



Lu Thai Textile Co., Ltd.
Social Responsibility Report
2020

March 2021

Lu Thai Textile Co., Ltd.

Social Responsibility Report

2020

Overview

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.

Time Period

The time period is from January 1, 2020 to December 31, 2020. Considering the continuity and comparability of the information disclosure, the disclosure time of partial information may be accordingly subject to advance or postponing.

Reporting Period

The report is an annual report.

Reporting Scope

This report is made to mainly disclose the Company's fulfillment of its social responsibility in the year 2020, and partially covers the data of related subsidiaries.

References

China Social Compliance 9000 for Textile & Apparel Industry (CSC9000T)
Social Responsibility Management System (SA8000)
The 2030 Agenda for Sustainable Development (A/RES/70/1)

Language Version

This report has been prepared in both Chinese and English. If there is any discrepancy, the Chinese version shall prevail.

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魯泰集團
LUTHAI GROUP

WORLD FIRST-CLASS AND CENTURY LUTHAI



Chapter 1 General Information

- Company Profile
- Culture and Philosophy
- Main Business Performance

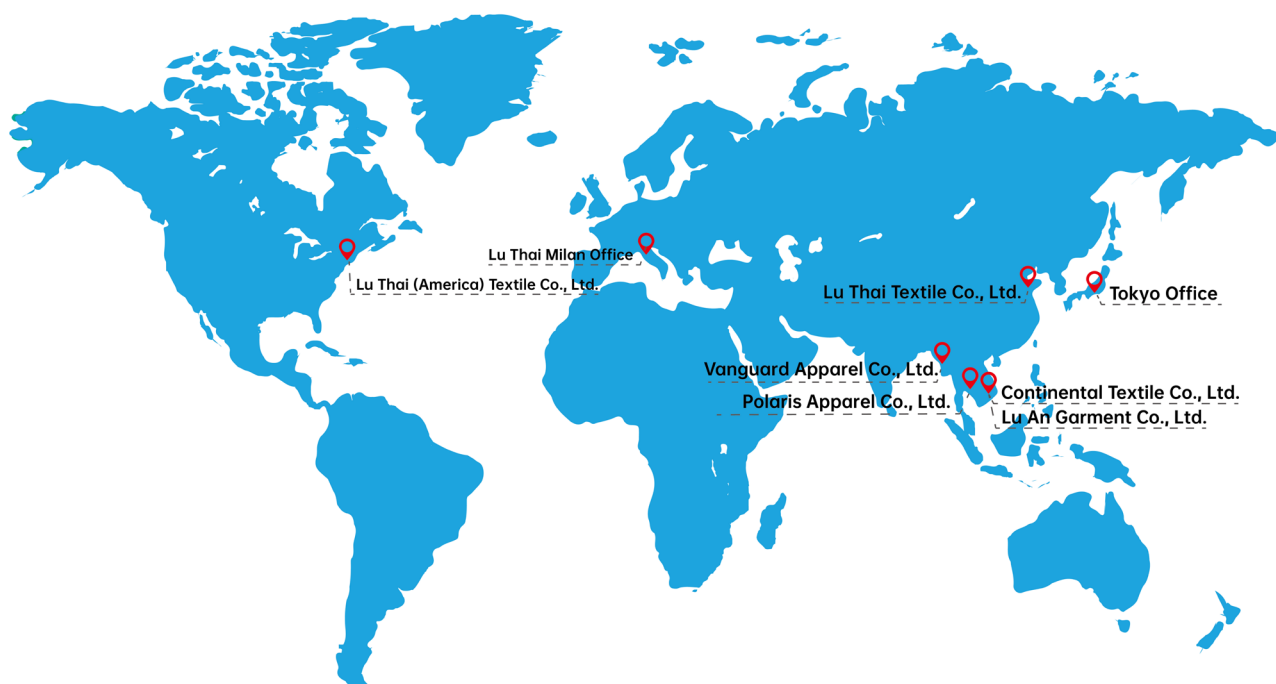
(I) COMPANY PROFILE

Lu Thai Textile Co., Ltd. has already become the largest world-renowned manufacturer for high-grade yarn dyed fabric and premium-brand shirts, and established the complete industrial chain ranging from spinning, dyeing & printing, garment making to brand marketing. Besides, the Company has also set up 14 holding subsidiaries, 3 offices and over 40 manufacturing factories in 8 countries, including China, U.S.A., Italy, Japan, India, Vietnam, Cambodia and Burma etc. as an internationalized textile and garment enterprise integrating R&D, design, manufacturing and marketing service with the focus on the industrial chain integration and comprehensive innovation.

At present, Lu Thai has 700,000 spindles and 102,000 yarn spindles, and annual capacity of yarn dyed fabric of 220 million meters, printed and dyed fabric of 90 million meters and 30 million shirts. Since 2019, the Company has manufactured new functional fabric and knitted fabric. 60% of the Company's products were sold to more than 60 countries and regions such as the US, Europe and Japan. It has established strategic partnership with renowned brand owners at home and abroad.

The Company's production and business operation performance have always ranked among the best in the nationwide textile industry. The Company has been authenticated to be a high-tech enterprise, national industrial design center, national enterprise technical center and laboratory identified by CNAS. It has won various honorary titles such as National May First Labor Medal, Prize for Outstanding Contribution in Chinese Philanthropy, National Quality Award, China Grand Awards for Industry and Single Champion Demonstration Enterprise in the Manufacturing Industry.

Lu Thai has been upholding the philosophy of green, environmentally friendly and sustainable development, and manufacturing healthy and environmentally friendly textiles for the world.



(II) CULTURAL PHILOSOPHY

Mission: Creating Wealth, Contributing to Society. Providing Fabric and Shirts for the World

Creating Wealth, Contributing to Society:

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.

Providing Fabric and Shirts for the World:

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 First-class and Century Luthai

From the perspective of space:

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.

From the angle of time:

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: Human-orientated, Precise and Scientific, Customer-focus, Win-win from Integrity

Human-orientated:

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.

Precise and Scientific:

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.

Customer-focus:

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.

Win-win from Integrity:

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.

(III) MAIN BUSINESS PERFORMANCE

Currently, Lu Thai Textile Co., Ltd. has possessed the total assets of RMB 12.130 billion and the net assets of RMB 8.093 billion. The Company's production and business operation performance have always ranked among the best in the nationwide textile industry. In 2020, due to the impact of COVID-19, it manufactured textile fabric of 188 million meters and 18.89 million shirts. In 2020, the Company recorded the operating revenue of RMB 4.751 billion and the net profit attributable to shareholders of the listed company of RMB 97 million, representing a year-on-year decrease of 30.14% and 89.78% respectively.




Chapter 2

Sustainable Development Management

- Social Responsibility Management
- Business Ethics and Integrity
- Communication with and Response to Stakeholders


Sustainable Development Goals (SDGs) of the United Nations

8 DECENT WORK AND ECONOMIC GROWTH



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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Building disaster-resilient infrastructure for inclusive and sustainable industrialization and innovation.

17 PARTNERSHIPS FOR THE GOALS



Strengthening means of implementation and revitalizing the global partnership for sustainable development.

(I) SOCIAL RESPONSIBILITY MANAGEMENT

1. Social Responsibility Strategy

In the past 30 years, Lu Thai Textile Co., Ltd. actively fulfilled its social responsibility, consistently adhered to the development idea of green, environmental protection and sustainable development and devoted to producing healthy and environmental-friendly textiles for the world and promoting the sustainable development of economy, society and ecological environment.

In order to strengthen the enterprise's social responsibility management, Lu Thai Company has combined the new situation of economic development with that of social development, and worked out the social responsibility and sustainable development strategy of Lu Thai Textile Co., Ltd. based on previous social responsibility practice and achievements. With "World-class Lu Thai with A Long History of 100 Years, People First, Scientific Management, Law Abiding, Harmonious Development, Working Hard, Pursuit of Excellence, Creating Wealth and Contribution to the Society" as the policy, the social responsibility and sustainable development strategy has taken environmental protection, sustainable development and care for the society into consideration.

2. Construction of Social Responsibility System

In order to guarantee the effective implementation of social responsibility strategy, the Company has established and improved the social responsibility-related system according to applicable laws, regulations and related international standards so as to guarantee that the Company's operation can produce positive influence on the ecological environment, the society and other interested parties and boost the sustainable development of the Company, the society and the environment.

The social responsibility performance team consisting of senior executives, major department heads and labor representatives shall serve as the Company's highest management organization in charge of the Company's social responsibility management. The team will convene and hold a meeting semiannually for preparing the social responsibility system documents, researching and reviewing major matters in relation to the Company's social responsibility work, managing, coordinating and discussing the social responsibility fulfillment of related parties including various departments and suppliers and the specific execution of applicable standards, urging the implementation of social responsibility performance inspection and taking actions to eliminate hidden problems, in which way, the Company's social responsibility management can be institutionalized and normalized, and the harmonious and sustainable development between the enterprise and the envi-

environment/society can be ensured.

With the steady advancement of the Company's comprehensive internationalization strategy, the Company has also made the social responsibility system construction of overseas factories an important part of its development, earnestly fulfilled its social responsibilities, listened to the voices of all walks of life, built a good relationship with related parties, and achieved good social benefits.

