

Lu Thai Textile Co., Ltd. Sustainability Report

2023



About This Report

Reporting Entity

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

Scope of the Report

The time span of this Report is mainly from 1 January to 31 December 2023. In order to maintain the continuity and comparability of information, some content is beyond the aforesaid 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 to update or responsible for updating its forward-looking statements made in this Report before 12/04/2024, unless otherwise required by regulatory authorities.

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Chairman's Statement



Liu Zibin

Luthai Textile Co.,Ltd
Chairman President

Dear friends, thank you for your interest in this Report. On behalf of the Board of Directors of Luthai Textile, I would like to express my heartfelt gratitude for your long-term support for the Company!

Luthai Group embarked on the second five-year phase of its 30-year journey in 2023. It was a year marked by remarkable challenges. Confronted with a more complex and severe external environment, all members of Luthai rallied together with enterprise, fortitude, courage, and persistence. We weathered external pressures, surmounted internal obstacles, and pushed forward in the face of adversity. Despite significant tests, we maintained stable employee teams and achieved smooth progress across all facets of our work. The second phase of our journey got off to a promising start. Despite the overall challenging external environment, the Company's development remained robust, underscoring our resilience and commitment to sustainable growth. This demonstrates our strong foundation in business management and the dedication of our united and hardworking employee team, positioning the Company for promising future development.

In 2023, with a focus on customer-centricity, we enhanced our integrated fabric and clothing service capabilities to deliver greater value to our customers and society at large. Emphasising production lines, we advanced two key strategies: Improving delivery capabilities and operational efficiency. Placing business operations at the forefront, we bolstered support services to enhance management and assurance levels.

Throughout 2023, we fostered a spirit of resilience, cultivated our corporate culture, and continuously honed our capabilities. We launched a project to enrich our corporate culture, systematically refining and upgrading it to gather strength. We accelerated automation and intelligent building, enhancing labour productivity, reducing intensity, and improving workplace conditions. Additionally, we strengthened human resource management, fostering an international talent pool, invigorating organisational dynamics, and stabilising our employee teams.

Recognising the Company's unique position in stabilising the economy, promoting growth, and safeguarding employment and livelihoods, we prioritised providing stable work and welfare benefits to our employees in 2023. We also shared the Company's achievements in enterprise development with our workforce, leveraging our excellent corporate culture. Actively fulfilling our social responsibilities, we improved our environmental governance capabilities, driving sustainable development.

As we enter 2024, a pivotal year in Luthai Group's second five-year phase of the new 30-year voyage, faith becomes our strongest driving force, struggle our most passionate melody, and hard work our most beautiful backdrop. We will set sail once again toward new goals.

A handwritten signature in black ink, appearing to be the Chinese characters '刘子斌' (Liu Zibin), written in a cursive style.

2024.4.12

About Us

Business Operations

Luthai Textile Co., Ltd. is an A-share and B-share listed company. It is a comprehensive and innovative international textile and apparel group with an industrial chain that integrates R&D, manufacturing, and marketing services. The Company's products are exported to more than 60 countries and regions, including the United States, the European Union, and Japan. It has established strategic partnerships with well-known domestic and foreign brands, and the export market share of medium- and high-end yarn-dyed fabric accounts for more than 18% of the global market.

As at the end of 2023



The Company's production and operating results have always been among the top in the national textile industry, and it has won honours such as the "National May First Labor Medal", "National Quality Award", the Third "China Industry Award", and the "Single Champion Demonstration Enterprise in the Manufacturing Industry". Besides, in 2023, the Company was also awarded these honours: The "Chinese Textile and Apparel Brand of 2023 with Competitive Edge" by the China National Textile and Apparel Council, the "Enterprise with Outstanding Contribution in Technological Progress" by the China Cotton Textile Association, the "Brand Unit with Outstanding Contribution" by the China Council for Brand Development, the "2022 Golden Trust and Disclosure Award" by the China Securities Journal, and the "Top 100 ESG Golden Bull Awards in the First National New Cup". In addition, the Company was also listed in Yicai the Corporate Social Responsibility Ranking in China, and won the "ESG Innovation Practice Award".



Development History



Sustainable Development Strategies and Management

A company's sustainable development management shows the responsibility and respect of the company for its customers, employees, products, and future. For many years, Luthai Company has kept pace with international and domestic development trends for years. By vigorously responding to national and industry policies, Luthai Company has demonstrated its sustainable development through actions.

GOALS

1 No Poverty
End poverty in all its forms everywhere.
The Company actively has paid taxes to the governments of countries where it operates to promote the economic development of the surrounding communities.

2 Zero Hunger
End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
The Company has implemented the policy of local employment and provided regionally competitive remuneration and benefits.

3 Good Health and Well-being
Ensure healthy lives and promote well-being for all at all ages.
The Company has provided employees with a good and comfortable workplace and protected the safety and health of employees.
The Company properly prevented and treated occupational diseases. Besides, the Company has established and improved employees' profiles of occupational health and organised annual check-ups to protect the physical and mental health of employees.

4 Quality Education
Ensure inclusive and equitable quality education
The Company has improved its employee education and training mechanism. In 2023, 22,850 employees participated in vocational training, achieving a 100% vocational training coverage rate.
The Company organises activities to support students every fall by providing employees' children with scholarships. It also donates educational funds to society to cultivate textile talent.

5 Gender Equality
Achieve gender equality and empower all women and girls.
The principle of gender equality has been observed. The Labor Union has earnestly protected female employees and improved their competence.
An equal remuneration system has been developed to ensure equal pay for equal work between male and female employees.

6 Clean Water and Sanitation
Ensure availability and sustainable management of water and sanitation for all.
Production departments have been encouraged to propose new measures to save water. The Company has increased investment in reclaimed water reuse projects, further promoting recycled use of water resources and providing a long-term guarantee for social development.

7 Affordable and Clean Energy
Ensure access to affordable, reliable, sustainable and modern energy for all.
The Company has conducted the project of rooftop photovoltaic power generation to contribute to the energy transformation of enterprises and society.

8 Decent Work and Economic Growth
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
By performing the digital and intelligent transformation of production lines, Luthai has reduced labour intensity and raised resource utilisation efficiency.

9 Industry, Innovation and Infrastructure
Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.
In 2023, Luthai invested 240Million in research funds in total. Additionally, it has been granted 485 patents in total, including eight software copyrights. Luthai has organised or participated in the formulation of 51 national and industry standards.

10 Reduced Inequality
Reduce inequality within and among countries.
The Company has established plants in overseas developing countries, and actively created job opportunities to develop local talents.

11 Sustainable Cities and Communities
Make cities and human settlements inclusive, safe, resilient and sustainable.
Diverse assistance activities have been conducted in economically backward villages. Luthai Textile has purchased agricultural products from local farmers and donated daily necessities to residents to improve their living conditions.

12 Responsible Consumption and Production
Ensure sustainable consumption and production patterns.
Sustainable development reports have been released regularly, and ESG-related information is actively disclosed to enhance transparency.
Meanwhile, the Company has updated the requirements for suppliers and implemented stricter standards of duty performance for suppliers. It has worked with suppliers and contractors to actively perform duties to improve the industrial chain environment and drive social responsibility practice.

13 Climate Action
Take urgent action to combat climate change and its impacts.
Luthai Textile has responded to the 2030 "carbon peak" and 2060 "carbon neutrality" goals by actively carrying out climate action plans.

14 Life below Water
Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
The Company has proposed new processes, reduced the COD value of printing and dyeing wastewater, and protected water resources and aquatic animals.

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.
Prior to the launch of a new project, the Company entrusts environmental assessment agencies to conduct environmental assessment, including the assessment of the influence on local biodiversity. In the meantime, it earnestly performs greening governance, holds activities on Arbor Day, and enhances employees' awareness of environmental protection.

16 Peace and Justice Strong Institutions
Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
Luthai Textile includes health, safety, and environmental requirements in the bidding invitation requirements for suppliers, thus indirectly urging suppliers and contractors to enhance safety and environmental protection.

17 Partnerships for the Goals
Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development.
The Company has actively participated in industry organisations and initiatives, joined multiple industry associations, earnestly conducted industry exchanges, and promoted industry development.

Strategies and Implementation

The development strategy for 2022 to 2026: Lead the industry in green, low-carbon, and sustainable development.

The Company strives to boost the development and profitability of new products, especially green and eco-friendly products that are beneficial to sustainable development. It also develops low-carbon and environmentally-friendly products, and promotes energy saving and emission reduction, to improve the level of green development.

Chemical recycling

Reduce the overall use of chemicals and the discharge of hazardous chemicals and reuse more than 99% of liquid ammonia.

Green and low-carbon management system

Establish a green and low-carbon management system to manage energy and chemicals in a closed-loop manner.

Green and low-carbon core technologies

Promote and demonstrate in the industry the packaged technology for automatic cheese dyeing, digital color transmission technology, high-flux films for printing and dyeing wastewater and recycling technology, and low-salt and low-water dyeing technology.

Green energy use and recovery

Promote the use of green energy, such as green photovoltaic power, with green energy accounting for 7.7% of the total energy used by the Company; persevere with the application of the water recycling technology, with the water recycling rate reaching approximately 60%; push ahead with the employment of waste heat recovery technology, with a recovery rate of 80%, saving 12,536 tons of steam every year and reducing 2,902 tons of carbon emissions.

The Sustainable Development Committee has been established to provide team support for sustainable development.



System Certifications and Joining Industry Organisations

Sustainability-related Certifications



- ISO 9001 Quality Management System
- ISO14001 Environmental Management System
- ISO45001 Occupational Health and Safety Management System
- ISO10012 Measurement Management System
- SA8000 Social Responsibility Management System
- Worldwide Responsible Accredited Production (WRAP)
- Business Social Compliance Initiative (BSCI)
- Sustainable Textile Production (STeP)
- OEKO-TEX Standard 100
- Global Recycled Standard (GRS)
- Global Organic Textile Standard (GOTS)
- Organic Content Standard (OCS)
- China Environmental Labelling Program (CELP)
- CNAS-accredited lab
- Higg Index (FEM/FSLM)
- Authorized Economic Operator (AEO) Program Certification
- EUROPEAN FLAX Standard
- U.S. Cotton Trust Protocol (USCTP)
- ISO14067 Carbon Footprint of Products - Requirements and Guidelines for Quantification
- Product carbon footprint of Shandong Province

Participation in Industry Organisations

The Company has joined industry organisations 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 organisations	Role of the Company
The China Chamber of Commerce for Import and Export of Textiles (CCCT)	A Sixth Vice Chairman Organisation
The China Dyeing and Printing Association (CDPA)	A Sixth Vice Chairman Organisation
The China National Garment Association (CNGA)	A Seventh Standing Director Organisation
The China Textile Engineering Society (CTES)	The 26th Standing Director Organisation
The China National Textile and Apparel Council	The Fifth Vice Chairman Organisation Specially Invited
The China Textile Enterprise Association (CTEA)	The Tenth Vice Chairman Organisation
The Chinese Association for Textile Enterprises Culture Construction	The Fifth Vice Chairman Organisation Specially Invited
The China Research Institute of Enterprise Culture	The Vice Chairman Organisation
The China Cotton Textile Association (CCTA)	A Sixth Vice Chairman Organisation
The China Council for Brand Development (CCBD)	The Standing Director Organisation
The China Federation of Industrial Economics (CFIE)	The Sixth Member Organisation
The China Association for Quality (CAQ)	Member
The China Nonwoven & Industrial Textiles Association (CNITA)	The Member Organisation
The Shandong Council for Brand Development	The Standing Director Organisation
The Shandong Textile and Apparel Association (SDTAA)	Rotating Chairman Organisation

Stakeholder Engagement

Stakeholders	Issues of concern	Means of communication	Actions of Luthai Textile
 Government	Operation in Compliance Safe and green production Fulfilment of social responsibilities	Supervision and inspection Visits Material providing	Strictly complying with laws and regulations Actively responding to environmental calls and formulating action plans Helping the poor and improving people's livelihoods Supporting the public welfare
 Customers	Product quality Responsible marketing Integrity Respecting customers' opinions	Customer visits Customer service hotline Opening business operations	Improving the product quality management system Improving the customer relationship management system Conducting the customer satisfaction survey Visiting customers regularly
 Shareholders and investors	Corporate governance and profitability Honest and compliant operations Competitive edge	General Meeting of Shareholders On-site survey Telephone consulting Interaction Easy of the Shenzhen Stock Exchange	Compliant operations, openness, and transparency Safeguarding the legitimate rights and interests of shareholders by laws
 Communities and the public	A harmonious community relationship Contributing to the community economy	Supervision by the masses Visiting communities	Helping the poor and joining public welfare activities Community donation and landscaping Promoting employment and developing local suppliers
 Employees	Respecting human rights Remuneration and benefits Career development channels Health and safe production	The Labor Union and the employee representative assembly Employee complaint	Improving the remuneration management system Improving employee cultivation and promotion mechanisms Diverse communication channels Helping for employees in need Safety training and inspection
 Value chain partners	Green and low-carbon development Honest and compliant operations	Exchange visits among senior management personnel Exchange and cooperation in experience and technology Daily communication Exchange through industry conferences	Continuously improving supplier management procedures and strengthening the control of operational risks Strengthening contract management and standardising credible procurement Sharing experience and technology and exchanging needed goods Building industry-university-research platforms



Corporate Governance/Building Excellent Corporate Governance

Corporate governance is the core of modern corporate systems, and sound corporate governance is necessary for a competitive enterprise. Luthai continuously establishes and improves governance mechanisms, optimises governance structures, and actively implements compliance management, risk control, and business ethics development. It also ensures scientific and effective decision-making, and vigorously promotes technological innovation in order to contribute to fully support the efficient operations of the Company and achieve high-quality growth.



