



PACIFIC TEXTILES HOLDINGS LIMITED
互太紡織控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 01382)



Environmental, Social and Governance Report
環境、社會及管治報告 2019/20

SUMMARY AND SCOPE

Pursuant to the Environmental, Social and Governance (“ESG”) Reporting Guide (the “Guide”) as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), Pacific Textiles Holdings Limited and its subsidiaries (the “Group” or “Pacific Textiles”) have prepared this Environmental, Social and Governance Report (the “Report”), to report on issues related to the business, operation and key environmental and social impacts of the Group. In accordance with the reporting principles of the Guide, the Group has assessed important environmental, social and governance issues in relation to its business, operation and stakeholders, in order to determine the scope and contents of the disclosures in the Report. In addition, we maintain an open dialogue with our stakeholders (including the management, employees, customers, suppliers and investors) to receive their comments and understand their expectation on what ESG issues matter the most via meetings, interviews and discussions. According to the results of the assessments and communications, the Report discloses the issues with key environmental, social and governance impacts of the Group’s two factories, a factory under Pacific (Panyu) Textiles Limited located in Nansha of Guangzhou City, the PRC (“Panyu Plant”) and a factory located in Hai Duong Province, Vietnam (“Vietnam Plant”), respectively. The key aspects disclosed in the Report include: emissions, use of resources, the environment and natural resources, employment, health and safety, development and training, labour standards, supply chain management, product responsibility, anti-corruption and community investment. Unless otherwise specified, the reporting period of the Report is from 1 April 2019 to 31 March 2020 (the “Reporting Period”).

VISION

“To make the world a more comfortable and better place through our products” – Pacific Textiles is a creative and sizeable knitted fabric manufacturer and distributor whose business scope covers integrated services of knitting, dyeing, printing and finishing.

MISSION

“In global textile community, we strive for:

- Products and services of higher quality;
- Equitable opportunities and mutual respect;
- High returns to the investors;
- Excellent environmental protection;

through the faith of social responsibility and innovation.” – Pacific Textiles considers green manufacturing and environmental protection not only as the responsibility of a responsible corporate citizen, but also as the basis of long-term sustainability for any company. Pacific Textiles has been actively taking steps to ensure that by-products generated in the manufacturing process are disposed of properly with minimal effects on the environment and trying its best to achieve harmonious development of the company, natural environment and all stakeholders.

RECENT DEVELOPMENT

Apart from promoting greener production within the Group, Pacific Textiles joins hands with the business partners in working towards reducing CO2 emissions, to create a sustainable business together and to help the environment.

For instance, some of our customers are signers of the Fashion Industry Charter for Climate Action (sponsored by The United Nations Framework Convention on Climate Change (UNFCCC), which supports the goals of the Paris Agreement, and specifies measures for the entire fashion industry, including the supply chain, to help achieve a target of a 30% greenhouse gas emission reduction by 2030), as their supplier, Pacific Textiles would like to support their endeavors by setting up targets to promote CO2 emission reduction through the introduction of efficient energy equipment and wider use of renewable energy.

AWARDS AND HONOURS

The Group has received countless honours, including the following major awards received in recent years:

- 2017 Leading Energy Efficient Enterprise, honoured by The Economic & Information Commission of Guangdong Province in June 2018[#].
- One of the Top 10 Best Energy Saving Technologies and Best Practices Case selected by National Development and Reform Commission (“NDRC”) and be further nominated by NDRC as a representative of China for an international award organized by IPEEC in June 2018[#].
- 2018 Energy Management Insight Award granted by Clean Energy Ministerial (“CEM”) in May 2018. This global award programme was organised by the Energy Management Working Group (“EMWG”), a joint venture of the Clean Energy Ministerial and the International Partnership for Energy Efficiency Cooperation (“IPEEC”).

