



Sustainability Report 2021

About this Report

Reporting Entity

The Reporting Entity is "Lu Thai Textile Co., Ltd." which can be referred to as "We", "the Company", "Lu Thai", "Lu Thai Company" and "Lu Thai Textile", unless otherwise specified in the main text.

Report Boundary

The time span of this Report is mainly from January 1 to December 31, 2021. In order to maintain the continuity and comparability of information, some content is beyond the above time span. The information involved is from the internal data of the Company, information submitted by subsidiaries, and public information. Unless otherwise specified, all amounts in this Report are expressed in RMB.

References

This Report is formulated in line with the China Social Compliance 9000 for Textile & Apparel Industry (CSC9000T), the Social Responsibility Management System (SA8000), and the core solution of the Standards for Sustainability Reporting of Global Reporting Initiative (GRI). Also, the 2030 Agenda for Sustainable Development (A/RES/70/1) of the United Nations is referred to.

Disclaimer

This Report is released in both Chinese and English. If there is any discrepancy, the Chinese version shall prevail. Forward-looking statements included in this Report refer to the statements of the business activities, events, or development trends that may happen in the future or will happen soon as predicted or expected by the Company, except for the statements of historical facts. The actual results or development trend may significantly differ from these forward-looking statements, due to variable factors. The Company is not obliged or responsible to update the forward-looking statements made by the Company in this Report before April 27, 2022, unless otherwise required by regulatory authorities.

Contents

Chairman's Statement	04
----------------------	----

About Us	
Business Operations	06
Development History	08

Strategies and Management	
Management of Sustainable Development	10
Participation by Stakeholders	12
Initiatives and Industry Contributions	12

Corporate Governance /Building Excellent Corporate Governance	
Business Vision	16
Governance Structure	17
Compliance Management	19
Business Ethics	21
Research & Development	21

Production and Operations /Responsible Production and Operations	
Production Safety Management	28
Management of Chemicals	31
Supply Chain Management	33
COVID-19 Control	34

Employee's Rights and Benefits /Build a Harmonious Workplace Environment Together	
Health and Safety	38
Respect and Equality	39
Training and Development	42
Benefits and Caring	45

Product Services /Provide Ace Services	
Product Innovation	50
Sustainable Textiles	51
Quality Management and Control	52
Customer Relationship Management	53

Environmental Protection /Deepen Green and Low-carbon Development	
Address Climate Change	56
Energy Management	56
Water Resources Management	58
Atmospheric Pollutant Management	59
Waste Management	59

Community Engagement /Strive to Be an Excellent Corporate Citizen	
Contribute to Community Development	62
Welfare and Charity Actions	63

Key Performance Report	65
GRI Content Index	68
Reader Feedback	75

Chairman's Statement

The power of green & sustainability



Liu Zibin

Chairman of the Board

Dear friends, on behalf of the Board of Directors of Lu Thai Textile, I would like to express my heartfelt gratitude for your long-term support for the Company!

In the face of the complicated and grim world economy, the pandemic, and uncertainties in the external environment in the past year, Lu Thai Textile delivered an answer sheet that beat expectations to the industry and the market, by adhering to the "customer-centered" concept, hard work, and diligence, constantly promote the strategies of "Improve Quality and Efficiency" and "Overall Internationalization", and focus on market expansion, structural adjustment, and capacity enhancement. The Lu Thai Speed and the Lu Thai Spirit have been carried forward during the following processes: First, the Company has implemented the two tasks of fighting against the pandemic and maintaining production and achieved the two goals of raising revenue and profit. Second, it has launched projects and maintained the stable operations of production bases abroad. Third, Lu Thai has developed new products and expanded new markets. Fourth, it has reinforced its capacity and retained its employees.

In 2021, driven by the goal of "green development", we vigorously promoted sustainable development. The Company earnestly performed tasks to conserve energy and reduce consumption, such as the analysis of energy consumption, the project of rooftop photovoltaic power generation, and the plan for research on "carbon emission reduction", to reduce carbon emissions during production. Meanwhile, it established the standards of ESG duty performance for suppliers and promote the industry chain to actively shoulder social and environmental responsibilities. Additionally, Lu Thai constantly promoted the R&D of biomass raw materials and sustainable and eco-friendly materials fabrics and pushed forward technological innovation centering on environmental protection.

In 2021, we kept intensifying the protection of employees' rights and interests in the same year by centering on employees. Specifically, we conscientiously strengthened occupational safety to protect the basic rights and interests of employees. Also, we carried out activities, such as the excellent employee assessment, skill competitions, the evaluation and employment of technicians, and technological and management innovation. Concurrently, we created a self-value realization platform for employees and cultivated and practiced the corporate culture of "loving employees". In addition, the dual channel model of career development was perfected. The Company promised no discrimination in employment and provided all employees with fair and broad development opportunities and channels.

In 2021, we earnestly performed our responsibilities and continuously deepened responsible production, operations, and management. We actively adopted measures for pandemic prevention and control, and, despite the grim situation, protected employee health and delivered customers' orders on time and of good quality. In the meantime, the Company deeply pushed forward the safety control of chemicals, ensured a healthy production environment and the compliance of chemical substances in products, endeavored to reduce the discharge of pollutants and wastes into water and air, and strove to become an environmentally responsible enterprise.

The year 2022 marks the 35th anniversary of Lu Thai and ushers in a new phase of development of the Company. We will redouble our effort to adhere to the customer-centered concept, hard work, and diligence, more firmly implement the strategies of "Improve Quality and Efficiency" and "Overall Internationalization" and constantly promote green and low-carbon production to contribute to the sustainable development of the industry!

April 27, 2022

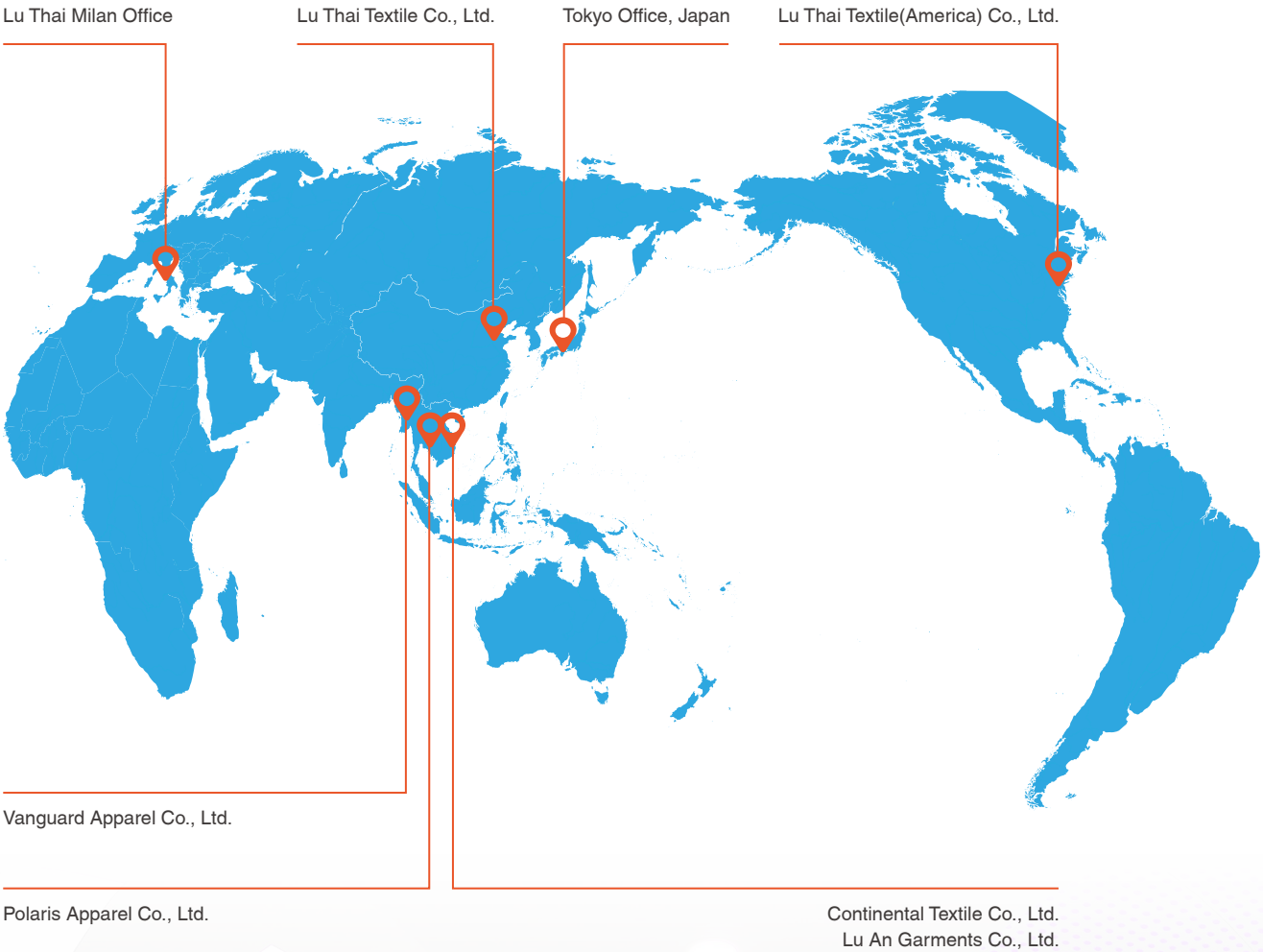
About Us

Business Operations

Lu Thai Textile Co., Ltd. has already become the largest world-renowned manufacturer of high-grade yarn-dyed fabrics and premium-brand shirts, and established a complete industry chain ranging from spinning, dyeing and finishing, garment making to brand marketing. Besides, the Company has also set up 19 holding subsidiaries, three offices, and over 40 manufacturing factories in eight countries, including China, the U.S.A., Italy, Japan, India, Vietnam, Cambodia, and Burma. It is an international textile and garment enterprise integrating R&D, design, manufacturing, and marketing services with a focus on industry chain integration and comprehensive innovation.

As at the end of 2021, Lu Thai Textile possessed total assets of RMB12.99 billion and net assets of RMB8.37 billion. It produced 223 million meters of textile fabric and 14.45 million pieces of shirts in the year. In 2021, the Company recorded operating revenue of RMB5.24 billion and a net profit attributable to shareholders of the listed company of RMB348 million, representing a year-on-year increase of 10.25% and 257.22%, respectively.

The Company's production and business performance has always been ranked among the best in the textile industry nationwide. The Company has been recognized as a high-tech enterprise, National Industrial Design Center, Stated-accredited Enterprise Technology Center, national enterprise technical center, and China National Accreditation Service for Conformity Assessment (CNAS)-accredited lab. Furthermore, it has won many honorary titles, such as the "National May First Labor Medal", the "Prize for Outstanding Contribution in Chinese Philanthropy", the "National Quality Award", the Third "China Industry Award", and the "Single Champion Demonstration Enterprise in the Manufacturing Industry".



Development History

WORLD FIRST-CLASS AND CENTURY LUTHAI

1987

Zibo No. 7 Cotton Mill, Lu Thai's predecessor, was established.

1990

Lu Thai Textile Company was opened formally.

1995

It passed the ISO 9001 Quality Management System Certification.

1998

The Company passed the ISO14001 Environmental Management System Certification.
Ranguang Textile Co., Ltd. was acquired.

2000

Lu Thai became A-share listed.
Beijing Sichuang Apparels Co., Ltd. was opened.

2004

The Zichuan Urban Sewage Treatment Plant invested by the Company was put into operation.
The Lu Thai Sports Square was put into use.

2006

Lu Thai Group was incorporated.
The Company passed the SA8000 Social Responsibility Management System Certification.

2008

The Company was recognized as a National Yarn-dyed Fabric Product R&D Base.

2010

Lu Thai School of Textile and Apparel, Shandong University of Technology, was founded.

2013

Lu Thai Milan Office was opened.
The Company was granted the "National Quality Award".

2015

The trial production of Vanguard Apparel Co., Ltd. was conducted.
Continental Textile Co., Ltd. held a ceremony for the Phase I trial production of the spinnery.
The Company was recognized as a "Five-starred Chinese Industrial Enterprise in the Performance of Corporate Social Responsibilities".
The "set of technologies and equipment for automatic digital cheese dyeing", jointly developed based on the "industry-university-research-application" cooperation, was granted the First Prize of the State Scientific and Technological Progress Award.

2017

The Company started its new 30-year voyage. A high-level forum on the theme "Gather the Top Wisdom of the Industry, Plan Lu Thai's Future Development" was held to plan the development vision for the next three decades.
The Company was recognized as a "National Industrial Design Center", making it the first enterprise to win this honor in Zibo City.
The water reuse project was completed.

2019

The Lu Thai Textile Fabric Museum and the Lu Thai Development Museum were opened. The Lu Thai Industrial Design Summit was held.
The construction of the Functional Fabric Intelligent Ecological Park Project began.
The construction of the Lu Thai knitting project began and Phase I was put into production.
The construction of Lu Thai (Tan Chau) Textile Co., Ltd. began.

2021

The strategic cooperation project of Lu Thai Textile and Xiniu Intelligent Manufacturing was initiated.

2009

The Lu Thai Textile and Apparel Engineering Research Institute was founded.
The Company was granted the Second Prize of the State Scientific and Technological Progress Award for its key processing technology of ultra-high count pure cotton fabrics and its industrialization, high-flux films for printing and dyeing wastewater and recycling technology.

2012

A grand ceremony was held because the Phase II project of LuFeng Company Limited was put into production.
The Company won the title, "China Advanced Enterprise with an Excellent Performance Model (2012)".

2014

Lu Thai (America) Textile Co., Ltd. was opened.
The trial production of Polaris Apparel Co., Ltd. was conducted.
The Company won the "Global Performance Excellence Award".
The Company was granted the Third "China Industry Award".

2016

The yarn-dyed production line of Continental Textile Co., Ltd. was put into trial production.

2018

The construction of the Phase II project of the yarn-dyed production line of Continental Textile began.
The construction of the Phase II project of Lu An Garments began.
Lu Thai's operating revenue exceeded RMB10 billion, a new start of the new 30-year voyage.

2020

Lu Thai issued RMB1.4 billion of convertible bonds.
The Phase I project of the Functional Fabric Intelligent Ecological Park was put into production.
The project of colored spun yarns was put into production.

1993

Lu Thai Textile Company was restricted into a joint-stock enterprise with foreign investment and renamed Lu Thai Textile Co., Ltd.

1997

Lu Thai became B-share listed.
Yunjinchuan Clothing Manufacturing Co., Ltd. was acquired.

1999

Beijing Lu Thai Shirt Co., Ltd. was established.

2003

The Company passed the OHSAS18001 Occupational Health and Safety Management System Certification
Zibo Luqun Textile Co., Ltd. was established.

2005

LuFeng Company Limited was established.

2007

Lu Thai was recognized as a "Stated-accredited Enterprise Technology Center" by five departments, including the National Development and Reform Commission and the Ministry of Science and Technology.

Strategies and Management

Management of Sustainable Development

Lu Thai Textile vigorously manages sustainable development, aligns with the 17 Sustainable Development Goals (SDGs) of the United Nations as the basic standards, comprehensively analyzes its actions and shortcomings, and makes pertinent improvements.



Participation by Stakeholders

Stakeholders	Concerns	Communication method	Actions of Lu Thai Textile
 Governments	<ul style="list-style-type: none">Safe and eco-friendly productionHonest and compliant operationsEmployment enhancementFulfillment of social responsibilities	<ul style="list-style-type: none">Legal operationsBe subject to supervision	<ul style="list-style-type: none">Contribute the enterprise's experience to the industry's developmentContribute the enterprise's strength to improve the people's livelihoodContribute the enterprise's wisdom to protect the environment
 Customers	<ul style="list-style-type: none">Product qualityResponsible marketingRespect customers' opinions	<ul style="list-style-type: none">Customer visitsCustomer service hotlineOpen business operations	<ul style="list-style-type: none">Improve the product quality management systemImprove the customer relationship management systemConduct the customer satisfaction surveyVisit customers regularly
 Shareholders and investors	<ul style="list-style-type: none">Corporate governance and profitabilityHonest and compliant operations	<ul style="list-style-type: none">The general meeting of shareholdersOn-site surveyTelephone consultingInteraction Easy of the Shenzhen Stock Exchange	<ul style="list-style-type: none">Compliant operations, openness, and transparencySafeguard the legitimate rights and interests of shareholders by law
 Communities and the public	<ul style="list-style-type: none">A harmonious community relationshipContribute to the community economy	<ul style="list-style-type: none">Supervision by the massesVisit communitiesSocial donation	<ul style="list-style-type: none">Help the poor and join public welfare activitiesEnergy conservation, emission reduction, and tree plantingPromote employment and develop local suppliers
 Employees	<ul style="list-style-type: none">Respect human rightsRemuneration and benefitsCareer development channelsHealth and safe production	<ul style="list-style-type: none">The Trade Union and the employee representative assemblyOpen employee complaint channels	<ul style="list-style-type: none">Improve the remuneration management systemImprove employee cultivation and promotion mechanismsDiverse communication channelsHelp employees in need
 Value chain partners	<ul style="list-style-type: none">Green and low-carbon developmentHonest and compliant operations	<ul style="list-style-type: none">Exchange visits among senior management personnelExchange and cooperation in experience and technologyRoutine communicationExchange through industry conferences	<ul style="list-style-type: none">Continuously improve supplier management procedures and strengthen the control of operational risksStrengthen contract management and standardize credible procurementShare experience and technology and exchange needed goodsBuild industry-university-research platforms

Initiatives and Industry Contributions

Higg Index

The Company and all its subsidiaries use the Higg Factory Environment Module (FEM) as a standard tool for environmental assessment, and set a 50% fundamental objective and a 75% aggressive objective.