The Company has always paid attention to the return on investment of shareholders. From the listing in 1997 to 2020, through the issuance of B shares and the additional issuance of A shares and A share convertible bonds, a total of RMB 3.360 billion was raised. Since its listing, the Company has realized an accumulative net profit of RMB 10.721 billion. As it insists on cash distribution every year, the total cash distribution amounts to RMB 5,165 billion with the cash distribution rate at 48.18%, which is 1.51 times of the accumulated raised funds.



(II) BUSINESS ETHICS AND INTEGRITY

1. Adhere to the Compliance Operation

The Company 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". As the Company adheres to the principle of honesty, law-abiding and compliance management, it has perfected the credit management mechanism, and established a credit management system involving society, customers, partners and suppliers, employees, shareholders and other related parties; by means of the propaganda of corporate culture, publicity and education training, inspection and supervision of employees' behaviors and other measures, the Company continues to guide employees to abide by ethical standards, improve their moral accomplishment, establish the law-abiding social image, ensure the value of integrity, and promote ethical behaviors.

2. Intellectual Property Protection

Intellectual property rights provide a strong support for the Company's development, and it is the magic weapon for the Company to compete in the domestic and foreign markets. Lu Thai has always attached great importance to the protection of intellectual property rights. Therefore, the Company continues to optimize the intellectual property system, sets up the intellectual property and patent protection team, establishes various trademark management regulations and patent application management procedures, fights against any infringement of trademark, rights patent rights and copyrights etc., improves the overall operational efficiency of intellectual property protection and propels its innovation and development by virtue of its intellectual property rights. After more than 30 years of development, Lu Thai has indeed turned a page for its protection of intellectual property rights.

MORAL CONDUCT AND RESULTS

| Objects | Indicators | 2018 | 2019 | 2020 |
|---|--|-------------------------------------|-------------------------------------|-------------------------------------|
| Senior Leaders | Quantity of Non-conformance Events | 0 | 0 | 0 |
| Middle-level Cadres and Related Functions | Quantity of Non-conformance Events | 0 | 0 | 0 |
| | Legal Tax Payment (%) | 100 | 100 | 100 |
| | Quantity of Uncivilized Events | 0 | 0 | 0 |
| Employee | Popularization rate of Professional ethics education for employees (%) | 100 | 100 | 100 |
| | Quantity of Violations against code of ethics | 0 | 0 | 0 |
| Shareholders | External audit results | Standard unqualified audit opinions | Standard unqualified audit opinions | Standard unqualified audit opinions |
| Communities | Quantity of immoral events influencing the community | 0 | 0 | 0 |

(III) COMMUNICATION WITH AND RESPONSE TO STAKEHOLDERS

As the trust and support of interested serve as the basis for the Company's sustainable and healthy development, Lu Thai has regarded the government, shareholders and investors, customers, employees, suppliers and partners, the community and the public as the most important interested parties, paid great attention to communicate with various related parties, listened carefully to their voices, and taken their feedback seriously. In line with the actual situation, the Company has timely adjusted the communication mechanism and methods and accordingly improved the Company's management system.

| Related Parties | Expectations and Requirements | Interactive Mode | Measures Taken |
|----------------------------|--|---|---|
| Governments | Safe Production Environment-friendly Production Compliant Operation Employment Enhancement Fulfillment of Social Responsibilities | Legal Operation Be subject to supervision Wisdom contribution Improvement of people's livelihood | Contribute the enterprise's experience to the industry's development Contribute the enterprise's strength to improve the people's livelihood Contribute the enterprise's wisdom to protect the environment |
| Customers | Product quality and environmental protection Satisfactory service, accountable marketing Prompt delivery and reasonable price Respect customers and take customer complaints seriously | Customer visit Customer service hotline Open business operation | Improve the product quality management system Improve the customer relationship management system Conduct the customer satisfaction survey Visit customers regularly |
| Shareholders and Investors | Investment returns Continuous profitability Transparent operation | Annual work report Financial audit report General meeting of shareholders | Compliance management, open and transparent operation Safeguard the legitimate rights and interests of shareholders |
| Community and Public | Employment Enhancement Protect environment Economic development Improvement of people's livelihood | Supervision by the masses Visit communities | Help the poor, and join the public welfare activities Energy saving and emission reduction, trees planting Promote the employment and develop local suppliers |
| Employee | Scientific and reasonable wages and benefits Healthy and safe working environment Improve the attainment and the career development Smooth communication and respect for human rights | Labor Union, employees' representative Complaint channels: employee hotline, complaint box etc. Trade union committee members, employee representative assembly | Scientific and reasonable remuneration system Improve the employee training mechanism Carry out the career planning Create a good atmosphere and encourage employees to make innovations Establish a variety of communication channels to keep abreast of employee needs Help the poor and support employees |
| Suppliers and Partners | Credible operation, keeping promises Respect free wills and control the risks Equality and mutual benefit, continuous cooperation Adhere to business ethics and promote the sustainable development of supply chain | Frequent High-level Exchanges Experience and technology exchange and cooperation Routine communication Open business operation | Continuously improve supplier management processes and strengthen the control of operational risks Strengthen the contract management and standardize the credible procurement Share experience and technology, mutual exchange of needed goods |



Chapter 3

Sustainable Products and Services

- Deepen the Product Quality Control
- Product Realization Geared to Sustainable Development
- Keep Improving Service Capabilities
- Creatively Promote Sustainable Development

Sustainable Development Goals (SDGs) of the United Nations



Building disaster-resilient infrastructure for inclusive and sustainable industrialization and innovation.



Take sustainable consumption and production way.



Take urgent action to address climate change and impacts.

Sustainable Products and Services

(I) Deepen the Product Quality Control

The Company has always attached great importance to the product quality control and established the quality policy of “The quality is the foundation of the Company’s life, and it’s always the Company’s mission to satisfy the needs of customers and the market and continuously improve the product quality” so as to ensure the product quality, avoid any hazards of personal safety, health, environment and the harm caused by the product itself, and provide the society with safe, reliable, high-quality and environment-friendly products.

The Company continues to promote the construction of quality culture. In 2020, we organized various activities such as technical competition, outstanding employees evaluation, quality improvement activities, and QC group proposals etc. to continuously strengthen the quality awareness of all employees, and actively create a good quality culture atmosphere in which the product quality is the focus.

| QC | Number of groups registered | Promoters | Participants | Employees | Engagement | Issuance sessions | Number of sub-jects issued |
|------|-----------------------------|-----------|--------------|-----------|------------|-------------------|----------------------------|
| 2018 | 863 | 186 | 7538 | 13482 | 55.90% | 92 | 735 |
| 2019 | 863 | 186 | 10004 | 11904 | 84.04% | 103 | 780 |
| 2020 | 863 | 186 | 8945 | 10076 | 88.80% | 103 | 750 |



The 13th Technical Skills Competition



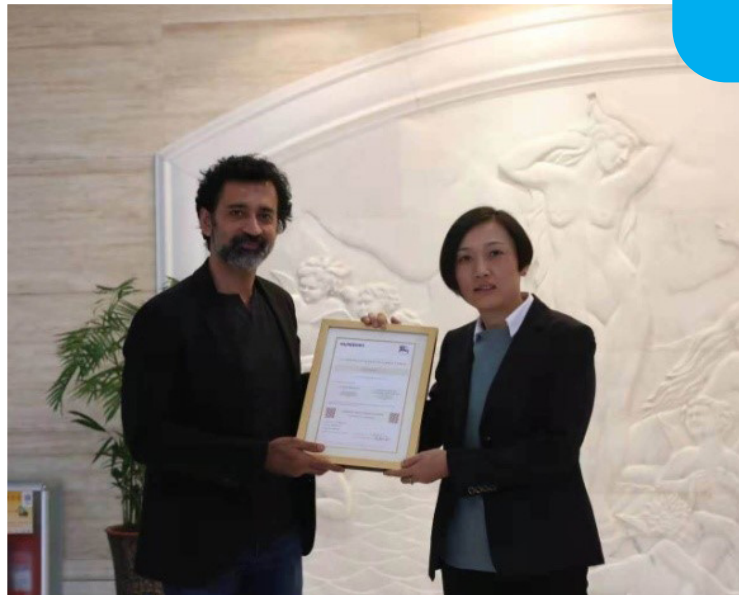
Sustainable Products and Services

In April 2009, Lu Thai Test Center was recognized by China National Accreditation Service for Conformity Assessment (CNAS) and passed subsequent reviews in a row. At present, among the 128 method standards of the Test Center, four product standards were recognized by CNAS, meeting the demand for testing fabric and shirts and achieving “one report applicable to all countries”. Therefore, the Company is able to provide the public with healthy, green and reliable tests.

To respond to the pandemic in 2020, the Company added test items for medical protective equipment in terms of impermeability, water permeability, hydrostatic pressure, antistatic property, flooding and splicing interdyer.

The Company updates test standards regularly. In particular, it updated 20 standards in 2020. Last year, the Test Center organized 91 internal comparisons, including 56 manual comparisons, 30 comparisons through instruments and five comparisons of retained fabrics. Effectiveness of the test results was supported by external proficiency testing and comparisons with third-party agencies.

The Company has established a quality and safety responsibility management system, continuously improved the quality management system, strengthened the quality management involving all employees, the whole process, and all aspects, strictly organized the production and operation and quality control according to applicable national and industrial quality and safety regulations, policies and standards, implemented the major quality accident reporting and emergency response system, improved the product quality traceability system, and supervised the product safety, environmental protection and sustainability by means of monitoring, measuring and process control in order to realize the product’s “intrinsic safety”.