Sustainable Development Goals (SDGs) of the United Nations



Business vision

Mission

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

Creating wealth and 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 will realise value while developing the economy and serving the society. It will also fulfil its responsibility in saving resources, protecting the environment and engaging in public welfare. Through these efforts, it will assist in comprehensive and coordinated development of the material civilisation, cultural and ideological progress and ecological civilisation, and share the fruits of cultivation with all members of the public.

Clothing the world and weaving our way to every corner of the globe:

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 civilisation and harmonious development of the society.

Vision

World-class and century-old textile enterprise

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 perspective of time:

The Company will base itself on and go beyond textiles, and finally embark on a journey to 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-freemost policy:

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 labour, 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 scientific attitude:

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 standardised work and achieve sound, stable and sustainable development.

Client-oriented principle:

Focused on customer demands as always, the Company endeavours to provide products to the satisfaction of its customers. With customer-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 personalised demands of customers to improve customer satisfaction and loyalty.

Integrity for win-win outcome:

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.

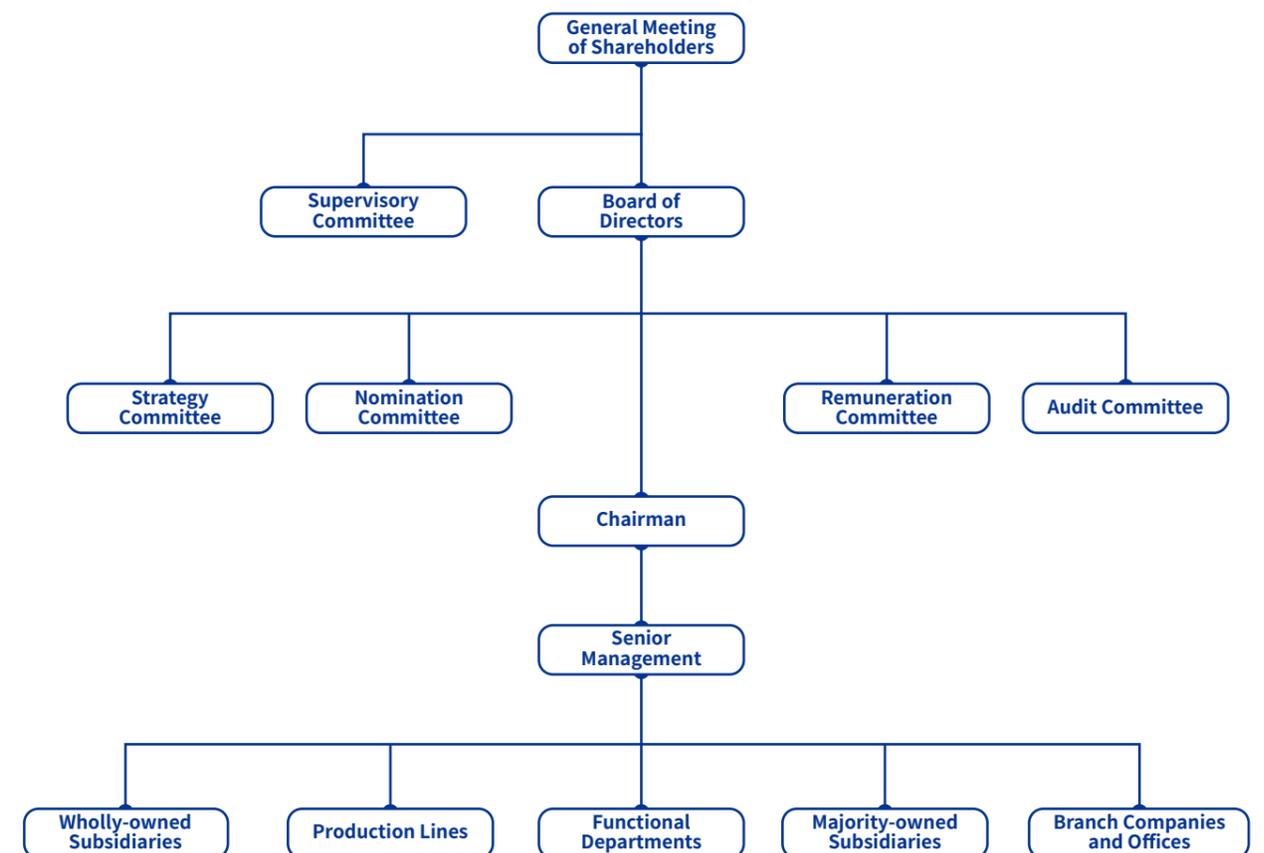
Governance structure

Organisational structure

The Company continuously improves the basic governance structure composed of the General Meeting of Shareholders, the Board of Directors, the Supervisory Committee, and the Senior Management, whose rights and responsibilities are defined in accordance with the Company Law, the Securities Law, the Code of Corporate Governance for Listed Companies, the Guidelines No.1 of the Shenzhen Stock Exchange on the Self-regulation of Listed Companies - Standardized Operation of the Companies Listed on the Mainboard, and other relevant laws, regulations, and regulatory documents in order to ensure efficient and standardised operations.

The controlling shareholders strictly abide by relevant securities laws and regulations, actively regulate their own corporate governance, ensure the independence of listed companies in terms of business, personnel, assets, institutions, and finance, and support listed companies to give back to investors in various forms. Since its listing, the Company has been adhering to cash dividends every year and has completed the fifth B-share repurchase plan as of now. The Company conducts separate vote counting for the voting results of small- and medium-sized investors participating in the General Meeting of Shareholders. Since 2020, it has held annual performance briefing meetings and timely disclosed communication records with institutional investors, fully protecting the right to information and voting rights of small- and medium-sized investors.

Organisational Structure of Luthai Textile Co., Ltd.



Development of the Board of Directors

Attaching great importance to board development, Luthai 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 directors, including four independent directors. A total of 13 meetings of the Board of Directors were held in 2023, with a full attendance rate of directors. During the Reporting Period, 84 topics were deliberated on, covering equity incentives, policy revisions, regular reporting, profit distribution, related-party transactions, and share repurchases.

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.

Committee Name	Strategic Committee	Nomination Committee	Remuneration Committee	Audit Committee
Main duties	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.	Study and formulate the criteria and procedures for selection of the Company's directors and senior management, optimise the structures of the Board of Directors and the management, and improve corporate governance structure.	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.	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.
Functioning of committee	Chairman: Liu Zibin Members: <ul style="list-style-type: none"> Xu Zhinan, Liu Deming, Xu Jianlv, Zheng Huisheng, Zhang Zhanqi, Zhang Keming, Du Lixin, Zhou Zhiji, Qu Dongmei, Peng Yanli, and Quan Yuhua. <ul style="list-style-type: none"> In 2023, the Committee held one meeting, with a full attendance rate of the members. 	Chairman: Qu Dongmei Members: <ul style="list-style-type: none"> Liu Zibin, Xu Zhinan, Zhou Zhiji, and Peng Yanli. <ul style="list-style-type: none"> In 2023, no meeting was held. 	Chairman: Peng Yanli Members: <ul style="list-style-type: none"> Liu Zibin, Zhou Zhiji, and Qu Dongmei. <ul style="list-style-type: none"> In 2023, the Committee held two meetings, with a full attendance rate of the members. 	Chairman: Zhou Zhiji Members: <ul style="list-style-type: none"> Zhang Keming and Qu Dongmei <ul style="list-style-type: none"> In 2023, the Committee held six meetings, with a full attendance rate of the members.

Board Diversity

The Company values the diversity of the Board members, whose job responsibilities are determined by their professional experience. In 2023, the Board members included three foreign directors, accounting for 25%, and four female directors, accounting for more than 30%.

Name of Director	Gender	Age	Position(s)	Date of service commencement
Liu Zibin	Male	59	Chairman, President	6 June 2007
Xu Zhinan	Male	94	Vice Chairman	6 May 2004
Liu Deming	Male	34	Director	12 May 2017
Xu Jianlv	Female	48	Director	10 June 2022
Zheng Huisheng	Male	36	Director	10 June 2022
Zhang Zhanqi	Male	52	Director and Vice President	10 June 2022
Zhang Keming	Male	56	Director and Board Secretary General Accountant	10 June 2022
Du Lixin	Male	49	Director	10 June 2022
Zhou Zhiji	Male	61	Independent Director	10 March 2019
Qu Dongmei	Female	55	Independent Director	10 June 2019
Peng Yanli	Female	63	Independent Director	10 June 2022
Quan Yuhua	Female	68	Independent Director	10 June 2022

Compliance management

Adhering to operations with integrity, law-abiding principles, and compliance, Luthai Textile has always emphasised that integrity and law-abiding principles are the foundation of the Company, and always abode by the values of "integrity and win-win situation". Under the philosophy of operations with integrity, the Company has continued to strengthen the compliance management system, improve compliance management policies, optimise 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 has 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 has 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 institutionalised business operations, the Company, considering its realities, has 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 has 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 2023, the Company assessed the internal control of eight subsidiaries and issued the internal control assessment matrices, with an internal control audit coverage of 82.15%.

Indicator (Unit)	2021	2022	2023
Internal control audit coverage (%)	89.33%	89.03%	82.15%

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

Targets	Indicators	2021	2022	2023
Senior leaders	Quantity of non-conformance events	0	0	0
Middle-level leaders 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	Standard	Standard
Suppliers	Quantity of non-conformance events	0	0	0

Information disclosure

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

- * As at the end of 2023, the Company had been rated A for six consecutive years in the information disclosure assessment on the listed companies on the Mainboard 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 2023, a total of 69 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 of countries where it operates, as well as the industry recognised code of conduct. It advocates honesty and trustworthiness, fair competition, anti-corruption, openness and transparency, and supervises the business behaviour of partners, committed to creating an honest, fair, clean, and harmonious operating environment.

Code of conduct for employees

The Company continues to strengthen employee behaviour management by strictly requiring employees to act in accordance with laws, guiding and supervising employees to abide by rules and regulations, and operating in compliance. Through the promotion of corporate culture, publicity and education training of laws, inspection and supervision of employee behaviours and other measures, the Company urges employees to raise awareness of ethical standards, and improve their own moral accomplishment, to ensure the implementation of integrity values and ethical behaviour, and thereby promote the healthy development of various business.

Complaint reporting mechanism

The Company encourages all 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.

Anti-corruption and bribery

The Company strictly abides by the anti-corruption and anti-bribery laws and regulations of countries where it operates. It conforms to the anti-corruption and anti-bribery pledges in the Company and with business partners, and continuously improves the supervision mechanism of anti-corruption to ensure the standardised operation of the Company. The Company conducts audits by relevant policies every year. In 2023, the Company audited the auxiliary material procurement and inventory business and the sales business. The audit involved the selection of the procurement unit, price inquiry and comparison, bidding and tendering management, long-term inventory processing, sales procedures, sales pricing, payment and collection, and cash management. As a result, no corruption or fraud was identified.

Innovative development

Innovation is the major driver of an enterprise's high-quality development. Luthai Textile continues to ramp up spending in scientific and technological R&D in order to push the intelligent and digital transformation of the Company. Also, it seeks strong support for the Company's long-term development through the organic integration of information and industrialisation.

Scientific and technological R&D

Adhering to the "Four-in-One" innovation philosophy which "lets the enterprise play the major role, adopts the customer-oriented approach, is underpinned by research institutes and universities, and emphasises the alliance with strategic customers and major suppliers", the Company has formed a three-level R&D innovation team led by Luthai Engineering Technological Institute, focusing on breaking through the professional expertise for production lines, and mainly comprising the quality control teams of the workshops and groups of the plants. By doing so, it has continuously enhanced the internal innovation mechanism, developed the scientific and technological innovation platforms, deepened the industry-university-research cooperation, and laid a solid foundation for the Company's innovation cause.

Ramping up spending in scientific and technological innovation

In 2023, the Company spent RMB240Million on technological R&D, developed 72 new products and processes, and carried out 170 projects on technological improvement.

As at the end of 2023, the Company had undertaken eight national scientific and technological innovation platforms and five provincial platforms, and received more than 48 rewards concerning national, provincial and ministerial scientific and technological progress awards, of which, 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 had undertaken 19 scientific and technological plans of provincial and ministerial level, received 485 authorised patents, eight software copyrights, and host or engaged in the formulation of 51 national and industrial standards.

· Developing 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.

 <p>Textile garment research platform</p>	<p>With the help of technological platforms such as the national enterprise technical centre, national demonstration base for talent introduction, national yarn-dyed fabric R&D base, Shandong Provincial Engineering Technology Research Center, and Shandong Big Data Industry Innovation Center, Luthai Engineering Technological Institute has worked with production lines, for yarn-dyed fabric, knitted fabric, apparel, printing and dyeing, and functional fabric to conduct explorations. It has been dedicated to researching cutting-edge technologies. As a result, they have paved a path based on fabric but transcending traditional fabric in scientific and technological innovation, quality improvement, brand promotion, low-carbon energy conservation, and corporate culture development.</p>
 <p>Textile garment design platform</p>	<p>Luthai Engineering Technological Institute has capitalised on the design resources of the national industrial design centre, the Shandong Provincial industrial design centre, an Italian designer's workshop for fabric design, and the enterprise brand design centre to build a textile and apparel 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>Textile garment testing and experimental platforms</p>	<p>Luthai owns a complete set of testing devices and equipment for textile materials, fabrics, and garments, as well as dyeing and finishing auxiliaries. It is equipped with laboratories that meet international standards, including the constant temperature and humidity laboratory, textile material testing laboratory, fabric and garment laboratory, and chemical analysis and synthesis laboratory. Also, it has an experienced professional testing team that is familiar with domestic and overseas standards. As a result, Luthai has made every effort to establish an integrated testing and inspection platform in the textile and apparel industry at home and abroad.</p>

 **Protecting 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 2023, the Company obtained 43 authorised patents, including 36 invention patents, and was successfully selected as a "National Intellectual Property Advantageous Enterprise", marking that the Company's achievements in innovation ability, R&D ability, patent protection and other intellectual property aspects were authoritatively recognised by the national intellectual property management departments.