Since the use of Higg FEM, all companies have achieved the fundamental objective. The Company scores 74% on average in Higg FEM self-assessments.



Sustainability-related Certifications

Luthai and its overseas subsidiaries have obtained the certifications for sustainable raw materials under GOTS Global Organic Textile Standard, OCS Organic Content Standard, GRS Global Recycled Standard, OEKO-TEX STANDARD STeP and OEKO-TEX STANDARD 100. By reducing the environmental footprint of raw materials, the Company demonstrates its commitment and ability to responsibly purchase and produce sustainable products, as well as its emphasis on sustainable raw materials.



Participation in industry organizations

The Company has joined industry organizations and attended multiple industry seminars to contribute to the industry, make progress with its peers, and create a better future of the Chinese textile industry.

Industry organizations	Role of the Company
The China Chamber of Commerce for Import and Export of Textiles (CCCT)	A Sixth Vice Chairman Organization
The China Dyeing and Printing Association (CDPA)	A Sixth Vice Chairman Organization
The China National Garment Association (CNGA)	A Seventh Standing Director Organization
The China Textile Engineering Society (CTES)	A 26th Standing Director Organization
The China Association of Enterprises with Foreign Investment (CAEFI)	A Standing Director Organization
The China National Textile and Apparel Council	A Fourth Standing Director Organization
The China Textile Enterprise Association (CTEA)	A Ninth Vice Chairman Organization
The Chinese Association for Textile Enterprises Culture Construction	A Fifth Standing Director Organization

Industry organizations	Role of the Company
The China Research Institute of Enterprise Culture	A Vice Chairman Organization
The China Cotton Textile Association (CCTA)	A Sixth Vice Chairman Organization
The China Council for Brand Development (CCBD)	A Standing Director Organization
The China Federation of Industrial Economics (CFIE)	A Fifth Member Organization
The China Association for Consumer Products Quality and Safety Promotion	A First Member Organization
The China Association for Quality (CAQ)	A member
The International Textile Manufacturers Federation (ITMF)	A member
The China Association of Plant Engineering (CAPE)	A member
The China Nonwoven & Industrial Textiles Association (CNITA)	A Member Organization

Corporate Governance

Building Excellent Corporate Governance

Sound corporate governance guarantees sustainable development as well as lays the foundation for core competitiveness. Lu Thai Textile continued to optimize corporate governance structure, improve corporate governance capability, implement compliance management, capacity building of risk management and control, and business ethics development, and push forward technology innovation in order to contribute to stable operation holistically and achieve high-quality growth.



UN Sustainable Development Goals



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.



Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.

Business vision

Mission: Creating wealth, contributing to the society, clothing the world and weaving our way to every corner of the globe

Creating wealth and contributing to the society	Clothing the world and weaving our way to every corner of the globe
The Company has always created value for its customers, sought happiness for its employees, created wealth for the society and gained benefits for its shareholders. It realized value while developing the economy and serving the society. It also fulfilled its responsibility by saving resources, protecting the environment and engaging in public welfare. Through these efforts, it assisted in comprehensive and coordinated development of the material civilization, cultural and ideological progress and ecological civilization, and shared the fruits of cultivation with all members of the public.	Holding fast to the inheritance and innovation in the textile industry, the Company aims to create beautiful life through yarn, decorate happy life with fabric, enrich the world with clothes and contribute to the progress in the textile and garment civilization and harmonious development of the society.

Vision: World-class and World-class and century Luthai

From the perspective of space	From the angle of time
The Company will seize the development trend in the industry, create a world-class high-end brand and tap the development potential and lead the progress in the industry via technological innovation across the globe.	Beyond textile, the Company will embark on a journey of scientific development featuring environmental protection, low carbon, technology and humanity. In this way, it will stand out in market competition, and make its undertakings ever-lasting.

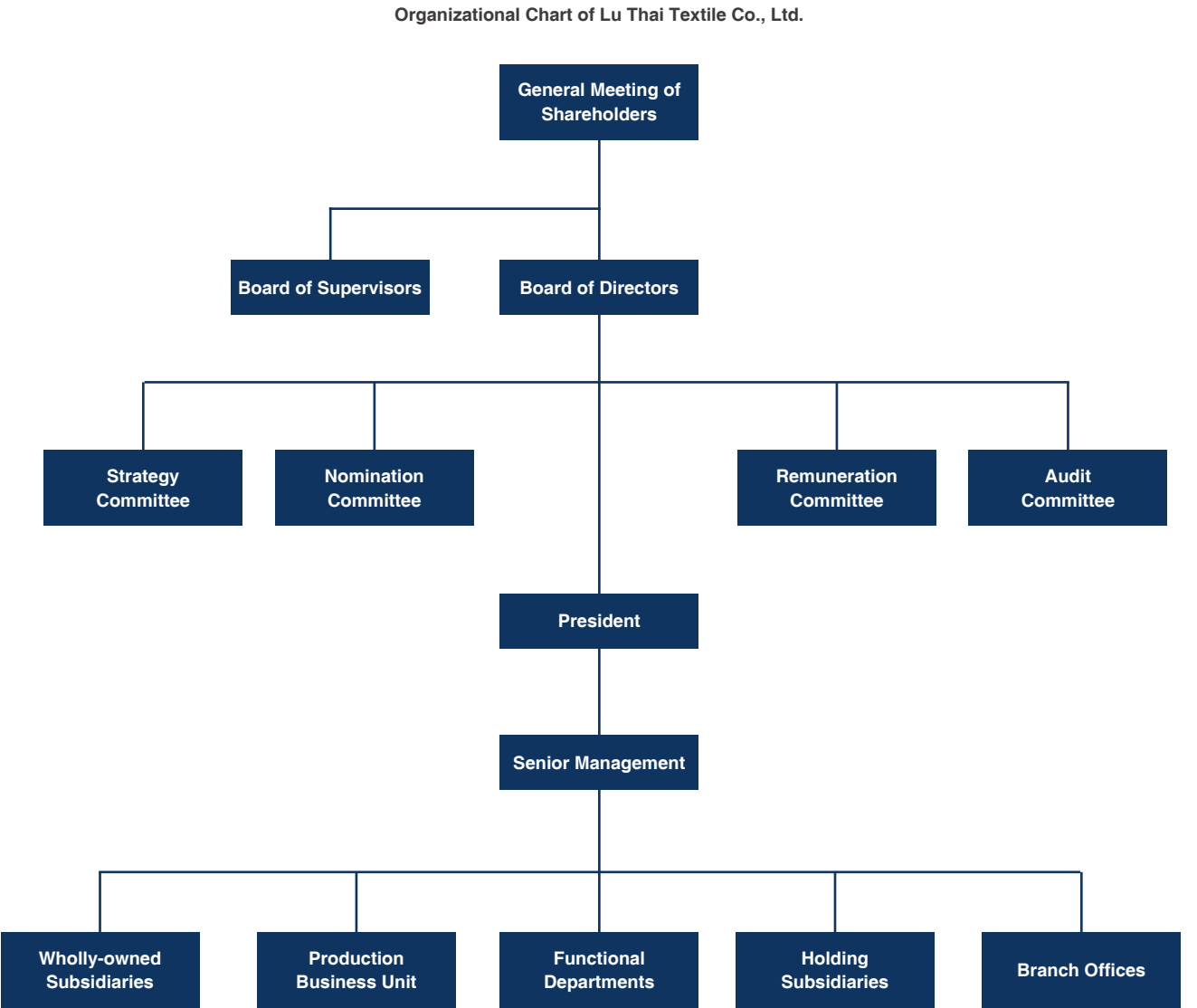
Values: People foremost policy, rigorous scientific attitude, client-oriented principle and integrity for win-win outcome

People foremost policy	Rigorous scientific attitude	Client oriented principle	Integrity for win-win outcome
Giving top priority to human resources, the Company upholds the philosophy of "respecting people, relying on people, cultivating people and for the people", and respects labor, knowledge, talent and creation. It advocates for equal opportunities, fair competition and appointment of people by abilities. Besides, it cares about and has deep love for its employees by providing them with a good environment for working, living and learning. By doing so, the Company shares the fruits of development with its employees, and grows together with its employees.	Rigorous, responsible and conscientious, the Company seeks for ever greater perfection. Modest, prudent, efficient and innovative, it applies a realistic and pragmatic approach. Moreover, it follows the guiding principles of unity and discipline, industry and ambition, and commitment to excellence. It also adopts practical and realistic methods, makes overall plans and takes all factors into consideration, and gives prominence to the key points to boost institutional, regulated and standardized work and achieve sound, stable and sustainable development.	Focused on customer demands as always, the Company endeavors to provide products to the satisfaction of its customers. With client-oriented production and operation, it makes agile response to market changes, runs its business in an innovative manner, provides customers with excellent products and services and dynamically meets personalized demands of customers to improve customer satisfaction and loyalty.	The Company aims to establish stable, mutually trusted, ever-lasting and win-win partnership based on integrity, quality and service. It abides by commercial ethics, keeps its word, serves customers heartily, treats employees sincerely and cooperates with suppliers earnestly. It unites people, improves satisfaction of related parties and achieves win-win cooperation through honest operation.

Governance structure

Organizational structure

The Company continued to improve the basic governance structure composed of the General Meeting of Shareholders, the Board of Directors, the Board of Supervisors, and senior management, whose rights and responsibilities were defined in accordance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Guidelines for Articles of Association of Listed Companies, the Guidelines of the Shenzhen Stock Exchange for the Normative Operation of Listed Companies, and other relevant laws, regulations, and regulatory documents in order to ensure efficient, normative operations.



Development of the Board of Directors

Attaching great importance to board development, Lu Thai Textile continued to improve the board structure and functions, gave full play to the roles of board committees, paid attention to the independence and diversity of composition, and actively conducted training for the directors and the management. By doing so, the Company ensured efficient board operation and scientific decision-making, thereby improving the overall management and operation efficiency. The Company's Board of Directors comprises 12 members, including four independent directors. A total of nine Board meetings were held in 2021, with full attendance of the directors. During the Reporting Period, 44 topics were deliberated, covering policy revision, regular reporting, profit distribution, and related-party transactions.

Board governance structure

The Board of Directors perform its duties in strict accordance with the Articles of Association and the Rules of Procedure of the Board of Directors. The Board of Directors has established the Strategy Committee, the Audit Committee, the Nomination Committee, and the Remuneration Committee. These special committees make full use of their expertise to make scientific decisions on the Company's development issues.

Name of committee	Main responsibility	Functioning of committee
Strategy Committee	Conduct feasible study on the Company's long-term strategic development plans and major investment decisions, determine the Company's development plans, improve investment decision-making process, enhance scientific decision-making, and improve the quality and effectiveness of major investment decision.	Chairman: Liu Zibin Members: Xu Zhinan, Hidetoshi Fujiwara, Chen Ruimou, Zeng Facheng, Liu Deming, Qin Guiling, Zhang Hongmei, Zhou Zhiji, Pan Ailing, Wang Xinyu, and Qu Dongmei In 2021, the committee held one meeting, with full attendance of the members.
Nomination Committee	Study and formulate the criteria and procedures for selection of the Company's directors and senior management, optimize the structures of the Board of Directors and the management, and improve corporate governance structure.	Chairman: Zhou Zhiji Members: Liu Zibin, Xu Zhinan, Wang Xinyu, and Pan Ailing In 2021, no committee meeting was held.
Remuneration Committee	Formulate and review remuneration policies and plans, formulate and implement assessment and evaluation criteria, improve the assessment and evaluation system for the Company's directors and senior management, and formulate scientific, effective remuneration management policies.	Chairman: Zhou Zhiji Members: Liu Zibin, Pan Ailing, and Wang Xinyu In 2021, the committee held four meetings, with full attendance of the members.
Audit Committee	Responsible for the communication, supervision, and review of the Company's internal and external audits, strengthen the Board's effective oversight of the management, enhance internal control capabilities, and improve internal control policies.	Chairman: Wang Xinyu Members: Zhou Zhiji and Qin Guiling In 2021, the committee held seven meetings, with full attendance of the members.

Board diversity

The Company values the diversity of the Board members, whose job responsibilities are determined by their professional experience. In 2021, the Board members included four directors with foreign nationalities, accounting for 33%, and four female directors, accounting for more than 30%.

Name of director	Gender	Age	Position	Date of service commencement
Liu Zibin	Male	56	Chairman, President	June 6, 2007
Xu Zhinan	Male	91	Vice Chairman	May 6, 2004
Hidetoshi Fujiwara	Male	81	Director	May 7, 1998
Chen Ruimou	Male	77	Director	April 16, 2000
Zeng Facheng	Male	70	Director	June 6, 2007
Liu Deming	Male	30	Director	May 12, 2017
Qin Guiling	Female	55	Director	May 7, 1998
Zhang Hongmei	Female	51	Director	June 6, 2016
Zhou Zhiji	Male	57	Independent Director	March 10, 2019
Pan Ailing	Female	56	Independent Director	June 6, 2016
Wang Xinyu	Male	54	Independent Director	June 6, 2016
Qu Dongmei	Female	52	Independent Director	June 10, 2019

Compliance management

Adhering to operations with integrity, law-abiding principles, and compliance, Lu Thai Textile has always emphasized that integrity and law-abiding principles are the foundation of the Company, and always abide by the values of "integrity and win-win situation". Under the philosophy of operations with integrity, the Company continued to strengthen the compliance management system, improve compliance management policies, optimize auditing procedures, and implement internal control in order to safeguard healthy, sustainable development.

Compliance management system

Following the philosophy of operations with integrity, the Company continued to improve the compliance management system, strengthened the effect of internal auditing, and established the Self-assessment Control Matrix based on the procedure documents in order to determine the assessment scope and priorities. With all procedures assessed, the on-site testing identified deficiencies, made suggestions for improvement, and timely produced the Internal Control Self-assessment Report to ensure effective internal control assessment.

To promote normative and institutionalized business operations, the Company, considering its realities, formulated the Regulations on Internal Auditing in accordance with the Internal Auditing Standards and the Basic Norms for Corporate Internal Control promulgated by the Ministry of Finance and the relevant laws and regulations. By doing so, it effectively improved the overall management and risk prevention capabilities.

Internal control auditing

The Company values the implementation of internal control. Following its 18 guidelines for internal control, the Company tested and assessed the system development and implementation of the internal control of the Head Office and holding subsidiaries. As a result, deficiencies in design and implementation were identified and improved effectively. In 2021, the Company assessed the internal control of six subsidiaries, issuing the internal control assessment matrix, with internal control audit coverage of 89.33%.

Indicator (Unit)	2019	2020	2021
Internal control audit coverage (%)	94.26	90.35	89.33

Note: Internal control assessment coverage is the ratio of the total assets of the assessed entities to the Company's consolidated total assets

Compliance performance

Objects	Indicators	2019	2020	2021
Senior leaders	Quantity of non-conformance events	0	0	0
Middle-level cadres and related functions	Quantity of non-conformance events	0	0	0
Employees	Quantity of non-conformance events	0	0	0
Shareholders	External audit results	Standard unqualified audit opinions	Standard unqualified audit opinions	Standard unqualified audit opinions
Suppliers	Quantity of non-conformance events	0	0	0

Information disclosure



The Company established and improved the information disclosure mechanism, which received positive feedback from investors:

- As at the end of 2021, the Company has been rated as Grade A for four consecutive years in the information disclosure assessment by the Shenzhen Stock Exchange.
- The Company releases its performance results as well as major and temporary announcements to investors of A and B shares via Internet media (cninfo.com) designated by the China Securities Regulatory Commission as well as Securities Times, Shanghai Securities Journal, China Securities Journal, and Ta Kung Pao.
- The Company responds in real-time to investors' messages and questions via the "Interaction Easy" of the Shenzhen Stock Exchange. In 2021, a total of 160 questions were replied, with a response rate of 100%.

Business Ethics

The Company attaches great importance to business ethics and strictly complies with laws and regulations and requirements of regulatory authorities of countries where it operates. It has formulated and constantly improved regulations and standards, effectively regulated the business behavior of company personnel and business partners to safeguard the Company's regulatory operation.