Sustainable Products and Services

(II) Product Realization Geared to Sustainable Development

Lu Thai adheres to the philosophy of green development, and introduces the concept of sustainable development from the very start of product design, as designers take the harmony and unity of economy, society and environment into full consideration in the design process. It has made good use of natural resources to reduce negative impact on the environment. Gradually, the focus of product design has been transferred from appearance, function and commercial interest to the field of sustainable development. While realizing the product economic benefits, the environmental protection and personal health are also taken into consideration.





In terms of raw materials, we attach great importance to the renewable and reusable resources, prioritize the selection of green and environment-friendly fibers, and actively develop ecological textiles. The Company witnessed continuous increase in renewable and organic products. In 2020, it manufactured organic fabric of 450,000 meters, organic yarn of 690,000 kilograms, renewable fabric of 980,000 meters and renewable yarn of 390,000 kilograms.

As for the process, we focus on reducing the adverse impact on the environment, remain committed to changing the traditional high-consumption and high-pollution production model, actively promote clean production, and adopt new technologies that are energy-saving, efficient, and pollution-free. Our dyeing and color rendering technologies can save 37% of water consumed by the previous technology.

In the production process, we fully consider the impact on the surrounding environment and the employee's health, pay attention to the use of green and environment-friendly chemicals, actively develop non-toxic and harm-free dyeing auxiliaries, and apply efficient permeation auxiliaries and levelling agents, saving 20% water in the dyeing process without pretreatment. We have also built sewage treatment facilities, and collectively disposed of the dyeing and printing waste water for the purpose of mitigating the damage on the environment.

For products, we advocate the sustainable consumption model, ensure corresponding consumption to be conducive to the environmental protection and the ecological balance. We prefer organic cotton, and have achieved environmental protection and energy conservation due to the excellent non-iron performance of such cotton.

(III) Keep Improving Service Capabilities

The Company endeavors to build an expansion-based marketing organization centering around customers, carries out reform and integration on regional marketing organizational structures and operations, the iron triangle collaborative operation mode and the motivation of the marketing team, and continuously enables collaboration between customers and products, integration of business and management and subdivision of marketing and services. Externally, the Company promotes the concept of wholehearted services and builds the “common future for customers” from all aspects, including design, R&D, manufacturing and marketing service; internally, it advocates the concept of “downstream chains are customers” and builds a team of close communication and highly efficient collaboration.

At the same time, the Company continuously pays attention to the customer's needs, visits its customers, and holds market analysis meetings on a regular basis, analyzes and researches the changes of market and customer demands, conducts the customer satisfaction survey, analyzes the potential customer's opinions and the competitor's information, systematically identifies various quality and safety risks, and actively takes preventive actions. The Company has established a system for reporting major quality accidents and product monitoring system. Based on the market and differentiated needs of customers, it has strengthened monitoring, analysis and assessment of quality hazards in terms of selection of raw materials, preliminary order review, technology customization, quality control, production process control and product delivery so as to timely warn quality risks, promptly take measures to eliminate major quality and safety hazards, and effectively achieve the early detection, early research, early warning and early disposal of quality and safety risks. On the condition that various preventive measures are positively taken, the Company has established a sound customer complaint handling mechanism and responded quickly to customer quality feedback.

The Company recorded completion rate of lead time for bulk of 93%, product qualification rate of 98% and customer satisfaction of 89 scores with a tremendous decrease in customer feedback per million meters, 15% lower than the indicator.

The implementation of a series of measures has effectively eliminated the occurrence of major quality and safety accidents in the Company, ensured the continuous improvement of the quality of products and services, improved the overall quality service level of the Company, and satisfied the differentiated needs of customers from various aspects such as quality, delivery, cost, service, safety and environmental protection and won the trust of customers.







(IV) Creatively Promote Sustainable Development

The Company always regards the scientific and technological innovation as the guiding principle, the market the direction, the enterprise the main body, scientific research institutes and universities the support, strategic customers and key suppliers the alliance to establish the seamlessly-linked creative the “Double Four-in-One” mode involving production, quality control, R&D design and marketing so as to carry out basic, critical and forward-looking scientific researches, improve the comprehensive technical level of the industry, and help the industry’s upgrade from manufacturing, creation to creativity. Moreover, the Company regards “enterprise development through science and technology” as an important strategy for the Company’s development, and the transformation of scientific research innovations and scientific and technological achievements the Company’s primary task in order to thoroughly build the enterprise’s core competitiveness, maintain the leading position of technology, introduce the healthy and sustainable lifestyle, and convey the infinite connotation of the development of modern textiles.

Focused on the main business over the more than three decades, Lu Thai has iterated its yarn from carded cotton to combed cotton, from ordinary ring spinning to compact spinning, and from ordinary yarn count to high count and super high count. In terms of fabric, the Company has applied technologies from ironing to long-lasting non-iron coupled with health and comfort, from nonelastic fabric to 360° stretch, and from weaving to knitting. Moreover, the Company has upgraded its sewed shirts to seamless shirts. Lu Thai explores infinite possibilities in an innovative manner to guide a healthy and sustainable lifestyle and showcase the implications of modern textile development.

Relieving your worries, Enjoy the active outdoor life



健康防护—抗病毒 HEALTH-CARE PERFORMANCE—VIRO SUPPRESS



持久免烫+持久抗菌 NEVER IRON + ANTIMICROBIAL

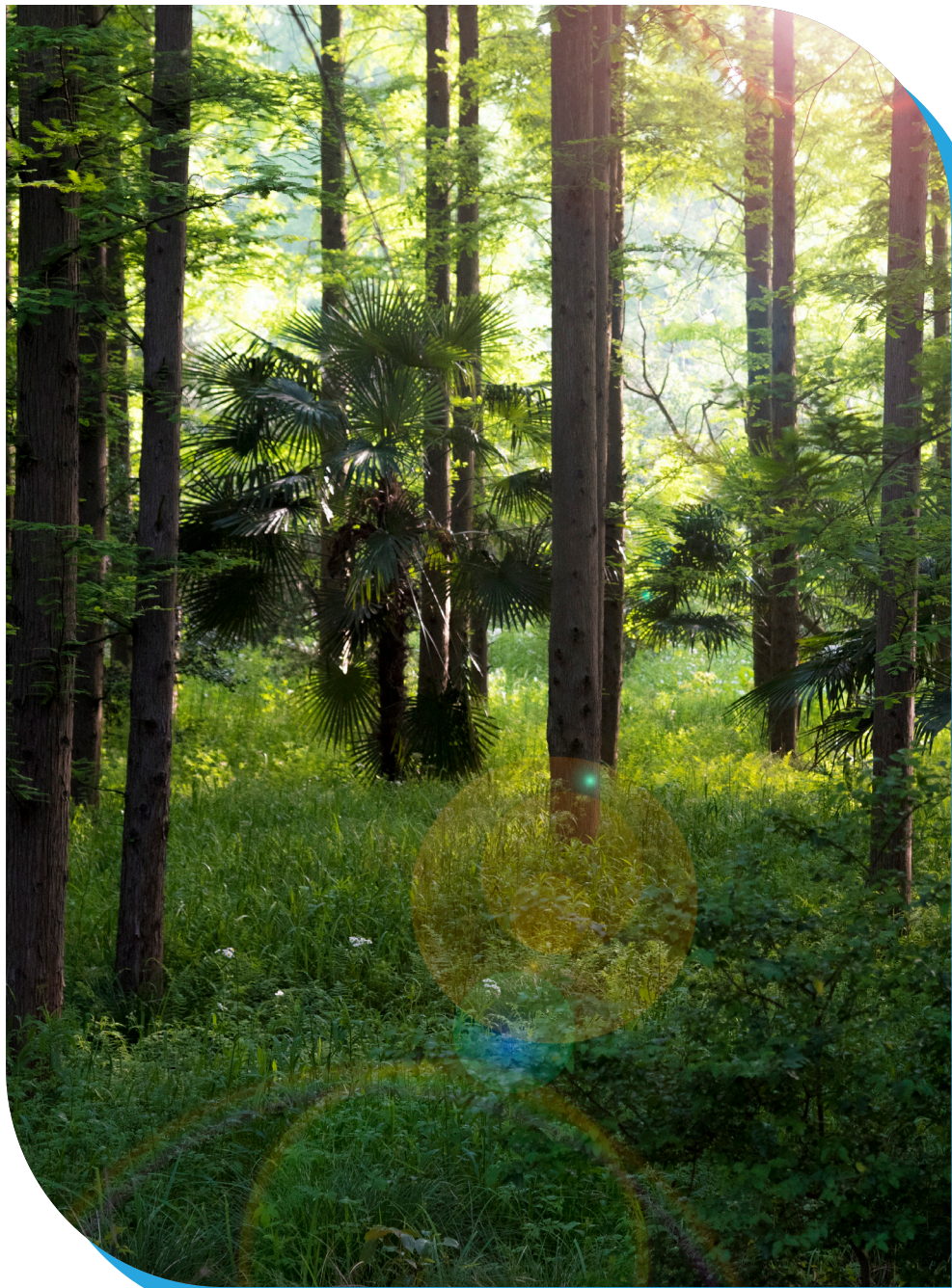


Through continuous improvement of scientific research and innovation system, the Company actively builds its scientific and rational innovation network and continuously increases investment in science and technology research and development.

