



Luen Thai Holdings Limited

聯泰控股有限公司

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

The background features a dark blue color scheme with abstract geometric shapes, including white and light blue lines and rectangles, and a faint globe with a network of white lines connecting various points, suggesting a global or digital theme.

LUENTHAI SUSTAINABILITY STRATEGY AND GOALS

ENVIRONMENT | SOCIAL | GOVERNANCE

2018 REPORT

ABOUT THIS REPORT

This 2018 Environmental, Social and Governance (ESG) Report of Luen Thai Holdings Limited (“Luenthai” or “Company” and together with its subsidiaries, the Group”) (Stock code: 0311) is our commitment to engage our stakeholders through transparency and responsible reporting. In this report, we aim to provide key ESG information and data relevant to our operations for the year ended 31 December 2018.

The Group has adhered to the “comply or explain” provisions of the ESG Reporting Guide as set out in the Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This report covers the period from 1 January to 31 December 2018, which is the same period as reported in the Group’s Annual Report 2018. The details of our corporate governance practices including our Board and its Committees have been set out in the Group’s Annual Report 2018 under the section headed “Corporate Governance Report”. Relevant contents were referenced to previous period when needed.

The report contains our 2018 milestones plus 2017 ESG numbers, as well as an update on where we are in Luen Thai Sustainability Strategy and Goals launched two

years ago. This is our five-year plan demonstrating how we will show eXtraOrdinary CARE (XO CARE) for our people, our communities, and the environment; and how we as an organization will try to become better daily.

The report covers our Apparel and Accessories businesses including the acquisition of bags business in Myanmar and Thailand since November 2018.

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

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

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About the cover

The cover is a futuristic representation of Luen Thai's XO (eXtraOrdinary) logo. As the world moves towards a digital revolution, it is imperative for the Company to adopt technologies that not only improve its operations, but also contribute towards a sustainable future.

MESSAGE FROM



OUR CEO-PARTNER

Luen Thai's success hinges on our ability to collaborate and build strong partnerships with those who share our passion. Today, we are one of the leading fashion and lifestyle apparel and accessories manufacturers in the world.

When I was appointed CEO in 2017, I took the opportunity to reflect on my purpose in this eXtraOrdinary Company. I realized that more than being a leader, it is also important for me to be a partner. As a CEO-Partner, my goal is to create an environment that will foster learning from each other and working together towards our vision of sustainable shared success through reinvention.

Purpose Beyond Profit

Beyond profitability, I believe in having a greater purpose to create eXtraOrdinary (XO) change wherever possible. Since the launch of XO CARE, a new sustainability strategy, we have created more meaningful programs and campaigns for our people, our community, and the environment. We have not stopped since. We will continue to find ways to do better and be better.

In this ESG Report, we will tell you about the many ways we are striving to improve our performance in key environmental, social, and governance areas. As a Company, we support the Ten Principles of the United Nations Global Compact on human rights, labor, environment, and anti-corruption; and we integrate these into our strategies, policies and procedures, and aspirations. This ESG Report provides a few key highlights and a progress update on areas where we think we can make the biggest difference.

People are Most Important

We strive to create a supportive and inclusive workplace where we can nurture and celebrate our **diversity**. We believe in treating everyone with dignity and celebrating their unique value and contribution to the Company. Through our **XO CARE for People** initiatives, we implement programs that recognize their hard work and achievements, facilitate growth, and create a culture of meaningful work to help employees find value in their job. On behalf of the Management Team, I extend my gratitude to our tens of thousands of employees who help us shape a sustainable future in the services we provide our clients and in our day-to-day operations.

Giving Back in eXtraOrdinary Ways

We also recognize the importance of giving back to our local communities. Luen Thai places utmost focus and priority in helping children become **XO KIDS**. We develop programs providing children with access to sports such as football, performing arts, skills development training, and scholarships. Luen Thai employees also have opportunities to donate and volunteer for causes with organizations within 30 minutes from their location. These are just some of our efforts in helping build a sense of higher purpose for our people to go beyond the confines of our offices and reach out and create greater impact in our communities.

Digitalization and Initiatives for the Environment

Technology is vital to improving our competitiveness and in reducing our impact on the environment. Our **digitalization** efforts not only increase employee productivity and work efficiency, but also enable us to trace our footprint and leave more handprint towards **environmental sustainability**. We take an active role in caring for our natural resources, particularly water and paper usage. We invest in technology that uses less water and reduces end-to-end production cycle time as well as wastage allowances. In 2019, we are excited to take our "Smart Factory" technology to the next level and build the world's first Paperless Factory for Apparel in Cambodia, and the first Paperless Factory for Accessories in Myanmar.

These are just a few of the many ways we manifest our commitment to ESG. As we move forward, we ensure that our values continue to be reflected in every way we conduct our business. A commitment to integrity and honesty are critical to our continued success. I encourage you to read through our report to know more about what we do and explore ways on how we can create an eXtraOrdinary future together.

Raymond Tan



Luenthai

an *EXtraordinary*

company





ABOUT US

Luen Thai is an eXtraOrdinary Company!
We make quality products. We provide excellent services.
We are a leader in fashion and lifestyle apparel and
accessories manufacturing.

We have over 50,000 employees in more than 20 production
facilities and sales offices globally. 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.