Code of conduct for employees	Complaint reporting mechanism	Anti-corruption and bribery
The Company continues to build the code of conduct management system for employees, requires employees to strictly work in line with laws, guides and supervises them to comply with rules and regulations and operate according to laws and regulations. By doing so, it is ensured that rules and policies can be implemented to promote the sound development of businesses. Meanwhile, through the promotion of corporate culture, publicity and education training of laws, inspection and supervision of employee behaviors and other measures, the Company urges employees to abide by ethical standards and improves their moral accomplishment to ensure the value of integrity, and promote ethical behaviors.	The Company encourages shareholders to advise and comment on its operation, actively improves the complaint reporting mechanism, widens report channels, including reporting via letters, phone calls, e-mails, or in person, and pledges to protect the whistleblower's privacy.	The Company strictly abides by the anti-corruption laws and regulations of countries where it operates. It continues to enhanced the supervision mechanism of anti-corruption, conforms to the anti-corruption rules and pledges in the Company and with business partners, and devoted to constructing a relationship of integrity, fairness and mutual respect with shareholders. The Company has formulated the annual audit for relevant regulations. In 2021, the Company has audited the purchasing business of Brand Promotion Department and the sales business of Global Marketing Department, including aspects such as the selection of purchasing unit, management of bidding and tendering, sales procedures, sales pricing, and goods payoff. As a result, no corruption or fraud has been detected in 2021.

Research & Development

Innovation remains the major driver for enterprise's development. Lu Thai Textile continues to ramp up spending in scientific and technological R&D and pushes the transformation of intelligent and digital textile. Also, it seeks for drives and strong support for the enterprise's long-term development through the organic integration of information and industrialization.

Scientific and technological R&D

The Company establishes the "Four-in-One" innovation mode of "letting the enterprise play the major role, adopting the customer-oriented approach, underpinning scientific and technological institutions and universities, and forming alliance with strategic customers and major suppliers". Moreover, it forms the three-level innovation R&D system of mass innovation and company-wide engagement that the institution of textile garment engineering takes the lead, product lines and breakthroughs of professional technologies work as the major line, and quality control teams from all plants and workshops work as entities. By doing so, it continues to enhance the internal innovative mechanism, develop scientific and technological innovation platforms, deepen the industry-university-research cooperation and lay a solid foundation for the Company's innovation development.

Ramp up spending in scientific and technological innovation

The Company continues to ramp up support increase spending in scientific and technological innovation. In 2021, the Company has spent RMB252.91 million in scientific and technological innovation. At the end of 2021, the Company undertook eight national scientific and technological innovation platform and four provincial platforms and its two technological results passed the provincial and ministerial science evaluation and reached the advanced international level. Moreover, it received more than 40 rewards concerning national, provincial and ministerial scientific and technological progress award. Among them, 11 were First Prize of national and provincial and ministerial level, one was the First Prize of National Scientific and Technological Progress Award, and three were Second Prize of National Scientific and Technological Progress Award. Furthermore, it undertook 17 scientific and technological plans of provincial and ministerial level, received 386 authorized patents, eight software copyrights, and host or engaged in the formulation of 46 national and industrial standards.

Develop scientific and technological R&D platforms

The Company highlights the building and development of scientific and technological innovation platforms, establishing core technology platforms in the major phrases of research, design, and test to improve core technologies in the whole process.

Textile garment research platform	Textile garment design platform	Textile garment testing and experimental platforms
<p>With the help of technological platforms such as the national enterprise technical center, national demonstration base for introducing talents and national yarn-dyed fabric R&D base, and Shandong Provincial Engineering Technology Research Center, Lu Thai Engineering Research Institute of Textiles & Garment has set up the Lu Thai Research Institute Office, five technical offices of fiber textile, dyeing and finishing, garment, functional fabric, and low carbon, and one central laboratory. Production operation departments of yarn-dyed fabric, knitted fabrics, garment, printing and dyeing, and functional fabric product lines cooperates and explores in a long-term and close way and are dedicated to cutting-edge technological research. Also, they have paved a path based on fabric but transcended traditional fabric in terms of scientific and technological innovation, quality improvement, brand promotion, low carbon and energy saving, and enterprise culture building.</p>	<p>Lu Thai Engineering Research Institute of Textiles & Garment has used design resources from National Industrial Design Center, Shandong Provincial Industrial Center, Fabric Design of Italian Designer Workshop and Enterprise Brand Design Center to build the textile garment design platform. The platform has integrated textile and garment trendy design, textile new material design, popular fabrics design and garment brand design, which represents the major backbone of the enterprise's independent brand building and promotes the Company to take leap from creation to creativity.</p>	<p>Lu Thai has the testing device and equipment for fabric material, fabric, garment, as well as dyeing and finishing additives, set up laboratories that meet international standards, including the thermostatic laboratory, fabric material testing laboratory, fabric and garment laboratory, and chemical analysis and synthesis laboratory. Also, it has equipped professional testing technology teams that are experienced and familiar with domestic and overseas standards to actively build the domestic and overseas integrated testing and experiment platform in the fabric and garment industry.</p>

Protection of intellectual property rights

The Company attaches great importance to the protection of intellectual property rights, constantly improves the protection system of intellectual property rights, sets up teams for the protection of intellectual property rights and patents. Moreover, it formulates trademark management standards, patent application management procedures, stands against the infringement of trademark rights, patent rights, and copyrights, and continues to improve the holistic operation efficiency in protecting intellectual property rights. In 2021, the Company filed 13 government project applications of national, provincial and ministerial level, developed 102 new products and techniques, and carried out 32 projects on technological improvement. Moreover, it received 117 authorized patents and three software copyrights and hosted and formulated five industrial standards.

Industry-university-research cooperation

The Company collaborates with many universities and scientific institutes, ranging from the training of basic talents and core technology R&D. Lu Thai has explored and established an all-round industry-university-research collaboration mechanism with many institutes. By the end of 2021, the Company has established long-term cooperation relationship with universities such as Donghua University, Hong Kong Polytechnic University, Jiangnan University, and Qingdao University. Working together with them on the R&D of new technology, new material, and new products, the Company has realized the integration of enterprises and schools and effectively improved the Company's R&D capability.

Key R&D projects:

Project of "management processing technology and industrialization of anti-bacterial/virus fabric"

Collaborated with relevant institutions including Wuhan Textile University, the Company has used existing technologies to build action mechanism and process systemic analysis to develop brand-new anti-bacterial and anti-virus products. These products are resistant to bacterial for a long time, non-ironing, soft, hygroscopic, and comfortable to wear, which not only improves the level of liquid ammonia functional products, but enriches the product's functions and make the Company more competitive in the international market.

Key R&D projects:

Project of "key technology and industrialization of high-quality and non-iron weft-knitted fabrics of shirts"

The Company adopts the industry-university-research cooperation model and joins hands with Wuhan Textile University to master the overall technology and industrialized application of high-end weft-knitted shirt fabrics. The manufactured fabric not only has advantages of machine-knitted fabrics such as tight in structure, shrink-resistant and straight, rich patterns and colors, but it is also soft and comfortable, hygroscopic, and flexible as knitted fabrics. Moreover, it overcomes the weakness of deformation of machine-knitted and knitted fabrics, stays in good condition after hand washing and machine washing and matches people's pursuit of comfort, environmental protection, maintaining of form, and convenience to wear and follows the trend of the times.

Major cooperation with universities: Donghua University

The Company has established the "National Collaborative Innovation Center of Key Technologies for Textile Industry" with Donghua University for researches of fiber new material technology and key technologies of eco-friendly dyeing and finishing.

Major cooperation with universities: Qingdao University

The Company signed the strategic collaboration agreement with Qingdao University in 2016 and carried out in-depth cooperation with it in scientific research, talent cultivation, and social services, generating fruitful results. In terms of scientific research, Qingdao University and the Company jointly establishes the "Lu Thai Group-Qingdao University Research Center" and the "National Collaborative Innovation Center of Key Technologies for Textile Industry" to dedicate to the research of industrial textile and marine biopolymer fibers. In terms of talent cultivation, the Company has set up the "Lu Thai Scholarship" in the College of Textiles & Clothing and opened the "Class of Lu Thai Internationalized Talent Reserve". A number of brilliant students from textile universities worked in Lu Thai became backbones for the enterprise's development. During the collaboration, the Company has explored the new model to cultivate talents through "scholarship + internship + employment + customized high-caliber talents".



Signing ceremony of strategic collaboration between Lu Thai and Qingdao University



Chairman Liu Zibin addressed at the Opening Ceremony of the Lu Thai-Qingdao University Class of 2021 and the Distribution Ceremony of "Lu Thai Textile Scholarship"

Shandong University of Technology

The Company has cooperated with Shandong University of Technology to establish the Lu Thai School of Textile and Apparel.

- We also work together to establish laboratories, share platforms of scientific research devices and realize the scientific and technological integration in terms of scientific program research and project application.
- A part-time teaching team including Taishan Scholars, senior experts of enterprises and technological backbones has been built to realize the integration of teaching resources between the school and enterprise.
- The Company utilizes comprehensive strengths of the school and enterprise, introduces more opportunities for students to practice and gain internship, and invests in RMB1 million in the school for cooperative talent cultivation every year. Meanwhile, the Lu Thai Scholarship has been set up to encourage students to work hard, realizing the "integration of nurturing talent" in the talents jointly cultivated by the school and enterprise.

Technological upgrading of product lines

As an international company, Lu Thai Textile has long dedicated to maintaining the industry-leading production technology level and continued to study, research, and upgrade the production technology and efficiency. In 2021, as the internal and domestic market landscape changed, textile companies with cutting-edge technologies, high product efficiency, and high quality gained popularity in the international market, and their market advantages became more salient. Hence, the Company has paid close attention to frontier market changes, actively conducted research on customer's demand, and undertook several projects technological innovation for product production lines.

Automatic package line of spinning double-twisting

The Company has introduced the automatic package line of spinning double-twisting. The package line is developed based on the automatic solution and experience as well as the production reality of Lu Thai, which helps resolve the low efficiency problem in the procedure of manual testing of tube yarn and manual stacking and reduce worker's intensity significantly. After upgrading the double-twisting workshop, the production labor had been reduced by 60% and more than RMB700,000 of cost was saved every year.



Automatic package line of spinning double-twisting

Intelligent workshop of sampling factory

As the manufacturing base for Lu Thai to develop new fabric types, the sampling factory is responsible for manufacturing samples and prototypes for Lu Thai's manufacturing workshops and overseas manufacturing workshops as well as manufacturing fabric samples for customers. The workshop has applied domestic and overseas equipment of top brands. With the independently-developed ERP system and the MES system developed together with external platform as entities, the intelligent management platform and intelligent manufacturing control platform has been established. Based on the Industrial Internet of Things, the Company has created the applied mode of mixed cloud independently. After building the data transmission platform through open-source system, it has realized the information interaction of basic data between the headquarters and overseas subsidiaries, order information, and sample manufacturing information as well as the intelligent manufacturing of sampling factory.



Intelligent workshop of sampling factory

Xiniu intelligent manufacturing factory project

Lu Thai has long been pursuing the upgrading of traditional manufacturing to intelligent manufacturing and is dedicated to becoming the global provider of cloth solutions with leading fabric at its core. In 2021, the Company signed the strategic collaboration with Xiniu Intelligent Manufacturing which helped build the intelligent manufacturing factory through its Xiniu Intelligent Manufacturing platform, realize the old-to-new capacity reform and automatic and intelligent building. Both sides have cooperated in areas such as intelligent manufacturing, fabric supply, and ecological collaboration. Xiniu Intelligent Manufacturing builds platforms of higher level for Lu Thai's development, offers stronger technological support to manufacturing management, and provides larger development spaces for the upgrading from traditional manufacturing to intelligent manufacturing and the optimization of ecological strategies.



Lu Thai Xiniu manufacturing factory

Production and Operations

Responsible Production and Operations

Lu Thai is committed to providing safe and healthy environments, good cooperation methods and reliable products for stakeholders such as our employees, suppliers and customers. In the pursuit of responsible production and operations, the Company continues to improve the way of management, refine work safety mechanism, intensify the pandemic control, strengthen the safety management on chemicals, implement suppliers' high standards of requirements, thus guaranteeing the rights and interests of stakeholders from many respects of production and operations, and achieving responsible production and operations.

UN Sustainable Development Goals



Ensure sustainable consumption and production patterns.

Production Safety Management

Production safety is the fundamental assurance for the healthy and sustainable development of enterprises. It is always of paramount importance for enterprises to continuously strengthen production safety management. The Company implements the principle of "safety first, prevention first and comprehensive management", firmly fosters the idea of safe development, and promotes the safety production of legalization, standardization, normalization, systematization, so as to lay a solid foundation for safety goal.

Construction of safety management system and mechanism

The Company strictly complies with laws and regulations and requirements of regulatory authorities of countries where it operates, and carries out all kinds of production and operating activities in accordance with laws and regulations. The Company has established the Safety Production Committee and safety production management organizations, and staff 46 safety management personnel. The Company has conducted strict management in accordance with safety standardization and double systems standards and requirements, including the establishment of regulation on safety production targets management, the setting-up of annual safety control measures. Besides, the Company has established production safety accountability system, signed the Responsibility Letter for Safety Production Targets at all levels every year and implemented strict supervision and assessment to ensure the thorough fulfillment of production safety targets.



Implementing production safety standardization is a long-term mechanism for the Company's safe production. With solid promotion of production safety up to standard, the Company has identified safety laws, regulations, standards and specifications applicable to the textile industry, but also formulated detailed rules for safe production and operational rules. Among them, Regulations of Safety Training Management, Remediation and Management Regulations on Safety Inspection and Accident Hazards, Regulations on Control of Labor Protection Tools, Regulations on Electrical Safety Management, Safety Management Regulations on Warehouses, Safety Management System for Hazardous Chemicals, Safety Management System for the Storage, Handling and Use of Liquid Ammonia, Safety Management System for Construction Works by External Units combine the standardized management system with current systems of the Company, which increases the control of different operational processes. In 2021, the Company invited third-party tech companies to perform review and reexamination under the secondary standard of safety standardization.



Intensify efforts in prevention and investigation on production safety accident

In 2021, the Company continued to improve and implement the System for Report, Emergency Rescue and Investigation on Production Safety Accident, identified hidden accidents and emergencies to make sure a timely response will be made when these happen and minimize the injury and loss from possible accidents. The Company stipulated that drills for contingency plan should be practiced regularly. For instance, drills for special planning should be conducted at least once each year, and on-site response drills be exercised at least once in every six months. The Company has defined responsibility and authority related to prevention and investigation on production safety accident, carried out surveys, analyses and actions on accidents, incidents and other poor safety performances, and adopted appropriate correction and prevention measures that will eliminate the negative effects immediately, avoiding recurrence of such incidents.

Identification and prevention of production safety risks

The Company has established a sound dual prevention system for hierarchical control of production safety risk and investigation and governance of hazards, and persists in risk prevention and early identification. In terms of hierarchical risk control, the Company identifies the risk hazards in operating activities and equipment and facilities in each sector every year, classifies the types and consequences of possible incidents, and determines the hierarchy of control and the corresponding accountable person according to the category. In 2021, the Company has identified a total of 269 risk hazards in various production and operating activities. In response to each risk hazard, the Company has formulated specific risk control measures to prevent and control risks in terms of standard specification, safety training, distribution of supplies for labor conservation and protection, on-site supervision and inspection, emergency response drills, and timely handling of incidents.



Carrying out special safety inspection



Organizing various special safety training sessions

In terms of risk hazard investigation, in 2021, the Company has carried out routine inspections to each department and subsidiary and has found more than 3,000 safety hazards in 10 aspects such as fire safety, equipment, electrical, and chemicals; conducted a total of 39 comprehensive inspections on seasonal, holiday, and special occasions. In response to the identified safety hazards, the Company has organized specialized personnel to go to the site to confirm and prepare rectification plans and follow up relevant cases.

In terms of safety training, in 2021, the Company has carried out a series of special training such as pre-employment and on-the-job training, external training related to qualification certification of safety management and occupational health, first aid training, special equipment training, and certified safety engineer training, implemented the government's special action requirements on "deep learning, deep training, wide examination" for safety production, and achieved the normalization of safety training and learning. In addition, the Company has conducted "Safety Production Month" activities with the theme of "implementing safety responsibility and promoting safety development" and the purpose of preempting and defusing major risks, eliminating potential safety hazards in a timely manner and effectively curbing production safety incidents to create a sound environment for safety production. In the whole year of 2021, the Company has conducted more than 100 various safety training sessions with over 15,000 trainees.



Fire control publicity poster



"Safety Production Month" activities in various forms

During the "Safety Production Month" campaign in June 2021, the Company has conducted a variety of activities such as publicity board design, special training on safety production, investigating potential safety hazards, award-winning essay contests, making short videos on safety dissemination, emergency response drills, and so on. All employees have participated in the activities and raised their safety awareness.

- The Company organized various departments to carry out publicity board design activities with the theme of "implementing safety responsibility and promoting safety development", which had created a total of 48 boards.
- All departments and subsidiaries organized a total of 277 teams to participate in the investigation of potential safety hazards in the "Investigation, Protection, Promotion" activity, with a total number of 6,000 participants and a total of 2,500 identified safety hazards, and finally selected 36 outstanding teams.
- The "Together for Safety" award-winning essay contest received a total of 65 outstanding essays from various departments.
- All departments actively participated in the "Dong Hua Cup" Douyin short video competition for safety publicity and made a total of 35 short videos, and finally won a second prize and two third prizes.
- The Company organized 65 safety education and publicity sessions for shifts of each factory, focusing on the basic knowledge of safety, the causes of recent safety incidents across the country and relevant preventive measures.