Regarding the 106 technical research projects approved for the year, the Company carries out regular summary, validation and inspection at each node with an average completion rate of each node of 94%. It also managed 31 product development projects, and organized technical review. To meet the market needs amid the pandemic, it mainly developed protective and antiviral fabric and garment.

The Company always insists on the independent innovation, enhances its technical cooperation with various research institutes, colleges and universities, strategic clients and important suppliers by relying on various technical platforms including the national enterprise technical center, the national industrial design center, the national demonstration base for introducing talents, the national post-doctoral scientific research station and Shandong Provincial Engineering Technology Research Center, dedicates itself to the cutting-edge technical research, and gradually transforms from the technical research to the integrated product development.

Besides, the Company will also transform from the overcoming of key technical difficulties to the mastery of technical principles and the formulation of industrial standards, and from the focus on technical innovation to the dynamic integration of new technique exploration with model innovation, improve the low-carbon, green and sustainable development, enhance the impetus and vigor for the enterprise development, promote the contribution of scientific and technological progress to the industrial development and propel the industrial upgrading. In 2020, the Company declared 20 projects at the national, ministerial and provincial level. It was also identified as a national high-tech enterprise and a national demonstration enterprise of green industrial product design, and passed the review of the national manufacturer in single item. It was granted two awards for top ten innovative products by China National Textile and Apparel Council (CNTAC). In 2020, the Company developed 43 new products and technologies, and completed 83 technical improvement tasks, in which three were identified as internationally benchmarked upon appraisal by experts organized by CNTAC. Additionally, it led or participated in the formulation of five industrial standards.



Chapter 4

Sustainable Production & Operation

- Safety Operation
- Green Production
- Climate Action
- Supply Chain Management

Sustainable Development Goals (SDGs) of the United Nations

3 GOOD HEALTH AND WELL-BEING



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

6 CLEAN WATER AND SANITATION



Ensure access to water and sanitation for all with sustainable management.

7 AFFORDABLE AND CLEAN ENERGY



Ensure universal access to affordable, reliable and modern energy services.

8 DECENT WORK AND ECONOMIC GROWTH



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

11 SUSTAINABLE CITIES AND COMMUNITIES



Make cities inclusive, safe, resilient and sustainable.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Ensure sustainable consumption and production patterns.

13 CLIMATE ACTION



Take urgent action to combat climate change and its impacts.



(I) Safety Operation

Safety shall be the lifeblood for the enterprise's development and the guarantee for the healthy, stable and sustainable development of enterprises. In 2020, the Company actively promoted the construction of a long-term mechanism for safe production, established and improved a strict and scientific safety production responsibility system and supervision system, continuously improved safety production rules and regulations, promoted the standardization of the safety production management, and comprehensively enhanced the level of safety production management and safety production. As a result, the safety situation continues to be stable and positive on the whole.

1. Construction of Safety Production Management System

The Company always adheres to the principle of "safety first, prevention first, comprehensive management", promotes the safety production standardization, and continuously promotes the construction of safety production management system. In 2020, it formulated and improved 49 policies on production safety management, defining safety responsibilities of the Company's personnel at all levels, ranging from the president to the grassroots employees. Meanwhile, the Company has established safety production committees at home and abroad to strengthen the construction of leading cadres and supervision teams. All factories and departments have established their own safety and fire management leading groups and appointed full-time safety and fire management personnel to improve the Company's safety and fire management network. Through training, education and guidance, the Company will strengthen the construction of a safe production culture,

Sustainable Production & Operation

improve the personnel's safety production awareness, legal and regulatory knowledge and professional quality and competence, implement the safety production target responsibility management system, and decompose various safety management objectives at all levels. The environment of all workplaces met standards, and all employees wore protective equipment completely in good condition.

2. Management of Safety Risks and Hazards

The Company continued to improve the dual prevention system of hierarchical control of production safety risks and identification and management of hazards and persists in risk prevention and early identification. It took risk identification as the basis, hierarchical risk control as the key, identification of hazards as the approach and information technology as the platform to build the dual prevention mechanism of control and identification of corporate production safety risks, thus building safety management based on standards and targets. Besides, the Company thoroughly identified various environmental factors and sources of dangers, took effective management and control measures, established its own safety production risk information database, and assembled relevant information on enterprise safety production. Meanwhile, the Company applied the qualitative and quantitative statistical analysis methods to determine the severity of various risks so as to define the priority of risk control and related control measures. Based on the department's daily safety

management and the supervision and control of the safety management departments at all levels, the Company carried out the process management and implemented the effective control to achieve the goal of improving the safe production environment and reducing and eliminating safety production accidents.

In 2020, the Company enhanced risk inspection including 4,813 routine safety inspection items, and carried out more than 30 comprehensive inspections in total, including seasonal inspections, holiday inspections and special inspections, identifying 1,460 hazards. It identified 220 sources of danger including three major risk hazards, and formulated effective preventive measures.

3. Management of Chemicals



Sustainable Production & Operation

The Company controlled the entire process of procurement, transportation, storage, use and disposal of dangerous chemicals, established Safety Management Regulations on Dangerous Chemicals, clarified the responsibilities of relevant departments, and strengthened the construction of dangerous chemicals systems. In addition, the Company also formulated 2020 Annual Dangerous Chemicals Emergency Plan, and carried out emergency drills for dangerous chemicals emergencies so as to continuously enhance the reliability and practicability of such emergency plan, and improve the coordination and cooperation between different departments. For the personnel involved in the work of dangerous chemicals, the Company implemented the level-3 safety training system, formulated 2020 Annual Training Plan, organized a series of safety education activities, and strengthened the personnel's safety awareness by learning related laws and regulations and chemical-related knowledge and analyzing different cases so as to continuously improve the Company's safety management level of dangerous chemicals.

Using safe and healthy chemicals, the Company is aimed at producing safe, reliable and green textiles that can be traced in the entire industrial chain, and fulfills its responsibilities with a sincere attitude and actions of green manufacturing. Through efficient chemical management and good process control, it has reduced the content of pollutants, and joined hands with brand owners, suppliers, related parties in the chemical industry and non-governmental organizations to

reduce impact on the environment.

The Company adopted a whole-process chemical management model, through which it managed chemicals from the source and mainly managed the process with the support of endpoint control. It took the initiative to prevent hazardous chemicals from the source, established a grid-based and information-based very large data base (VLDB) of all chemicals introduced, and integrated third-party resources to rapidly identify, reduce, substitute and eradicate toxic and hazardous chemicals. The test pass rate of new dyeing auxiliaries reached 100%. The Company tested and monitored hazardous chemical substances in outputs (textiles, waste water and sludge), and ensured that both inputs and outputs complied with laws, regulations and standards of the government so as to meet the needs of buyers and consumers for health, safety and environmental protection.

It included ecological control of chemicals in supply chain management, joined hands with suppliers to better use chemicals while reducing discharge, and vigorously promoted upstream suppliers to carry out ecological control and obtain the certificate of conformity (COC) of chemicals to ensure ecological stability of source chemicals.

Though disclosure of the waste water discharge data on IPE and ZDHC Gateway and brand association, the Company achieved open and transparent data and information transmission in the supply chain.

4. Production Safety Emergency Management

The Company continued to improve the construction of emergency management system and steadily enhanced its abilities in accident prevention and emergency response. In order to improve the emergency processing capacity of the Company and various production plants and departments during accidents, the Company perfected Regulations on Emergency Preparedness and Response Management and other rules and regulations in 2020, formulated 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.

At present, the Company has established 9 full-time rescue teams, and convened more than 110 full-time firefighters, and more than 1,700 volunteer firefighters. It has 63 safety supervisors and 100 employees with safety management qualification certificate. In 2020, the Company provided firefighting training sessions for more than 2,300 persons

including team leaders, group leaders, employees in key positions of firefighting, full-time and part-time safety supervisors and volunteer firefighters. By doing so, it strengthened the safety awareness and sense of responsibility of employees, improved the capabilities of firefighting inspection and eradicated fire risks. Last year, it particularly provided firefighting training sessions for more than 700 new employees, helping them to acquire common sense of fire safety, learn how to use firefighting equipment correctly and improve the capabilities of fire escape and fighting early fires. According to the annual plan, it organized two drills of fire emergency rescue for all employees. In this way, it checked the effectiveness of the contingency plan and kept improving the plan, and enhanced the emergency response capabilities of employees and the guard team.

Sustainable Production & Operation



In 2020, in line with arrangements and plans of departments and application and needs of production departments, the Company provided 45 lectures of occupational health and safety with cumulatively more than 9,500 trainees. It invested cumulatively RMB 14.5 million in safety in the whole year.