LUEN THAI, AN OVERVIEW

OVER 50,000
EMPLOYEES GLOBALLY

MANUFACTURING / SOURCING COUNTRIES:
CHINA | PHILIPPINES | CAMBODIA | VIETNAM
INDONESIA | THAILAND | MYANMAR | INDIA
BANGLADESH

SALES/DESIGN OFFICE - NEW YORK, USA
HEADQUARTER - HONG KONG SAR



USA*





INDIA*

BANGLADESH*

12% CHINA

16% MYANMAR

36% PHILIPPINES

7% THAILAND

2% VIETNAM

2% INDONESIA

24% CAMBODIA

* Less than 1%
(USA, INDIA, BANGLADESH)

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.**



OUR SUSTAINABILITY CUTURE

Giving eXtraOrdinary CARE is a daily habit in Luen Thai. Adopting from our culture campaign called "Be XO Daily," we strive to go beyond the ordinary with special focus on XO CARE for our people, our communities, and the environment.

LUEN THAI SUSTAINABILITY STRATEGY FRAMEWORK

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

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



Our sustainability journey is a journey of our heart. With Raymond Tan's appointment as CEO, we launched the new corporate culture "Be XO Daily" which has inspired our community work to evolve to what it is now. eXtraOrdinary CARE of XO CARE is an all-encompassing sustainability platform for our people, our communities, and the environment.



OUR XO CARE GOALS

eXtraOrdinary care for Luen Thai means promoting empowerment of individuals by helping them help themselves. From this grows self-responsibility to take care of the community and expands into the larger context of taking care of the planet.

Our goals are guided by these core beliefs:



About the photo
XO LEAD, Module 2 Session, July 2018



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





About the photo
GJM Family Fun Day, August 2018



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.

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





Yuenthai's XO Connect, August 2018



Tomwell Marathon, May 2018



Launching of XO LEAD, June 2018

2018



Tuloy XO Cup, August 2018



Pink Walk for Breast Health, October 2018





Opening of Yuenthai's Factory of the Future, February 2018



GJM XO KIDS Launch, December 2018

HIGHLIGHTS



Luen Thai Football Summer Camp, May 2018



Ralph Lauren Summit, November 2018



D'Luxe Fun Run, December 2018

GOVERNANCE AND MANAGEMENT

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

Management Board Meetings

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

Structure

The Company has utilized the greater resource capability provided by the Orient International/Shangtex acquisition to grow the organization with mergers and acquisitions (M&A) such as the acquisition of Universal, joint venture with Yeh group for waterless fabric printing, and potential M&As opportunities currently in the pipeline. Luen Thai will dynamically adjust its structure as these new entities are actualized.

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



OPERATING PRACTICES

Customer Services and Product Management

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

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

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

The excellence of our products has been recognized with different awards worldwide. Our products are manufactured in compliance with the applicable international standards, laws

and regulations. Our products are also verified in accordance with the verification standards agreed with our customers.

Supply Chain Management

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

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

Integrity and Anti-Corruption

The Group has formulated anti-corruption policy, rules and regulations for our employees, contractors and suppliers to minimize the possibility of bribery, extortion, fraud and

money laundering. Any contravention to the policy, rules and regulations identified with solid evidence, the contravened parties of services will be separated from the company.

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

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

About the photo
Luenthai Summit in
Cebu Philippines, February 2018





Extraordinary Care for Luenthai means promoting the **empowerment of our people** by helping them help themselves. From this grows the self-responsibility to **take care of the community**, and expands into the larger context of **taking care of the environment**.

OUR PEOPLE

At Luen Thai, we believe that a company is only as good as the people it keeps. We recognize that people bring different skills and qualities to the workplace, and we celebrate these contributions by providing opportunities for growth and advancement.



About the photo
LEAP Learning Session, July 2018

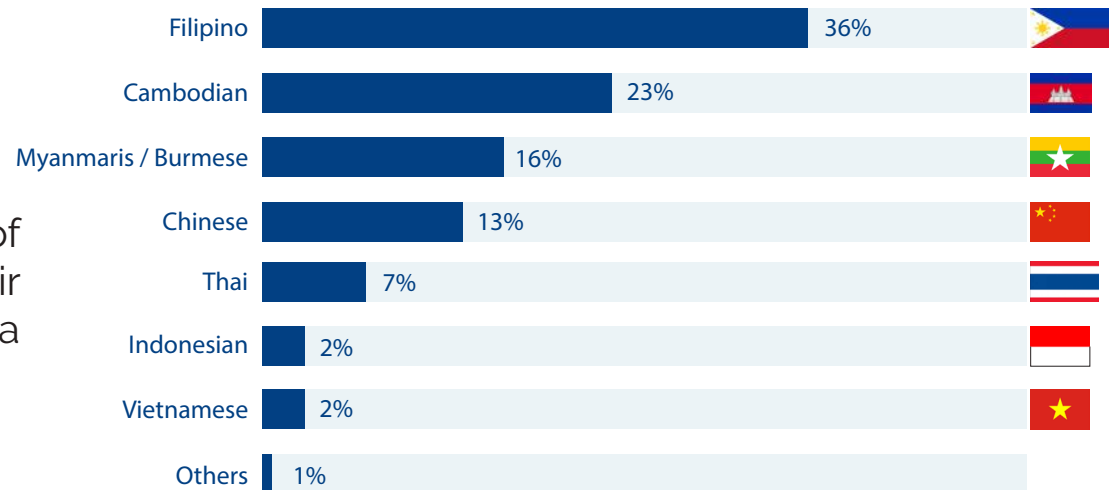
Creating the workforce of the future

As a global company, Luen Thai gives high importance to diversity and inclusion across all levels in the organization. We strive to integrate **equality in gender orientation, race, and age** in the way we conduct business activities. At the heart of our business, we recognize each person's unique background and contribution to the Company. It is the inclusion of these diverse experiences and perspectives that fosters innovation, economic growth, and new ideas.