 **Industry-university-research cooperations**

The Company collaborates with many universities and scientific institutes, ranging from the training of basic talents and core technology R&D. Luthai has explored and established an all-round industry-university-research collaboration mechanism with many institutes. As at the end of 2023, the Company established a long-term partnership with universities such as Donghua University, Hong Kong Polytechnic University, Jiangnan University, Qingdao University, and Wuhan Textile University. Through R&D cooperation with leading institutes in new technologies, materials, and products, the Company has improved its R&D capability.

· Key R&D projects



"Lyocell Fibre Green Manufacturing" project



"Research on Processing Technology and Application of Recycled Cotton" project

Lyocell fabric is prone to fibre formation during printing, dyeing, and wearing, resulting in problems such as light colour, "frosting", and pilling during household washing, which is a major technical bottleneck for the promotion and application of Lyocell. The Company collaborated with Wuhan Textile University and Qingdao University to address key scientific difficulties related to the building of multi-level and multi-scale supramolecular structures and the mechanism of fibre formation in Lyocell fibres, as well as the rapid in-situ colouring and high-temperature moisture fixation mechanisms of Lyocell fibres. Additionally, research was also conducted on key technical difficulties such as ant-fibre processing technology, green manufacturing technology and automation equipment, and low-carbon industrial production based on carbon footprint and water footprint process management in the dyeing and finishing process of Lyocell fibres.

With the development of textile circular economy, the recycling and reuse of waste textiles has attracted much attention. Various countries have introduced policies to encourage the recycling of waste textiles, and more and more brand companies have begun to require the recyclable and environmentally-friendly textiles. In this project, the Company collaborated with Qingdao Hong Da Textile Machinery Co., Ltd. and Jiangnan University to develop specialised fabric opening and carding equipment, and study the opening and carding procedure and process parameters. The Company has achieved pre-consumer recycled cotton with cone-winder waste of 22 to 23 mm, and recycled cotton with cutting fabrics of 17 to 18 mm, meeting the spinning requirements of 20% to 100% for recycled cotton in 10 to 30 s and 20% to 25% for recycled cotton in 30 to 40 s. The developed products have been recognised by domestic and foreign customers.

· 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 research of new fibre material technologies and key technologies for eco-friendly dyeing and finishing. In 2022, the Company participated in the "14th Five-Year Plan" National Key R&D Program led by Donghua University. In July 2023, Academician Yu Jianyong, President of Donghua University, visited the Company to provide guidance and fully affirmed the Company's research and innovation work. He also had an exchange on further cooperation with Donghua University in the future.



Exchanging with Academician Yu Jianyong

Qingdao University

The Company signed a strategic collaboration agreement with Qingdao University in 2016 to carry out in-depth cooperation with the university in scientific research, talent cultivation, and social services, thereby contributing to socioeconomic and technological development.

- In terms of scientific research, Qingdao University and the Company have jointly established the "Luthai Group-Qingdao University Research Center" and the "National Collaborative Innovation Center of Key Technologies for Textile Industry" to be dedicated to the research of industrial textile and marine biomass fibre.
- In terms of talent cultivation, the Company has set up the "Luthai Scholarship" in the university and the "Luthai International Talent Reserve Class". As a result, a number of brilliant students from textile universities have been attracted to Luthai and become the backbone of the Company.
- In 2023, the Company collaborated with Qingdao University to conduct research on "Lyocell fibre green manufacturing" and achieved good results.



Technical Exchange Meeting with Qingdao University

Shandong University of Technology

The Company has cooperated with the Shandong University of Technology in establishing the Luthai School of Textile and Apparel, thereby promoting organic industry-education integration, collaborative innovation, and integrated industrial-educational development.

- The Company has also worked together with the university to establish laboratories and share research apparatus and platforms, achieving research integration in terms of the scientific program development and project application.
- A team of part-time teachers, including Taishan Scholars, senior experts of the Company, and excellent technological talent, has been built to achieve the integration of teaching resources of the university and the Company.
- The Company has utilised the comprehensive strengths of both sides to introduce more practice and internship opportunities for students. It donates RMB1 million to the university for collaborative talent cultivation every year. Meanwhile, the "Luthai Scholarship" has been set up to encourage students to work hard, achieving "joint talent cultivation" between the university and the Company.
- In 2023, the Company established a targeted service mechanism with youth teachers from Luthai School of Textile and Apparel, Shandong University of Technology to conduct research on the Company's challenging projects, and jointly applied for and built the Engineering Research Center for the Functional Textile and Ecological Dyeing and Finishing in Zibo.



Communication with Teachers from Shandong University of Technology

Innovation in production technologies

Luthai Textile has maintained an open attitude toward technological R&D and kept strengthening the industry-university-research cooperation. It has developed green and low-carbon technologies both independently and through cooperation and has continuously optimised the Company's clean production mode. As a result, the Company's green and sustainable development has been constantly boosted. Over the years, more than 480 technologies of the Company have been patented. Among them, in 2023, the "Preparation Device and Method for Cellulose Filbe Cheese Online Dyeing Colour Point Yarn" won the China Patent Silver Award, achieving zero breakthrough in the national-level patent award honours; the "Weft-knitted Shirt Fabric and Its Production Process" won the patent gold award by the China National Textile and Apparel Council, and the "Spinning Method of Vortex Spun Yarn with Ring Spinning Characteristics and Vortex Spinning" won the high-value patent in Zibo City.



Preparation Device and Method for Cellulose Filbe Cheese Online Dyeing Colour Point Yarn



Weft-knitted Shirt Fabric and Its Production Process



Fancy Wrap Yarn with Bamboo Knot Effect and its Spinning Method



Dyeing Method for Polyester Yarn with Halo Dyeing Style

In 2023, the Company focused on tackling key areas such as new materials, new technologies, new processes, and new functions. Luthai aimed to reserve new products in terms of materials, functions, technologies, and processes based on the development trends market demands, overcome current technological and product pain points and implementation difficulties, continuously meet potential customer needs, and enhance the Company's market competitiveness.

Production and Operations/ Responsible Production and Operations

In line with the principles of being responsible to customers, employees, and society, Luthai implements the philosophy of "responsible production and operations", improves safety production mechanisms, enhances chemical safety management, and regulates supplier behaviours with high standards. The Company is committed to providing customers with reliable products and employees with a safe workplace, minimising social impact during sound operations, safeguarding the rights and interests of stakeholders in multiple aspects, and achieving the long-term stable development of the Company.

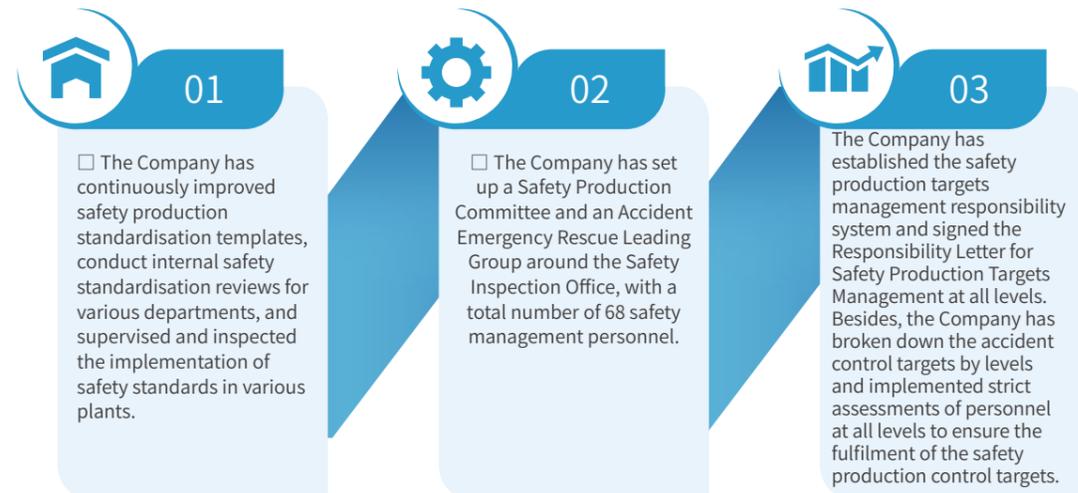
▶▶▶ Sustainable Development Goals(SDGs) of the United Nations



Production safety management

Production safety, involving employees' life safety, is the key to the survival and development of the enterprise. Its responsibilities are weightier than Mount Tai. Luthai insists on the principle of "safety first, prevention first and comprehensive management", and implements national, local and industrial policies, laws and regulations and standards on safety work. The Company consciously carries out all rules and regulations of production safety and supervises the implementation.

Building of safety management system and mechanism



The Company's safety control targets

in 2023



- Eradicate fire risks and personal casualties
- Prevent the accidents of major environments and occupational health and safety
- Eliminate grand electromechanical equipment accidents
- Avoid traffic accident

The Company has implemented that the safety facilities in construction must be designed, constructed, approved and put into production and use at the same time as the main project to control and prevent safety accidents from the source.

Building of safety management system and mechanism

The Company continues to improve the 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 2023, the Company identified a total of 269 risk hazards in various production and operating activities. For each risk hazard, the Company has formulated specific risk control measures to prevent and control risks by ways such as standard specification, safety training, distribution of supplies for labour conservation and protection, on-site supervision and inspection, emergency response drills, and timely handling of incidents.

In terms of risk hazard inspections, the Company's Safety Inspection Office carried out various inspections in 2023, such as special inspection of dust explosion-proof, diagnosis of invited safety experts, 100-day clearing campaign, special inspection of warehouse, general inspection during the holiday, and departmental self-inspection and self-correction, which identified more than 21,000 safety hazards. During the Reporting Period, all risk hazards were eliminated.



The Company is conducting an on-site safety hazard inspection

In terms of safety training, the Company carried out the training of the first lesson after the Spring Festival, Qingming Festival, Mid-Autumn Festival and National Day, and organised a series of special training in 2023, such as 27 training sessions for new employees, 73 safety training sessions for all employees, nine training sessions for special operators, two training sessions from invited external experts, special equipment training, and certified safety engineer training. Moreover, the Company has implemented the government's special action requirements on "deep learning, deep training, wide examination" for safety production, and achieved the normalisation of safety training and learning. In addition, the Company has conducted "Safety Production Month" activities with the theme of "everyone values safety and knows how to handle emergencies", aiming to prevent and defuse major risks, eliminate potential safety hazards in a timely manner and effectively curb production safety incidents, and finally create a sound environment for safety production. In the whole year of 2023, the Company conducted more than 100 various safety training sessions with over 13,000 trainees.



The Company organises safety training for management members



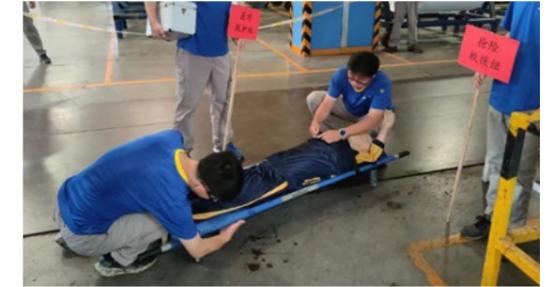
The Company organises special safety training sessions

"Safety Production Month" activities in various forms

During the "Safety Production Month" campaign in June 2023, the Company has conducted a variety of activities such as publicity board design, special training on safety production, inspections on potential safety hazards, award-winning essay contests, safety photographer, short videos on safety dissemination, emergency response drills, and cross-talk and sketch parties. All employees who participated in the activities raised their safety awareness.



The Company is conducting an emergency drill



Fire safety management

As a key unit of fire safety, the Company implements the working policy of "prevention first with a combination of fire prevention and firefighting", standardises fire safety management procedures, strictly implements fire safety management regulations to effectively prevent fire accidents and guarantee the implementation of emergency rescue. In addition, these measures minimise property damage and personnel injury caused by fire occurrence and fire rescuing.

The Company's Security Office conducts annual planned fire safety knowledge training, critical parts protection training, and fire drills for each department and plant to improve the fire safety awareness and accident handling ability of all employees. Each department strictly implements the Hot Work Management System, Fire Inspection System, and Electricity Safety Management System. The 5G smart sharing management platform jointly developed by Luthai and China Mobile integrates security management and fire monitoring functions. Through multi-functional applications such as intelligent brain engine, security monitoring, park access, smart fire protection, and wireless intercom, the Company has comprehensively built an "information sharing, intelligent and efficient" security management and fire monitoring integrated control system. This has made safety management three-dimensional, emergency support intelligent, and emergency response collaborative, making the safety management of the Company's fire and public security more efficient.