5. Management of Response to COVID-19

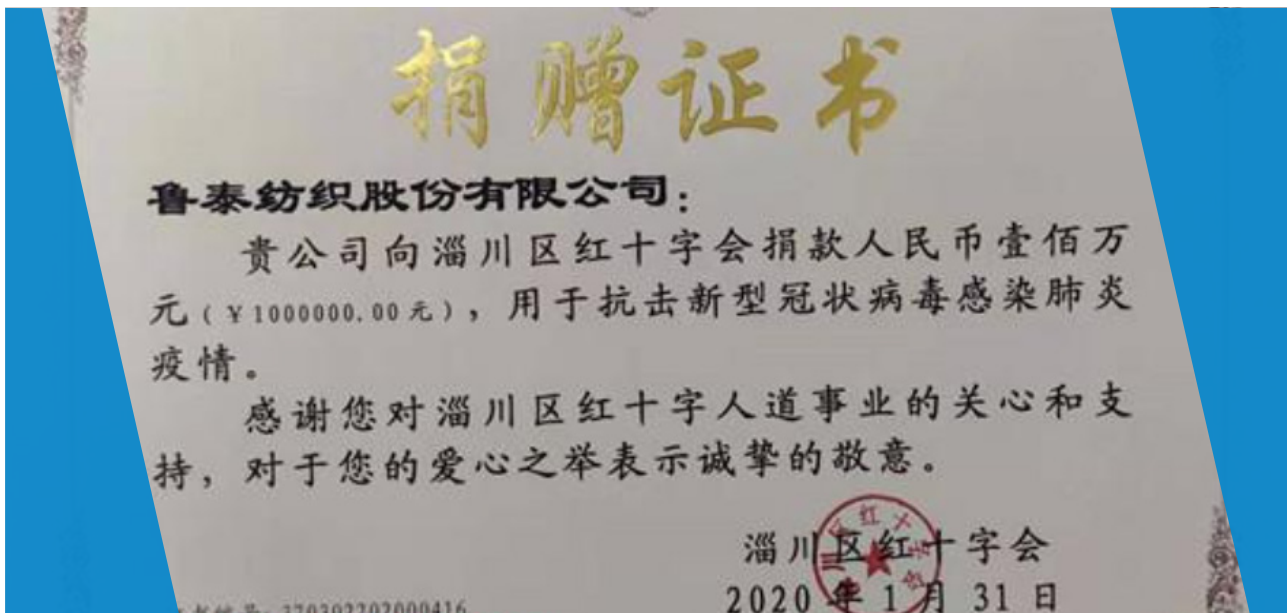


Amid the pandemic in 2020, there was huge pressure on all levels of the economy and society from entities to psychology and from supply to demand. Faced with the severe situation of responding to the pandemic and the extreme scarcity of anti-pandemic supplies, the textile industry devoted every effort to fight against the pandemic by manufacturing and supplying anti-pandemic supplies including masks and protective garment, aiming to protect life safety of all people, including medical staff, of all countries and contribute to response to COVID-19, support of people's livelihood and development across the globe.

Sustainable Production & Operation



Specifically, Lu Thai took actions without delay. It actively joined in the actions for stability of the global supply chain and industrial security, promoted manufacturers and purchasers to fulfill their social responsibilities amid the pandemic, and thus injected positive energy into the recovery of the global textile industry. Based on the latest changes in the situation, Lu Thai assisted in resumption of work and production, further enhancing confidence of customers. It adjusted production rapidly to manufacture anti-pandemic supplies such as masks and protective garment to contribute to global response to COVID-19. In spite of the impact of COVID-19, the Company has been staying true to its responsibility and mission, and holding a responsible attitude to weather through difficulties together with its employees, customers, shareholders, suppliers, partners and members of the public. It firmly believed that concerted efforts would lead to a bright future.



Since the outbreak of COVID-19, Lu Thai has been paying close attention, and proactively fulfilling corporate social responsibility by donating RMB 1 million to the Red Cross for fighting against COVID-19 and treating and curing the infected.

Sustainable Production & Operation

During the period of the pandemic, on the one hand, the Company mainly stayed in contact and followed up with customers to ensure timely communication with them, and introduced new products to them via online promotional meetings, customized promotional meetings and designer promotional meetings for mutual support and joint development. On the other hand, it practiced the philosophy of the community of common future with customers by timely allocating masks and other anti-pandemic supplies to them. To respond to COVID-19, the Company improved its research, manufacturing and sales of protective products including masks, isolation gowns, protective garment and home isolation fabric, and vigorously developed functional fabric such as antibacterial and antiviral fabric to complete its orders. In 2020, it sold 26.31 million masks, 16.55 million isolation gowns and 2.34 million meters of protective fabric mainly to Japan, Germany, Italy and Canada.

On 22 May 2020, Lu Thai convened a commendation conference of response to COVID-19, in which it selected four advanced collectives fighting against COVID-19, ten models fighting against COVID-19 and 100 advanced individuals fighting against COVID-19.

(II) Green Production

Closely following the trend of “green and sustainable economy and low-carbon competition” in the global economy, the Company was dedicated to the global competition of green and low-carbon economy, and aimed to knit high-quality green textiles for the world. By constantly strengthening resource conservation management, enhancing environmental governance, boosting circular economy of enterprises, promoted green manufacturing and constructing green factories, the Company vigorously built a green ecosystem for textile economy, and jointly promoted ecological civilization with customers and suppliers.



1. Sustainable Utilization of Resources

(1) Water Resource



Sustainable Production & Operation

The Company strictly abides by relevant laws, regulations, standards and policies, implements such laws and regulations as Implementation Measures for the Execution of the Strictest Water Resource Management Policy, and performs water conservation according to relevant requirements of water resource management authorities.

The Company has established a long-acting mechanism for water conservation management. It has formulated the plan for unit consumption of water by products and the annual water conservation plan, divided the water conservation goal among workshop sections and production teams with clearly defined responsibilities. It has strictly implemented the system that requires simultaneous design, construction and application of main works and water conservation measures and the establishment of adequate water consumption plans, water conservation goals, water conservation goals and measures, and water management policies. It has strictly conducted water balance tests according to the specified cycle.

During production, the Company has encouraged production departments to develop new water conservation techniques, promoted semi-cylinder dyeing, overflow dyeing and short liquor dyeing, and focused research on production technologies with “minimized and zero use of water”.

The Company has increased investment in reclaimed water reuse projects, further promoting recycled use of water resource and providing long-term guarantee for social development. It has invested RMB 80 million in the development of a reclaimed water reuse project with a capacity of 20,000 tons/day, which adopts the world-leading “immersion ultra-filtration + reverse osmosis” technology to realize the regeneration and reuse of waste water. Indicators of the Company’s reclaimed water were better than the national quality standards for reused water. In this way, it succeeded in recycling regional water resources. Reclaimed water accounted for 25%.

(2) Energy Control



The Company has focused on the theme of “promoting the conservation and recycling of resources on all fronts, taking actions of water conservation, reducing energy and material consumption, and realizing cyclic connection between production and life systems”. On top of that, it comprehensively boosted energy conservation, helped to build a resource-saving and environment-friendly society and proactively performed corporate social responsibility.

In 2020, the Company continued to promote energy conservation and emission reduction, earnestly implemented spirits from such meetings, strengthened leadership to coordinate the work, formed a new pattern of energy conservation and emission reduction that “focuses on deepening system reforms supported by technology innovation to achieve green development”.

Centering around its main task of product structure upgrading, the Company adjusted measures to local conditions and established science-based plans. In terms of energy conservation and emission reduction, the Company set specific goals and had highlights, and its energy conservation plan was both continuous and phased. Besides, it further improved the institutional development of the measurement management system, accurately grasped the scale and made the energy consumption statistics reasonable and truthful. Moreover, the Company improved the information transmission capacity of the Energy Control Center, and proactively developed an on-line energy monitoring system as required by the NDRC and the Ministry of Industry and Information Technology (MIIT) to ensure digital and dynamic monitoring of corporate energy management. Additionally, it strengthened the promotion and implementation of energy conservation and emission reduction through publicity and training sessions in a variety of forms. It also kept enhancing on-site energy management, and put an end to leakage. It used scientific design to exercise management of major energy, including electric power, steam and natural gas

It used scientific design to exercise management of major energy, including electric power, steam and natural gas. In terms of electric power consumption, the Company carried out construction works strictly in accordance with the best energy conservation plans for new reconstruction and expansion projects, maintained the traditional advantages including motor

frequency conversion and water pump throttling and proactively explored the application of excitation motors and magnetic mechanical and electrical equipment in actual production. It conducted deployment of key energy consumption equipment, optimized the networking of self-produced air pressure gas pipes to realize demand-based gas supply, and introduced two-stage permanent-magnet variable frequency screw-type air compressors. By optimizing the air pressure and heat exchange system, it succeeded in making use of the thermal energy of compressed air and thus was able to save 520,000 kWh per year. The Company continuously replaced modulator tubes with LED lights. Specifically, it replaced 200,000 modulator tubes cumulatively, and saved energy by 45% in terms of electricity consumption for lighting.

In terms of heat consumption, the Company took emphasis on quality and efficiency enhancement and continued to improve the quality of steam transmission. It continuously improved the heat exchange capacity of the sewage waste heat system and increased the heat exchange efficiency of heat exchange equipment. It optimized the layout of steam transmission pipelines, and through years of research and practical experience, used the most cost-effective new heat insulation materials to insulate transmission pipelines and parts along the way and reduce the loss in steam transmission. It used technical means to continuously increase the combustion efficiency of gas equipment and researched the application of recycling waste heat from fume and the technology of air pre-heating processing to reduce equipment heat loss and substantially cut gas consumption.

By deepening energy control measures, promoting technology innovation and taking other related measures, the Company has further improved its energy management system with enhanced energy management level, cut the costs of energy operations and successfully completed the annual goal of energy conservation.