Distribution by Nationality

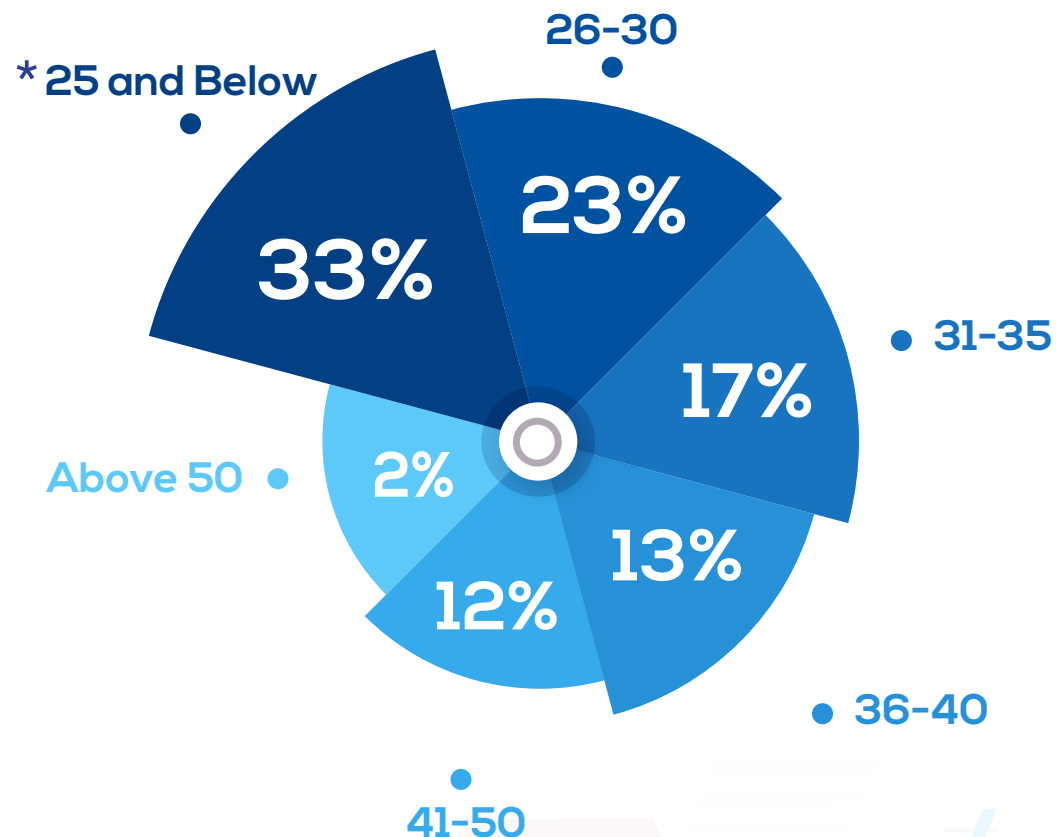
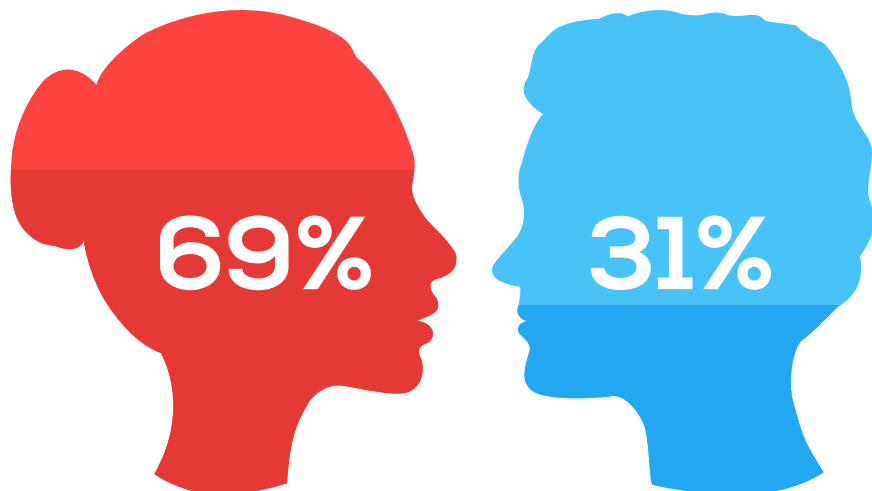
With our worldwide operations, we hire employees of different races and nationalities offering equal and fair opportunities. The Group is committed to provide a work environment that values diversity and equality.