Visible fire monitoring

19,072 (hours)

Fire safety hazard inspection

2,981 (items)

Employee training on critical parts protection

1,998 trainees

Firefighting and evacuation drill

290 sessions (64 sessions at night)

Test on automatic sprinklers system

14,348 (points)

Major fire safety incident

0 (times)



Fire safety comics



- The Company organised various departments to carry out publicity board design activities with the theme of "everyone values safety and knows how to handle emergencies", which had created a total of 50 boards.
- Besides, 17 publicity activities on "civilised and safe travel" were conducted.
- All departments and subsidiaries organised a total of 359 teams to participate in the inspection on potential safety hazards in the "Inspection, Protection, and Promotion" activity, with a total number of 8,079 participants and a total of 4,992 identified safety hazards, and finally selected 74 outstanding teams.
- The "An Kang Cup" award-winning essay contest received a total of 86 outstanding essays from various departments, and ultimately awarded two first prizes, three second prizes, five third prizes, and five excellent prizes.
- The Company carried out the "Safe Shooter" activity and collected 154 works, of which 19 were selected as excellent works by the Emergency Management Bureau of Zichuan District.
- A cross-talk and sketch evening party was held with the theme of "everyone values safety and knows how to handle emergencies".

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 several response plans such as Regulations on Emergency Preparedness and Response Management, Emergency Preparedness and Response for Fire Accidents, Emergency Preparedness and Response for Hazardous Chemicals Leakage Accidents and Emergency Preparedness and Response for Natural Gas Leakage Accidents. In 2023, the Company organised each plant to conduct emergency response drills, including 30 special response drills and 166 on-site disposal drills, and carried out a total of 15 "Emergency Rehearsal Training" in the "Safety Production Month" activities.



The Company is conducting an emergency drill



Firefighting and evacuation drill



The Company organises "119 Fire Safety Publicity Month" activities



The Company is conducting a fire hazard investigation



Chemical management

Purchase, storage and use management

The Company controls the whole process of procurement, transportation, storage, use and disposal of chemicals, especially for the purchase and use of hazardous chemicals. Moreover, the Company has formulated management systems and regulations such as the Safety Management System for Hazardous Chemicals, the Regulations on the Supervision and Inspection of Hazardous Chemicals, the Safety Management System for the Storage, Handling and Use of Liquid Ammonia, and the Regulations on the Supervision and Inspection of Major Hazard Installations of Liquid Ammonia, prompting each operation to be standardised, detailed and normalised.

第二类、第三类易制毒化学品购买备案证明

编号: G37231686442201

核发日期: 2023年12月19日



购买单位或 个人	名称或姓名 鲁泰纺织股份有限公司	住所/住址 山东省淄博市淄川区松岭东 路81号
	法定代表人 刘子斌	电 话 0533-5260654
销售单位	名 称	住 所
	法定代表人 王方亮	电 话
购买物品	硫酸	用 途 水处理
数 量	400000千克(肆拾万千克)	有效次数 多次有效
有效期限	自 2023-12-19 至 2024-03-18	



The Company is conducting an emergency response drill for a hydrogen peroxide leakage accident



For precursor chemicals and explosive chemicals, the Company strictly complies with national regulations and reports to the public security authorities in a timely manner. The Company establishes a chemical flow ledger and strictly controls the use to prevent the outflow and illegal use of such chemicals.



When each chemical is first purchased in the year, a complete MSDS list should be requested from the supplier and hung at the chemical usage and storage site.



Each user department should establish and improve the safety management system and emergency plans for hazardous chemicals, assign dedicated personnel to be responsible for the management of hazardous chemicals, and clarify responsibilities to individuals.



Annual training is conducted for chemical users in each plant, explaining the characteristics and hazards of the chemicals used, as well as how to handle and self-rescue after spillage or contact with human eyes or skin, and urging employees to store and use them correctly.

Control of restricted substances

As the international awareness of environmental protection and product safety grows, the demand for green production and environment-friendly products has become a major trend. Luthai, an international manufacturing enterprise, naturally does not hesitate to keep up with the times and has established a whole process chemical control mechanism.

Source control:

According to the requirements of laws and regulations, standards, instructions and customers' restricted substances list (MRSL) of each country and region, the Company has established chemical approval system and Manufacturing Restricted Substances List (MRSL) which is stricter than market regulations/standards. When chemicals for production pass the application test, the Company will entrust the third-party testing organisation to conduct the test on toxic and harmful chemicals. For suppliers with test results in conformity with MRSL, they are included in the list of qualified suppliers and then can be used for bulk purchase. Meanwhile, the Company strengthens the application of efficient and environment-friendly dyeing auxiliary to eliminate the production of toxic and harmful chemicals from the source.

Production process control:

The Company reduces pollution caused by chemical use through measures such as establishing a Chemical Inventory List (CIL), improving the process to increase the utilisation of chemicals, and recycling use of chemicals (e.g. liquid ammonia recovery).

Terminal management:

Besides, the Company tests the discharged wastewater and sludge for toxic and harmful chemicals according to the wastewater guidelines of Zero Discharge of Hazardous Chemicals (ZDHC) twice a year to ensure zero discharge of toxic and harmful chemicals.

In accordance with the MRSL information in market laws and regulations, standards and brands, the Company has developed its own comprehensive MRSL and statement of conformity, and requires all suppliers of chemicals for production to sign the statement of conformity to guarantee that their products meet the restrictive requirements for toxic and harmful chemicals.

The Company attaches great importance to the openness and transparency of chemical information and data, publicly releasing DETOX data on discharged wastewater twice a year at the ZDHC GATEWAY and the Institute of Public and Environmental Affairs (IPE), and releasing Pollutant Release and Transfer Registration System (PRTR) data once a year at IPE. At the same time, the Company communicates and interacts with suppliers, customers, third-party testing organisations, non-governmental organisations and other relevant parties to achieve sustainable improvement of chemicals management.



Data releasing platform

Input management

Management of chemical suppliers	Understand relevant laws and regulations and documents	Create a list of concerns on harmful substance	Ways to identify harmful chemicals
<ul style="list-style-type: none"> Selection of new suppliers Daily evaluation of suppliers On-site audit of suppliers Approval/removal of qualified suppliers <ul style="list-style-type: none"> Supplier Quality and Safety Assurance Agreement Declaration of Environmental Conformity of Chemicals Declaration of Environmental Conformity for Raw Materials and Auxiliaries 	<ul style="list-style-type: none"> Government Non-governmental organisations Customers and brands 	<ul style="list-style-type: none"> Chemicals Textiles Wastewater Sludge 	<ul style="list-style-type: none"> Compliance screening of Material Safety Data Sheet ("MSDS") Initial identification of harmful chemicals according to the type of auxiliaries Third-party testing Analysis and tracking of testing data

Production process

Management of procurement, storage, use and other aspects of chemicals	Process testing and validation	Green technology
<ul style="list-style-type: none"> Safety Management Process of Textile Chemicals Provisions for the Management of Departmental Chemicals Provisions for the Management of Procurement of Sizing Agents, Dyestuffs and Auxiliaries Provisions for the Management of Safety Control for Warehouse Management Department 	<ul style="list-style-type: none"> Tap water Dyeing drainage Warp sizing drainage Organisation of drainage 	<ul style="list-style-type: none"> Substitution of dyeing auxiliary Reduction of dyeing auxiliary Emission reduction Short process...

Output-end management

Creation of a testing data list	Participation in green activities
<ul style="list-style-type: none"> Brand customers Chemicals Water quality Sludge Product 	<ul style="list-style-type: none"> Information disclosure through IPE

Luthai reduces the level of pollutants through efficient chemicals management and good process control. Meanwhile, the Company works together with relevant parties such as major brands in the supply chain, suppliers, chemical industry and non-governmental organisations to reduce the impacts on the environment.

Supply chain management

Through a new generation of integrated and collaborative platform (ERP system) based on Internet services and technical architecture, the Company has realised the information flow in the whole process from supplier access to purchase warehousing. This has ensured the information flow in all processes of the supply chain, improved the efficiency of raw material supply, and made the purchase process more standardised and transparent.

Supplier management

When selecting suppliers, the candidates are required to possess relevant product qualification certification and have manufactured same or similar products for at least one year with a certain production scale. Priority will be given to suppliers who have obtained authoritative certifications such as the ISO 9001 Quality Management System Certification, the ISO14001 Environmental Management System Certification, the ISO45001 Occupational Health and Safety Management System Certification, the SA8000 Social Responsibility Management System Certification, and the Green Factory Certification.

Additionally, the Company conducts on-site audits on suppliers to fully understand their production and quality control processes, as well as fulfilment of their social responsibilities. Only after the products are qualified for use can they be included as qualified suppliers.

In terms of routine management, the Company signs the Quality Agreement, the Code of Conduct for Suppliers, and the Environmental Declarations with suppliers, and regularly investigates their basic situation. The Company also conducts semi-annual and annual supplier assessments according to different raw material suppliers, and classifies suppliers based on the assessment results.

Procurement management

In terms of procurement, whether to invite bids is determined based on different materials and the annual procurement amount. If bidding is required, the Bidding Office will conduct publication and assessment to select winning bidders. The Procurement Department drafts contracts based on the bidding documents and the bid documents of the winning bidder, and conducts subsequent procurement after being reviewed by the Legal Affairs Department and approved by the President. For those that do not require bidding, the Procurement Department selects suppliers from the List of Qualified Suppliers, conducts price inquiries and comparisons, confirms purchasers, and proceeds with subsequent procurement work.

For dyeing aids, raw cotton, and yarn, we prioritise products certified by Bluesign, GOTS/OCS, and GRS. We continue to promote the use of recycled polyester, recycled nylon, recycled tencel and recycled cotton to improve resource utilisation.

For each batch of products purchased, the sampling inspection system is implemented to control the input of unqualified materials from the source.

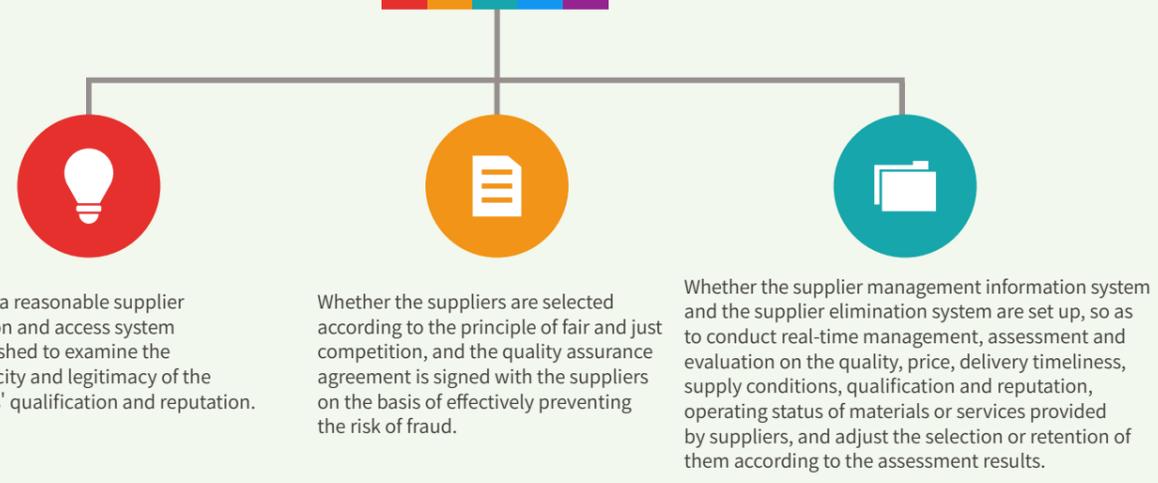
Warehouse management

The Company sets up warehouses for storing and managing corresponding materials such as raw cotton, yarn, and chemicals. Each batch of incoming materials is first inspected for appearance and sampled by the Quality Control Department. Only after passing the inspection can they be stored in the warehouse. A material inventory ledger is established for real-time material flow and inventory status in the material requisition program.

Internal control

The internal control evaluation is carried out by the Audit Department of the Company every year, so as to timely identify the loopholes and risks in the supplier management procedure, which lays a solid foundation for the building of a responsible supply chain.

The main contents of internal control evaluation include



3

Employee's Rights and Benefits/ Building a Harmonious Workplace To gether

Employees are the driving force and innovation source of companies. Discovering the potential and stimulating the ownership spirit of employees is the key to the success of enterprises. Lu Thai Textile implements a humanistic culture centred on caring employees, meeting their needs to the greatest extent possible while ensuring that employees have a healthy and safe workplace. We provide employees with a platform to show themselves and improve their abilities, consolidate their knowledge and skills, enrich their leisure life, and assist employees in solving difficulties. We truly care for and love our employees.

(Sustainable Development Goals (SDGs) of the United Nations



Health and safety

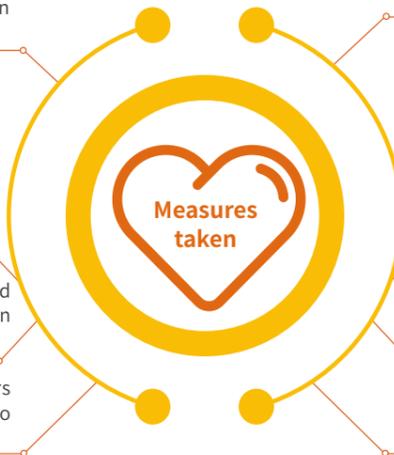
The Company pays high attention to its employees' occupational health and safety, so it has established and improved the management system of occupational health and safety, implemented risk control measures, and actively inspected and responded to occupational disease hazards, so as to ensure that each Lu Thair's health and safety are free from impairments.

Before going to their posts, new employees have all undergone pre-job physical examinations to avoid personnel with occupational contraindications from working in the relevant posts; employees have undergone on-the-job physical examinations, and their work will be allocated according to the results; and when leaving their posts, employees have undergone post-job occupational physical examinations to ensure that employees leave their posts in healthy condition.

The Company has conducted regular occupational health education and training for employees, and established occupational health surveillance archives for employees, realising the standardised management featuring "one archive for one person".