Fire control publicity board art

Production safety emergency management

The Company has established a sound production safety emergency management system and actively carried out emergency response drills to comprehensively improve its capacity for emergency response and accident rescue. For example, it has formulated Regulations on Emergency Preparedness and Response Management and other rules and regulations, Emergency Preparedness and Response for Fire Accidents, Emergency Preparedness and Response for Hazardous Chemicals Leakage Accidents, Emergency Preparedness and Response for Natural Gas Leakage Accidents and other response plans. In 2021, the Company engaged a third-party safety technology company to prepare and revise the response plans for the headquarters and subsidiaries and engaged experts to carry out the deliberation and approval of those plans; organized each factory to conduct a total of 498 emergency response drills, including 58 special response drills and 440 on-site disposal drills; organized each department to carry out a total of 26 on-site disposal emergency drills during the "Emergency Rehearsal Training" conducted in the "Safety Production Month".



Carrying out on-site disposal emergency drills

As a key unit of fire safety, the Company always adheres to the principle of "prevention first, combining fire prevention and firefighting, full participation, and addressing both symptoms and root causes" and takes effective measures to ensure fire safety. Each department has set up fire safety management group headed by the chief accountable person and continued to improve institutional documents such as Hot Work Management System, Fire Inspection System, and Electricity Safety Management System. In 2021, the Company has conducted a series of fire safety activities, including fire equipment and facilities examination, fire safety hazard investigation, visible fire monitoring, firefighting and evacuation drills for fire safety, firefighting training and organizing "119 Fire Safety Publicity Month" activities to improve each production unit and employee's capacity for fire safety emergency response. Among them, 304 fire emergency drills were organized from production workshops and warehouses to dormitories and canteens; 165 firefighting knowledge contests were held; over 12,000 people were organized to participate in more than 60,000 hours of online learning. At the same time, the Company also actively promotes the construction of "smart firefighting" and leverages the "sky eye" role played by the emergency rescue center in monitoring facilities to establish a three-dimensional, full-coverage, and accurate fire prevention and control system with "information sharing and unified command", achieving the smart interaction between automatic sprinklers and various alarms systems. In 2021, there was no major fire safety incident in the Company.

Management of Chemicals

The Company controls the whole process of procurement, transportation, storage, use and disposal of chemicals, and continues to strengthen the safety management of hazardous chemicals and major hazard installations. The Company has formulated and implemented management systems and regulations such as the Safety Management System for Hazardous Chemicals, Regulations on the Supervision and Inspection of Hazardous Chemicals, Safety Management System for the Storage, Handling and Use of Liquid Ammonia, and Regulations on the Supervision and Inspection of Major Hazard Installations of Liquid Ammonia, specifying each operation in a comprehensive and detailed way. The Company has established a chemical flow ledger record system for standardized management and has clarified personal responsibilities to prevent the outflow and illegal use of precursor chemicals and explosive chemicals. In addition, the Company implements safety training of hazardous chemicals, through which employees can master how to prevent and control the risk of hazard installations. The Company continues to complete the Emergency Plan of Hazardous Chemicals and carries out emergency drills for various accidents, improving employees' capabilities of emergency rescue and evacuation. The Company has organized the plants to carry out 17 emergency drills of hazardous chemicals in 2021.



Emergency drills of hazardous chemicals

With the strict limitation and restriction of chemicals from products and production ever growing, whether it is considered from the legality in law and regulations, or from the health of workers, consumers and environment, it's our duty to carry out the management of chemicals. For that, the Company has established the whole process management system of chemicals covering input, process and output, and has been devoted to providing healthy and green textiles which can be traced by the whole industrial chain and trusted by consumers through the prevention and control of sources and the inspection and supervision of process and products.

Input control	Process control	Output control
<p>The control of textile chemicals before production aims to reduce the risks while using by reducing the toxicity and refining the management system of chemicals. The Company has built a database of ecological safety information to fully respond to the regulations and standards as well as the restriction requirements of MRSL for customers and has established a set of strict sampling, testing and analyzing procedures such as chemical incoming approval, hazardous substance analysis, hazardous substance identification and treatment, among others.</p>	<p>The Company has made an inventory list of chemicals for the effective management of chemicals and the identification, analysis and elimination of chemical substances and has formulated the Safety Management Process of Textile Chemicals, Provisions for the Management of Procurement of Sizing Agents, Dyestuffs and Auxiliaries, Dyeing Auxiliary Safety Testing Operation Instructions and other procedural documents.</p>	<p>The Company appoints a lab recognized by the Zero Discharge of Hazardous Chemicals (ZDHC) program to carry out four to five tests of routine parameters and ZDHC MRSL parameters every year, and has formulated a detection list of hazardous substance data to build a database covering detection data of chemicals, wastewater in each procedure, dirt and hazardous substances in finished products. Then, based on the comparative analysis of the detection data, the source investigation and the elimination of hazardous substances are carried out.</p>

For upstream suppliers, the Company has formulated the Declaration of Environmental Conformity of Chemicals and Declaration of Environmental Conformity for Raw Materials and Auxiliaries, which requires them to sign and confirm the conformity of the supplied products, and to provide relevant legal certification materials or safety commitments (TDS, MSDS, safety commitments or statements, positive lists and related GOTS, BLUESIGN certifications, etc.) to ensure the conformity of raw materials and chemical. Meanwhile, the Company will transfer the requirements for hazardous substances of laws and regulations, standards and branded customers to upstream suppliers on time to promote the shared information of supply chain and work together for the elimination of hazardous substance.

The Company pays high attention to the openness and transparency of chemical information and data. The Company continuously improves its management level of chemicals by the exchange and interaction of Parties of Interest while enhancing its credibility. The Company uploads the Pollutant Release and Transfer Registration System (PRTR) data, toxic substance detection data and supplier related information to the IPE (Institute of Public and Environmental Affairs) website and ZDHC Gateway, uploads the inventory list of chemicals to Cleanchain, from which related customers can learn about the names, manufacturers, average monthly consumption of chemical products used by the Company, environmental protection certification and ZDHC MRSL compliance level, etc. of the chemicals, and uploads the chemical inventory list to the CIE platform of China National Textile and Apparel Council synchronously.

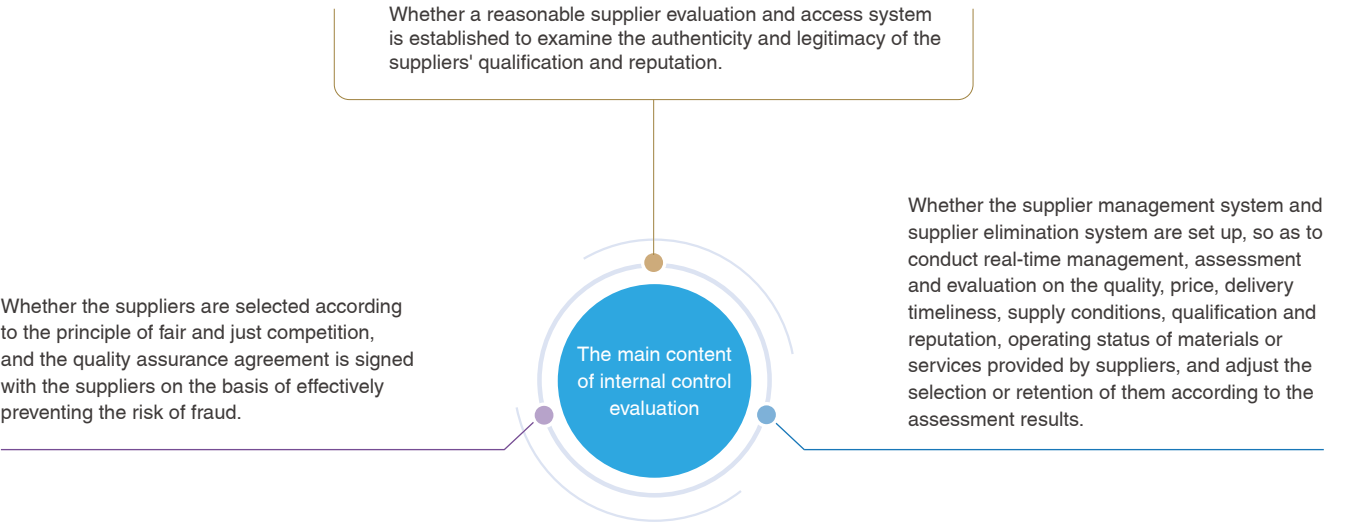


Supply Chain Management

The Company sets up and continually improves supplier and evaluation system. In order to ensure the openness and transparency of the procurement process, bidding evaluation is jointly completed by evaluation experts from multiple departments. The Company has established an expert database of bid evaluation, and the assessment experts are selected from this database. The experts should sign a Letter of Commitment, promising to conduct independent evaluation. At the same time, the Audit Department would supervise the whole procurement process of suppliers. In terms of qualification review of suppliers, the Company conducts on-site audits on them to fully understand their production and quality control processes, as well as their fulfillment of social responsibilities. In terms of daily management, the Company signs anti-bribery agreements with suppliers, regularly evaluates them and tests the safety of their products. In 2021, the Company organized various departments to evaluate qualified suppliers, and finally took immediate rectification, suspension, cancellation of the qualification of those suppliers and other measures for 39 suppliers with various problems.

Strengthen supplier compliance management

The internal control evaluation carried out by the Audit Department at the end of each year comprehensively covers supplier management, so as to timely find out the loopholes and risks in the supplier management process, which lays a solid foundation for the construction of a responsible supply chain. The main contents of internal control evaluation include:



The Company actively integrates the factors of sustainable development into the supply chain management process. The Company gives priority to suppliers who have passed ISO9001 Quality Management System Certification, ISO14001 Environmental Management System Certification, ISO45001 Occupational Health and Safety Management System Certification, Green Factory Certification and other authoritative certifications, and gives priority to purchasing products that have passed Bluesign, GOTS/OCS, GRS and other certifications. In 2021, the Company established the *Supplier Code of Conduct*, which sets forth requirements for suppliers from four aspects: business ethics, human rights and labor standards, health and safety, and environmental and chemical management. It covers integrity and law-abiding, corruption and bribery, information confidentiality, employment and rights of laborers, work environment and training, preventing accidents and injuries, environmental protection conformance of chemicals, “three wastes” management and other subdivided fields, which aims at promoting suppliers' awareness of sustainable development, accelerating the practices and improving the performance of sustainable development.

The Company attaches great importance to win-win cooperation with suppliers. The Company regularly carries out technical exchanges with strategic suppliers to jointly develop products. Besides, it explores the construction of digital procurement platform, committed to creating an efficient, green and intelligent supply chain. The Company adopts ERP system in supply chain management. As a new generation of integrated and collaborative platform based on Internet service/technology architecture, it could effectively shorten the procurement business management cycle and make the supplier system realize orderly and monitored operation, contributing to more standardized and transparent supplier management.

COVID-19 control

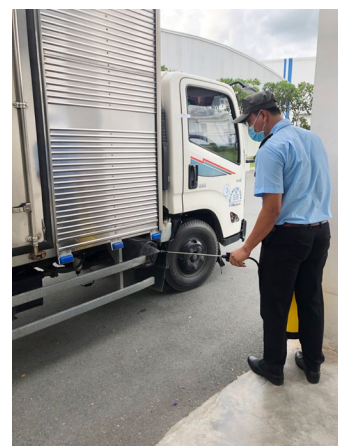
As the COVID-19 pandemic becomes a normal trend, pandemic control has become an important daily business to ensure the continuous operations of the Company. The Company actively conducts daily monitoring work, including the sampling and inspection of imported containers, registration and nucleic acid testing of outbound and overseas personnel, etc. It also focuses on the vaccination against COVID-19. In 2021, the number of the staff members who have been administered three doses of COVID-19 vaccines has reached more than 30,000.

Compared with that of China, the overseas pandemic is spreading rapidly and pandemic control is more severe. Lu Thai's overseas subsidiaries all have taken active measures to fight the pandemic, involving daily health monitoring of employees, implementation of day-to-day disinfection, publicity of pandemic prevention and control knowledge, routine nucleic acid testing, regular distribution of protective materials for employees, such as masks, isolation clothing and face shields and so on, coordinated arrangement of vaccination, etc., to positively assure the health and safety of the staff and strive to minimize the impact of the pandemic on production and operation.



Lu Thai's Overseas Subsidiaries Took Active Pandemic Prevention and Control Measures

The places where Lu Thai's overseas subsidiaries are located had widespread outbreaks of COVID-19 in 2021. In light of pandemic development, all subsidiaries kept intensifying pandemic control methods and took strict pandemic control measures, including measuring body temperature every day, disinfecting every employee that entered and left workshops, strictly requiring the wearing of facemasks, keeping distance and having meals at different hours, disinfecting the factory environment and strictly managing visitors and foreign materials, for meticulous prevention of imported cases and to cut off the transmission of COVID-19 as much as possible. In addition, subsidiaries organized regular COVID-19 quick tests among employees to identify positive cases and timely cut off transmission, and arranged vaccination for employees. As at the end of 2021, over 95% of the employees had received the second dose of the COVID-19 vaccine.



Normalized epidemic prevention and control of overseas subsidiary

While carrying out effective pandemic prevention and control, overseas subsidiaries took the initiative to assume their social responsibilities, and supported local governments in pandemic control by donating money and pandemic supplies. Continental Textile donated nucleic acid testing reagents, RT-PCR sampling groups, facemasks, protective suits and other supplies worth over VND100 million to the local public security bureau, donated acid testing reagents worth VND49.5 million to infrastructure companies in the industrial park, and donated medical facilities worth VND298 million to University Medical Shing Mark Hospital.

Lu An Garment actively cooperated with the local government and management committee in pandemic prevention and control, donated money to the local government and the social security bureau to support pandemic prevention and control, and helped the local government quickly control the pandemic. In February 2022, the An Giang Provincial People's Committee held an economic work summary conference in the context of pandemic normalization, at which Lu An Garment was awarded the "Excellent Enterprise for 2021" and delivered a speech as the enterprise representative.



Overseas subsidiary delivering speech as representative enterprise



Employees dispatched abroad regularly took nucleic acid tests



Overseas subsidiary donated to University Medical Shing Mark Hospital



Dining seats were partitioned off in the canteen of overseas subsidiary

Employee's Rights and Benefits Build a Harmonious Workplace Environment Together

The Company always believes that talents are the source driver of the Company's development and adheres to the people-oriented culture featuring the care and love for employees. While maintaining its healthy, stable, and sustainable development, the Company has allowed its employees to share its developmental achievements, achieving the transformation from treating employees well and caring for them to loving them. The Company attaches great importance to employees' occupational health and regards it as its responsibility to ensure the health and safety of every employee. The Company constantly carries out projects for improving the quality of employees and establishes a scientific performance and salary management system so as to build a dual channel for the growth and success of various talents.



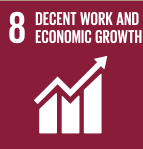
UN Sustainable Development Goals



Achieve gender equality and empower all women and girls.



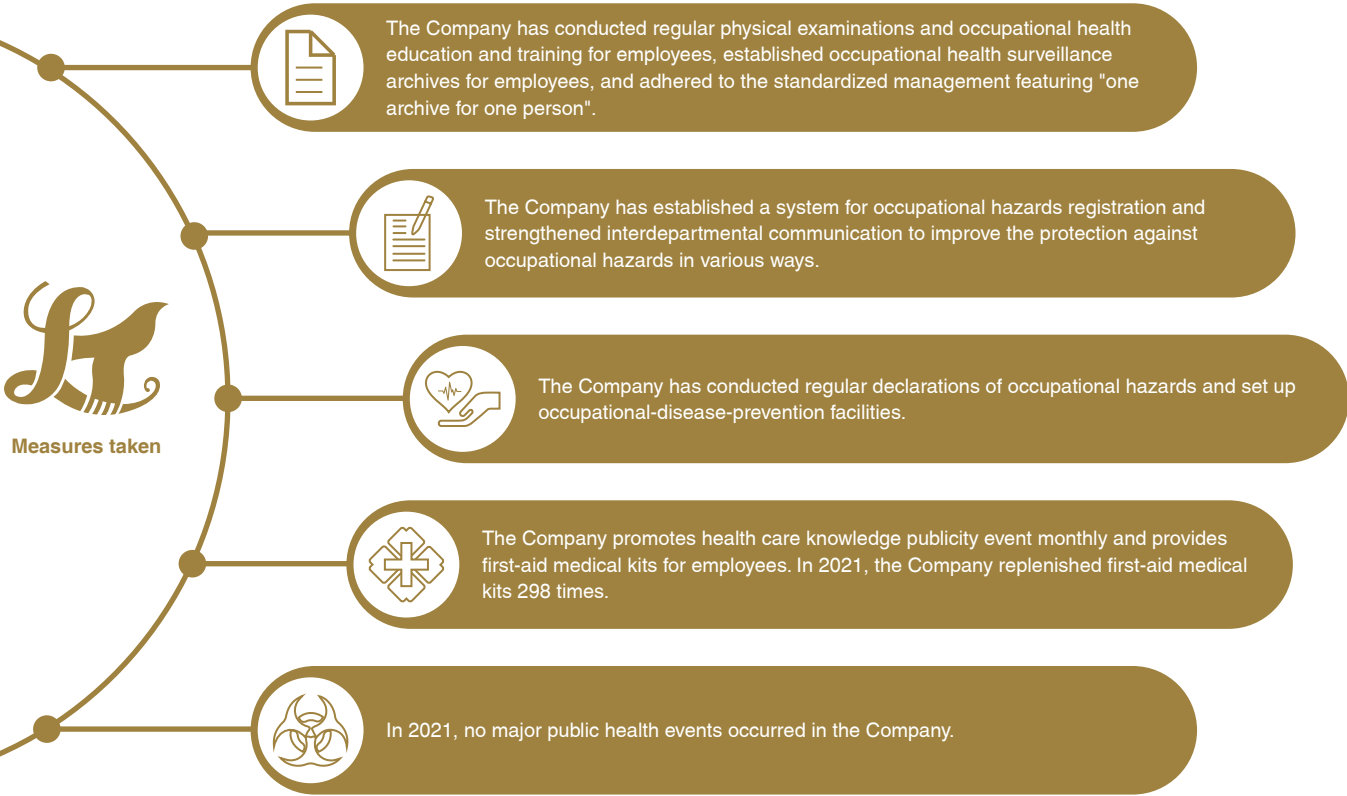
Reduce inequality within and among countries.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

Health and Safety

The Company attaches great importance to employees' occupational health and safety, and therefore, it has established a sound occupational health management system and reinforced the detection of occupational hazards and on-site personnel protection, striving to protect the occupational health of every employee.