Sustainable Production & Operation

2.Reuse of Waste

The Company always places importance on the development of circular economy by reducing resource consumption systematically from the source in production, cutting the generation of waste and realizing comprehensive use of diverse resources. It has developed more than 100 energy conservation and environmental protection technologies in a number of aspects, including liquid ammonia recovery equipment, condensate recovery, colored alkali recovery, and recycling of cooling water in slashing and finishing workshops. In terms of the recycling of liquid waste, the Company has introduced two sets of German alkali recovery equipment and independently developed two sets of recovery equipment

to recycle liquid alkali from mercerizers with a reuse rate of more than 80%. In terms of solid waste reduction and reuse, the Company carries out grade-based recovery and separate reuse and treatment of waste cotton and lap waste.

Through process and equipment improvement, the Company recovers paper tubes, woven bags and other packages from garment factories and reuses them in yarn-dyed fabrics, which has substantially reduced the waste of resources. In terms of the yarn tubes, by replacing paper tubes with plastic tubes, the Company reduced waste through recycling.

(III) Climate Action



Sustainable Production & Operation

The Company attaches importance to the development of ecological civilization and the protection of ecological environment and makes solid steps to drive the improvement of environmental protection. It has proposed the overall requirements of “continuously taking air pollution control actions, winning the battle of guarding blue skies, expediting water pollution control, strengthening solid waste and garbage disposal, enhancing pollutant discharge standards and honoring commitments for emission reduction”, continued to ensure orderly implementation of various environmental measures by inputting manpower, materials and financial resources, and achieved long-term development in the development of corporate environmental policies, sewage discharge control, air pollution control and solid waste control. It has improved regional resource environment, alleviated the tense supply of water resources within related basins, avoided water body pollution and built an ecological environment with lucid water and lush mountains, playing a demonstration and leading role in the industry.

Air pollution control: The Company has proactively exerted VOCs control, spent heavily on the purchase of VOCs control equipment and carried out installation of online surveillance equipment required by municipal and regional ecological environment regulatory authorities.

Emission reduction: The Company has carried out closed collection and concentrated treatment of waste gas from sewage to reduce gas emissions from odorous pollutants. It has also introduced low-nitrogen combustion equipment to reduce the oxynitride emission from production. Moreover, it has strengthened chemicals control by restricting the use of and gradually substituting substances that produce greenhouse gases and damage the ozone layer. It added seven waste gas treatment facilities, and thus recorded an annual capacity of 865.5 million cubic meters.

The Company has exercised management of solid and hazardous waste and collected, stored and transferred such

waste according to relevant regulations on hazardous waste. It has designated places to store hazardous waste, assigned personnel to manage it and appointed qualified units to carry out standard disposal of it.

Through vigorous efforts in energy conservation and emission reduction and powerful approaches in environmental protection, the Company not only has improved its comprehensive corporate management level, but also has delivered the concept of promoting green corporate development through science and technology innovation. In 2020, the Company outperformed the national and local standards in sewage discharge, with a YOY decrease of 39% in COD discharge and 40% in oxynitride emission.

The “Dyeing and Printing Waste Water Large-flux Membrane Treatment and Recycling Technology and Industrialization” technology developed by the Company has won the Second National Prize for Progress in Science and Technology, and various technologies including the semi-cylinder dyeing technology and the reuse of reclaimed water are applied to make great breakthrough in energy saving, emission reduction and the green and low carbon technology in the textile industry. Meanwhile, the Company’s semi-cylinder dyeing technology ever won Major Energy-saving Achievement Award in Shandong Province. Besides, the Company has won various honorary titles including National Leading Company with Excellent Water Utilization Performance in the Textile Industry, Shandong Provincial Water-saving Enterprise, Shandong Provincial Outstanding Enterprise in Energy Saving (only 5 enterprises win this title) and Zibo Municipal Outstanding Enterprise with Favorable Energy-saving Assessment Result, and contributed to the development of a green system and a low-carbon ecological economic circle.

(IV) Supply Chain Management

Lu Thai has always been committed to building a green sustainable textile and apparel supply chain. As an important part of the Supply Chain Management Strategy, the sustainable development concept shall be regarded as one important criteria for supplier selection, evaluation and procurement distribution so as to continuously deepen

the cooperation with upstream suppliers, downstream customers and other partners. By means of the Supply Chain Management, the sustainable development concept can be extended to the entire supply chain.

Sustainable Production & Operation

In 2020, Lu Thai continued to optimize the supplier management system, and established the Supply Chain Department to manage the supply chain in a coordinated manner. It assessed and managed all suppliers from various aspects such as quality assurance, R&D cooperation, employees' rights and benefits, environmental protection, health and safety, and business ethics, strengthening cooperation with advantageous suppliers. The Company has included suppliers in the scope of safety management, set up a strict supplier access system, qualification review system and supplier assessment system, established the list of qualified suppliers, regularly audited and supervised

suppliers, and carried out corresponding follow-up and guidance measures as needed. By sharing resources with various partners, the Company has tried its best to make them understand and obey related criteria of sustainable development and promoted the construction of sustainable development capacity.

Confronted with various opportunities and challenges in the future, Lu Thai is willing to work together with all suppliers, customers and other partners to promote the sustainable development of the entire industry chain, continuously improve the product competitiveness.



Meeting on R&D cooperation between the Company and Tangshan Sanyou



Meeting on R&D cooperation between the Company and Huntsman



Chapter 5

Employee Development

- Employees' Rights & Benefits
- Growth Platform
- Care for Employees

Sustainable Development Goals (SDGs) of the United Nations

3 GOOD HEALTH
AND WELL-BEING



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

4 QUALITY
EDUCATION



Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.

5 GENDER
EQUALITY



Achieve gender equality and empower all women and girls.

8 DECENT WORK AND
ECONOMIC GROWTH



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

17 PARTNERSHIPS
FOR THE GOALS



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

(I) Employees' Rights and Benefits

Employees are the foundation of the Company and the key to the business success. The Company actively cultivates the corporate culture featuring the care and love for employees, adheres to the “people-oriented” values, highlights and safeguards the legitimate rights and interests of employees, truly enables employees to come, stay, and work well, and creates good and harmonious humanistic environment for employees’ development, providing the personnel guarantee for the Company’s continuous development.

1. Recruitment

The Company always adheres to the people-oriented principle and respects and safeguards the legitimate rights and interests of employees. The Company strictly abides by relevant international standards and conventions acknowledged by the host government and applicable laws and regulations prevailing in the host country, such as the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law of the People's Republic of China on the Protection of Women's Rights and Interests, the Labor Law of Cambodian Garment Industry, the Myanmar Factory Law, the Vietnamese Labor Law, and the Vietnam Trade Union Law, to legally recruit employees. In addition, the Company resolutely refuses forced labors, eliminates child labors, and executes the non-discriminatory employment policy. In respect of employment, remuneration, training opportunities, promotion, dismissal or retirement, the Company eliminates and opposes any discriminatory acts based on race, national or social origin, social class, descent, religion, physical disability, gender, sexual orientation, family responsibilities, marriage status, union membership, political opinion, age or other aspects. The Company respects the right of employees to form and join any trade unions freely and ensures the unhindered communication channels. Through relevant systems, the Company can guarantee that employees have fair and reasonable remuneration, benefits, vacation and occupational health and safety rights.

2. Democratic Communication

The Company attaches great importance to the common construction, co-governance and sharing with employees, and emphasis is placed on the democratic management, democratic participation and democratic supervision of employees. Besides, the Company has established a variety of communication channels so as to timely understand the needs of employees, solve various problems in employees’ work and life, and provide them with targeted support and assistance.

At home and abroad, trade union and employee representatives are free to communicate with employees in regardless of time and place. As the labor union

chairman’s reception day is selected, monthly or quarterly meetings of trade union members, employee representatives and the Company management are held. Meanwhile, employees at home and abroad can give feedback through email, suggestion box, and SMS. For different opinions, suggestions and complaints submitted by employees, the trade union and the Company shall conduct timely investigations and formulate improvement measures. Then, corresponding feedback shall also be given to employees in order to continuously meet the needs of employees.

On the labor union chairman’s day (the 25th day each month), the staff union and the democratic union of the company will receive different complaints, opinions and suggestions from employees, on which basis, the chairman will communicate with the company on behalf of these employees. Under the guidance of the Ministry of Labor, all employees elected employee representatives.



The photo shows that employees of Lu An Garment Co., Ltd. were discussing with each other. The company held one meeting of employee representatives each month to learn about employees’ opinions on and suggestions for it

3. Establishment of Scientific Remuneration System

The Company has adopted a variety of methods to motivate employees, and implemented and continuously improved the remuneration system which highlights specific contributions of various positions and meet various requirements of different positions. The Company strictly abides by relevant international standards and conventions acknowledged by the host government and applicable laws and regulations prevailing in the host country. Furthermore, the Company follows the principle of distribution according to work, implements the equal payment for equal work, and the system of more payment for more work, avoids withholding the employee's salary disciplinary purposes, and regularly conveys the composition of wages and bonuses. The Company aims to fully realize the value of employees by establishing a sound and scientific remuneration system that allows employees to share the benefits from the Company's growth.

Remuneration of employees abroad saw continuous increase with a percentage between 6% and 10%.



As shown in the picture, employees of Polaris Apparel Co., Ltd. Were voting their Representative.