During the Reporting Period and as at the date of this Report, the Group has made outstanding achievement in environment protection and received awards and honours from a number of organizations and government departments, including:

- “Bank of China (Hong Kong) Corporate Environmental Leadership Awards – EcoChallenger”, granted by the Federation of Hong Kong Industries and Bank of China (Hong Kong) in May 2019.
- “Exemplary Enterprises – green design of industrial products (1st batch)”, recommended by Department of Industry and Information Technology of Guangdong Province and further honoured by the Ministry of Industry and Information Technology of PRC in November 2019[#].
- “Top 10 Energy-Saving Enterprises 2019” granted by Guangzhou Energy Conservation Association in December 2019[#].
- Our “Smart Management Technology and Application for Dyeing and Printing Wastewater Treatment” had won “Provincial Prize for Progress in Science and Technology – Second Class Award” granted by People’s Government of Guangdong Province in February 2020[#].
- Participated in establishing industry standards and union standards
During the Reporting Period, the Group participated in establishing “Valuation Standard for Green Industrial Building – Textile Industry”, a set of industry standards issued by the Ministry of Industry and Information Technology of the People’s Republic of China, and “Technical Specification for Eco-design Product Assessment - Knitted Printing and Dyeing Fabric”, a set of union standards issued by China National Textile and Apparel Council. These two sets of standards were issued on 1 April 2020 and 12 July 2019 respectively[#].

[#] The English translation is for reference only. In case of any inconsistency between the Chinese and English contents, the Chinese version shall prevail.



Award/Certificate

Bank of China (Hong Kong) Corporate Environmental Leadership Awards - EcoChallenger

Issued by
 Federation of Hong Kong Industries and Bank of China (Hong Kong)



Award/Certificate

Top 10 Energy-Saving Enterprises 2019

Issued by
 Guangzhou Energy Conservation Association



Award/Certificate

Provincial Prize for Progress in Science and Technology

Issued by
 People's Government of Guangdong Province

A. ENVIRONMENTAL

A1 EMISSIONS

Pacific Textiles understands the importance of environmental protection and strives to reduce emissions during its production. It also collects emission data from Panyu Plant and Vietnam Plant regularly for review and report on the impact of the Group's operations on the environment.

For hazardous wastes generated during the production process, Panyu Plant and Vietnam Plant entrust professional contractors with qualified credentials approved by local governments for centralised processing, in accordance with the local governments' policy requirements in relation to the disposal of hazardous wastes. The disposal compliance rate for hazardous wastes reached 100%. For non-hazardous wastes, Panyu Plant and Vietnam Plant sell the recyclable wastes to recyclers for recycling and send the non-recyclable wastes to the responsible parties approved by the local government authorities for centralised processing.

To the best knowledge of the management, the Group has complied with the key environmental protection laws and regulations in China during the Reporting Period. These include: "the Law of the People's Republic of China on the Prevention and Control of Water Pollution" (《中華人民共和國水污染防治法》), "the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" (《中華人民共和國大氣污染防治法》), "the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Waste" (《中華人民共和國固體廢物污染環境防治法》) and Vietnam's key national technical regulations on industrial inorganic substances, dust and wastewater (which include: the "National Technical Regulation on Industrial Emission of Inorganic Substances and Dusts", "National Technical Regulation on Industrial Wastewater" and "National Technical Regulation on the Effluent of Textile Industry", etc.)

The Group rigorously manages the emissions from Panyu Plant and Vietnam Plant. The relevant performances are summarized as follows:

Panyu Plant

During the Reporting Period, for Panyu Plant,

- the average sulfur oxides emissions per metric tonne of finished products maintained at approximately 0.04 g, representing a similar level as compared with the period from 1 April 2018 to 31 March 2019 (the "Corresponding Period");
- the average particulate matter emissions per metric tonne of finished products decreased from 0.73 g to 0.68 g, representing a decrease of 6.72% as compared with the Corresponding Period; and
- the average amount of non-hazardous waste disposed by professional contractors per metric tonne of finished products decreased from 1,122 kg* to 934 kg, representing a decrease of 16.76% as compared with the Corresponding Period.

Other emissions increased as compared with the previous year:

- the average nitrogen oxides emissions per metric tonne of finished products increased from 7.83 g to 9.27 g, representing an increase of 18.32% as compared with the Corresponding Period;
- the average carbon dioxide equivalent (CO₂-e) emissions per metric tonne of finished products increased from 7.50 metric tonnes to 9.37 metric tonnes, representing an increase of 24.98% as compared with the Corresponding Period; and
- the average amount of hazardous waste produced per metric tonne of finished products increased from 6 kg to 7 kg, representing an increase of 23.35% as compared with the Corresponding Period.

* During the Reporting Period, the Group recalculated the amount of non-hazardous waste produced in the last reporting period by adding the data of non-hazardous wastes like fly ash, slag and sludge ash.