The Company posts warning signs and occupational hazard notification cards in prominent positions in the workshop.

The Company regularly maintains and repairs occupational hazard protection facilities to ensure their integrity and effectiveness.



The Company conducts emergency rescue drills once or twice a year for relevant departments and workshops to ensure timely handling of hazards.

The Company popularises health care knowledge each month, and provides first-aid medical kits for employees, with first-aid medicine supplemented for 270 times on average per month in 2023.

The Company distributes heatstroke prevention drugs in summer for convenient use by employees.

In 2023, no any major public health events occurred in the Company.

Occupational hazardous factors	Countermeasures
Dust	Take airtight, ventilating, and dedusting measures for cotton blending machines and scutchers in pre-spun process. Adopt the approach of wet sweeping for the workshop to take away the dust accumulated on the surface as much as possible Regularly clean the air duct Distribute dust masks that conform to international specifications
High temperature and high humidity	Distribute items for heatstroke prevention for high-temperature posts in the workshop Add Auricularia auricula and pig blood curd to workshop meals to enhance employees' ability to defend against occupational diseases Adjust the air supply and exhaust volume in the workshop
Noise and vibration	Equip employees with disposable noise-reducing earplugs and replace them regularly

Respect and equality

Protection of human rights and labourers' rights and interests

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, colour, 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.



In interview process, the Company actively examines identity cards, diplomas, etc., to prevent child labourers or underage workers who have not finished legal compulsory education from being recruited by mistakes.

A fair competition mechanism is adopted for promotion. The performance, abilities, and potential of employees will be considered to select the best ones.



The Company is committed to putting an end to all forced or compulsory labour. 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 the course of production and operation, at the request of the local government or third-party institutions, the Company actively carries out due diligence on human rights protection.

Safeguarding the rights and interests of employees

The Company has established a sophisticated remuneration and welfare system for employees, paid basic endowment insurance, medical insurance, work injury insurance, and unemployment insurance for employees according to laws, and provided such leaves as paid annual leave, home leave, marriage leave, breastfeeding leave, and work injury leave for employees according to the national standards. Lu Thai has also actively unblocked communication channels for employees, and established and improved such mechanisms as the Trade Union, employee representative assembly, and employee complaints. The Company has regularly carried out employee satisfaction surveys, to ensure that employees' aspirations can be timely conveyed to the management, and given feedback in time, to reasonably safeguard employees' rights and interests.

Indicator (Unit)	2021	2022	2023
Employment contract signing rate (%)	100	100	100
Social insurance coverage (%)	100	100	100

Diversity and Inclusion

Indicator (Unit)	2021	2022	2023
Employee diversity			
Total number of incumbent employees (person)	22,632	23,028	22,850
Total number of male employees (person)	9,593	9,736	9,317
Proportion of male employees (%)	42	42	41
Total number of female employees (person)	13,039	13,292	13,533
Proportion of female Employees (%)	58	58	59
Employee age			
Total number of employees aged under 30 (person)	10,520	9,866	9,671
Proportion of employees aged under 30 (%)	47	43	42
Total number of employees aged above 30 (person)	12,112	13,162	13,179
Proportion of employees aged above 31 (%)	53	57	58
Education background of employees			
Bachelor or above (person)	1,336	1,400	1,319
Junior college (person)	4,576	4,523	3,726
High school or below (person)	16,720	17,105	17,805
Nationality			
China (%)	56	54	51
Foreign employees (%)	44	46	49
Employee turnover			
Total number of new employees (person)	6,081	7,313	3,338
Employee turnover rate	19%	21%	13%
Employee training			
Training participants (person)	22,632	23,028	22,850
Average training hour (hour)	47	56	56
Training coverage rate (%)	100%	100%	100%

Democratic management

To ensure that the opinions of employees on the Company's management is fully conveyed and to encourage their participation, the Company's Labor Union collects employee opinions and suggestions through various channels.

- Every year, employee representatives are elected through employee elections, and the Labor Union regularly holds employee representative assemblies to promote activities of the Labor Union and communicate with employees
- Suggestion boxes are set up in various plants and departments of the Company to collect employees' opinions on the Company's policies, management processes, and salary benefits. The Labor Union sort out them once a month and provides feedback to the Company's senior leadership to discuss improvement plans
- A chairman reception day is established to communicate face-to-face with employees
- Hotlines and email addresses are set up to encourage employees to actively voice their opinions on the Company's development

Equal pay

The remuneration system of Lu Thai Textile is divided into working hour remuneration system and piecework remuneration system so that wages are distributed in a balanced way based on types of work. On the basis of the systems, the Company constantly improves employee remuneration structure, develop promotion mechanisms, and promises not to differentiate the treatment for employees in remuneration and promotion due to elements of non-work ability such as gender, religion, and ethnicity of employees.

Caring for female employees

The Company always pays attention to the rights and development of female employees and always puts special protection for female employees into practice. Therefore, the Company has formulated the Management Procedure for Protecting Female Employees, carried out various publicity, education, and entertainment activities to promote the physical and mental health development of female employees, enhance their confidence in overcoming the dual pressures of work and life, and enable them to maintain a good state in professional competition.

Measures taken:

- The Company has refused gender discrimination, and recruited females under equal conditions.
- The Company has ensured career development of female employees, and provided broader development space for female employees.
- The Company has established a female employees' committee to assist female employees in solving their difficulties of life and work, and safeguarding their rights and interests.
- The Company has established a psychological counselling office to facilitate employee communication, emotional counselling, and resolution of work and life difficulties.
- In 2023, new training courses for female employees, including yoga, makeup, and floral art, were added. The Company organised 17 times of training and learning in total, of which, four times were conducted on site, and approximately over 3,161 learners.
- The Company has organised various activities such as expert psychological counselling, reading, writing, visits, fitness, and pastry making to promote the overall quality improvement of female employees.
- The Company has set up lounges for pregnant women to provide a comfortable and convenient resting environment for pregnant mothers. In 2023, the lounges for pregnant women of the 3rd fabric weaving plant of Lu Thai were rated as "Mom's Cabin" by the municipal labour union, while the lounges for pregnant women of the 4th garment plant and 4th fabric weaving plants were rated as "Mom's Cabin" by the district labour union, and funds were allocated for purchasing supplies and routine maintenance.
- The Company has organised physical examinations for married female employees once a year. In 2023, totally 2,803 married female employees were organised to undergo physical examinations, with the expenses of physical examinations amounting to more than RMB70,000. To meet the further needs of employees, experts from the physical examination hospital were specially invited to provide free consultations for employees who had breast and thyroid abnormalities during the early-stage physical examination.



Mental Consultation Room



Series of Activities on the International Women's Day on 8 March



Female Employee Training



Appraisal and Appointment of Professional Titles



Mom's Cabin



Cultural and Recreational Activities



Physical Examination for Female Employees



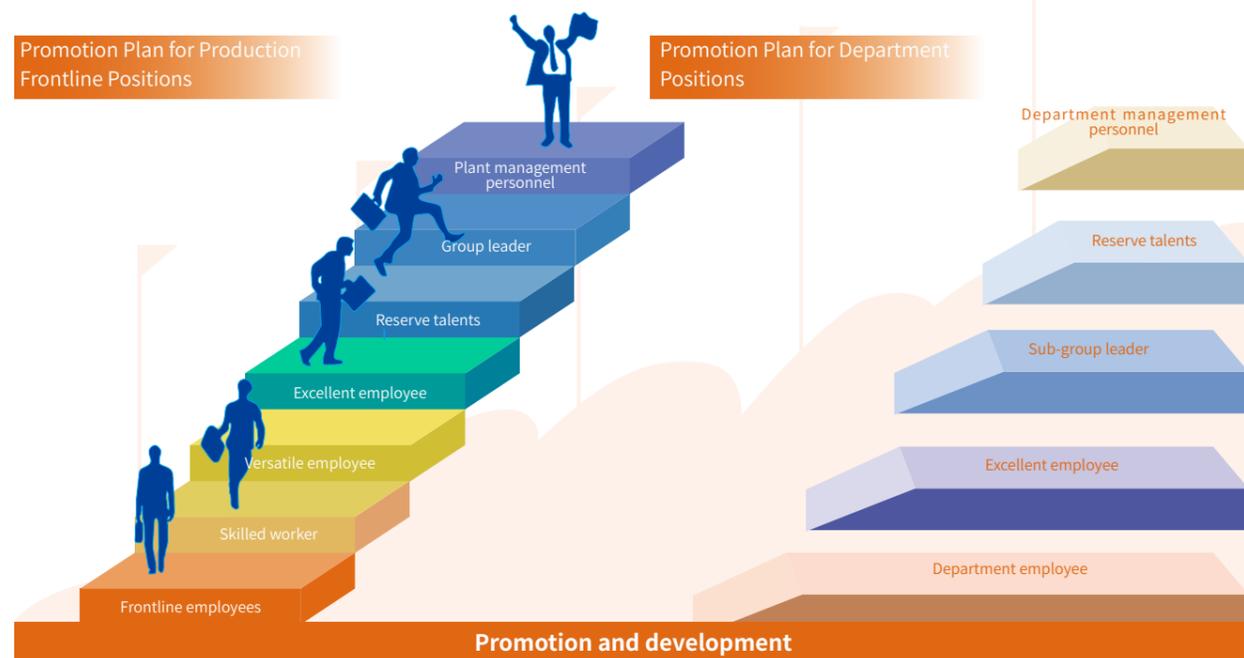
Training for Section Chiefs and Group Leaders



Training and development

Promotion channel

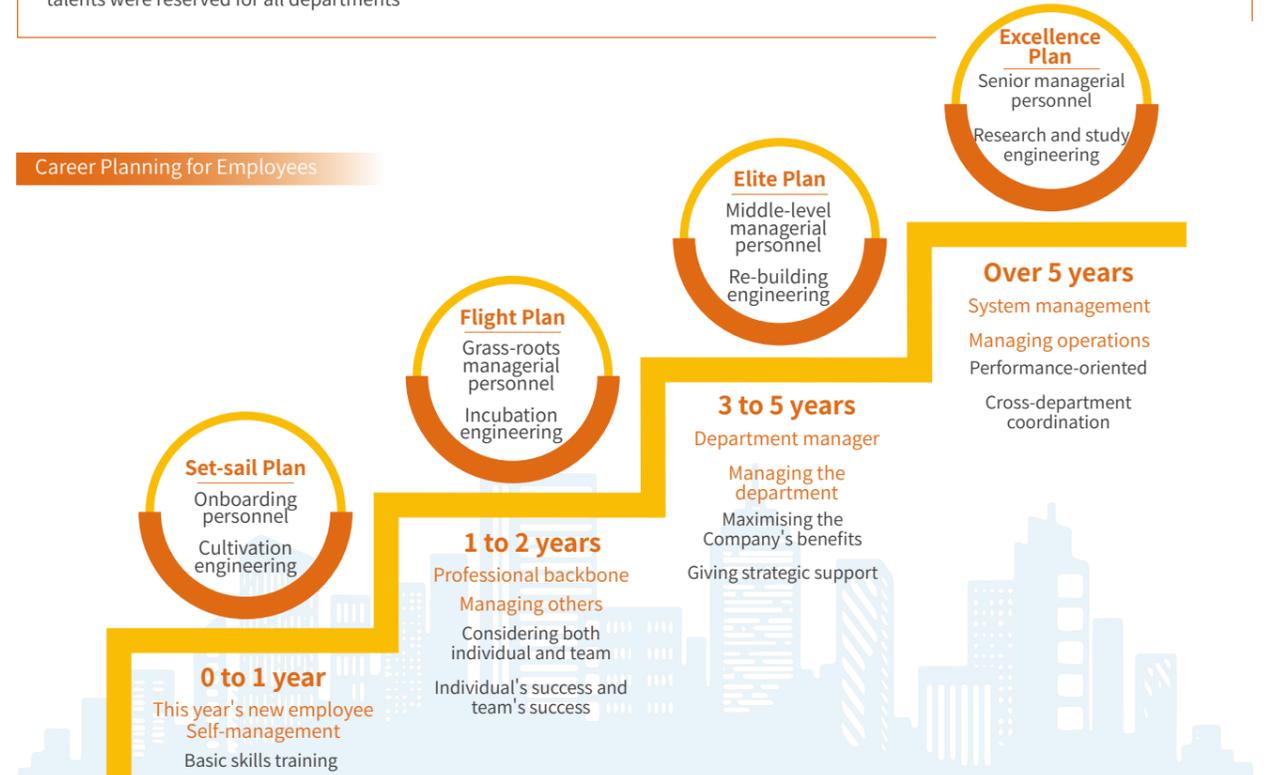
The Company implements horizontal and vertical dual channel development (job promotion and cross-job promotion), with promotion in the directions of management line and professional lines (the former is achieved through job changes, while the latter is achieved through internal professional title appraisal). Targeted training is carried out based on personnel characteristics and personal preferences, achieving multi-dimensional development space for employees.



Development of reserve talent pool

The Company has formulated the "Plan for Recruiting One Thousand Reserve Elites During Five Years" for key post personnel from 2022 to 2026, and formulated Lu Thai Group Three-year Career Planning for Personnel with Degrees of Bachelor and Above and the Management Measures for Second-level Talent Pool for recruited key post personnel; the Company has achieved the "Determined-post Recruitment, and Oriented Cultivation" of key post personnel. In 2023, totally 402 key post personnel were recruited, and totally 148 second-level talents were reserved for all departments

Career Planning for Employees



Talent training

The Company has developed a sophisticated vocational training mechanism and designed a variety of vocational training courses in terms of expertise and management. A total of 22,850 employees took part in the vocational training in 2023 with a coverage rate of 100%.