The Company actively carries out identification of and responds to occupational hidden dangers. It also requires all new employees to take pre-employment physical examination before being exposed to occupational hazards, doing so to prevent people with occupational contraindications from engaging in hazardous operations. Besides, the Company requires employees to take occupational health check-ups when they leave their posts to ensure that employees leave their posts in good health and that their rights and interests are protected.

Occupational hidden dangers	Countermeasures
Dust	<ul style="list-style-type: none">Take measures of confinement, ventilation, and dust removal for the dust from cotton blender machine and scutching machine during pre-spinningAdopt the approach of wet sweeping for the workshop to take away the dust accumulated on the surface as much as possibleEquip adequate labor protection tools and distribute dust masks that conform to international specifications
High temperature and high humidity	<ul style="list-style-type: none">Distribute items for heatstroke prevention for high-temperature posts in the workshopAdd exhaust systems in the workshop
Noise and vibration	<ul style="list-style-type: none">Equip employees with disposable noise-reducing earplugs and replace them regularly

Respect and Equality

Human rights and labor rights protection

The Company has always adhered to the principle of equal and friendly employment. It strictly complies with the laws, regulations, and requirements of regulatory authorities of the countries where the Company operates, and actively supports the international conventions, including the *International Covenant on Economic, Social and Cultural Rights* and the *Elimination of Discrimination in respect of Employment and Occupation* so as to build an equal, friendly occupational platform for employees.

The Company believes that talents are the basis for the operation and sustainable development of companies. As to the recruitment and retention of talents, the Company adheres to the "all-inclusive" concept, accepts all talents, and promises not to determine employees' salary and rank based on their gender, age, nationality, ethnicity, religion, color, language, domicile place and other personal characteristics unrelated to work. The Company respects the rights of every employee, and provides equal and free development space for every employee.

During the interview, the Company takes the initiative to check the interviewee's identity card and graduation certificate to avoid wrongly recruiting child labor and minor workers who have not completed the compulsory education.

The Company is committed to putting an end to all forced or compulsory labor. Employees are free to leave the workplace after completing the work needed to be done within standard working time. The declaration system must be implemented for overtime work to ensure that overtime work is a voluntary act of employees.

In some areas of Southeast Asia which have poor transportation systems, the Company hires vehicles to shuttle employees to and from work, solving the problem of employees who have trouble getting to work due to local poor transportation systems.

In the course of production and operation, cooperating with the local government or third-party institutions, the Company actively carries out due diligence on human rights protection.

Safeguard the rights and interests of employees

The Company has established a sound salary and welfare system for employees. Their primary endowment insurance, injury insurance, basic medical insurance, maternity insurance, and unemployment insurance are paid by the Company according to law. All national legitimate holidays including paid annual leave, family leave, marriage leave, nursing leave, and industrial injury leave, are offered according to national standards. Moreover, the Company works actively to smooth the channels for employees to air their opinions. Communication channels including trade unions, a congress of the staff and workers, and complaint mechanisms have been developed and improved. Employee satisfaction surveys are conducted regularly to make sure that the management receives employees' opinions and gives feedback in time so that their legal rights are protected.

Overseas subsidiaries must obey the local laws and regulations, continuously optimize their salary and welfare system and provide employees with living and working conditions better than the local average.

Indicator (Unit)	2019	2020	2021
Employment contract signing rate (%)	100	100	100
Social insurance coverage (%)	100	100	100
Signing rate of collective bargaining agreement (%)	100	100	100

Democratic management

To make sure employees' comments and suggestions are heard and responded to, the Company has fostered a complaint mechanism led by the Trade Union. A box of reasonable suggestions is available to collect employees' opinions on work-related topics, including employer-employee relations, working conditions, salary and benefits, and occupational health and hygiene. The suggestion notes in the box will be sorted, summarized, and sent to the Company's leaders by the Trade Union every month, thus guaranteeing the timely feedback and handling of employees' suggestions.

The Company proactively opens up factory affairs to employees, so as to guarantee the right to information and participation of each employee, and achieve democratic management. Its production departments at home and abroad all develop sound Trade Union or workers' congress systems so that employees can receive timely negotiations on their needs. Employees can make comments via E-mail, suggestion box and social media at any time. Based on their comments, suggestions and complaints, the Company and the Trade Union launch timely surveys, formulate measures for improvement and give feedback.

Employee satisfaction survey

The HR department conducts regular employee satisfaction surveys of all staff members. Survey teams make questionnaire featuring employee groups. Diversity surveys are carried out according to six aspects, including overall approval of the Company, work environment, team cooperation, immediate supervisor, personal growth, and salary and welfare. An Employee Satisfaction Survey and an Improvement Report of Employee Satisfaction are produced based on the final results. As for the problems revealed in the survey, HR Department of the Company addresses holistic problems of the Company while other departments are responsible for their internal problems.

Diversity and Inclusion

Indicator (Unit)	2019	2020	2021
Employee diversity			
Total number of incumbent employees (person)	26,413	22,583	22,632
Total number of male employees (person)	11,622	9,845	9,593
Proportion of male employees (%)	44	44	42
Total number of female employees (person)	14,791	12,738	13,039
Proportion of female Employees (%)	56	56	58
Employee age			
Total number of employees aged under 30 (person)	14,527	11,009	10,520
Proportion of employees aged under 30 (%)	55	49	47
Total number of employees aged above 31 (person)	11,886	11,574	12,112
Proportion of employees aged above 31 (%)	45	51	53
Education Level of Employees			
Bachelor or above (person)	1,245	1,411	1,336
Junior college (person)	5,151	4,641	4,576
High school or below (person)	20,017	16,531	16,720
Nationality			
China (%)	64	63	56

Indicator (Unit)	2019	2020	2021
Burma (%)	5	5	5
Vietnam (%)	22	23	29
Cambodia (%)	9	9	10
Employee Turnover			
Total number of new employees (person)	6,335	3,969	6,081
Employee turnover rate	20	20	19
Employee Training			
Training participants (person)	26,413	22,583	22,632
Average training hour (hour)	56	46	47
Training coverage rate (%)	100	100	100

Equal pay

The Company's employee salary system is classified as the by-the-hour salary system and the by-the-piece. On this basis, the Company continuously improves the employees' salary structure system, providing a fair and reasonable salary mechanism for employees, and promises not to treat employees differently in terms of salary and promotion opportunities for their gender, beliefs, nationalities and other non-work-related ability elements.

Caring for female employees

As a labor-intensive textile industry, the Company has a great number of female employees. Lu Thai always attaches great importance to the protection of the rights and interests of women workers and realizes the humanistic culture construction of harmonious and equal development in the process of development and construction. The Company promises equality between men and women in employment, remuneration, training opportunities, promotion, dismissal or retirement and other employment matters. The Company makes all decisions fairly based on employees' working ability without any discrimination against their gender, family responsibility, marital status, political opinion, age or other areas. In order to better safeguard the legitimate rights and interests of female employees and help them improve their value, the Company has formulated various rules and regulations such as the Labor Protection Regulations for Female Employees, clearly stipulating female employees' education and activities, labor protection system and facilities, as well as health examination, so as to standardize and institutionalize the work of female employees. At the same time, various activities such as training, seminars, rewards, physical examination and benefits distribution are carried out for female employees only.

Since Mr. Liu Zibin, Chairman of the Company, signed the CEO statement on the Principle of Empowerment of Women in 2020, the Company has actively pursued a series of internal initiatives to continuously improve the protection of women's rights within the Company.



Zibo General Trade Union's staff mental health experts carried out women mental health lecture to the Company



Award-winning female employees



Our Actions

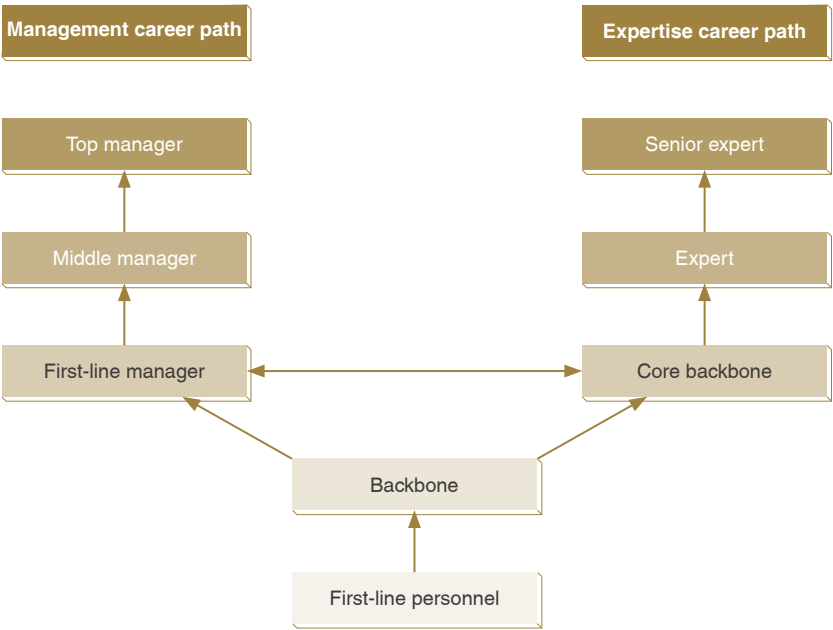
- The Company introduced a gender-equality employment policy to regulate equal employment at the institutional level.
- The Company provides the promotion channel with gender equality and implements the dual-channel mode of career development which is parallel to the technical route and management route, ensuring female employees' fair career development and providing greater development space for female employees based on their vocational skills.
- The Company constructs a women-friendly training system to improve the knowledge structure and skills of women workers. Nearly 900 sessions of training were conducted in 2021, involving over 60,000 female employees.
- The Company has established Female Employee Committee, composed of representatives of outstanding and authoritative women workers in different departments, to coordinate and solve difficulties in female employees' work to improve the benefits system of women workers.
- The Company elects female model staff, and carries out many activities including "excellent employee assessment", "skill competition", "technology recognition", "star salesperson" and "Lu Thai craftsperson", giving spiritual and material rewards to employees. In the past five years, nearly 50 commendation conferences, with approximately RMB23 millions of rewards, were organized every year, commending over 50,000 people, women employees accounting for over 60%.
- The Company gives holiday gifts to all female employees every March 8.

Training and Development

Promotion channel

The Company has established management-expertise dual channel for career development, carrying out targeted training for excellent first-line backbone employees to ensure talent training and promotion. Employees get promoted by position or title changing in the management career path, while getting promoted with reference to the Company's title appraisal system in the expertise career path. Besides vertical promotion, employees can also achieve horizontal promotion by transferring to different position sequence. This offers employees multi-dimensional development.

The Company will carry out periodic title appointment work, and professional and engineering technicians appointed will be rewarded with monthly allowances during the tenure.



Development of reserve talent pool

Reserve talent pool has been established for key positions to serve to the Company's development, and targeted career development and training plan has been formulated for key talents at all levels. The Company will track the development of reserve talents when they take positions, and then carry out systematic training through training courses, study tours, and job rotation. Individualized and targeted training will be designed for talents under the guidance of mentors, thus contributing to their fast development.

Career planning



Carrying out teamwork training for campus-recruited new employees



Meeting of duty appraisal and appointment for technical positions

Talent training

The Company has developed a sophisticated Lu Thai vocational training mechanism and designed a variety of vocational training courses in terms of expertise and management. A total of 22,632 employees took part in the vocational training in 2021 with a coverage rate of 100%.

Training participants (person)

2019	26,413
2020	22,583
2021	22,632

Average training hour (hour)

2019	56
2020	46
2021	47

Training coverage rate (%)

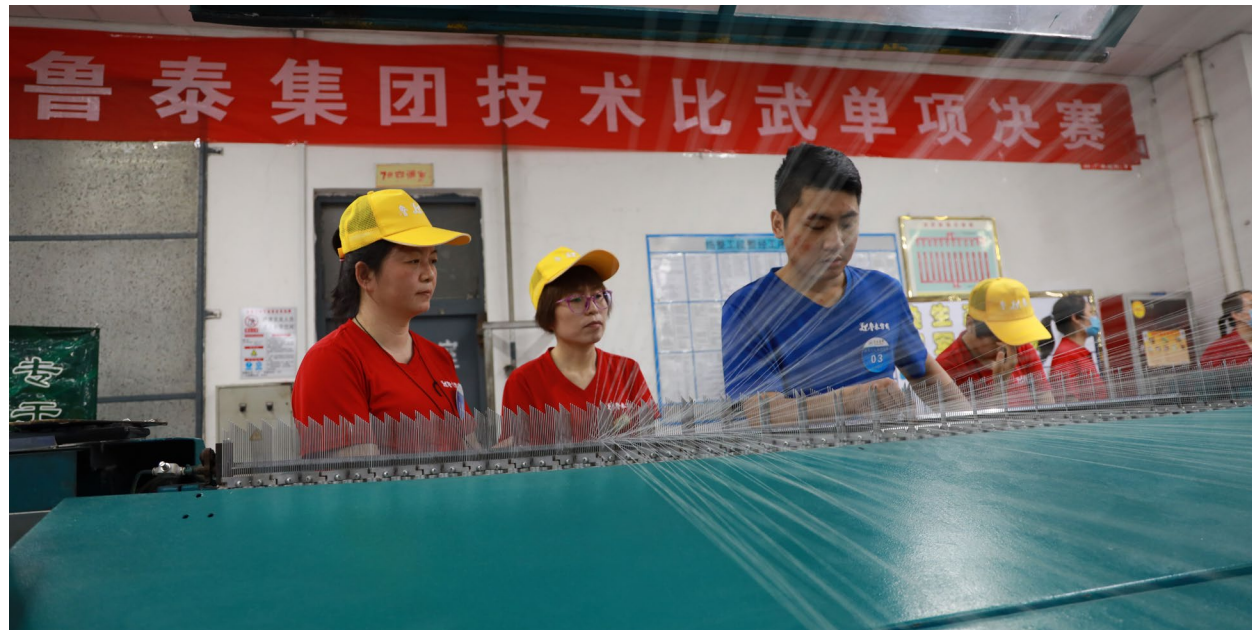
2019	100
2020	100
2021	100

Promote skill development

Lu Thai has carried out various skill competitions, encouraging employees to improve expertise in the competitions, to make clear their career development orientation and objectives, and to apply know-how to work through practice. In this way, employees will rise up to overcome difficulties through exploration and creation so as to constantly enhance group cohesiveness and drive the Company's development towards a learning-oriented, expertise-oriented and creative top-level enterprise. Meanwhile, the Company has carried out professional certification, thus helping employees to be the top-level professionals.

Case The 31st Technical Skill Competition

The Company held a technical skill competition from April to June in 2021, in order to promote the superior corporate culture and build a highly qualified team with expertise, creativity, determination, ambition, faith, willingness to take responsibility, and spirit of utter devotion. Besides, a positive atmosphere would be created to urge employees to learn skills and put them into practice. A total of 53 companies and 9,750 personnel covering 729 types of work in total took part in the competition. After mobilization meeting, training and learning, drill of vocational skills, and trial and final match, winners were rewarded with presents and bonus, including 20 champions of individual skill competition, over 3,000 winners, over 700 excellent workers with multiple skills, and 93 outstanding teams. All participants, from production units to groups and employees, improved their capabilities to some extent in the skill competition.



Individual event final of the skill competition

Case Lu An Garments held the skill competition

From May to mid-June in 2021, upholding the idea of practicing skills in need and dealing with bottleneck problems in production, Lu Thai aimed to improve employees' technical skills, and carried out the annual technical skill competition in its factory in Vietnam to keep pace with the corporate headquarters. As a result, over 150 winners were selected out from 1529 participants.

Case The Forklift Skill Competition held by Storage Management Department

The forklift skill competition covering some parks and zones and several types of forklifts was held by the Storage Management Department in October 2021. A total of 98 participants from different parks and groups took part in the skill competition of electro forklifts, internal combustion forklifts, reach forklifts, and clamping forklifts. Employees' technical skills were greatly improved and their awareness of emphasizing skill learning was raised in the competition, which in turn increased the efficiency of production management.