A. ENVIRONMENTAL (Cont'd)

A1 EMISSIONS (Cont'd)

The Group believes that the increase in emissions at Panyu Plant is attributed to the following major factors:

- During the Reporting Period, the ratio of blended products and newly developed products to overall products increased and the size of orders decreased in general. More energy and water are required for the production of blended products than other products. In addition, the ratio of new products increased and the size of orders decreased, resulting in relatively low efficiency in energy and water usage. Therefore, the average carbon dioxide equivalent emissions increased as compared with the previous year. Further details of the relationship between product mix and energy consumption is set out under section A2 Use of Resources of this report; and
- During the previous reporting period, there were disruption to hazardous waste processing services provided by professional contractors for their own reasons. As a result, some of the hazardous wastes generated last year were temporarily stored in waste storage until those professional contractors resumed their services during the Reporting Period. During the Reporting Period, all of those hazardous wastes temporarily stored was disposed of by professional contractors.

Vietnam Plant

Vietnam plant began to improve its production arrangement since the previous reporting period, resulting in improved production efficiency of the equipment and lower emissions during production. The effect of the improvement in its arrangements began to surface in this Reporting Period, therefore each of the key performance indicators related to emissions demonstrated improvement as compared with the previous reporting period:

- the average nitrogen oxides emissions per metric tonne of finished products decreased from 3.10 g to 1.82 g, representing a decrease of 41.35% as compared with the Corresponding Period;
- the average sulfur oxides emissions per metric tonne of finished products decreased from 0.08 g to 0.05 g, representing a decrease of 41.77% as compared with the Corresponding Period;
- the average particulate matter emissions per metric tonne of finished products decreased from 0.22 g to 0.13 g, representing a decrease of 41.34% as compared with the Corresponding Period;
- the average carbon dioxide equivalent emissions per metric tonne of finished products decreased from 6.63 metric tonnes to 5.77 metric tonnes, representing a decrease of 12.91% as compared with the Corresponding Period;
- the average weight of hazardous waste generated per metric tonne of finished products decreased from 170.95 kg to 157.94 kg, representing a decrease of 7.61% as compared to the Corresponding Period; and
- the average weight of non-hazardous wastes produced per metric tonne of finished products decreased from 1,395.67 kg to 949.33 kg, representing a decrease of 31.98% as compared to the Corresponding Period.

A2 USE OF RESOURCES

The policies adopted by the Group in relation to the use of resources include: proactive application of advanced energy-saving technologies, increased efforts in research and development of low-energy consumption techniques, constant improvement of efficiency in energy use and promotion of energy consumption standards to become at par with advanced international standards. Panyu Plant has achieved excellent energy-saving efficiency by proactively adopting advanced energy-saving technologies, undertaking a number of industrial and national demonstration projects and making efforts in research and development of energy-saving techniques and technologies. The same policies have also been adopted by Vietnam Plant as its approach to the use of resources. During the previous reporting period, investment were made to multiple projects in Panyu Plant and Vietnam Plant to improve efficiencies in the use of electricity and water as well as sewage treatment enhancement. Those projects were completed and their benefits to energy saving began to unfold during the Reporting Period as those improvements were carried out in several phases.

A. ENVIRONMENTAL (Cont'd)

A2 USE OF RESOURCES (Cont'd)

Panyu Plant

During the Reporting Period, Panyu Plant did not encounter any issues in sourcing water that is fit for purpose. The direct and indirect energy consumption per metric tonne of finished products increased from 21,045 kWh to 25,441 kWh, representing an increase of 20.88% as compared with the Corresponding Period. The average water consumption per metric tonne of finished products increased from 200.51m³ to 325.3m³, representing an increase of 62.24% as compared with the Corresponding Period.

Among the total water consumption during the Reporting Period, around 26% was recycled water and was used in water cooling for air compressors and electrostatic precipitators. In addition, around 17% was recycled from wastewater used by various production facilities. The remaining 57% was tap water from Panyu District and river water drawn from intake points in rivers in Panyu District.

The average tap water and river water consumption per metric tonne of finished products increased from 140.87m³ to 185.94m³, representing an increase of 31.99% as compared with the Corresponding Period.