*OTHERS include Singaporean, Sri Lankan, Taiwanese, British, Canadian, German, Indian, Bangladeshi, American, Malaysian, Turkish, Dutch, and Mexican

Age Distribution

Majority of our employees' age range from 18 to 35, comprising 73.28% of our population. While many of our programs and activities are designed to attract, retain, and motivate the Generation Z and millennial workforce as we consider them leaders of tomorrow, a significant number of programs are also focused in ensuring that there are solid interactions and opportunities for the young with the old. The structure from management level down to the workers level openly allows opportunities across age group.



* Legal age of employment in China is 16. Legal age of employment in Indonesia is 18, however children ages 13 to 15 are allowed to perform light work.
**Sources: <https://iclg.com/practice-areas/employment-and-labour-laws-and-regulations/china>
<https://www.lexology.com/library/detail.aspx?g=14719cf4-5733-467b-b5c8-9c9fb59a48e5>

Sixty-nine percent (69%) of our workforce is female. With this in mind, we have created programs that addresses the need and well-being of our female workers while continuously upgrading programs that also cater for other classes. We ensure also that equal opportunity is provided to all: be in promotion, access to benefits, learning and development.

Engaging employees

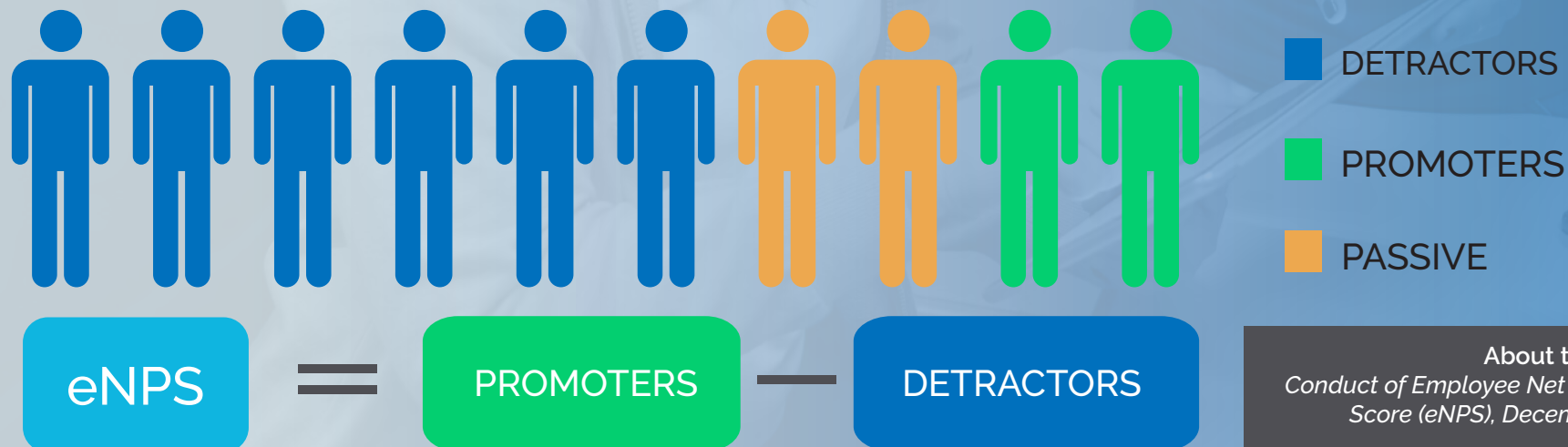
The Group uses the **eNPS (employee Net Promoter Score)**, a systematic employee engagement survey to ascertain level of satisfaction and engagement of our employees by asking a straightforward question: "On a scale of 0 to 10, how likely is it that you would recommend the Company as a place to work?"

This is implemented on a regular basis, with the belief that it is a good barometer of happiness and overall attitude and satisfaction about working for the company.

The eNPS metric provides management the level of engagement of employees and serves as an objective means to lead people discussion in identifying areas where we can do more to achieve the Group's goals for its Happy People initiative. This metric helps create Luen Thai to become the Best Place to Work, and enable our employees to perform at their best.

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

Initially pilot tested in a few Luen Thai companies in two locations, eNPS is now a true corporate program are implemented in all locations and companies of Luen Thai.



About the photo
Conduct of Employee Net Promoter
Score (eNPS), December 2018

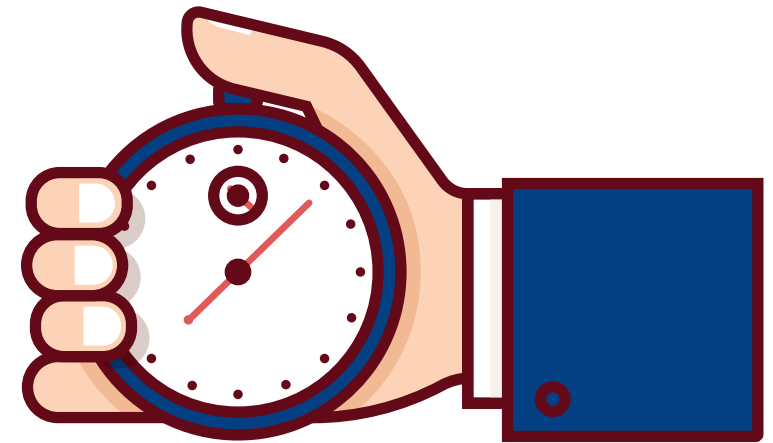


Developing employees

Learning and development is not just important in the Company, it is vital to its growth. To create an eXtraOrdinary workplace, it is important to cultivate a healthy team culture that always strives for excellence by working together towards the Company's vision. Constant learning and innovation are equally essential for Luen Thai's growth, thus it is important for us to equip our people with the right tools and training to help them excel and at the same time, encourage them to never tire of doing better and being better.