(II) Growth Platform

The continuous development of Lu Thai Company derives from the passion of employees for continuous innovation. The Company always pays attention to the personal growth of employees, focuses on the development potential of employees and development opportunities, strives to create an optimal development environment for each employee's learning and growth, constantly motivate employees' enthusiasm and innovation spirit, and promote the mutual growth and improvement between employees and the Company.

1. Education and Training

Based on the talent training plan, the demand for the employee's growth and development and related job responsibilities, the Company can improve the knowledge structure of employees, enhance the overall quality of employees, upgrade the employees' professional skills, work attitudes and behavioral patterns, maximize their potentials and realize their value of life to the greatest degree by investigating the training needs, formulating various training plans, organizing the implementation and conducting the tracking management and improvement.

In 2020, the Company further expanded the business of Lu Thai School, proactively provided training sessions of new apprenticeship, on-the-job training, skill training, golden blue-collar training, work-based training and high-skilled talent training, carried out independent assessment of skilled talent, and improved the academic qualifications of staff on active duty. It provided skill training for more than 5,500 employees cumulatively, among whom more than 2,500 employees were granted vocational qualification certificates of spinners, weavers, dyers, electricians and bench workers. In this way, the Company provided a good platform to help with the growth and development of its employees.

In overseas factories, the Company formulated corresponding training schemes and took various measures including the apprentice led by the master, on-site video training and the establishment of training teams and the trainer system in line with the characteristics of local employees. Different training cycles were set, and modularized and standardized training tutorials based on hours were prepared. These training sessions aim to ensure that employees are able to meet post requirements and adapt to their posts as soon as possible. Training for junior management personnel was conducted to enhance their management level and make them improve fast, laying a foundation for the Company's promotion of localization.

Employee Development

2. Career Planning

Based on the career development of the employees, the Company has also designed the training system and prepared corresponding training plans. In many ways, the Company has enriched the employees' working experience, broadened the field for career development, and accelerated the growth and success of employees.

By the end of 2020, the Company had owned one National Friendship Award, one Taishan Scholars Specially-invited Expert, two Shandong Provincial Outstanding Young and Middle-aged Experts, three Shandong Provincial Chief Technician, five Qilu Chief Technician, and five Shandong Provincial Chief Industrial Technicians. In 2020, domestic companies newly hired 3,227 technicians. After years of hard work, the Company has gradually cultivated a talent team of reasonable structure and high quality to support the healthy, stable and sustainable development of the Company.



Employee Development

3. Diversification of Employees

The Company has formulated and implemented the goal for diversification in all aspects from the gender, age, ethnicity, and religious beliefs of its employees. Meanwhile, the Company has strictly observed relevant laws and regulations and international conventions to ensure the fair employment of male and female employees, and actively promote the localization of overseas employees because the localization of employees can help the Company understand different cultures of different regions, promote the employment of the local people, and facilitate the growth of local economy.

In overseas factories, Lu Thai has attached great importance to the localization of employees, and focused on stimulating their initiatives from the talent selection and training to formal appointment, in which way, some employees with corresponding management and technology knowledge can become skillful quickly and adapt themselves to various positions. During the selection of foreign managers, priority will be given to employees with strong adaptive capacity, learning ability and outstanding skills. Through assessing, developing and training technical cadres, corresponding technical personnel and management personnel will be clearly classified based on their scores and abilities, and corresponding training will accordingly be carried out.

4. Evaluation of Outstanding Employees

In 2020, the Company made great effort to create a good atmosphere in which all employees could learn from outstanding employees and make themselves become outstanding employees by holding various activities including the evaluation of outstanding employees, technical skills competitions, science and technology progress commendation conference etc.. Through advocating the spirit of workmanship and appraising and electing Lu Thai Craftsmen, all employees will be inspired to research and develop new technologies and continuously improve their knowledge, skills and attainments based on their own work. All incentives and awards amounted to more than RMB 10 million.



(III) Care for Employees

In the course of development, Lu Thai has always adhered to the value of People First, and regarded human resources as the Company's primary resources. While maintaining its healthy, stable and sustainable development, the Company has allowed its employees to share its developmental achievements. Based on the principle of Attracting Talents by virtue of Corporate Culture, the Company carries out the seamless management throughout the process. From employees' entering into the Company, learning and growth, family building to their children's education, all-round management, support and assistance will be given as a means for care and love for employees, in which way, employees will be no fear of attacks from behind, and are willing to seek common growth and development with the Company.

Employee Development



1. Recreational and Sports Activities

Based on the principle of “Retaining Talents by virtue of Career, Emotions and Corporate Culture”, the Company highlights the construction of corporate culture and humanistic environment. In addition, the Company has established the employees’ part-time symphony orchestra and other organization to make their life more colorful. Further, the Company positively creates the harmonious atmosphere, and strives to build a good working environment for employees so as to make their work and life happier and continuously improve their sense of belonging and satisfaction. In line with the characteristics of the host country, various overseas production bases fully respect the free will of their employees and organize diversified recreational and sports activities based on different cultures to enrich employees’ work and life and enhance the collective cohesion.



2. Welfare Treatment

As the Company always attaches great importance to the employees’ welfare, it has actively built the culture of “Home”, focused on the employee satisfaction and created the harmonious and pleasing humanistic environment for all employees. For example, the Company will provide employees with diversified working lunches free of charge; various holiday gifts will be presented to female employees on International Working Women’s Day (March 8); quarterly welfare will also be granted to all employees; the Company will organize various lectures on health knowledge; the Company’s senior management will have a dinner with employees on the Mid-Autumn Day; the Company will provide employees with comfortable accommodation environment and all dormitories will be equipped with air conditioners with available Internet Access; the Company will pay attention to the mental health of employees and provide free psychological counseling services. By paying attention to the employees’ emotions, health and diets, the Company will continuously enhance their happiness and sense of gain and improve their cohesion and centripetal force.



3. Help and Support Employees

In order to better fulfill its responsibilities and obligations of safeguarding the legal interests of employees and exclude the difficulty and anxiety for them, the Company has continuously given assistance and warmth to those employees in need. In order to help their children attend the kindergarten, the Company has invested and built an internal kindergarten to benefit the internal employees while providing the society with inclusive services. In order to care the employees’ families and encourage their children to contribute to the nation, the Company has established the Golden Autumn Scholarship as incentives for their offspring’s study in universities. For the purpose of eliminating the difficulties encountered by employees, the Company has set up the assistance mechanism to help those employees in trouble. For example, Lu Thai Assistance Funds was organized to grant relief funds to any employee experiencing sudden changes or under special circumstances and their direct relatives. In 2020, a total of RMB 211,000 was donated to employees in need. During holidays, the Company’s senior management would visit and express sympathy to those extremely-poor employees at the grassroots level, and encourage them to rebuild their confidence and embrace their new life with firm attitude.

Employee Development



4. Spare-time Life

In order to enrich the spare-time life of employees, the Company has built various clubs, swimming pools, fitness rooms, libraries and e-reading rooms in domestic and overseas factories, on which basis, employees can relax their body and mind, enjoy colorful spare-time life, enhance their friendship, have deep mutual understanding and strengthen their abilities. By virtue of the Company's humanistic care, the cohesion and the sense of belonging of employees can thus be reinforced.



5. Visit the Employees' Home and Understand their Life

Due to the sudden outbreak of COVID-19, overseas employees could not visit their relatives back in China as scheduled. To solve this problem, the Company paid visits to their relatives and helped solve their difficulties. The Company visited 304 persons during the Mid-Autumn Festival and 209 persons during the Spring Festival.

By organizing different forms of home visits and exchange activities, including attending local employees' weddings, celebrating birthdays for employees, attending the adult ceremony of employees' families etc., the Company tried to understand the family and living conditions of employees so as to be closer to their life and build a good humanistic environment.



6. Respect the Local Traditional Culture, Participate in Local Folk Activities and Better Blend into Local Culture.

According to different conditions of different countries where overseas production bases are located, the Company respects different traditional cultures prevailing in the region, participates their in ethnic activities, and better blends into the local culture and



7. Female Employee Management

The Company established the Female Employee Committee to take charge of female employees. In 2020, to commemorate the 110th International Working Women's Day, carry forward the Company's excellent corporate culture, enrich the cultural life of employees in their spare time, guide female employees to practice new ideas and make achievements and fully display the unremitting pursuit and ambition of female employees so as to boost the sound, stable and sustainable development of the Company, during the period of the International Working Women's Day, the Female Employee Committee organized online activities based on the current new situations, including a writing competition, selection of short video works, online reading and micro-course online training.

In the whole year, a total of 20 training sessions were held, where 5,184 employees attended. Among them, there were 11 sessions about psychological health, six sessions about self-improvement and family education, and three lectures on special topics, namely "maternal love as a beam of light", perinatal care and "painless labor", and knowledge about maternity insurance and medical insurance.

Free physical examinations were organized for female employees. A total of 4,500 employees received the examinations this year with a total expense of approximately RMB 70,000.



Chapter 6

Social Welfare

- Help and Support the Impoverished and Deliver the Positive Energy
- Donate Money for Schools and Shape the Future
- Open and Share, Promote the Local Development
- Charitable Activities Contribute to the Community Development

Sustainable Development Goals (SDGs) of the United Nations

1 NO POVERTY



Eradicate extreme poverty for all people everywhere.