It is believed that the increase of average energy and water consumption was attributed to the following major factors:

- Higher salinity of water source: Rivers in Panyu District is the major external water source of Panyu Plant. The higher salinity of water as compared with the Corresponding Period was attributed to salt tides formed due to seawater intrusion occurred at the intake point in the river during the Reporting Period. Accordingly, during the Reporting Period, more water had to be drawn to feed the reverse osmosis desalination device to provide the same amount of water for production as compared with the Corresponding Period;
- Increased ratio of blended products as compared with other products: In response to market demand, the ratio of blended products to overall products began to show an increasing trend since the previous reporting period. The production process of blended products is more complex than that of other products of equal weight, which requires the equipment to run for a relatively longer period and thus requiring more energy and water;
- More newly developed products were produced than existing products: More new products were developed in this Reporting Period than in the previous reporting period. The production performance of new products tends to be unstable in their research and development stage and trial production, therefore lower efficiency in energy and water usage was expected; and
- Increased number of orders with decreased order size: The average energy and water consumption per metric tonne of product for each order increased as the energy and water usage were already fixed when preparing the production equipment for each order and a decrease in order size will not result in a proportional decrease in energy and water consumption.

A. ENVIRONMENTAL (Cont'd)

A2 USE OF RESOURCES (Cont'd)

Panyu Plant (Cont'd)

Panyu Plant completed the following improvement projects to energy management during the Reporting Period:

- Selected by the National Development and Reform Commission and the New Energy and Industrial Technology Development Organization ("NEDO") to commence a Sino-Japanese research project (the "NEDO Project"), a collaboration among the China Southern Power Grid Synthesis Energy Co., Ltd. and three power technology companies in Japan: Introduced the latest energy management system ("EMS"), a factory energy management platform ("FEMP"), to generate electricity and steam with higher efficiency and reduce energy consumption. The NEDO Project included three optimization projects (a heat exchange and recovery of high-temperature emission from dyeing factory project, an energy supply improvement project and a project of variable frequency turbo on vapor absorption refrigerators), all of which were completed and commenced operation during the Reporting Period.



Project Conclusion Meeting on Energy Management System for Power Supply and Demand Regulation and Seminar on Energy Saving Technology in Guangdong Province, China



Seminar on Energy Management System for Power Supply and Demand Regulation and Energy Saving Technology in Guangdong Province, China

The Expert Panel Visited the Site of the Waste Heat Recovery Project For Thermal Effluent

- Dyeing machine replacement project: Introducing a new type of high-temperature low-liquor ratio overflow dyeing machine and phasing out the old water and airflow dyeing machines. The new dyeing machine performed better in terms of water saving and power consumption than the old model.

A. ENVIRONMENTAL (Cont'd)

A2 USE OF RESOURCES (Cont'd)

Panyu Plant (Cont'd)

The Group expected the average water consumption of Panyu Plant to improve when the benefits of deploying the new dyeing machine fully reveal assuming that there will be no significant changes in product mix and order size.

Vietnam Plant

During the Reporting Period, Vietnam Plant did not encounter any issues in sourcing water that is fit for purpose. The benefits of the improvement projects completed in the previous reporting period to emission reduction and energy saving gradually unfolded. During the Reporting Period, the average water consumption per metric tonne of finished products decreased from 104.10m³ to 90.31m³, representing a decrease of 13.25% as compared with the Corresponding Period. The direct and indirect energy consumption per metric tonne of finished products decreased from 17,685kWh to 15,288kWh, representing a decrease of 13.55%.

A3 THE ENVIRONMENT AND NATURAL RESOURCES

The Group has set up ESG work groups in Panyu Plant and Vietnam Plant, which are responsible to collect data on emissions and natural resource consumption, for the monitoring of impact from production and operation on the environment and natural resources. Considering that the Group may encounter incidents related to safety, environment and energy, including leakage of chemicals or fuel, explosions or fires at the production facilities, the Group has compiled the "Emergency Readiness and Response Management Procedures" (《應急準備與響應管理程序》), in which the handling of major environmental pollution incidents are clearly defined with response plans, procedures, control guidelines, measures and responsible departments. In addition, the Group formulates drill plans focusing on emergency response to safety, environmental and energy accidents annually, and conducts drills as planned to improve emergency responses and the ability to deal with emergencies.