We believe in rightfully equipping our employees with the appropriate skills to perform their assigned tasks with great success. The Company organizes various development training programs for both job-related technical and soft skills enhancements covering topics in leadership, group dynamics, cultural sensitivity, people management, among others.

58,291
total training hours



About the photo
XO LEAD Launch, June 2018

XO LEAD

Equally important is our focus on our line leaders through an exclusively-designed program called XO LEAD. Luen Thai believes that nurturing its line leaders will create a multiplier effect for eXtraOrdinary CARE, not just for them but also for everyone entrusted to their care.

Launched in June 2018, the XO LEAD Line Leaders Development Program is specifically for line leaders who supervise and lead hundreds and thousands of our floor operators. As a people-intensive manufacturing operation, providing a continuous learning and development program for our front-line leaders is the Company's top priority.

The program aims to instill pride in our line leaders, provide clarity of roles and responsibilities, and equip them with the right soft skills and technical know-how to perform at the top of their ability and become more engaging leaders.

XO LEAD uses a multiple-learning approach that includes experiential learning, classroom setup, role plays, group discussion, sharing sessions and outdoor activities. It is designed with a Three-Level Progression Approach where participants' learning is sustained within a 12 to 24 month period, allowing for their own learning to take root through on-the-job application and supported with active evaluation by Human Resources and their supervisors.

Modules on empathetic assertive communication and trainings on compliance, technical, and self-management are part of the XO LEAD program.

XO LEAD has been launched in Clark (Philippines), Cebu (Philippines), and Dandong (China) in 2018, with plans for rollout in Cambodia, Tarlac (Philippines), and Bataan (Philippines) in 2019.

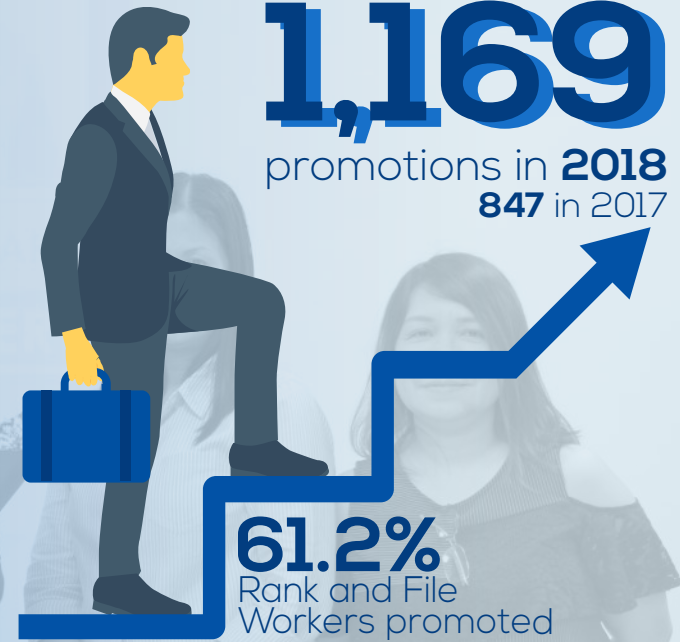


About the photo
Participants participating in an indoor
activity at the XO Lead Launch, June 2018



Rewarding employee contribution

Luen Thai provides opportunities for career advancement whenever possible. The Company ensures that it recognizes and acknowledges the performance and hard work of its employees, thus making them feel valued.



Practicing fair and responsible employment

Luen Thai prides itself as a responsible employer by strictly adhering to fair labor practices and laws in all the countries it operates in. The Company maintains a safe and healthy working environment and embraces individual differences by providing our people with the opportunity to maximize their potential.

About the photo
Quarterly XO Employee
Award, October 2018



Keeping our people safe

Workplace safety and health is a key program under Luen Thai's Best Place to work initiative. The Company strives to ensure that its employees work in a safe and healthy environment by adhering to internationally-recognized standards on occupational safety and health.

Advocating for healthy workplaces and healthier employees

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

In 2018, employees attended 64,922 safety training hours, some attending at least one safety training, while others attending multiple sessions.

There were a total of 71,355 hours dedicated to employee wellness.

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



64,922
safety training
hours in **2018**

61,085 safety training
hours in 2017



71,355 hours
of employee wellness

40,365 in 2017

OUR COMMUNITIES

Luen Thai considers its social responsibility towards the community a top priority. With its leadership status, employee size, and global reach, the Company is committed to make positive contributions to individuals and groups within the communities it operates.



祝：娘节日快乐！

身体健

苦了！我爱您。

About the photo
Tomwell Mother's Day
Celebration, May 2018

Upholding children's rights

Luenthai believes that the well-being and education of our future generations are of utmost importance. Child labor is rife in the apparel and textile industry. Aware of this malady, Luen Thai has not only put in place strict policies against child labor, it actively implements programs that benefit children and the youth, especially the underprivileged. The Company staunchly maintains a zero tolerance approach to child labor and is a strong advocate in upholding children's rights.