2 ZERO HUNGER



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

3 GOOD HEALTH AND WELL-BEING



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

4 QUALITY EDUCATION



Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.

5 GENDER EQUALITY



Achieve gender equality and empower all women and girls.

8 DECENT WORK AND ECONOMIC GROWTH



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

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

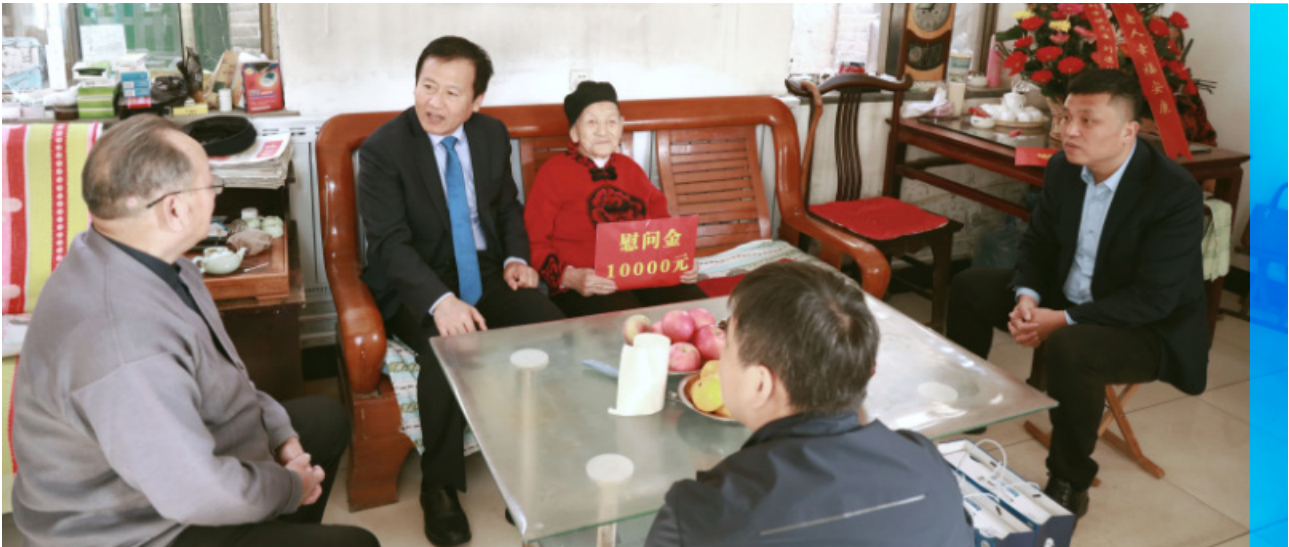


Build resilient infrastructure, promote sustainable industrialization and foster innovation.

11 SUSTAINABLE CITIES AND COMMUNITIES



Make cities inclusive, safe, resilient and sustainable.



(I) Help and Support the Impoverished and Deliver the Positive Energy

The Company adheres to the traditional virtues of the Chinese nation through respecting the old and taking good care of children, conducts various charity activities, pays attention to the disadvantaged groups, and actively creates the good atmosphere for building a harmonious society. In recent three years, the Company has provided a total of RMB21 million for poverty alleviation and social welfare donations. At the end of 2020, the Chairman and his family members continued to donate RMB1 million to the elderly in the district based on 13 consecutive years of donations. Now, they have donated RMB15 million in total to continuously carry forward the traditional virtue of respecting and honoring the elderly.



(II) Donate Money for Schools and Shape the Future

Lu Thai has always attached importance to supporting the development of education. The Company established Lu Thai Textile Scholarship and Lu Thai Textile Education Fund to encourage teachers with outstanding teaching achievements and students with excellent academic performance, and help poor students fulfill their dreams about campus. As the Company supports the educational development, it has promoted schools and enterprises to complement each other by virtue of their advantages. At the same time, priority can be given to graduated students for their employment in the Company, achieving the benefits of mutual development of schools and enterprises.



(III) Opening and Sharing, Promoting the Local Development

In the process of achieving sustainable development, the development of enterprises is inseparable from the local department's participation and support, and the local development also requires the creation and contribution of enterprises. While realizing its healthy and stable development, Lu Thai adheres to the corporate mission of "Creating wealth, Contributing to the society, Clothing the country and Boosting the development of the world", and is committed to continuously contributing to the local development, creating benefits and jobs, increasing tax revenues, and improving people's livelihood in order to actively undertake its social responsibilities, reward the society, and live in harmony with the society.



(IV) Charitable Activities Contribute to the Community Development

The day 12 March 2020 marked the 42th Arbor Day of China, during which time the Company organized volunteers to participate in the activities held by communities, bringing a great upsurge in tree planting in Spring and joint development of ecological homestead.

As the acceleration of China's "Going Global" policy, Lu Thai has developed and steadily promoted the Company's comprehensive international strategy, set up branch offices respectively in Milan and Tokyo, established its subsidiary in New York, and built various production plants in Vietnam, Cambodia, and Myanmar. Besides, the Company has made full use of global resources and implemented the effective industrial layout in all aspects from R&D and design, production and operation, market development and customer service etc.



Further, the Company has also built many production plants in Cambodia, Myanmar and Vietnam. Based on Lu Thai's excellent corporate culture, it pays attention to the openness and inclusiveness of culture, honors local customs, cultural traditions and religious beliefs, respects the cultural diversity and promotes the exchange of different cultures. Combined with local laws and regulations, customs and practices, it has formed a corporate culture with local characteristics, and designated a specialist in charge of carrying out researches and the implementation. While driving the development of the surrounding areas, the Company also ensures that the employees could fully understand and acknowledge the corporate culture, so that the corporate culture is rooted in the employees' work and life. Therefore, the corporate culture can support the construction of economy which will in return promote the surrounding areas' development, and accelerate the sustainable development of the Company and the harmonious progress of the local community.

As a garment factory, Polaris Apparel Co., Ltd. was invested by Lu Thai Textile Co., Ltd. in 2014. The company is located in , Svay Rieng Province, Cambodia. In 2020, the company donated approximately USD5,800 to the Cambodian Garment Training Institute Fund (CGTI) through the Garment Manufacturers Association of Cambodia (GMAC). Besides, the company has

also provided wages and salaries to satisfy the basic needs of local communities, add much more inclusive services to the employees, and create more favorable employment conditions for the local surplus labors. In order to protect the water resource environment, the company invested USD353,000 to build sewage treatment facilities. In order to guarantee the reasonable disposal of domestic wastes, the company has entrusted qualified units for waste disposal. By taking a series of measures, the company has actively burdened its due social responsibilities and promoted the stable and sustainable development of the local economy and society. The Company was awarded the title of Better Factories Cambodia by the International Labor Organization. The certificate will continue to be valid from June 12, 2015 on. It passed the SA8000 certification in 2016, and guaranteed compliance to protect the rights and interests of employees.

Ever since the incorporation, Vanguard Apparel Co., Ltd. has proactively participated in events held by the Myanmar Garment Manufacturers Association (MGMA), Myanmar Centre for Responsible Business (MCRB), International Labour Organization (ILO), Union of Myanmar Federation of Chambers of Commerce and Industry (UMFCCI) and International Committee of the Red Cross, vigorously assumed social responsibility, established harmonious labor-capital relationships and made contribution to economic development and improvement of people's living standards in Myanmar.

Besides, the company has played an active role in the local public welfare undertakings, donated various resources to build roads for nearby communities, helped local residents obtain convenient transportation conditions, and driven the economic development. Meanwhile, the company has also contributed to build a library for local residents, enrich their spare-time life and help them meet their spiritual and cultural needs. The company will organize various activities to show its care and love for children every year, make charitable donations to various orphanages, and hold different social celebrations to care the healthy and happy growth of local children and facilitate the development of local society. It passed the BSCI certification in 2017, performed social responsibility, and proactively fulfilled corporate social responsibility.

Continental Textile Co., Ltd. is an overseas yarn-dyed fabric production base established in Vietnam. The company pays close attention to the development of local society and actively participates in social welfare activities to facilitate the social development. It ensured sustainable development, and passed certification of SA8000, the organic cotton system, the renewable system and the environmental management system successively. Since it passed the SA8000 certification in 2017, it has complied with the standards for social responsibility, and never received any external complaint.

With a total investment of USD 30 million, Lu An Garment Co., Ltd. is located in, An Giang Province, Vietnam. The production line features high automation level, high product quality and high level of environmental protection, and manufactured products are mainly sold to the United States, the European Union, Japan and other countries and regions. As the company always adheres to the traditional virtue of helping the poor, it has actively fulfilled its social responsibilities, and showed its care for the learning and living conditions of the disadvantaged groups, especially those in need. It passed the SA8000 certification in 2017, and proactively fulfilled corporate social responsibility.

In order to better fulfill overseas social responsibilities and establish a better image for Chinese companies, Lu Thai always adheres to its responsible operations and forms the culture and value of responsibility. Meanwhile, it is enthusiastic about charitable activities, and takes active actions in building the infrastructures, helping the poor, supporting the educational development, developing the culture, promoting the employment, and enhancing the economy so as to give back to the people of the host country, improve the good reputation of Chinese companies abroad, and boost the sustainable development of the local economy, society and the environment.

WE LOOK
FORWARD
TO WORKING
WITH YOU.