Forklift technical skill competition

Benefits and caring

Lu Thai invariably provides all its employees a comprehensive living condition with family-like care, which includes clothing, food, shelter and transportation. The Company is dedicated to improving the employee daily care system involving various aspects like work, life and entertainment. Moreover, the Company attaches importance to employees' satisfaction and requirement towards logistics in order to improve their accommodation conditions.

Care about the lives of employees

Since the textile industry is the labor-intensive industry, a large number of employees centrally live and work in the park where the Company is. Therefore, the Company sets up the Logistics Management Department for the accommodation of employees and protects all aspects of employees' rights and interests with respect to their lifestyle when they're in the park.

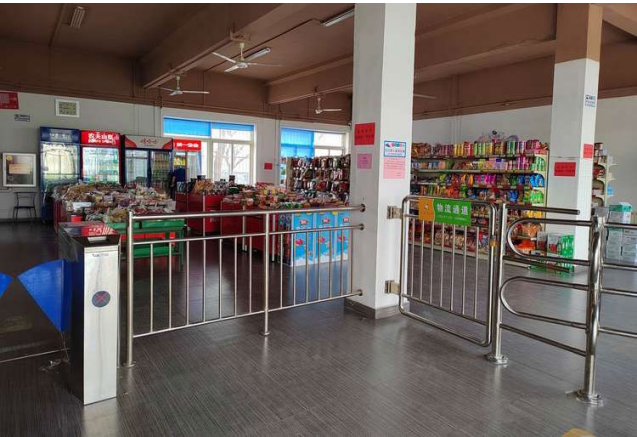
The Company has placed considerable emphasis on improving the food quality for employees as well as focusing on improving the dining services. In order to achieve the purpose, a survey of employee accommodation satisfaction is conducted regularly every year and dishes are continuously improved to satisfy more employees.

In 2021, the degree of satisfaction of employees living and dining at the Company rises by 2.1% compared with the last year.



The Company ceaselessly optimizes the apartment management to provide employees with diversified accommodation options, making the Company an industry leader in overall apartment construction.

- Air conditioners and free Wi-Fi are available in all dormitories in the Company.
- Janitors conduct an everyday indoor clean-up and deal with the sanitary dead ends regularly.
- The bedding is changed regularly and the Bedding Change Office is set up to meet the standard of changing the bedding as long as it gets dirty.
- Chess & card rooms and TV rooms are set up on each floor to enrich employees' spare time.
- Smoking is prohibited in dormitories but separate rooms for smoking are set up for employees to use.
- Everyday disinfection is conducted in apartments and public areas.
- Unattended 24-hour supermarket is set up to provide convenient life services for employees.
- Safety management mechanism has been established by carrying out daily patrols, nighttime joint inspection and indoor fire evacuation drill regularly.
- Carry out dormitory cultural construction and hold the civilized dormitory comparison and appraisal every year.



Unattended supermarket



Undergraduate apartment



Overseas subsidiary presented gifts to employees at the Mid-Autumn Festival



Overseas subsidiary presented gifts to employees

Carry out Golden Autumn Scholarship Activity

The Company carries out Golden Autumn Scholarship Activity every year, encouraging the children of employees to receive higher education. If their children are admitted to universities, a one-off scholarship of RMB3,000 to 5,000 will be given to them.

Care about employees in difficulty

In order to better care about the life of employees and solve the practical difficulties in their lives, the Trade Union formulated the Visit and Assistance Management Measures of Lu Thai Textile Co., Ltd., making the visit and assistance more standardized. The Company's grass-roots branches went deep into the front line of production, understand the living condition of employees through multiple channels, take the responsibility of "the first insider" actively, find out the state of mind of employees and take the initiative in solving their problems. The Company has set up the Lu Thai Relief Foundation to start the assistance procedures when an employee suffers from serious illness. Over ten thousand yuan are donated to employees to help them go through difficulties.

In 2021, the Company's Trade Union relieved 106 employees in difficulty, and distributed relief fund of RMB319,500.

Carry out cultural and recreational activities

The Company regularly organizes various cultural and recreational activities to enrich employees' spare time, improve their state of mind, guide them to achieve work-life balance, promote their sense of belonging to the Company, and strengthen the Company's cohesion.

Case

The 21st Staff Football League

In October 2021, the Company organized the 21st Staff Football League in which more than 200 employees, including referees, athletes and employee representatives, participated. The games were divided into group-stage and knockout matches, lasting for 5 days, and 10 participating teams played 24 matches. Through the match, the cohesion among employees was built to develop the sportsmanship in the arena, the spirit of combating in the post and the spirit of striving in the struggle. All players concentrated on "fighting" to make wonderful achievements.




The scene of the football match

Case

Continental Textile Co., Ltd. held flower arrangement contest on Women's Day.

In order to celebrate the International Women's Day, the trade union of Continental Textile Co., Ltd. held a flower arrangement contest with the theme of "Vietnamese Women". The award-winning employees said, "This contest provides an opportunity for female employees to show their creative talents, and also brings an unforgettable Women's Day to everyone. Thank the company for organizing this event, which strengthens the friendship and solidarity among colleagues!"



Overseas subsidiary held flower arrangement contest in International Women's Day

Product Services
Provide Ace Services

Lu Thai always insists that quality is the most important for a business to survive and develop. We regard product quality as the foundation of our enterprise, continuously introduce modern management concept and production technologies worldwide and constantly improve the capability of quality control and management.

持久白

天丝

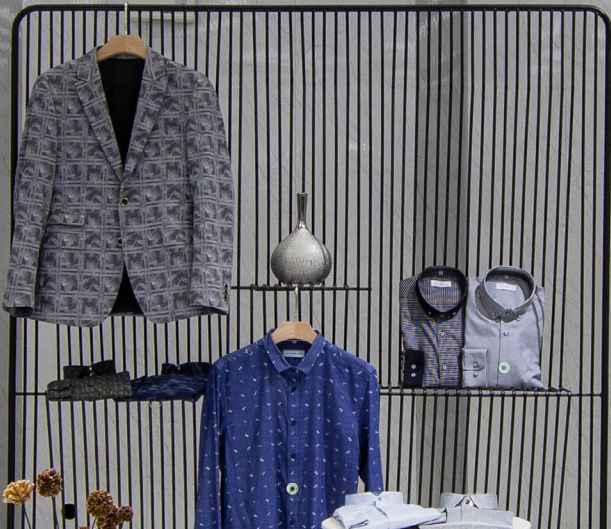
生态棉

大提花

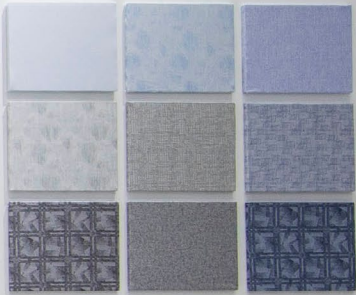
无氟去污

MIST

DP



大提花
JACQUARD



MIST



UN Sustainable Development Goals



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Product Innovation

Lu Thai always adheres to the principle that "innovation is the driver for enterprise's development". We pay great attention to functional innovation, advocate market-oriented innovation and creative design, set the innovative products as role models, and devote to providing more diversified and cutting-edge products to international customers. In 2021, the non-iron yarn-dyed weft-knitted shirts and four-level non-iron linen shirts developed by Lu Thai won the honor of "2021 Top Ten Textile Innovative Products".

Being reliant on the existing R&D technology foundation, the Company is dedicated to breaking through the difficulties in industrial technologies and leading the innovation of the industry. In 2022, the Company will focus on introducing green products featuring recycled cottons, degradable materials, sewage dyeing technique, and Supercritical Fluids Dyeing technique, and submit patent applications for highlighted technologies such as antibacterial and antiviral, dazzling dyeing, and plant dyeing products.



Blue Eco-Mist, a fabric developed by Lu Thai with alkali-free, environmentally friendly dyeing process

Case Development of eco-friendly cotton fabric

Lu Thai has been dedicated to the development and application of the environmentally friendly products. Since the R&D phase of raw materials, we strive to make everything perfect. We actively develop green eco-friendly cottons and insist on protecting the ecological balance when developing products.

The Company developed antibacterial fabrics with functional cotton. By extracting organic raw materials from marine resources, such as kelp, seaweed, and shells, and combining with cotton fibers, we have produced the eco-friendly fabric with natural cotton characteristics, increased natural antibacterial and insulation functions. This very fabric is ecologically degradable and environmentally friendly as well.



Our own eco-friendly cotton fabric

Case Research and develop digital printing fabric of "making a good start" uniforms to make contribution to the Tokyo Olympics

In July 2021, the Chinese Olympic delegation wore the uniforms designed with the theme of "making a good start" and participated in the opening ceremony of the Tokyo Olympics. The uniforms themed "making a good start" symbolize the wishes and expectation for the Chinese Olympic athletes. The printed fabric of men's uniforms was designed and produced by Lu Thai Textile Co., Ltd.

The design of "making a good start" fabric was inspired by the graphic pattern of China's national flag which best represents China, reflecting the Chinese delegation's spirit of solidarity and fight for the motherland's honor. In order to highlight the warmth of red and the tolerance of yellow, and fully enhance the layering of the printing, the Company adopted the unique patent technology of polar white, selecting the exquisite white as the backdrop to make the five stars and ribbon patterns more glittering.

The fabric of "making a good start" uniforms was produced by digital inkjet printing with higher fineness than traditional screen printing, optimizing the color separation plate making and size making process. It also made the print on demand possible, reduced ink waste and lowered the COD value of printing and dyeing wastewater as well as wastewater chromaticity.

In terms of manufacturing technique, the fabric of "making a good start" uniforms was made by formaldehyde-free non-ironing technology, which overcame the defect of poor wrinkle resistance in cotton fabrics and retained its soft texture. Meanwhile, the formaldehyde-free fabric is safer and healthier for the wearer, and completely realized the combination of beauty, comfort, easy care and non-toxicity.

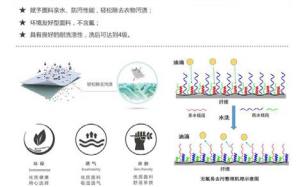


Lu Thai participated in the fabric design of the "making a start" uniforms for China's Olympic delegation

Case Develop fluorine-free decontamination fabric to fill the technical gap of domestic industry

Generally, white cotton fabrics have defects such as low whiteness, poor wrinkle resistance and poor stain resistance. Lu Thai, through researching and developing optimized techniques and putting them into effect, successfully designed and developed a block microcrystalline fluorine-free finishing agent for anti-stain, and developed easy decontamination and non-iron, resin one-bath short-process and low-temperature finishing technology. The two-way bridging effect of non-iron resin on decontamination finishing agent and cellulose molecules improved the decontamination grade and washing fastness, and solved the problem of decreased whiteness caused by conventional high-temperature treatment, realizing the green industrial production of short process.

The non-iron resin one-bath short-process and low-temperature finishing technology is supported by a number of independent intellectual property rights, which promoted the development of functional fabrics of white shirt. The fabrics produced by this technology have irreplaceable advantages in terms of whiteness value, easy decontamination, hydrophilicity and durability, and have been recognized by customers, industry partners and other stakeholders. According to China National Textile and Apparel Council, the technology has filled the gap in China and reached advanced international level, which has promoted the development and structural upgrading of China's textile industry.



Fluorine-free decontamination fabric

Sustainable Textiles

An increasing number of textile and garment enterprises have come to realize that product operation is crucial to the sustainable development of the earth and human beings. In this connection, a new trend is calling on the textile industry to develop recycled, harmless and green products. At Lu Thai, we are committed to providing consumers with green textiles that are sustainable, healthy and eco-friendly. Our company and TAL Apparel co-founded Lulian New Materials Co., Ltd. to develop and research green textiles from raw materials, technologies and products.

Raw material innovation

The Company improves the percentage of the use of biodegradable and recyclable raw materials to meet the new development concept of green vogue.

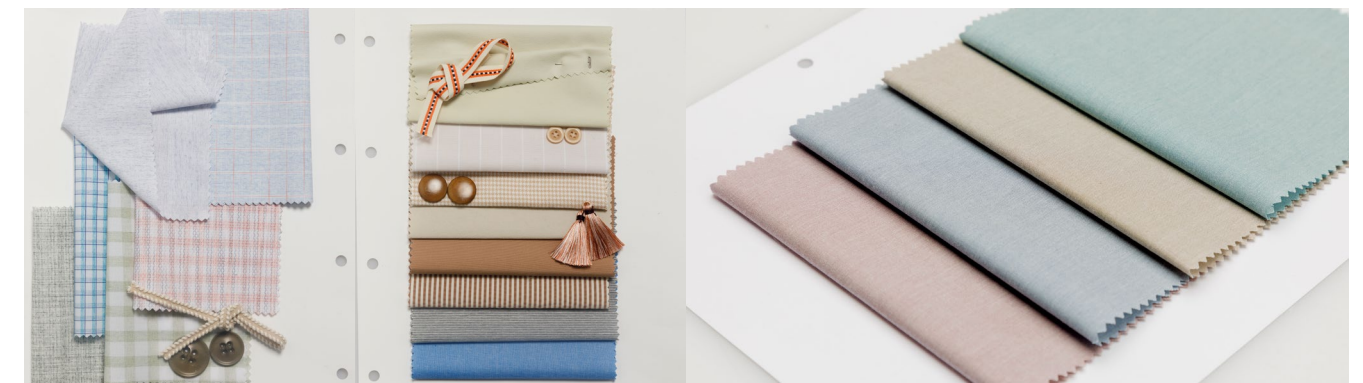
Technological innovation

We work hard to develop the application of energy-efficient and eco-friendly technologies to better achieve energy conservation and emission reduction.

Product innovation

The Company continues to explore innovative application solutions for the full life cycle of textile products, thus leading us in continuous innovation with efficient and sustainable materials and eco-friendly products.

Since its establishment, the Company has successfully developed a variety of materials featuring low energy consumption and low emissions, such as biomass functional fabrics, multi-color emission reduction fabrics, no-dye fabrics and so on. These materials give a strong boost to the development of low-carbon circular economy in textile industry.





Case

Development of Biomass Functional Fabrics

A growing number of environmentally-benign chemical products can be made from abundant biomass resources, which are green, renewable and sustainable. The great use of biomass fabrics expands the source of raw material for chemical fibers, and to some extent, relieves the dependence on petroleum resources. Biomass fibers made from these fabrics are ecological, green and recyclable.

At Lu Thai, based on biomass fibers SOLOTEX, SORONA, T400, PA56, PLA and other 100% biomass fiber woven fabrics and biomass fiber interwoven fabrics, we have developed a series of high-quality fabrics, which are eco-friendly, comfortable, elastic, non-ironing, moisture-absorbent, fast drying, anti-bacterial, deodorant and anti-ultraviolet. These versatile fabrics can be used as casual shirts, dynamic jeans, fashionable sportswear, as well as jackets, windbreakers and trousers. As we innovate and develop, consumers' demands for high-performance and multi-functional products has been met. In addition, the Company alleviates the textile industry's dependence on petroleum resources, and bolsters the momentum of the green, low-carbon and sustainable development of the textile industry.

The Company is not only committed to the growth of eco-friendly fabrics, but also actively cooperates with downstream buyers and industry partners to carry out product carbon footprint and water footprint inventory, improving the scale of carbon inventory and promoting sustainable development of textile industry.

Quality Management and Control

The Company attaches great importance to quality management and control of products, adheres to the principle of "quality is the most important element of enterprise survival and development", continues to introduce international advanced management concept and modes, and continuously improve capability of quality control and management. In 1995, the Company obtained the ISO9001 quality management system certification. In 2007, the Company began to introduce and implement the excellent performance management mode, and established the development concept of "quality is the foundation of an enterprise's life". With "meeting the needs of customers and the market, continuously improving and advancing in quality" as the Company's quality policy, the Company avoids the possible harm of products to personal safety and health, and is committed to providing safe, reliable, high-quality, and environment friendly products and services.

Indicator (Unit)	2019	2020	2021
Number of registered teams (team)	958	957	930
Promoter (person)	192	192	192
Number of participants (person)	10,959	9,901	9,163
Number of released sessions (session)	108	108	103
Number of released projects (project)	834	804	760

The Company continues to promote quality culture construction activities. Adhering to the principle of "quality is the foundation of the company and skill is the foundation of the business", the Company regularly organizes all departments and offices to carry out skill competition, excellent employee assessment, evaluation of quality improvement activities, QC team proposals and other activities every year, constantly strengthens the quality awareness of all employees, and establishes the atmosphere and concept of "quality first" throughout the Company.



Case

Spinnery actively improves quality control and carries out QC investigation project

Spinnery is the original yarn production unit of the Company. Since 2021, the yarn supply has been in short supply. In order to ensure that subsequent orders are fulfilled on time with high quality, the spinnery has continuously improved quality control and preservation maintenance, carried out optimization work from fine adjustment of equipment to process quantification and twist adjustment, and the employees have studied and improved step by step to successfully solve the long-standing problem of doffing and broken ends. In addition, the spinnery lays emphasis on and encourage scientific research innovation. It has already released 12 QC topics, and has set up a scientific research group that studies the application properties of equipment specifically.