Indicator (Unit)	2021	2022	2023
Training participants (person)	22,632	23,028	22,850
Average training hour (hour)	47	56	56
Training coverage rate (%)	100%	100%	100%



Onboarding training



Promoting skill development

Lu Thai Textile actively carries out various skill competitions, and encourages its employees to promote their professional and technical levels through competitions, and to define their vocational objectives and orientations; the Company also encourages its employees to take vocational qualification examinations, to transfer what they have learned into actual output. Lu Thai also constantly facilitates the development of its employees toward high-grade, precision, advanced, and professional direction, and drives the Company to stride toward a learning-oriented, skill-oriented, and innovation-oriented world-class enterprise.

[Case] The Company carried out the thirty-third session of activity of technical demonstration and competition

From April to June 2023, the Company held the thirty-third session of activity of technical demonstration and competition. A total of 51 units and 8,970 personnel covering 678 types of work in total took part in the competition. Through the processes of publicity and mobilisation, training and learning, post drills, and preliminary and final competitions, finally there were 30 champions of single skills of departments, 3,520 winners of technical demonstrations and competitions, 661 "excellent versatile workers", and 88 "excellent teams", and they have all obtained honour certificates, bonus, and presents. Technical demonstrations and competitions have aroused employees' enthusiasm to learn technologies, dig into professions, practise skills, and work as artisans through training and learning, post drills, and skill competition, hence achieving the objectives of promoting production, safety, management, benefits, and development through competitions.



Training and Dilling



Technical Demonstrations and Competition



Award Ceremony

[Case] The Company carries out the activity of evaluating the excellent

The Company launched the activity of evaluating the excellent, in order to further promote the excellent corporate culture of the Company, commend outstanding collectives and employees who performed outstandingly in the past year, and motivate everyone to innovate their performance, achieve new breakthroughs, and make new contributions in the next year. A total of more than 11,500 people participated in the evaluation. Through grading evaluation, 2,822 "advanced producers (workers)", 113 "company models", 10 "model workers" and 43 "advanced collectives" were finally selected, and more than RMB3 million of bonuses were awarded.



Benefits and care

Attaching importance to employees' board and lodging conditions

Lu Thai has over 20,000 employees, with approximately 22% of them dwelling and living in the Company. The Company attaches great importance to the quality and services of employees' board and lodging, and regularly carries out satisfaction surveys of employees' board and lodging each year, to constantly improve logistics management and services to strive to provide employees with nutritious diets and convenient living conditions.



LuThai's Diet:

- Dishes are standardised in proportioning and making to cure standards and ensure quality of dishes.
- The Company regularly conducts satisfaction surveys in the workshop, and collects feedback and suggestions from employees on dining, to continuously optimise in class meals.
- In 2023, the meals amid shift were upgraded by including one fried product per meal to enrich the diets of frontline employees.
- The Company compiles a menu according to seasonal changes to ensure a cool taste in summer and hot soup and dishes in winter. In summer, meals amid shift are added with seasonal fruits and mung bean soup, to prevent employees from heatstroke and reduce heat from employees.
- The Company pays attention to the innovation of dishes and continuously increases the varieties to improve employee appetite.
- In 2023, the focus was on nutritional meal preparation, with the goal of "balanced nutrition and balanced diet" while advocating the health concept of "reducing the consumption of salt, oil, and sugar while keeping mouth, weight and bones healthy".
- The Company makes itself a provincial-level health enterprise to ensure food safety and provide healthy diets.
- To demonstrate the Company's humanistic care, a birthday cake is made and provided for employees free of charge.
- In 2023, employees' satisfaction on board and lodging reached 80.55%.



Food Diversity



Offering Birthday Cakes



LuThai's Accommodation:

- Air conditioners and free Wi-Fi are available in all dormitories in the Company
- Each floor in the apartment is equipped with chess and card room, television hall and smoking room
- Each building in the apartment areas is equipped with a fully automatic coin-operated washing machine
- 24-hour unmanned supermarkets are set up in the apartment areas to provide employees with conditions of convenient and fast shopping
- The apartments provide the services of cleaning working clothes and articles of bedding free of charge, and set up locations for replacing articles of bedding to achieve that such articles can be replaced whenever they are dirty
- Free drying and storage of bedding are also provided for employees during seasonal changes
- Each park area is equipped with bathing facilities, so that employees can have baths conveniently
- 84 disinfectant is sprayed on dormitories and bathrooms every day to ensure a healthy living environment



Employee Apartments



Supermarket

Employee assistance and funding

Golden Autumn Scholarship

For many years, Lu Thai Group has actively responded to the call of the Party and the state, and strongly supported the development of education. The "Golden Autumn Scholarship" activity is a "family project" that advocates traditional virtues and brings dedication and love together. It is a "love project" that cares for employees, and also a "hope project" that is related to the development of the enterprise and the emotional attachment of employees. This year, 212 children of employees in the group company were admitted to universities both inside and outside the province, and a scholarship of RMB846,000 was awarded.



Awarding Golden Autumn Scholarship



Relief of employees in difficulties

Implementing the people-foremost policy and caring for employees have always been an important part of the Company's corporate culture. The grass-roots branches of the Company visit and comfort employees every year, go deep into the front line of production, and understand the living condition of employees through multiple channels. They also 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 established a bailout foundation, and distributes assistance funds to employees with family difficulties every year, hence helping employees to go through their difficult pass. In 2023, the Company's Trade Union relieved 75 employees in difficulty, and distributed relief fund of RMB144,000.



Distributed Relief Fund



Visiting Difficult Employees during New Year

Summer-vacation after-school program

To address the concerns of summer-vacation care for the employee children, in 2023, the Company established a summer-vacation after-school program. From 10 July to 24 August, two sessions of the program were carried out, and over 200 children of employees participated in the program. The entire after-school program was divided into four themed weeks: "Clever Mind and Hands, Traditional Chinese Culture, Labor Spirit, and Safety Protection". The curriculum was diverse, combining movement and stillness with learning and practice, allowing children to have more opportunities to interact with society, broaden their horizons, and experience the joy of labour creation. This also allowed all children to spend a safe, happy, united, and friendly summer vacation in the Company.



Daily and Report Performances of Summer-vacation After-school Program

Enriching cultural and recreational life of employees

The Company regularly organises various cultural, sporting, and recreational activities, to enrich employees' spare-time life, boost employees' mental outlook, and lead employees to achieving the balance between work and life, hence promoting employees' sense of belonging to the enterprise, and enhancing the Company's cohesion.

[Case] The 10th Employee Sports Games

In May 2023, the Company organised the 10th Employee Sports Games, which attracted more than 6,000 participants. The competition lasted for two days and involved 30 competitions. In the end, the representative teams of Lufeng 1st fabric weaving plant, Lufeng 2nd fabric weaving plant, and knitted-fabric production line won the first, second, and third places in the total team score, respectively. The representative teams of Luqun Textile, clothing production line, and the Security Department won the Excellent Organisation Award, and the representative team of Zibo School of Technology's Youth Class won the Spiritual Civilisation Award. A number of athletes participated in competitions in a civilised manner by competing hard and aggressively, showcasing the charm of employees in the new era of Lu Thai; the referees enforced the laws with civility, seriousness, objectivity, and impartiality, embodying their good civilised qualities and professional ethics, fully demonstrating the enterprising spirit of the Lu Thaiers, and highlighting the cohesion and centripetal force of the enterprise.



The Scene of the Sports Games

[Case] The Twenty-fifth Session of Employee Basketball League

In September 2023, the Company organised the twenty-fifth session of Employee Basketball League, and a total of more than 150 referees, athletes, and employees' representatives took part in the league, which was divided into group knockout matches, round-robin matches and final matches, with 35 matches in three days. Through competitions, everyone enhanced their physical fitness, honed their spirit of unity, hard work, and progress, enriched their leisure life, and enhanced their sense of identification with corporate culture.



The Scene of the Basketball Match

[Case] The Twenty-third Session of Employee Soccer League

In September 2023, the Company organised the twenty-third session of Employee Soccer League, and a total of more than 150 referees, athletes, and employees' representatives took part in the league, which lasted for six days and consisted of 24 rounds. The matches were divided into group knockout rounds, semi-finals, and finals. On the sports field, everyone demonstrated a spirit of tenacious struggle, courage to compete, and unity and cooperation in sports, actively contributing to the Company's new 30-year voyage.



The Scene of the Football Match

[Case] Swimming Competition

On 4 August 2023, Lu Thai Group held a swimming competition themed "Swimming for the Best and Braving the Wind and the Waves" in 2023. The competition included events such as the men's 50 m, men's 100 m, men's 4x50 relay, women's 50 m, parent-child 50 m, "landlubber" swimming, and parent-child interaction. With various swimming styles, everyone competed in the swimming pool and engaged in intense water competitions, fully showcasing the Lu Thai's spirit of struggling ahead and pursuing progress.



The Scene of the Swimming Competition

[Case] Electronic Band Tour of LuThai Music Week

From 7 to 12 August 2023, the "Passionate August with Rhythm" Electronic Band Tour of Lu Thai Music Week 2023 was held in various parks of the Company, attracting more than 1,000 employees from relevant departments in each park. The Electronic Band Tour had diverse song styles and performance forms, creating a lively atmosphere and presenting a wonderful and unparalleled audio-visual feast for everyone.



The Scene of the Electronic Band

[Case] Series of Cultural and Sports Activities to Celebrate the New Year

In December 2023, Lu Thai Group held a series of cultural and sports activities themed "Let's Fight and Pursue Dreams Together" to celebrate the 2024 New Year. The indoor event lasted for three days and included table tennis, billiards, badminton, and chess and card games. More than 450 people participated in the indoor event competition. By participating in various projects, everyone improved their physical fitness, and relaxed themselves physically and mentally, injecting new vitality into the Company's development.



The Scene of Indoor Events

[Case] Parent-child Activities and Dual-employee Team Building Activities

In 2023, the Company held a parent-child activity with the theme of "Embracing the Future Hand in Hand Happily" and a dual-employee team building activity with the theme of "Grateful for You at Dongzhi Festival".



Parent-child Activity



Dual-employee Team Building Activity

Product Services/ Providing Ace Services

In the face of the complex and ever-changing market situation, in 2023, the Company leveraged the driving force of marketing, and called on various departments to collaborate efficiently with each other, actively go global, deeply understand market changes, and get an insight into customer needs. With "technology, fashion, and green" as the new industry positioning, and the goal of "becoming a global apparel solution provider with cutting-edge fabrics as the core", the Company continued to do a good job in products and services.

持续
SUSTAINABLE

HCP绿色免烫
HCP GREEN NON-IRON

Healthy
Comfortable
Permanent

HCP绿色免烫, 打造更安心、
舒适耐久、抗皱的海绵面料。

再生棉
RECYCLED COTTON

舒弹锦棉
COMFORTABLE STRETCH

舒适舒弹
抗皱易打理
耐久美观

翼 ORGANDY

绿色
柔软
物理

LUX-S

Sustainable Development Goals (SDGs) of the United Nations



Product innovation

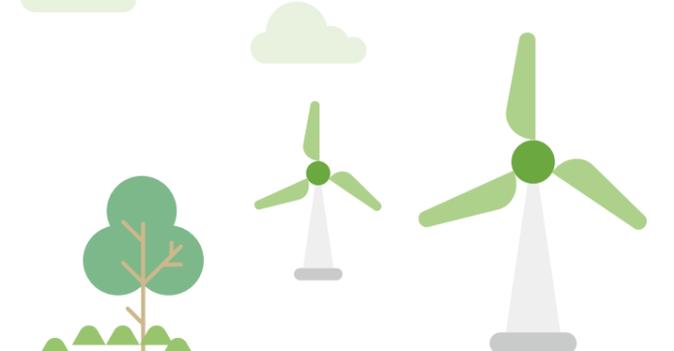
The development of the Company for 36 years has always relied on good product development and realisation capabilities, and in the future, it still needs to rely on products to win the market. Currently, customers are increasingly interested in the green and environmentally-friendly products with differentiated attributes and high performance. We need to adapt to the development trend of the textile industry, focus on customer needs, and do a good job in technological innovation and upgrades. We will continuously carry out product research and development and product upgrades to provide customers with products that meet their needs and are cost-effective.

	<p>Raw material innovation: Sustainable exploration, development and cooperation in terms of raw materials; the renewable, degradable, recyclable, and sustainable product series that are featured by the natural fibre and regenerated cellulose fibre series and the bio-based series.</p>
	<p>Technological innovation: In-depth research into crafts and technologies, and the full-process processing for green production that is water-saving, energy-saving, and low-emission; active efforts to keep improving green and environmentally-friendly technology to effectively support and continuously upgrade products.</p>
	<p>Product innovation: Continuous exploration of innovative full-life-cycle application solutions for textile products, and continuous introduction of new and environmentally-friendly product series that are skin-friendly and comfortable, elastic, easy-to-manage, and good for health to the market by continuous updating multicomponent products, such as natural fibre, regenerated cellulose fibre, ultra soft texture fibre.</p>

◇ [Case] Biomass Functional Fabrics



A series of 100% biomass fibre woven fabrics and biomass fibre interwoven fabrics developed by the Company, such as SOLOTEX, SORONA, T400, PA56 and PLA, has functional characteristics such as ecologically and environmentally friendly, comfort and elasticity, heat resistance, moisture absorption and quick drying, antibacterial and odour resistance, UV protection, skin friendly comfort. They can be used as casual shirt fabrics, energetic denim fabrics, fashionable sports fabrics, jackets, windbreakers, pants and other fabrics. Not only can they meet the needs of consumers for high-performance and multi-functional products, but they also meet the requirements of green, low-carbon, and sustainable development. At the same time, they can alleviate the dependence of the textile industry on petroleum resources, and reduce the dependence of China's textile industry on foreign countries. They play an important role in promoting the sustainable development of China's textile industry, enhancing industrial competitiveness, and assist in achieving carbon emission peak and carbon neutrality.