B. SOCIAL

B1 EMPLOYMENT

The Group strives for equitable opportunities and mutual respect through the faith of social responsibilities and innovation. The relevant corporate culture is reflected in the current employment management policies:

Panyu Plant:

- "Social Responsibility Management Guideline"
- "Employee Handbook"
- "Recruitment Policy"
- "Promotion Procedure"

Vietnam Plant:

- "Employee Handbook"
- "Recruitment Policy"

As of March 2020, Panyu Plant employed 4,323 full-time employees (March 2019: 4,873). All employees were aged 18 or above. They came from various provinces in mainland China while most of them were from Hunan and Yunnan, with a male to female ratio of 0.65: 0.35. As of March 2020, Vietnam Plant employed a total of 842 full-time employees (March 2019: 764). All employees were aged 18 or above and the employees of Vietnam Plant came from different provinces of Vietnam, with a male to female ratio of 0.73: 0.27.

To promote employees' work-life balance, the Group held various kinds of recreational activities for the employees during the Reporting Period. These activities included yoga classes, dancing classes, Tai Chi classes, basketball games, tug-of-war competitions, billiards competitions, table tennis competitions, badminton competitions, tea gathering, cooking competitions, floral design competitions, football matches, lucky draws and annual parties.

As far as the management is aware of, the Group has complied with the employment laws including the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》) and the "Labor Code" of Vietnam during the Reporting Period.

B. SOCIAL (Cont'd)

B1 EMPLOYMENT (Cont'd)

Panyu Plant:



Table Tennis Tournament



Football League



Badminton Tournament



Distributing Cold Beverages to Workers



Year End Party

B. SOCIAL (Cont'd)

B1 EMPLOYMENT (Cont'd)

Vietnam Plant:



Football League 2020



Visiting and Giving Gift to Sick Co-workers



Lucky Draw Event



Distributing Beverages to Employees



Gift Giving to Female on International Women's Day



Floral Design Competition on Vietnam Women's Day



Zumba Performance at Year End Party



Year End Party

B. SOCIAL (Cont'd)

B2 HEALTH AND SAFETY

The Group attaches great importance to production safety management and occupational health management. It has spared no effort to implement an occupational health and safety policy of "compliance, care, safety, health, inspection of hidden dangers, risk control, safety assurance, full participation, aggressiveness, promotion of harmonious development", firmly enforced a policy of "observing laws and regulations, striving to control and reduce safety risks and adhering to the people-oriented principle with an aim to provide a safe and healthy workplace and living environment for employees", proactively carried out standard procedures for safety production, established a management system of standard procedures for safety production. Panyu Plant has obtained the ISO 45001 Occupational Health and Safety Management System Standard Certification, while Vietnam Plant manages its operations with reference to the safety measures adopted by Panyu Plant.

As far as the management is aware of, the Group has complied with occupational health and safety regulations during the Reporting Period, including the "Labour Law of the People's Republic of China" (《中華人民共和國勞動法》), "the Law of the People's Republic of China on Work Safety" (《中華人民共和國安全生產法》), "the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases" (《中華人民共和國職業病防治法》) as well as the "Labour Code" of Vietnam.

In terms of safety production management, Pacific Textiles conducts thorough hazards identification and risk assessment annually and has established risk control measures and necessary emergency drills for important hazards. Safety executives, who have participated in pre-job professional trainings and have passed tests and obtained qualifications from all departments, manage and control the significant sources of hazards and comprehensively control the potential safety hazards, so as to avoid work safety incidents.

Regarding occupational health management, Pacific Textiles has received the assessments of occupational hazards in respect of temperature, noise, air, dust, wind and gas at various job positions in Panyu Plant (by professional testing authorities in the PRC) and in Vietnam Plant (by Department of Health of the Hai Duong Provincial Government of Vietnam). According to the assessment results, Pacific Textiles implemented occupational hazard protection for the relevant job positions and occupational health protection for employees. All employees of the Group are required to sign employment contracts in accordance with local regulations. According to the local government requirements of Guangzhou, employees of Panyu Plant are required to sign the notice of occupational hazards issued by the Group. The notice mainly covers job title and duties, work hours, rest period, statutory benefits, reasons and preventive measures for occupational hazards etc.

