assessment of environmental and social risks in the supply chain
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Green procurement

Social Aspects	General Disclosures and KPIs	Reference Section of This Report
B6 Product Responsibility	<p>Information on:</p> <ul style="list-style-type: none"> - the policies; and - compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.</p>	Customer Service and Product Management
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Handling of customer feedback
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Handling of customer feedback
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Protection of confidential information
KPI B6.4	Description of quality assurance process and recall procedures.	Product compliance, Assurance process
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Protection of confidential information

Social Aspects	General Disclosures and KPIs	Reference Section of This Report
B7 Anti-corruption	<p>Information on:</p> <ul style="list-style-type: none"> - the policies; and - compliance with relevant laws and regulations that have a significant impact on the issuer <p>relating to bribery, extortion, fraud and money laundering.</p>	Governance and Management
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Integrity and anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Integrity and anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Integrity and anti-corruption
B8 Community Investment	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	People and Community
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Giving back to our communities
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Giving back to our communities

GRI CONTENT INDEX - ENVIRONMENTAL TOPICS

GRI Topic-specific Disclosure	Description	Reference Section of This Report
201 Economic Performance		
201-2	Financial implications and other risks and opportunities due to climate change	Environmental Sustainability: Climate Change
301 Materials		
301-1	Materials used by weight or volume	Environmental Sustainability: Natural and Raw Materials Consumption and the Environment
302 Energy		
302-1	Energy consumption within the organization	Environmental Sustainability: Energy Usage
302-3	Energy intensity	Environmental Sustainability: Energy Usage
302-4	Reduction of energy consumption	Environmental Sustainability: Energy Usage
303 Water and Effluents		
303-1	Interactions with water as a shared resource	Environmental Sustainability: Water Conservation Environmental Sustainability: Chemical and Wastewater Management
303-2	Management of water discharge-related impacts	Environmental Sustainability: Chemical and Wastewater Management
303-4	Water discharge	Environmental Sustainability: Chemical and Wastewater Management
303-5	Water consumption	Environmental Sustainability: Water Conservation
305 Emissions		
305-1	Direct (Scope 1) GHG emissions	Environmental Sustainability: Greenhouse Gas Emission Control
305-2	Energy Indirect (Scope 2) GHG emissions	Environmental Sustainability: Greenhouse Gas Emission Control
305-4	GHG emissions intensity	Environmental Sustainability: Greenhouse Gas Emission Control
305-5	Reduction of GHG emissions	Environmental Sustainability: Greenhouse Gas Emission Control
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Environmental Sustainability: Air Emission Control
306 Waste		
306-1	Waste generation and significant waste-related impacts	Environmental Sustainability: Waste Management
306-2	Management of significant waste-related impacts	Environmental Sustainability: Waste Management
306-3	Waste generated	Environmental Sustainability: Waste Management

GRI CONTENT INDEX — SOCIAL TOPICS

GRI Topic-specific Disclosure	Description	Reference Section of This Report
204 Procurement Practices		
204-1	Proportion of spending on local suppliers	Supply Chain Management: Supplier profile
205 Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Governance and Management: Integrity and anti-corruption
308 Supplier Environmental Assessment		
308-1	New suppliers that were screened using environmental criteria	Supply Chain Management: Assessment of environmental and social risks in the supply chain
401 Employment		
401-1b	Employee Turnover	People and Community: Practicing fair business and employment practices
403 Occupational Health & Safety		
403-1	Occupational health and safety management system	People and Community: Ensuring the health and safety of our people
403-5	Worker training on occupational health and safety	People and Community: Ensuring the health and safety of our people
403-9	Work-related injuries	People and Community: Ensuring the health and safety of our people
404 Training and Education		
404-1	Average hours of training per year per employee	People and Community: Empowering XO people
405 Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	People and Community: Embracing diverse viewpoints and perspectives

GRI Topic-specific Disclosure	Description	Reference Section of This Report
406 Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	People and Community: Treating our people with dignity and respect
408 Child Labor		
408-1	Operations at significant risk for incidents of child labor	People and Community: Upholding children's rights
409 Forced or Compulsory Labor		
409-1	Operations at significant risk for incidents of forced or compulsory labor	People and Community: Protecting the rights of our people
413 Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	People and Community: Giving back to our communities
414 Supplier Social Assessment		
414-1	New suppliers that were screened using social criteria	Supply Chain Management: Assessment of environmental and social risks in the supply chain
416 Customer Health & Safety		
416-1	Assessment of the health and safety impacts of product and service categories	Customer Service and Product Management: Product compliance, Assurance process
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Customer Service and Product Management: Handling of customer feedback
418 Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Service and Product Management: Protection of confidential information

CONTACT AND FEEDBACK

We welcome feedback on this ESG report
and our sustainability performance.

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