◇ [Case] No-dye Fabrics



Compared with conventional dyeing methods, coloured polyester fibres and polyamide 6 fibres that are produced with the dope dyeing technology no longer require post dyeing, reducing the production cost of fibre-coloured filaments, water and energy consumption, and carbon emissions. According to incomplete statistics, dope dyed fabrics have reduced carbon emissions by up to 26% and water consumption by 72% compared to dyed fabrics, with obvious advantages in energy conservation and emission reduction, which meets the requirements of low-carbon circular economy development in the textile industry.

◇ Embracing Nature Healthily and Blithely with Green, Low-carbon and Ecological Textiles



The concepts of sustainable development such as green, low-carbon, and ecological and environmentally friendly are increasingly recognised by consumers, and low-carbon and sustainable lifestyles are gradually becoming a trend pursued and advocated by society. By using natural and recycled materials, as well as new ecological and environmentally-friendly dyeing aids, low-carbon processing technology has been developed. A series of products have been developed, including ecological moisture crosslinking, ecological softness, ecological absorption and discharge, and probiotic protection, to reduce production waste emissions and comply with the concept of sustainable development, bringing more healthy textiles to consumers.

◇ [Case] SUECELL, an Innovative New Tactile Product



The Lyocell fibre transformation is an industrial problem currently faced by various fabrics brands. Exploring new application methods and special tactile sensations of recycled cellulose products has become one of our development directions. By using existing industrial laundry appliances, overflow dyeing machines, and other equipment, special alkaline washing treatment is carried out using alkali, new additives, etc., to give the fabric a delicate and dense velvet feel, a soft hand feeling, and a unique style.

◇ [Case] Over DYE, N+ Possibility of Fabric



Cotton (recycled cellulose) fibres, after modification, can change the electrical repulsion between cellulose fibres and anionic groups of dyestuff, significantly improving the adsorption performance of cotton on negatively charged dyes, achieving the goal of not using sodium hydroxide to promote dyeing. By combining with ordinary raw materials for surface structure design, countless colours can be magically realised, achieving fast reaction and delivery time. Natural cotton or recycled fibre materials are used, realising salt-free and alkali-free dyeing which is energy saving and environmentally friendly.

Quality control

The Company adheres to the principle of "quality is the most important element of enterprise survival and development", and continuously strengthens quality control with the purpose of "meeting the needs of customers and the market". The Company's Quality Control Department formulates quality indicators, converts customer feedback information into quality requirements, and accurately controls process quality and result compliance; it refines the quality management assessment mechanism and motivates the improvement of production quality in each workshop.



- 1 The Company holds production meetings every day to address any problems encountered during production
- 2 The Company strengthens the process compliance inspection on each process, and supervises and manages it through sampling and tracking methods
- 3 The Company actively communicates with customers and absorbs their valuable feedback on product quality
- 4 The Company organises professional training for quality management personnel to continuously improve the quality awareness and ability of all staff
- 5 The Company has a CNAS laboratory certified by the state, achieving independent testing of some indicators
- 6 The Company sends 100% of textiles to professional organisations (e.g. ITS, SGS, BV, Keken) for a safety inspection to make certain that these textiles are in line with market laws and regulations, standards and customers' RSL requirements.



In 2023, 99.96% of Yarn A and other yarn products that Lu Thai Textile produced passed the pre-storage inspection, and the ratio was 99.37% for yarn-dyed products, 96.8% for knitted products, and 97.94% for piece-dyed products. Meanwhile, the delivery ratio of the functional fabric products was 92.36%, and 100% of the ready-to-wear clothing was able to be delivered.

Production Lines	Pass rate
Yarn	99.96%
Yarn-dyed fabrics	99.37%
Knitted fabrics	96.8%
Piece-dyed fabrics	97.94%
Functional fabrics	92.36%
Ready-to-wear clothing	100%



Customer services and satisfaction

The Company adheres to a customer-centric approach and comprehensively enhances its customer service capabilities. The Company convenes communication meetings at any time with customers at their will to learn their demands for products and their suggestions on the products provided for them. The Company also regularly visits customers to maintain a good relationship. Moreover, the Company regularly hosts exhibitions and product promotion showcases as an effective means to introduce more high-quality products and services of the Company to customers.

Constant care

- The Company communicates with customers through multiple media, such as email, WeChat, and phone, to learn customers' demands and suggestions.
- The Company formulates the standard procedure for handling customer complaints in time, so as to protect the legal rights and interests of customers.
- The Company convenes video conferences with customers to discuss technical issues and problems of quality.
- The Company regularly visits customers to maintain a good relationship.
- The Company invites customers to visit or participate in new product releases or important events to enhance customer relationships.



Customer satisfaction survey and improvements

At the beginning of every December, the Company develops a customer satisfaction survey plan for this year and designs a survey questionnaire. The questionnaire includes the methods, channels, content, time period, and the content regarding pre-sales consultation and information acquisition, research and development and design, product quality, delivery process, and after-sales services and corporate culture. After the questionnaire design is completed, the Strategy and Marketing Department organises the Sales Department and relevant departments to review the content and feasibility of the survey questionnaire before 15 January of the following year. From January to 18 February of the following year, the Sales Department distributes questionnaires and conducts surveys to customers through email, fax, telephone (which can be used in special circumstances), and other forms. The distribution of questionnaires must cover both strategic and value customers, with a distribution ratio of no less than 30% for general and potential customers. The Sales Department should organise relevant departments to summarise, organise, and analyse the relevant information within ten days of receiving the questionnaire, and form a Customer Satisfaction Survey Report. Based on the results of such a survey, the Company analyses its existing advantages and disadvantages, and formulates targeted improvement measures to meet customers' expectations as much as possible.



5

Environmental Protection/ Deepen Green and Low- carbon Development

With the development of the economy and the advancement of technology, global issues such as resource scarcity and climate change have become increasingly urgent. Promoting green and low-carbon development has become a consensus and action for countries around the world to address resource and environmental issues and promote sustainable development. As a green pioneer and initiator of the Green Manufacturing Alliance in the global textile industry, Lu Thai has always adhered to the sustainable development path of "green, low-carbon, and environmentally friendly", followed the economic growth model of "resources - products - renewable resources", and insisted on the operating principles of "reduction, reuse, and recycling". Based on low-carbon and environmentally-friendly raw materials, the Company has promoted the upgrades of equipment in terms of energy conservation and environmentally friendly, and achieved the research and application of green processes, assisting the world in achieving a win-win supply chain ecosystem and sustainable human development.



»»» Sustainable Development Goals (SDGs) of the United Nations



Addressing climate change

Climate change is not only an environmental issue, but also a development issue. As a global textile enterprise, Lu Thai actively regards addressing climate change as an important action for sustainable development, vigorously promoting energy conservation and carbon reduction in production and operation, and contributing to global climate governance.

Photovoltaic Power Generation

As of 2023, As of 2023, the Company's installed solar photovoltaic power generation facilities have supplied a total of **50.36 MW** grid-connected electricity.

Accounting for **13%** of the annual electricity consumption within the total installation scope.

Reducing carbon dioxide emissions by approximately **60,000 tons**.



Directories of promoted energy-saving and low-carbon technologies released by relevant national ministries and commissions

Promotion directory	Order in the directory	Name of the technology
Directory of Promoted Green Technologies(2020)	2	The comprehensive energy-saving technology for maglev centrifugal blowers
	4	The long-distance heat transmission and supply technology based on a large temperature difference using low-grade waste heat
	12	Energy-efficient and low-nitrogen combustion technology
	19	In-depth wastewater treatment technology based on the dual-membrane method
Directory of Key Low-carbon Technologies Promoted by the State (2014)	5	High-efficiency photovoltaic inverter technology
National Industrial Energy-saving Technology Recommendation Directory (2021)	62	Sludge coupling power generation technology
	66	The energy-saving and consumption-reducing and waste energy recycling technology for industrial enterprises
List of Applications of Energy-saving, Emission-reducing and Low-carbon Technological Achievements for Promotion	3	LED straight tube reflective lights
	6	The heat supply, air conditioning, water heating, heat recovery and heat storage technology with low temperature heat pumps

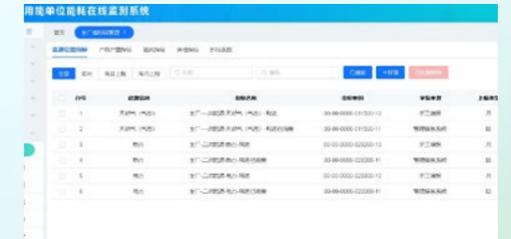


Specifically, the promoted rate of the comprehensive energy-saving technology for maglev centrifugal blowers exceeded 80%.

Energy management

The monitoring of major energy-consuming devices and the online monitoring and application of the data of energy consumption

Automatic data collection and aggregation for major energy-consuming areas and devices are conducted to achieve a management pattern that is flat and dynamic. By integrating the ERP system and the financial cost accounting system of the Company, a database for energy consumption is established, where energy consumption is seamlessly connected to the product energy consumption cost system and the annual energy cost budget system. With the seamless connection, timely analysis and summary are conducted to effectively control the Company's energy consumption.



Waste heat recycling

According to the heat exchange optimisation theory based on pinch analysis, the Company makes use of the proximal heat and establishes a gradient heat exchange network. The recycling measures for waste heat generated by bleaching and dyeing, in the wastewater generated by finishing, and of the boiler steam were consecutively implemented, as the waste heat recycling rate has increased to 80% with the application of multiple heat pump technologies, representing a total of 12,536 tons of steam saved every year.

Liquid ammonia recycling

Through the separation of oil and ammonia, oil and water in the processing of liquid ammonia, the recycling of liquid ammonia is realized, and the reuse rate is more than 99%.



Alkali recovery interconnection renovation

In order to effectively utilise the waste alkali generated during the mercerisation process, the Company connects the alkali recovery device of the dyeing and finishing plant with the sewage station to achieve the recycling and utilisation of alkali. This greatly reduces the use of fresh raw alkali in the sewage station, reduces the operating costs of alkali recovery, and reduces the overflow and waste fees of light alkali, saving an annual cost of RMB730,000.

Alkali recovery interconnection adopts Siemens SMART series CPU as the central processor, the Beijing Kunlun Tongtai touch screen as the human-machine interface, and Ethernet for communication in the automatic control system, with high processing speed and stability. The liquid level of each area's dilute alkali tank is measured using a magnetic float level gauge, which collects data through analogue 4 to 20 mA and digital signals. Each magnetic float level gauge is designed with analogue quantity and external switch quantity for control and alarm, providing dual protection. To ensure the normal operation of pipeline pressure, safety linkage control is achieved through the use of pressure transmitters, on/off valves, and pump on/off, such as pump valve opening and automatic pump shutdown when the pipeline exceeds the set pressure.

Water resources management

Lu Thai Textile actively conducts water resources management and makes more efforts in the recycling of water resources. 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.



Water conservation

In 2023, with the Company's own wastewater treatment plant, the Group's reclaimed water manufacturing equipment had a design capacity of 20,000 tons/day, and the use rate of reclaimed water in the Group's major water-consuming plants was as high as more than 50%. This greatly reduced the consumption of tap water, effectively alleviated the shortage of regional water supply, and played a significant demonstration role in the industry.



Sewage treatment

The Company has established plant wastewater treatment stations and municipal wastewater treatment plants. The plant wastewater treatment stations adopt the biochemical treatment methods, and the quality of the discharged water is below the concentration limit for indirectly discharged water specified in the Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry (GB4287-2012) and compliant with the requirements in the Announcement on Adjusting the Implementation Requirements for Some Indicators of GB4287-2012. The municipal wastewater treatment plant adopts a technique that integrates "hydrolysis and Orbal oxidation ditches" and has a capacity of treating approximately 120,000 cubic meters of wastewater every day into water with a quality that is better than the A standard of Level 1 specified in the Discharge Standard of Pollutants for Municipal Wastewater treatment Plant (GB18918-2002).



Water footprint tracking

By analysing the consumption of production and domestic water in the Company, Lu Thai develops a water-saving plan to control water use and waste.



Atmospheric pollutant management

The Company actively conducts atmospheric pollutant management to lessen the environmental burden brought by its production and operation to the society as much as possible. During this Reporting Period, in the factory-bound fugitive exhaust gas, the concentration of hydrogen sulphide was 0.005 mg/m³, that of ammonia was 0.08 mg/m³, that of particulate matter was 0.28 mg/m³, that of non-methane hydrocarbon was 1.3 mg/m³, and that of odour was 13 (dimensionless). This is better than the discharge standard, which specifies that the concentration limit for hydrogen sulphide is 0.06 mg/m³, that for ammonia is 1.5 mg/m³, that for particulate matter is 1.0 mg/m³, that for non-methane hydrocarbon is 2.0 mg/m³ and that for odour is 16 (dimensionless).



Waste management

The Company temporarily stores and disposes hazardous waste that it generates in strict compliance with the Directory of National Hazardous Wastes and the Standard for Pollution Control on Hazardous Waste Storage. It manages hazardous waste in different categories separately by establishing hazardous waste storehouses and corresponding supporting facilities, while it hires qualified hazardous waste disposal agencies to transfer hazardous waste and prohibits the appropriation of hazardous waste. The main hazardous waste generated in the production and operation of the Company includes waste oil, waste oil barrels, waste paint buckets, waste detergent barrels, lining bags contaminated by chemical dyes, waste lead-acid batteries, laboratory waste liquid, etc.; the main non-hazardous wastes brought by the production and operation is the sludge.