Panyu Plant



Fire Extinguisher Training Course



Fire Safety Equipment Training Course



Fire Drill



Fire Drill

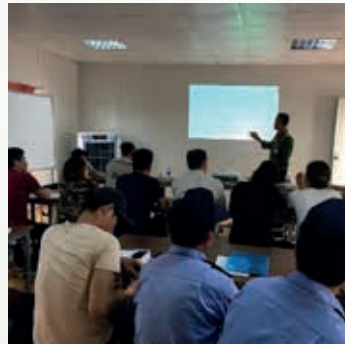


Fire Drill

B. SOCIAL (Cont'd)

B2 HEALTH AND SAFETY (Cont'd)

Vietnam Plant:



Fire Fighting Training



Labor Safety Training



First Aid Training



Annual Health Examination

Pacific Textiles also provides the employees with proper personal protective equipment to prevent potential accidents at work and to minimise the impact of occupational hazards on the health of the employees at every job position. The supplies that Pacific Textiles provides to the employees, where applicable, include but are not limited to: ear plugs, goggles, dust respirators, masks, rubber gloves, boots, insulated shoes, aprons, hair nets, safety belts, etc. In addition to the protective measures, the Group also arranges annual health checks for all employees in Panyu Plant and Vietnam Plant, to help the employees to keep abreast of their health status. If necessary, the employees can report health issues to the Group for appropriate arrangement of work and assistance in carrying out treatments, to ensure that the employees' physical health is protected.

In response to the outbreak of 2019 novel coronavirus disease (COVID-19) during the Reporting Period, the Group effectively maintained zero cases of infection among staff by implementing a series of preventive measures, which included provision of medical masks, sterilisation products, healthy catering and updated information on disease prevention; modification to staff canteen to comply with the social distance standards recommended by local government; regular temperature checks to identify staff with fever symptoms; preparation of a spare dormitory to hold staff with fever symptoms in isolation and under observation when necessary; and regular disinfection of workplaces.

During the Reporting Period, the number of work-days lost due to work injuries in Panyu Plant was 1,949 man-days (Corresponding Period: 2,572 man-days). During the Reporting Period, the number of work-days lost due to work injury in Vietnam Plant was 115 man-days (Corresponding Period: 98 man-days).

During the Reporting Period, there was no serious work injury case and no work-related fatality was recorded. As Panyu Plant has always put emphasis on the assessment of potential hazards in the plant, and according to the results of the assessment of safety executives, training to enhance occupational health and safety has been strengthened, thereby enhancing the safety awareness and operational skills of employees. As such, the number of lost work-days in Panyu Plant decreased by 623 man-days as compared with the Corresponding Period. The number of lost work-days in Vietnam Plant increased by 17 man-days as compared with the Corresponding Period, mainly due to the 34-day leave taken by a staff after involving in a traffic accident on his way home. The injury caused by such accident is considered work-related injury under local law. Notwithstanding the increase of employees in Vietnam Plant during the Reporting Period, the number of lost work-days due to work injury from production process actually decreased as compared with the Corresponding Period. The Group will continue to provide training for all employees, in particular those new employees who may lack the awareness of occupational health and safety as well as experience, in order to minimise cases of work injuries.

B. SOCIAL (Cont'd)

B3 DEVELOPMENT AND TRAINING

The Group has set up long-standing policies and training schemes to improve employees' job knowledge and skills. These policies and schemes cover induction training courses for general workers, as well as internal and external vocational training courses for elementary-level, middle-level and university-level employees. The Group has been conducting various kinds of training and development programs in Panyu Plant and Vietnam Plant to enhance the working skills and knowledge of the employees when fulfilling their job duties and functions. These include:

- orientation for new employees to become familiar with the company environment and departmental requirements within a short period of time;
- training for security and canteen workers to understand environmental safety, protection of property and food safety control;
- first aid training for proper and effective way to handle accidents related to injured employees at work, as well as to strengthen occupational health and safety to prevent unexpected occupational diseases;
- fire-fighting protection training to enhance the awareness of fire prevention, and to fight minor fires, if any, in a proper and effective way; and
- on-the-job training in various departments to enhance the employees' work skills and techniques in terms of technical and management skills.

Occupational safety and health training was also introduced to Vietnam Plant to ensure that all employees were aware of occupational hazards and protective measures.

During the Reporting Period, the number of monthly training hours per employee in Panyu Plant was approximately 2.66 hours (Corresponding Period: 2.57 hours). The number of monthly training hours per employee in Vietnam Plant was approximately 0.61 hours (Corresponding Period: 1.17 hours). The decrease of training hours in Vietnam Plant is mainly due to the disruption from 2019 novel coronavirus disease (COVID-19). A number of training programs, such as crane, excavator, forklift and boiler operation courses, were temporarily suspended during the Reporting Period and were expected to be rescheduled to the second half of 2020.