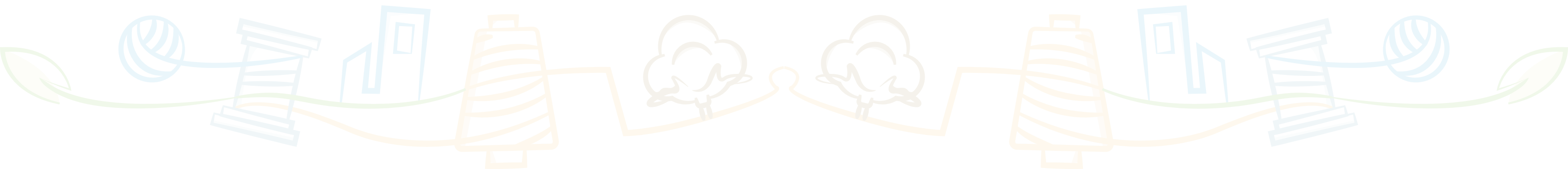
Customer Relationship Management

To promote the communication between the Company and customers and to know more about their needs, the Company actively carries out the customer relation maintenance. For existing customers, during the process of cooperation, the Company actively promotes the company's high-quality products and services, actively obtains customers' product needs, customizes customers' product development, and designs different exhibitions according to customers' markets and needs by visiting them and attending industry conferences, exhibitions and product recommendation meetings, so as to promote products better.

At the beginning of every December, the Company carries out customer satisfaction survey and issues questionnaires which include the contents about pre-sales consultation and information acquisition, research and development and design, product quality, delivery process, after-sales service, etc. The key survey subjects are strategic customers and valuable customers. The Company investigates the customer satisfaction and customer loyalty in all links of business transactions. According to the results of the investigation, the Company finally drafted a satisfaction report, whereby we knew our advantages and disadvantages in the process of cooperation and made specific improvement. In addition, the Company gives customers feedback in time, and fully meets customers' needs.



Business promotion meeting for clients



Environmental Protection Deepen Green and Low-carbon Development

With the national “peak carbon emissions and carbon neutrality” goals of 2030, green and sustainable development has become a general trend. New judgments are being formed at home and abroad around green development. New demand breeds new opportunities and new exploration calls for new cooperation. Committed to consultation, joint construction and shared benefits, and pursuing open, green and sustainable development, Lu Thai seeks to work with all parties to create high quality green textiles for the world. We continually strengthen resource conservation management, deepen environmental management, promote green production, and actively construct green factories and green ecosystem of textile economy, thus contributing to energy saving and carbon reduction as well as environmental management.

注重科技创新
驱动绿色制造
Placing emphasis on scientific and technological innovation
and driving green manufacturing

鲁泰 · 可持续行动

LUTHAI · SUSTAINABLE ACTION



UN Sustainable Development Goals

6 CLEAN WATER AND SANITATION



Ensure availability and sustainable management of water and sanitation for all.

13 CLIMATE ACTION



Take urgent action to combat climate change and its impacts.

15 LIFE ON LAND



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

7 AFFORDABLE AND CLEAN ENERGY



Ensure access to affordable, reliable, sustainable and modern energy for all.

14 LIFE BELOW WATER



Conserve and sustainably use the oceans, seas and marine resources for sustainable development.

Address Climate Change

Against the background of the industry’s high concern and advocacy for the early realization of the “carbon peaking and carbon neutrality” goals, Lu Thai accelerates the research and development of green products and vigorously promotes energy conservation and carbon reduction in production and operation. To response to the national policy of addressing climate change, we actively advance photovoltaic power generation project. At the end of 2021, the Company officially launched the rooftop photovoltaic project. It is expected to complete the grid-connected power generation in the middle of 2022. We subsequently plan to promote it in the Company’s industrial parks and subsidiaries to contribute to regional ecological and environmental protection construction.

In 2021, we conducted a SWOT analysis of carbon reduction action to identify and better tackle potential climate change risks and to lay the foundation for the company's future action strategy of “carbon peaking and carbon neutrality”.

Strengths

- The energy we use is mainly purchased from suppliers, avoiding the risk of stranding the assets of our own power plant and the risk of high carbon lock-in, and having the advantage of flexibility in the transition to "carbon neutrality".

Weaknesses

- Lack of proven engineering experience in the field of renewable energy generation or heat supply;
- Lack of experience in setting long-term carbon reduction targets and implementing such plans.

Opportunities

- New energy technologies are developing, green electricity is entering the age of parity and the trend towards decarbonization of electricity is accelerating.
- Upstream low-carbon new materials are gaining popularity in the capital market. If we can set up low-carbon raw material resources such as bio-based materials and recycled materials as soon as possible, we will have an advantage in long-term competition.

Threats

- In the case of little disclosure of carbon emission information, or if the trend of carbon emission deviates from the goals of downstream branded customers, enterprises may face the risk of being replaced.
- Under the background of “dual carbon” and “control over energy consumption intensity and total energy consumption”, there may be power and production restrictions. Enterprises with low energy self-sufficiency and high energy consumption index have more long-term risks.

We are actively conducting research on carbon reduction action strategies. We will continually refine the Company's carbon emission management measures by increasing green power procurement, adjusting energy consumption structure and increasing cooperation on low-carbon technology research in the supply chain, so as to gradually achieve the Company's goal of "carbon neutrality".

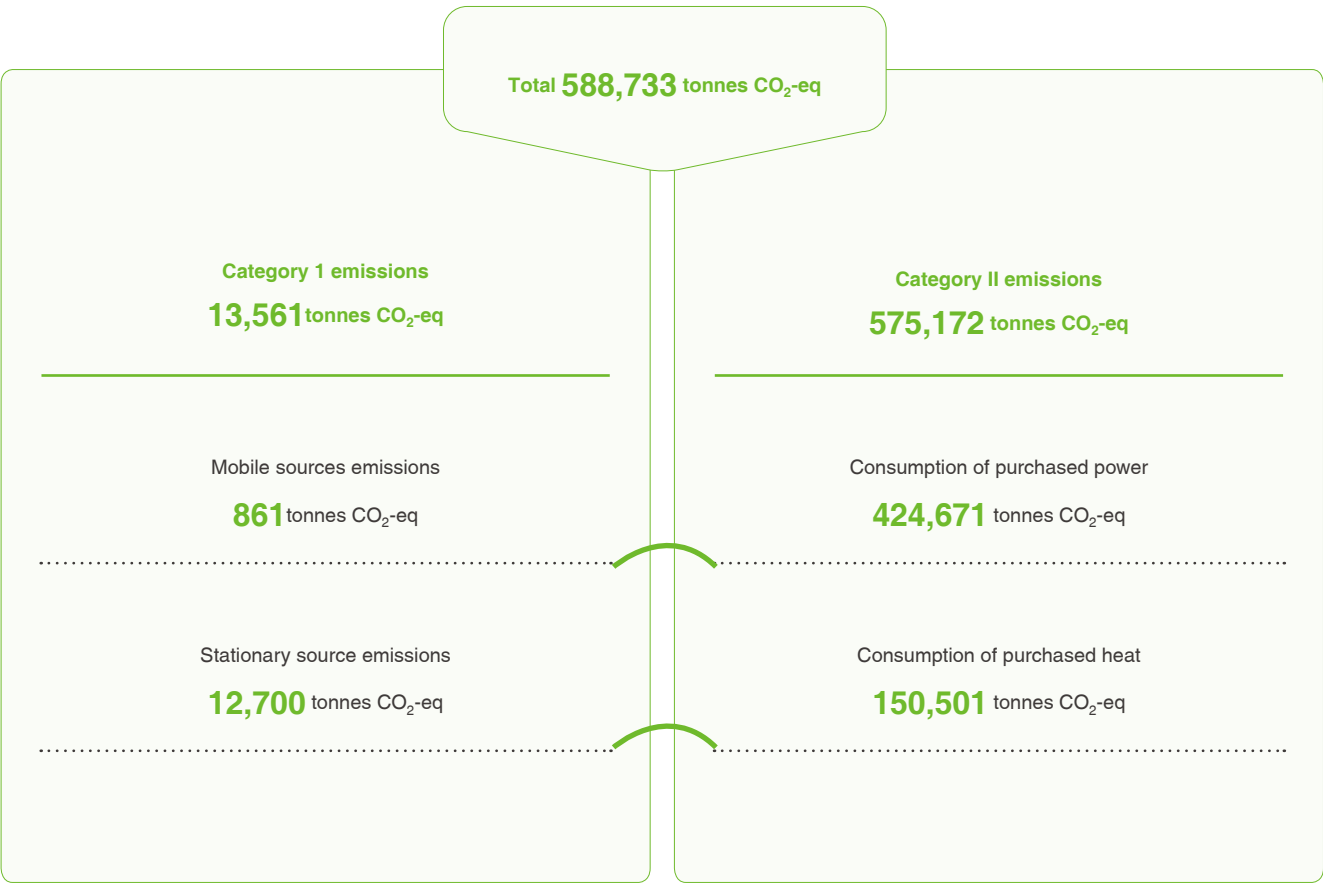
Energy Management

Upholding the principal principle of "promoting total resource conservation and recycling", Lu Thai comprehensively promotes energy conservation and creates a green resource-saving and environment-friendly enterprise actively.

In 2021, the Company continued to promote the work of energy conservation and emission reduction, developed construction of measurement management system, promoted the construction of on-line systemic detection system for energy, ensured the rationality and authenticity of the statistics of energy consumption data, and achieved comprehensive information monitoring of energy consumption data. The Company continues to promote the application of frequency conversion magnetic levitation technology, and improves the utilization efficiency of waste heat and waste temperature, and carries out improvements in various projects such as gas-saving, water-saving and waste heat recovery in knitting and weaving, dyeing and finishing and other operating processes by optimizing the existing system to formulate new regulations, improving technology and making new drawings, etc. The Company has performed a large-scale transformation of the co-generation of heat and power on the existing factory buildings, dormitories and other existing buildings. The cumulatively transformed heating area is more than 200,000 square meters. This transformation has effectively reduced the energy loss in energy transmission, improved the effective load of the equipment and improved the overall energy utilization efficiency of the Company.

The statistics system of energy consumption

- The main sources of electric power consumption are frequency conversion equipment, LED lamps, energy-saving blowers and other facilities and equipment.
- Heat energy mainly comes from waste heat recovery, condensate water recovery, etc.
- Natural gas mainly comes from gas waste heat recovered by low nitrogen combustion equipment and the gas waste heat recovery by flue gas waste heat recovery equipment.



Water Resources Management

Water conservation

Lu Thai actively carries out water resources management, and devotes to reducing its wastewater discharge and increasing water recycling. The Company has established a long-term mechanism for water conservation, formulated plans for unit water consumption and annual conservation, assigned and implemented water conservation goals to each section and working team and clarified responsibilities for all levels. The Company strictly implements the water conservation system of "synchronization on three levels" and "fulfillment on four levels" in project construction, reconstruction and extension to ensure that the project subjects and conservation measures are designed, constructed and put in use synchronously, and the water utilization units fulfill their plans, goals, measures and management systems for water conservation.

The Company encourages all production departments to actively carry out water-saving technique innovation, to attach importance to and research on "less water and even no water" production technology as a key target, to implement techniques such as half-cylinder dyeing, overflow dyeing, small bath ratio dyeing; constantly increase investment on water recycling and reuse projects to further promote and guarantee the future development of water recycling.

The Company actively carries out the construction of recycled water reuse projects, and, through employing professional talents, increasing investment, and strengthening control measures, has overcome technical problems of dealing with wastewater with high COD, that with high chroma and membrane pollution, and realized the complete treatment and large-scale reuse of wastewater. The Company has, in cooperation with expert team of Donghua University, developed the high-throughput wastewater treatment technology with durable membrane for printing and dyeing wastewater filtration, which effectively reduces the COD concentration and maintains the water production rate of filtered recycled water above 65%. The use of the technology has achieved positive influence on improving regional natural resources and environment, alleviating water supply constraints in the basin, and avoiding water pollution, and has played a leading role and good example for sustainable development in the industry.

In 2021, the Company won the title of "Benchmarking Enterprise of Water Conservation of the Year 2021 in Shandong Province", being the only textile enterprise among the 13 awarded enterprises.

Wastewater management

The Company has continued to upgrade its available sewage treatment facilities, and adopted USAB four-step methods to handle desizing wastewater alone. Compared with the traditional processing technique of hydrolysis and acidification, this approach is more efficient than the treatment of sewage of high-concentration COD, relieves the load shock to treatment system brought by water of high-concentration COD, and lowers systemic risks for the system in the meantime. In 2021, the release of COD in sewage discharge of the Company totaled 345 tons, while ammonia nitrogen emissions registered 8 tons, reducing 1% and 11% respectively year on year.

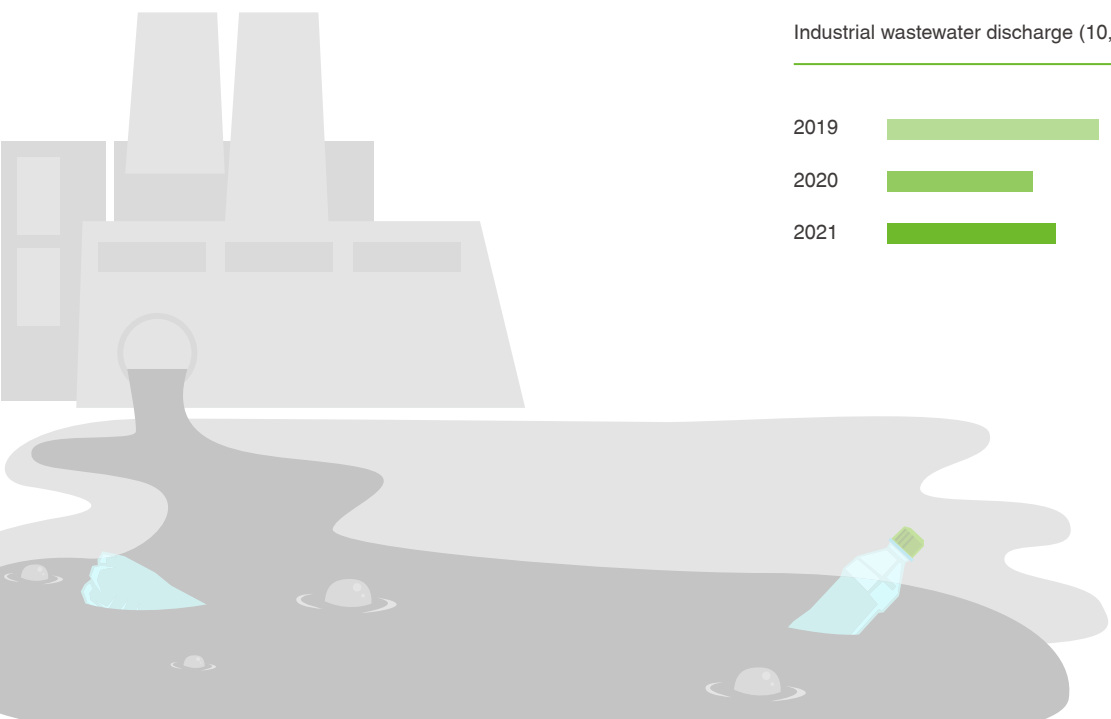
The volume of COD emissions in wastewater discharge (ton)



The volume of ammonia nitrogen emissions in wastewater discharge (ton)



Industrial wastewater discharge (10,000 cubic meters)



Case | A themed activity hosted by the Company

On June 4, 2021, the World Environment Day and the 34th anniversary of the Company, it carried out a theme activity, which included more than 30 environmental liaison employees and other workers from different departments. Attendees studied in detail the processing of wastewater from production and daily activities, the production of reclaimed water and the indicators. In addition, they accomplished cleanup in Zhangxianghu Wetland Park.



A themed activity hosted by the Company

Atmospheric Pollutant Management

The Company actively takes measures to deal with air pollutants, strived to reduce exhaust emissions during production, and minimized the environmental burden to the society caused by production operations. All the gas boilers in the factories were modified with low nitrogen combustion technology, which effectively reduced nitrogen oxide emissions. By the end of 2021, the Company had fully achieved the centralized collection and treatment of exhaust emissions from fabric finishing process, and will further reduce exhaust gas emissions in the future.

Waste Management

The Company strives to manage waste classification and statistical work, and carries out hazardous waste identification according to the Directory of National Hazardous Wastes. The main hazardous wastes generated in the production operations of the Company include waste oil, waste oil barrels, waste paint buckets, waste detergent barrels, liners contaminated by chemical dyes, waste lead-acid batteries, laboratory waste liquid, etc.; the main non-hazardous wastes brought by the production operations is the sludge. The Company constructed hazardous waste storage facilities in strict accordance with the requirements of Standard for Pollution Control on Hazardous Waste Storage, and signed contracts with qualified hazardous waste disposal companies that were responsible for the transfer and disposal of all the hazardous wastes.