About the photo
Players reciting the Oath of Sportsmanship
at the Luenthai Cup, May 2018

Nurturing XO KIDS

We have long recognized that it is our responsibility to do our share to meet the needs of the society aside from our own. The Company places utmost focus and priority in helping children become eXtraOrdinary KIDS (XO KIDS).

Under the XO KIDS initiatives, we have developed programs that provide access to sports (such as football), performing arts, skills development training, and scholarships. The Group endorses senior executives' participation in these programs which seek to empower the youth and unleash their full potential.

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

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

two-hundred
beneficiaries of youth programs



Extending our reach

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



Setting up XO KIDS for success

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

Employee Volunteerism and Community Outreach Program

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



7,550 hours
spent for volunteer
activities by employees

USD 53,582.58
total amount donated



3,263
Beneficiaries

联泰-捷进志愿
Luenthai - GJM Volunteers Team

About the photo
GJM volunteers participating at an XO Kids
Charity Program, December 2018



Cultivating change

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

TEN OUTSTANDING STUDENTS OF THE PHILIPPINES – REGION III

We are proud to work with:



HIV Aids Committee



Balibago Training School



Divine Mercy Hospital



TESDA



Philippines DENR



Indonesian Red Cross (PMI)



Cambodia Future Light Organization



China Disabled Persons' Federation



FAB (Freeport Area of Bataan)



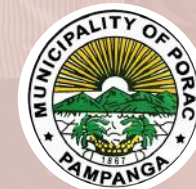
The Outstanding Students of the Philippines



Tuloy Foundation



Tarlac Government



Porac Training School



Philippine Red Cross

About the photo
Luen Thai executives with the Outstanding Student of the Philippines nominees, June 2018



THE ENVIRONMENT

In Luen Thai, environmental sustainability is not just a goal. It is a necessity. It is an integral part of our strategy to trace our footprint and leave more handprint.

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

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



About the photo
Yuenthai's Run for the
Oceans, June 2018

Effective and Efficient Use of Resources

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

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

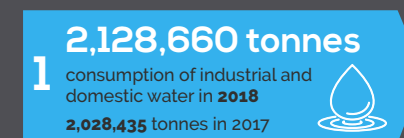
Water

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

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

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

The aggregate amount of the domestic and industrial water consumption of the Group was approximately 2,128,660 tonnes (2017: 2,028,435 tonnes). Such increase of water consumption was in line with our expanded bags production in Cambodia in 2018 in addition to our acquired bags production in Myanmar and Thailand since November 2018.



Since 2017, the Group has undertaken water conservation projects including the reuse of treated industrial water and collected rainwater.

The water intensity per unit of production is approximately 0.03 tonnes for garments and 0.05 tonnes for bags (2017: 0.03 tonnes for garments and 0.07 tonnes for bags).

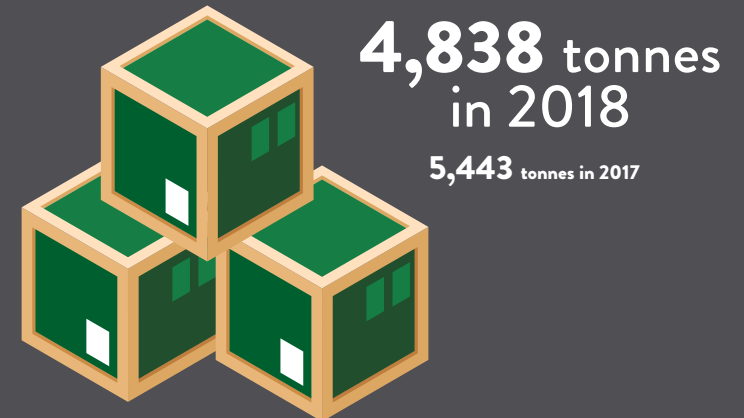
Putting a Lid on Single-Use Plastics

Luen Thai takes a strong stance against the proliferation of single-use plastics. The Company has launched its #BringYourOwnBottle campaign and encourages employees and visitors to bring their own reusable bottles and/or refuse single-use disposables. This has been rolled out in the Philippines and will continue in Luen Thai's offices across the globe.