Panyu Plant



Anti-fraud Training



Anti-terrorism Training for Guards

B. SOCIAL (Cont'd)

B3 DEVELOPMENT AND TRAINING (Cont'd)

Vietnam Plant:



Chinese Language Training



KPI Training for Production Team



Dialogue Conference with Employees



All Employees Conference



University Employment Day



Job Fair at Hanoi Industrial Textile Garment University

B. SOCIAL (Cont'd)

B4 LABOUR STANDARDS

The Group has formulated the policies of remuneration, recruitment, equal opportunity employment, anti-discrimination and general fringe benefits with reference to the latest relevant labor codes, decrees, circulars and articles announced by the local government. All applicable policies are included in the staff handbook of the relevant plants. Child labour and forced labour are strictly prohibited in both Panyu Plant and Vietnam Plant. Based on the understanding of the management, the Group has complied with the employment laws, including the “Labour Law of the People’s Republic of China” (《中華人民共和國勞動法》), “Prohibition of Child Labour Provisions” (《禁止使用童工規定》), “Underage Workers Special Protection Provisions” (《未成年工特殊保護規定》), “Prohibition of Forced Labour and Prisoners Labour Policy and Procedures” (《禁止強迫勞工和囚工的政策及程序》) of the PRC and the “Labor Code” of Vietnam during the Reporting Period.

B5 SUPPLY CHAIN MANAGEMENT

The Group puts emphasis on product quality and safety. Panyu Plant and Vietnam Plant have stringent quality standards for the procurement of main raw materials used in production, including yarns, dyes, chemicals and auxiliary production materials. To ensure that products comply with safety and quality standards, Pacific Textiles has introduced a number of control measures:

- procurement of yarn from more than 40 suppliers in different regions to minimise geopolitical risks;
- a Restricted Substances List has been prepared by the Group in accordance with the “Manufacturing Restricted Substance List of ZDHC (Zero Discharge of Hazardous Chemicals Roadmap)” for dyes, auxiliary materials and chemicals that are used in production, and all relevant suppliers are requested to comply with the Group’s requirements;
- the Group has been an account user of Better Cotton Platform (BCP) established by Better Cotton Initiative. Through this platform, the Group procures quality cotton from yarn traders registered as Better Cotton Initiative members according to the demand of textiles from the customers;
- new suppliers are subject to rigorous review, which includes the review of business licences, Authorized Economic Operator Certificate or Customs Trade Partnership Against Terrorism certificate issued by members of the World Customs Organization, to ensure that a supplier is a proper business enterprise for conducting transactions. Meanwhile, when a new supplier is brought in, reviews will be conducted on relevant certificates issued by international certification bodies, including but not limited to OEKO-TEX®, REACH, bluesign®, relevant ISO certifications and American Supima Association etc., in order to prove that the supplied products can satisfy the relevant safety and quality standards. In addition, samples from new suppliers will be required for quality testing if necessary. Suppliers are admitted as qualified suppliers only if they meet the Group’s required standards;
- performing regular evaluations on various aspects of suppliers such as quality, price and degree of cooperation; and
- quality inspections will be conducted by professional testing institutions when needed. If the quality of yarns, dyes, chemicals and auxiliary production materials provided by the suppliers is found not meeting the Group’s required standards, the Group will discontinue the use of the raw materials it supplies until the quality and safety issues are resolved.

B6 PRODUCT RESPONSIBILITY

The products of Pacific Textiles are manufactured in strict accordance with the international standards and regulations in relation to textile production. These include China’s GB18401-2010, “the National general safety technical code for textile products” (《國家紡織產品基本安全技術規範》) and Oeko-Tex Standard 100. In addition, there are specific requirements for certain products, the relevant standards of which, when applicable, are also followed by the Group. These include mainly: the Global Organic Textile Standard, the Organic Content Standard and Global Recycle Standard.

As far as the management is aware of, all products of Pacific Textiles were manufactured in accordance with the above safety and health standards and regulations, and there was no case of product recall required by regulatory authorities during the Reporting Period.

B. SOCIAL (Cont'd)

B6 PRODUCT RESPONSIBILITY (Cont'd)

If the Group receives any complaint from the customers in relation to its product qualities, an investigation will be conducted after a review of the reasons of complaints and product compliance. Depending on the nature of the complaint and its cause, the Group will refer the relevant information to the supplier if there is evidence showing that the complaint is related to the use of raw materials. If the complaint case is related to errors in the production process, a review will be carried out with the person-in-charge of the plant and improvements will be made as appropriate. If it is related to logistics process, follow-up actions will be made with the logistics suppliers.