Hazardous waste generation (ton)



Non-hazardous waste generation (sludge) (ton)



Community Engagement

Strive to Be an Excellent Corporate Citizen

The Company adheres to the mission of "creating wealth, contributing to the society, clothing the world and weaving our way to every corner of the globe". On the basis of creating corporate benefits, promoting the growth of employees, solving employment problems and creating tax revenue, the Company actively undertakes social responsibilities, supports public welfare undertakings, strives to create harmonious public relations, and practices the responsibilities and obligations of corporate citizenship with practical actions.



UN Sustainable Development Goals

1

NO POVERTY

End poverty in all its forms everywhere.

3

GOOD HEALTH AND WELL-BEING

Ensure healthy lives and promote well-being for all at all ages.

11

SUSTAINABLE CITIES AND COMMUNITIES

Make cities and human settlements inclusive, safe, resilient and sustainable.

2

ZERO HUNGER

End hunger, achieve food security and improved nutrition and promote sustainable agriculture.

4

QUALITY EDUCATION

Ensure inclusive and equitable quality education and promote lifelong opportunities for all.

Contribute to Community Development

In the process of global operation and development, Lu Thai always keeps in mind the corporate mission of "creating wealth and contributing to the society", realizes value in developing economy and serving society, and shares development achievements with society. The Company attaches great importance to the construction of social responsibility, actively participates in the textile industry association and various chambers of commerce in the country where it is located, promotes the development of the local industry, provides a good working environment to build harmonious labor-capital relations, increases local employment, and contributes to the local economic development and the improvement of people's living standards.

The Company always keeps in mind give back to society, and vigorously supports the development of community infrastructure. We funded the construction of Lu Thai Stadium, Lu Thai Avenue in Zibo City, Lu Thai Cultural Road, Lu Thai Wenyuan, the zoo and other parks that are open to the public in Zichuan District, so as to provide employees and citizens with places for leisure, sports, culture and entertainment activities and promote the harmonious development of the community.

Case Assist economically weak villages

Lu Thai actively helps needy people in their daily life, providing material supplies to 48 families in need.



Helping needy households

Lu Thai has always attached great importance to the communication with the local community where the factory is located since it began to build it in Southeast Asia in 2014. All factories of the Company are located in industrial parks set up by the local government, and there is no risk of land disputes and community conflicts.

In the process of overseas operations, the Company actively carries out local procurement. For locally purchased products with obvious price advantages and logistics advantages, the Company gives priority to local products to promote the development of local economy. The Company actively hires local employees to provide sufficient jobs for the local area. The Company establishes overseas factories and employs local employees. It provides employees with regionally competitive salary and a working environment beyond the local average level, and provides a sound salary and welfare system and career promotion channels. It also vigorously promotes local managers, and provides local people with jobs while bringing broader career prospects. Transcontinental Textile Co., Ltd. has created 3,400 jobs in Vietnam, with Vietnamese nationals accounting for 94.4% of its workforce by the end of 2021. Since the establishment of the factory in Vietnam in 2015, Lu An Garments Co., Ltd. has established a stable recruitment channel based on the principle of "friendship, mutual benefit and win-win". It has established contract employment relationship with 5,293 people and created more than 2,000 jobs. In 2021, Lu An Garments has recruited 1,454 employees and trained them all.



Overseas subsidiary carrying out employee capacity-building activity



Employees working in overseas subsidiary

Welfare and Charity Actions

Adhering to the concept of humanist care paramount, Lu Thai always pays attention to social welfare undertakings earnestly and insists on rewarding and benefiting the society while increasing the revenue for the Company and income for employees. For years, the Company has spent more than RMB500 million in social welfare undertakings such as "helping the impoverished, supporting education, donating money to schools, honoring the elderly, community support and environmental protection".

Every year, Lu Thai's Trade Union organizes all subordinate companies and employees to carry out a One-Day Donation Showing Benevolence activity, bringing together the strength of the whole company to set a role model for the industry and give love to vulnerable groups. In 2021, through the One-Day Donation Showing Benevolence activity, Lu Thai donated a total of RMB5.2 million. The donation recipients included Veteran Cadre Activity Center of Shandong Province, Donghua University Education Development Foundation, and Shandong University of Technology, and the Chairman of the Company personally donated RMB1 million to the Centenarians Project in Zichuan District to help vulnerable groups, support the development of industrial education and comprehensively improve the Company's construction work of corporate social responsibility.

Case The Chairman, Liu Zibin, visited the elderly at the Double Ninth Festival

From October 11 to 13, 2021, with the Double Ninth Festival around the corner, Liu Zibing, the Chairman and President of the Company, paid a visit to the centenarians and the senile elderly in Zichuan District, giving the elderly festival greetings, good wishes and festival cash gift. He kindly asked the elderly about their daily life, health condition, medical insurance and children's work, etc., and brought warmth to the heart of the elderly.



Chairman Liu Zibin visited the senior elderly

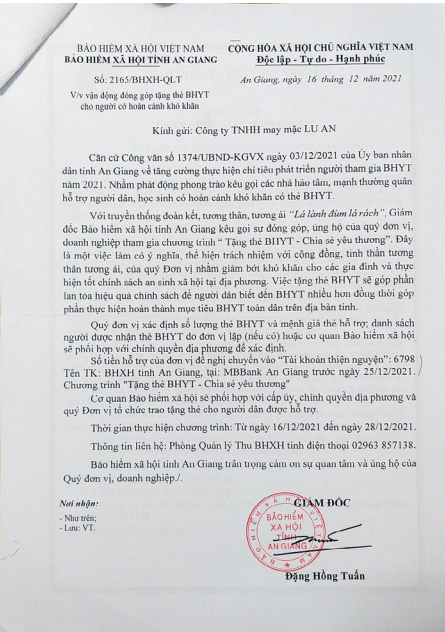
Case The School Opening Ceremony of Lu Thai Youth Top Class and the Granting Ceremony of “Lu Thai Textile Scholarship”

Firmly believing that talent cultivation is the root of a country, Lu Thai continuously deepens the cooperation between schools and the Company to establish effective ways of new models for cultivating talents in vocational education. Lu Thai has joined hands with College of Textiles and Clothing of Qingdao University to establish Lu Thai Youth Top Class to cultivate talents and bring fresh graduates for the development of the Company.

On October 9, 2021, the school opening ceremony of Lu Thai Youth Top Class and the granting ceremony of “Lu Thai Textile Scholarship” of grade 2021 was held in Lu Thai Academy, with 37 outstanding teachers and 117 excellent students receiving annual recognition awards.



The granting of scholarships for Lu Thai Youth Top Class



The donation certificate showing that overseas subsidiary made a donation to the local social security bureau of Vietnam



Overseas subsidiary gave presents to local children on Children's Day

Key Performance Report

Economic Performance

Indicator (Unit)	2019	2020	2021
Revenue (RMB100 million)	68.01	47.51	52.38
Payments to contractors and service providers (RMB100 million)	3.94	3.50	2.49
Total employee remuneration (including compensation and benefits) (RMB100 million)	16.90	14.27	14.41
Payments to capital providers (RMB100 million)	5.21	1.69	1.4
Payments to the government (RMB100 million)	6.5	3.69	3.27
Retained economic value (RMB100 million)	9.03	0.45	2.66

Environmental Performance

Data related to Wastewater and Sewage

Indicator (Unit)	2019	2020	2021
COD (Chemical Oxygen Demand) in discharged wastewater (ton)	572	349	345
Ammonia nitrogen content in discharged wastewater (ton)	24	9	8
Industrial wastewater discharge (10,000 cubic meters)	444	305	353

Air Pollutant Emissions

Indicator (Unit)	2019	2020	2021
Sulfur dioxide in emitted exhaust gas (ton)	1	1	1
Nitrogen oxides in emitted exhaust gas (ton)	11	7	6

Waste Discharge

Indicator (Unit)	2019	2020	2021
Hazardous waste generation (ton)	56	51	44
Non-hazardous waste generation (sludge) (ton)	20,912	14,552	15,083

Greenhouse Gas Emissions

Indicator (Unit)	2019	2020	2021
Mobile sources emissions (tons of carbon dioxide equivalent)	1,079	692	861
Stationary source emissions (tons of carbon dioxide equivalent)	12,115	9,931	12,700
Category 1 emissions (tons of carbon dioxide equivalent)	13,194	10,624	13,561
Consumption of purchased power (tons of carbon dioxide equivalent)	484,748	361,897	424,671
Consumption of purchased heat (tons of carbon dioxide equivalent)	167,193	130,325	150,501
Category II emissions (tons of carbon dioxide equivalent)	651,941	492,223	575,172
Total (tons of carbon dioxide equivalent)	665,135	502,846	588,733

Energy Consumption Density

Indicator (Unit)	2019	2020	2021
Greenhouse gas emission density (tons of carbon dioxide equivalent per million revenue)	1,032.2	1,090.5	1,154.6
Total energy emission density (tons of standard coal per million revenue)	167.5	179.6	190.5

Human Resources

Protection of Employees' Rights and Interests

Indicator (Unit)	2019	2020	2021
Employment contract signing rate (%)	100	100	100
Social insurance coverage (%)	100	100	100
Signing rate of collective bargaining agreement (%)	100	100	100
Number of female employees with parental leave during the year (person)	1,256	949	695
Number of male employees with parental leave during the year (person)	265	162	113

Employee Diversity

Indicator (Unit)	2019	2020	2021
Employee diversity			
Total number of incumbent employees (person)	26,413	22,583	22,632
Total number of male employees (person)	11,622	9,845	9,593
Proportion of male employees (%)	44	44	42
Total number of female employees (person)	14,791	12,738	13,039

Indicator (Unit)	2019	2020	2021
Proportion of female Employees (%)	56	56	58
Employee age			
Total number of employees aged under 30 (person)	14,527	11,009	10,520
Proportion of employees aged under 30 (%)	55	49	47
Total number of employees aged above 31 (person)	11,886	11,574	12,112
Proportion of employees aged above 31 (%)	45	51	53
Education level of employees			
Bachelor or above (person)	1,245	1,411	1,336
Junior college (person)	5,151	4,641	4,576
High school or below (person)	20,017	16,531	16,720
Nationality			
China (%)	64	63	56
Burma (%)	5	5	5
Vietnam (%)	22	23	29
Cambodia (%)	9	9	10

Employee Turnover

Indicator (Unit)	2019	2020	2021
Total number of new employees (person)	6,335	3,969	6,081
Employee turnover rate	20	20	19

Employee Training

Indicator (Unit)	2019	2020	2021
Training participants (person)	26,413	22,583	22,632
Average training hour (hour)	56	46	47
Training coverage rate (%)	100	100	100

GRI Standards Index

Disclosure	Content	Page Number
101	Foundation	1
Organizational profile		
102-1	Name of the organization	6
102-2	Activities, brands, products, and services	6
102-3	Location of headquarters	Back cover
102-4	Location of operations	6-7
102-5	Ownership and legal form	6
102-6	Markets served	6-7
102-7	Scale of the organization	6-7,65-66
102-8	Information on employees and other workers	18-19,66-67
102-9	Supply chain	33
102-11	Precautionary Principle or approach	19-20,29
102-12	External initiatives	13
102-13	Membership of associations	12-13
Strategy		
102-14	Statement from senior decision-maker	4-5
102-15	Key impacts, risks, and opportunities	56
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	16,21
102-17	Mechanisms for advice and concerns about ethics	21,40
Governance		
102-18	Governance structure	17
102-21	Consulting stakeholders on economic, environmental, and social topics	12
102-22	Composition of the highest governance body and its committees	17-19
102-23	Chair of the highest governance body	19
102-24	Nominating and selecting the highest governance body	17-18

Disclosure	Content	Page Number
102-26	Role of highest governance body in setting purpose, values, and strategy	18
102-27	Collective knowledge of highest governance body	19
102-29	Identifying and managing economic, environmental, and social impacts	17-18
102-30	Effectiveness of risk management processes	18
102-35	Remuneration policies	18
102-36	Process for determining remuneration	18
102-37	Stakeholders' involvement in remuneration	18,39,41
Stakeholder engagement		
102-40	List of stakeholder groups	12
102-41	Collective bargaining agreements	39
102-43	Approach to stakeholder engagement	12
102-44	Key topics and concerns raised	12
Reporting practice		
102-45	Entities included in the consolidated financial statements	7
102-47	List of material topics	12
102-50	Reporting period	1
102-52	Reporting cycle	1
102-53	Contact point for questions regarding the report	Back cover
102-54	Claims of reporting in accordance with the GRI Standards	1
102-55	GRI content index	68
Economic		
GRI 201: Economic Performance		
201-103	Management approach disclosures	6-7
201-1	Direct economic value generated and distributed	6,65
201-2	Financial implications and other risks and opportunities due to climate change	56
GRI 203: Indirect Economic Impact		
203-103	Management approach disclosures	62-63

Disclosure	Content	Page Number
203-1	Infrastructure investments and services supported	62-64
203-2	Significant indirect economic impacts	39,62,65
GRI 204: Procurement Practices		
204-103	Management approach disclosures	21,33
GRI 205: Anti-Corruption		
205-103	Management approach disclosures	21
205-2	Communication and training about anti-corruption policies and procedures	21
GRI 206: Anti-competitive Behavior		
206-103	Management approach disclosures	19-20
Environmental		
GRI 301: Materials		
301-103	Management approach disclosures	50-52
GRI 302: Energy		
302-103	Management approach disclosures	56-57
302-3	Energy intensity	66
GRI 303: Water		
303-103	Management approach disclosures	58-59
303-1	Interactions with water as a shared resource	58
303-2	Water sources significantly affected by withdrawal of water	58
303-4	Water discharge	58,65
GRI 305: Emissions		
305-103	Management approach disclosures	57,59
305-1	Direct (Scope 1) GHG emissions	57,66
305-2	Energy indirect (Scope 2) GHG emissions	57,66
305-4	GHG emissions intensity	66
305-5	Reduction of GHG emissions	57,66
305-7	Nitrogen oxides (NO _x), sulfur oxides (SO _x), and other significant air emissions	59,65

Disclosure	Content	Page Number
GRI 306: Effluents & Waste		
306-103	Management approach disclosures	58-59
306-1	Water discharge by quality and destination	58,65
306-2	Waste by type and disposal method	59,65
GRI 308: Supplier Environmental Assessment		
308-103	Management approach disclosures	33
Social		
GRI 401: Employment		
401-103	Management approach disclosures	38-42
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	39
401-3	Parental leave	41,66
GRI 403: Occupational Health and Safety		
403-103	Management approach disclosures	21,28-29,38
403-1	Occupational health and safety management system	28-32,38
403-2	Hazard identification, risk assessment, and incident investigation	28-32,38
403-3	Occupational health services	38
403-5	Worker training on occupational health and safety	29-31
403-6	Promotion of worker health	38
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	38
403-8	Workers covered by an occupational health and safety management system	29-31,39
403-10	Work-related ill health	38
GRI 404: Training and Education		
404-103	Management approach disclosures	42-43
404-1	Average hours of training per year per employee	41,43,67
404-2	Programs for upgrading employee skills and transition assistance programs	43-45
GRI 405: Diversity and Equal Opportunity		
405-103	Management approach disclosures	41-42

Disclosure	Content	Page Number
405-1	Diversity of governance bodies and employees	40,66-67
GRI 406: Non-Discrimination		
406-103	Management approach disclosures	39
GRI 407: Freedom of Association and Collective		
407-103	Management approach disclosures	39-40
GRI 408: Child Labour		
408-103	Management approach disclosures	39
GRI 409: Forced or Compulsory Labour		
409-103	Management approach disclosures	39
GRI 411: Indigenous Rights		
411-103	Management approach disclosures	39,62
GRI 412: Human Right Assessment		
412-103	Management approach disclosures	39-40
GRI 413: Local Communities		
413-103	Management approach disclosures	39
413-1	Operations with local community engagement, impact assessments, and development programs	34-35,62
GRI 414: Supplier Social Assessment		
414-103	Management approach disclosures	12,33
GRI 415: Public Policy		
415-103	Management approach disclosures	4-5,58
GRI 416: Customer Health and Safety		
416-103	Management approach disclosures	31-32
GRI 419: Socioeconomic Compliance		
419-103	Management approach disclosures	19-21

Feedback

Dear readers

Thank you for reading our sustainability report. In order to improve the quality of the report, and improve our ESG management, we sincerely hope to listen to your opinions and suggestions and choose the following ways to give us feedback:

Mailing Address: No.81, Songling East Road, Zichuan District, Zibo City, Shandong Province

Telephone: 0533-5188888

Your Information

Name:_____

Contact Tel: _____

Organisation:_____

Title: _____

Fax: _____

E-mail: _____

Choice(Please mark √ in the corresponding position)

Content	Very good	Good	Fair	Poor	Very poor
This report provides a complete and accurate description of the significant economic, social and environmental impacts of Luthai Textile.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
This report responds to and discloses information about the concerns of stakeholders.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The information, indicators and data disclosed in this report are clear, accurate and complete.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
This report is easy to read, i.e. its structure, content, wording and layout are well designed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Opening questions

- 1.What do you like the most of this report?
- 2.What other information do you think that should be included in this report?
- 3.What are your suggestions that how we can better prepare our sustainable development progress report in the future?

You can scan the QR code for quick feedback to us:





Lu Thai Textile Co., Limited

Address: No.81, Songling East Road, Zichuan District, Zibo City, Shandong Province

Telephone: 0533-5188888

<http://www.lttc.com.cn>