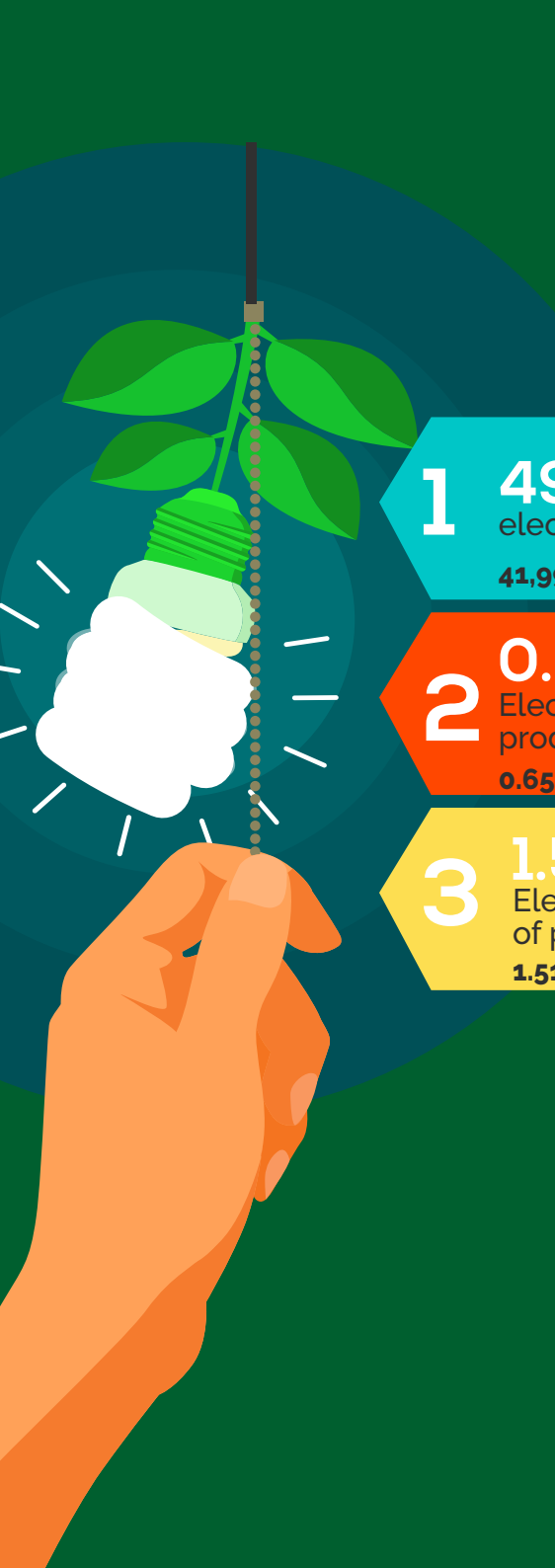
Use of Raw Materials

The Group maintained close communication with branded customers and material suppliers in the course of material selection. We followed branded customers' quality requirements and standards in selecting materials. The packaging materials for our garment and bags products include carton boxes, plastic bags, and other auxiliary items. In 2018, the total consumption of packaging materials was approximately 4,838 tonnes (2017: 5,443 tonnes). The continuing reduction of consumption in the last three years was correlated to the production volume and any changes effected in customers' packaging requirements or standards during the year.



Use of Energy

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



1 **49,381,681 kWh**
electricity consumption in **2018**
41,995,718 kWh in 2017



2 **0.65 kWh**
Electricity intensity per unit of
production in **2018**
0.65 kWh in 2017



3 **1.59 kWh**
Electricity intensity per unit
of production in **2018**
1.51 kWh in 2017

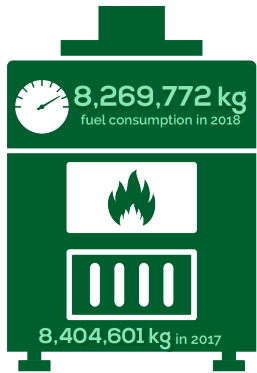


Electricity

In 2018, the Group consumed approximately 49,381,681 kWh electricity (2017: 41,995,718 kWh). Similar to water consumption, the increase of electricity consumption was also in line with our expanded bags production in Cambodia in 2018 in addition to our acquired bags production in Myanmar and Thailand since November 2018.

The Group has actively engaged in energy conservation projects in different locations and has continued to pursue energy saving options by using environmentally friendly light tubes and by optimizing air-conditioning units since 2017.

With continuous effort, the Group believes that energy saving targets will be achieved. The electricity intensity per unit of production is approximately 0.65 kWh for garments and 1.59 kWh for bags (2017: 0.65 kWh for garments and 1.51 kWh for bags).



Boiler

In 2018, boiler fuel consumption was approximately 8,269,772 kg (2017: 8,404,601 kg). The decrease was mostly due to a more energy-efficient usage of pressed-wood dust in the China and Cambodia factories in 2018. The Group aims for gradual increase in the utilization of environment-friendly fuel, such as biomass, which can help reduce carbon footprint and hence conserve the environment.

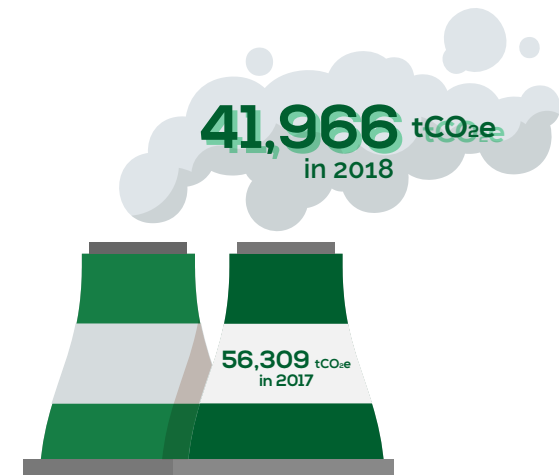
Greenhouse Gas Emissions

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

The Group commits to the progressive reduction of greenhouse gas ("GHG") emissions over time. Total GHG emissions from our factories fall within mainly Scope 1 (direct emissions from operations mainly comprised of boilers, generators, and vehicles) and Scope 2 (energy indirect emissions induced by purchased electricity), with the emission amount presented in the unit of tonnes of carbon dioxide equivalent ("tCO_{2e}"). The reduction of GHG emissions in 2018 reflects the Group's ongoing initiative to gradually phase out coal as boiler fuel in our key production sites since 2016. In addition, computation of GHG emissions arising from electricity consumption in 2018 has adopted the latest emission factors, reflecting the updated country or regional emission intensity.