Disposing of 41 tons of hazardous waste



Disposing of 12,462 tons of non-hazardous waste

Community Participation/ Striving to Be an Excellent Corporate Citizen

In the face of a complex and severe external environment, Lu Thai assesses the situation, makes unified decisions, and overcomes difficulties. The Company adheres to the mission of "creating wealth and contributing to society", assists the national education and community public welfare undertakings, and provides strong impetus for local economic development.

In 2023, Lu Thai actively participated in the centenarian condolence campaign, assistance for the disabled in Handou Home, donations for the Provincial Elderly Cadre Activity Centre, and student assistance for Qingdao University and Inner Mongolia University of Technology, with a total investment of RMB2.9 million.



»»» Sustainable Development Goals (SDGs) of the United Nations



Support to education

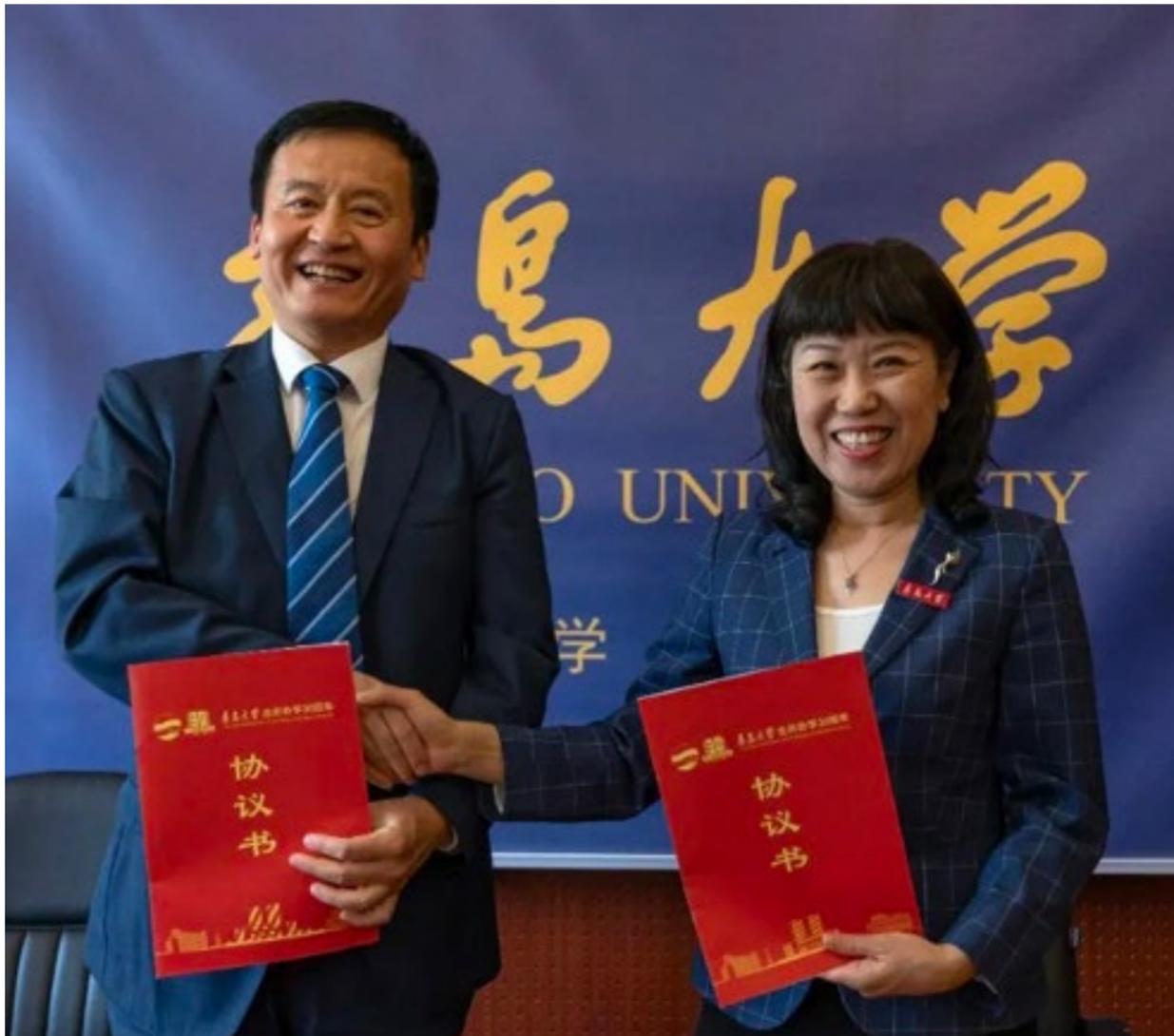
Over the years, Lu Thai has established cooperative relationships with multiple universities to jointly cultivate talents. The Company has established education funds to support batches of outstanding impoverished students to complete their studies; it has carried out practical projects to create employment opportunities for graduates year after year.



Case

LuThai Group signs a contract with Qingdao University's "Teaching and Learning Assistance" Million Award Fund

On 13 May 2023, the signing ceremony between Lu Thai Group and Qingdao University on Million Award Fund for Teaching and Learning, as well as the unveiling ceremony of Shandong Modern Textile Industry College, was held at Qingdao University. The Company expected that this in-depth cooperation between the university and the enterprise can effectively motivate the university teachers to study teaching diligently, do a good job in scientific research, and cultivate talents for the country and the textile industry. At the same time, the Company also expected that young students from Qingdao University can choose to devote themselves to the pursuing the dream of building a national textile power after graduation based on their solid learning and practice in the textile major in the university.



Donation Ceremony



Case

"Lu Thai Textile Scholarship" Granting Ceremony at Inner Mongolia University of Technology

In October 2023, the 2023 "Lu Thai Textile Scholarship" Granting Ceremony of Inner Mongolia University of Technology was held at Inner Mongolia University of Technology. The Company granted scholarships to the awarded students, inspiring outstanding students to study hard, work hard, and strive for progress, consolidating university-enterprise cooperation, and jointly cultivating talents.



Granting Ceremony



Case

Research in Lu Thai by Peking University's School of International Studies

In June 2023, a group of 13 people from the School of International Studies at Peking University visited the Company to conduct "Spark Plan" research. The Company's chairman, directors, and others accompanied the visit and had a discussion.

On the meeting, the Deputy Secretary of the Party Committee of the School of International Studies at Peking University and the Chairman of the Company signed an agreement to jointly build an ideological and political practice education base. Lu Thai and Peking University's School of International Studies have jointly built an education base, which will promote the mutual promotion and integration of ideological and political practice courses with corporate culture, and provide high-quality educational resources and practical opportunities for outstanding students.



Visit and Meeting

Welfare and charity actions

The Company has always adhered to its original mission, actively participated in public welfare and charity activities, and continuously donated to public welfare and charity projects, to share the achievements of enterprise development with society through practical actions.

Case Protecting Ancient Villages · Claiming Ancient Famous Trees

In the activity of protecting ancient villages and claiming famous trees in Zibo City, Lu Thai Company earnestly practiced the concept of "lucid waters and lush mountains are invaluable assets", and actively bode to adopt a millennium-aged tassel tree, contributing to the protection of precious natural resources and cultural heritage.



Case Donating Money to Handou Home

In April 2023, the Company donated RMB100,000 to the Han Dou Home Help Centre for the item purchase and daily maintenance of Han Dou Home. The Han Dou Home Help Centre expressed its gratitude and awarded the Company a banner.

Donated Banner

Case Chairman Liu Zibing visits the senile elderly at Double Ninth Festival

The Double Ninth Festival is set to show respect to the elderly. On the eve of the Double Ninth Festival every year, Liu Zibin, Chairman and President of the Company, visits and comforts the elderly in the entire region, providing them with condolence money, and warmly inquiring about their physical condition, clothing, food, housing, and transportation. He carefully listens to the voices of the elderly and reminds their children and relatives to take good care of them, so that they can maintain an optimistic and comfortable attitude.



Chairman Liu Zibing visited the senile elderly

Key Performance Indicators

Economic performance

Indicator (Unit)	2021	2022	2023
Operating revenue (RMB100,000,000)	52.38	69.38	51.96
Payments to contractors and service providers (RMB100,000,000)	2.49	3.18	4.72
Total employee remuneration (including compensation and benefits) (RMB100,000,000)	14.41	16.49	15.49
Payments to capital providers (RMB100,000,000)	1.4	1.66	1.85
Payments to the government (RMB100,000,000)	3.27	5.07	3.72
Retained economic value (RMB100,000,000)	2.66	9.12	3.10

Environmental performance

Data related to wastewater and sewage

Indicator (Unit)	2021	2022	2023
COD (Chemical Oxygen Demand) in discharged wastewater (ton)	345	395	283
Ammonia nitrogen content in discharged wastewater (ton)	8	7	3
Industrial wastewater discharge (10,000 cubic meters)	353	387	311

Air pollutant emissions

Indicator (Unit)	2021	2022	2023
Hazardous waste generation (ton)	1	3	1
Non-hazardous waste generation (sludge) (ton)	6	6	3

Waste discharge

Indicator (Unit)	2021	2022	2023
Hazardous waste generation (ton)	44	79	41
Non-hazardous waste generation (sludge) (ton)	15,083	14,320	12,462

Greenhouse gas emissions

Indicator (Unit)	2021	2022	2023
Mobile sources emissions (tons of carbon dioxide equivalent)	861	808	778
Stationary source emissions (tons of carbon dioxide equivalent)	12,700	12,771	10,520
Category 1 emissions (tons of carbon dioxide equivalent)	13,561	13,579	11,298
Consumption of purchased power (tons of carbon dioxide equivalent)	424,671	375,819	331,445
Consumption of purchased heat (tons of carbon dioxide equivalent)	150,501	145,314	121,992
Category II emissions (tons of carbon dioxide equivalent)	575,172	521,133	453,437
Total (tons of carbon dioxide equivalent)	588,733	534,712	464,735

Energy consumption density

Indicator (Unit)	2021	2022	2023
Greenhouse gas emission density (tons of carbon dioxide equivalent per million revenue)	115.5	79.7	51.09
Total energy emission density (tons of standard coal per million revenue)	19.1	13.5	13.08

Human resources

Protection of employee rights and interests

Indicator (Unit)	2021	2022	2023
Employment contract signing rate (%)	100	100	100
Social insurance coverage (%)	100	100	100
Number of female employees with parental leave during the year (person)	695	317	227
Number of male employees with parental leave during the year (person)	113	103	69

Employee diversity

Indicator (Unit)	2021	2022	2023
Employee diversity			
Total number of incumbent employees (person)	22,632	23,028	22,850
Total number of male employees (person)	9,593	9,736	9,317
Proportion of male employees (%)	42	42	41
Total number of female employees (person)	13,039	13,292	13,533
Proportion of female Employees (%)	58	58	59

Indicator (Unit)	2021	2022	2023
Employee age			
Total number of employees aged under 30 (person)	10,520	9,866	9,671
Proportion of employees aged under 31 (%)	47	43	42
Total number of employees aged above 30 (person)	12,112	13,162	13,179
Proportion of employees aged above 31 (%)	53	57	58
Education background of employees			
Bachelor or above (person)	1,336	1,400	1,319
Junior college (person)	4,576	4,523	3,726
High school or below (person)	16,720	17,105	17,805
Nationality			
China (%)	56	54	51
Foreign employees (%)	44	46	49

Employee Turnover

Indicator (Unit)	2021	2022	2023
Total number of new employees (person)	6,081	7,313	3,338
Employee turnover rate	19%	21%	13%

Employee training

Indicator (Unit)	2021	2022	2023
Training participants (person)	22,632	23,028	22,850
Average training hour (hour)	47	56	56
Training coverage rate (%)	100%	100%	100%

GRI Indicator Disclosure Index

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305-5	Reduction of GHG emissions	74
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Reader Feedback

Dear readers,

Greetings! Thank you for reading this Report. In order to keep improving report preparation, we want to hear your opinions and suggestions. Please help us by telling us your answers to the questions in the feedback sheet via one of the methods listed below:

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

Tel: 0533-5188888

Your Information

Name: _____ Institution that you work for: _____

Position: _____ Tel: _____

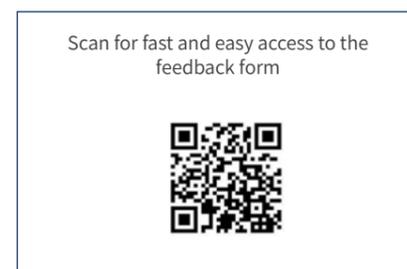
Fax: _____ Email: _____

Choice questions (Please mark in the proper box)

Question	Very good	Reasonably	Neither good nor bad	Not really good	Very bad
This report comprehensively and accurately reflects the significant impact of LuThai Textile on the economy, society and environment	<input type="checkbox"/>				
The report's response to and disclosure of stakeholder concerns	<input type="checkbox"/>				
The information, indicators and data disclosed in this report are clear, accurate and complete	<input type="checkbox"/>				
The readability of this report, namely the logical thread, content design, language and layout design of the report	<input type="checkbox"/>				

Open-ended questions

1. What aspect of this report do you find most satisfying?
2. What else do you think you need to know that is not reflected in this report?
3. What advice do you have for our future preparation of sustainable development reports?



Luthai Textile Co.,Ltd

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

Telephone: 0533-5188888

http://www.lttc.com.cn