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

GHG EMISSIONS



Waste Management

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

The Group has implemented a waste management strategy to alleviate the environmental impact of hazardous and non-hazardous waste disposal. The Group adopts the principles of “reduce, reuse, recycle, and replace” for improving waste management.

The Group's total generation of hazardous waste (mainly treated sludge, coal ash from boiler fuel, oil/lubricants and chemicals) was approximately 483 tonnes in 2018 (2017: 298 tonnes). Such increase was mainly attributable to a property project undertaken in one of our China factories in 2018 involving refurbishment and disposal processes.

Meanwhile, the non-hazardous waste (mainly fabric wastes, domestic wastes and cardboard) was mainly sent to the landfill or handled by licensed recycler and incinerators with aggregate amount of approximately 9,191 tonnes (2017: 7,400 tonnes). The increase was partly due to the disposal of fabric waste during the year.

Generation of Hazardous Waste



Generation of Non-Hazardous Waste



Our Sustainable Smart Supply Chain

Luen Thai has been investing towards a sustainable supply chain that is both technologically-driven as well as environmentally-friendly.

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

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



Water-Free Dyed Fabrics

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



Automated Folding and Bagging Machines

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




Laser Printing

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

Maximizing Our Handprint

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

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



3,155
trees planted
in 2018

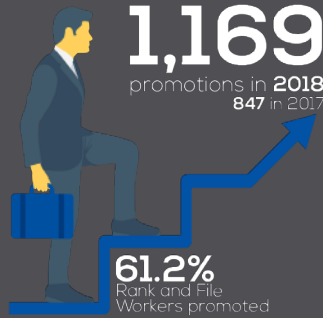
About the photo
*A Yuenthai employee during
adidas' Run for the Oceans event, June 2018*



USD 53,582.58
total amount donated

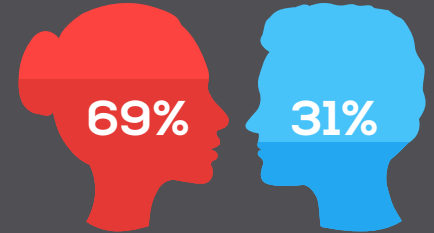


3,263
Beneficiaries



64,922
safety training
hours in 2018

61,085 safety training
hours in 2017



58,291
total training hours



4,838 tonnes
in 2018
5,443 tonnes in 2017

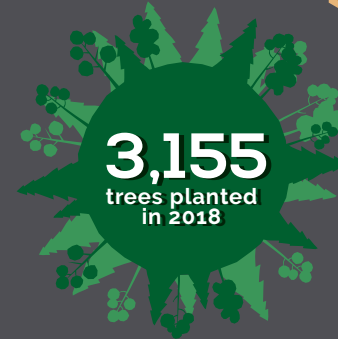
two-hundred
beneficiaries of youth programs



SUMMARY

- 1** 2,128,660 tonnes
consumption of industrial and
domestic water in 2018
2,028,435 tonnes in 2017
- 2** 0.03 tonnes
Water intensity per unit of
production in 2018
0.03 tonnes in 2017
- 3** 0.05 tonnes
Water intensity per unit of
production in 2018
0.07 tonnes in 2017

- 1** 49,381,681 kWh
electricity consumption in 2018
41,995,718 kWh in 2017
- 2** 0.65 kWh
Electricity intensity per unit of
production in 2018
0.65 kWh in 2017
- 3** 1.59 kWh
Electricity intensity per unit of
production in 2018
1.51 kWh in 2017

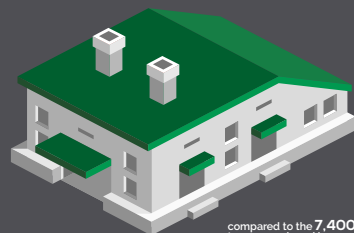


41,966 tCO₂e
in 2018

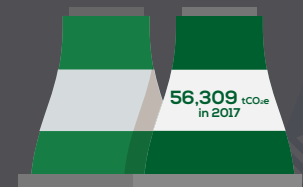
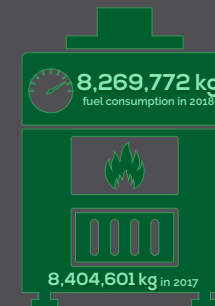
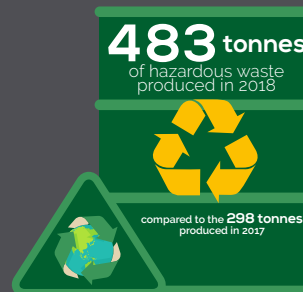


7,550 hours
spent for volunteer
activities by employees

9,191 tonnes
of non-hazardous waste
produced in 2018



compared to the **7,400**
tonnes produced in 2017





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