The product inspections of Pacific Textiles are carried out in accordance with the inspection standards mutually agreed with the relevant customers. Pacific Textiles has established specific arrangements for the process of product recalls. If corrections need to be made to certain products, they will be returned to the relevant department of the plant for the necessary corrections. The products, after the correction and necessary quality check, will be sent to the relevant customer once again.

Pacific Textiles respects the customers' intellectual property rights, privacies and other trade secrets, and makes effort to protect them. After receiving the design drawings from the customers, Pacific Textiles will adopt measures to ensure the security of their intellectual property rights, privacies and other trade secrets, and prevent the disclosure of relevant confidential information without prior approval. With respect to certain products which involve intellectual property rights, Pacific Textiles will enter into confidentiality agreements in relation to the intellectual property rights and trade secrets with the relevant suppliers and customers.

B7 ANTI-CORRUPTION

The Group has established anti-corruption policies, regulations and provisions related to employees, contractors and suppliers of Panyu Plant and Vietnam Plant. In the event of any violation of these policies, regulations and provisions, the Group will, upon verification, consider terminating the employment or partnership relationship with the violating party.

Pacific Textiles will review the relevant policies, regulations, rules and procedures from time to time, to prevent any incidents of violation. Pacific Textiles has also established a complaint mechanism for the report of corrupted behaviors to the management through telephone hotline or mail box. As far as the management is aware of, there were no cases of lawsuits brought against the Group or its employees during the Reporting Period in this aspect.

B. SOCIAL (Cont'd)

B8 COMMUNITY INVESTMENT

The Group identifies and supports the needs of local communities in Panyu and Vietnam through various channels and ensures that the interests of the communities are well considered during the factories' production activities. In order to support the development of local communities and foster a sense of mutual belonging among the local communities, the employees of Pacific Textiles have participated in a number of community activities.

The Group participated in the following community events in China:

- Providing employment opportunities: Begin school-enterprise cooperation with Guangzhou Textile and Garment Vocational School to recruit underprivileged students;
- Sponsorship to educational institutions and students: Providing uniforms to the ball sport teams of the Textile Institute of Zhongyuan University of Technology, donating to the "40th Anniversary Exhibition" of Guangxi Textile Industry School and granting scholarship to outstanding students from Tongxing Village, Nansha District, Guangzhou;
- Caring for the underprivileged: Visiting elderlies and villagers facing hardship in Tongxing Village, Nansha District, Guangzhou.

Employees of the Group participated in the following community events in Vietnam:

- Provided funding for the building of a primary school ("Lai Vu Primary School");
- Supported the prevention of 2019 novel coronavirus disease by donation ("COVID-19 Disease Prevention Fund");
- Provided financial support and necessities to underprivileged families in the community where Vietnam Plant is located in ("Lai Vu");
- Organised and participated in local sports and cultural events such as Lai Vu festivals, summer camps for teenagers and music festivals.

Panyu Plant



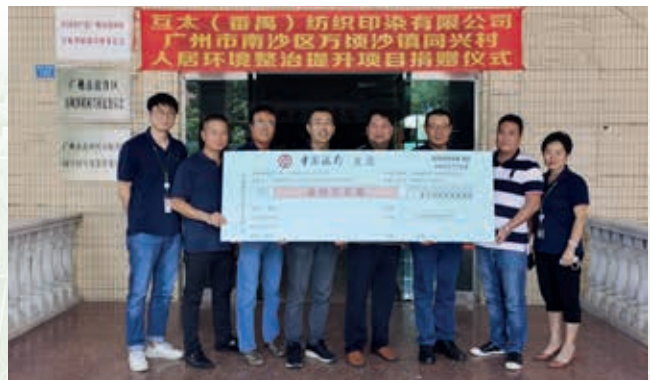
Visiting Elderlies in Tongxing Village



Workers Participating in Blood-Donation



Donating Necessaries to Impoverished Highland Region in Guizhou Province



Donation to Tongxing Village

B. SOCIAL (Cont'd)

B8 COMMUNITY INVESTMENT (Cont'd)

Vietnam Plant:



Sponsorship of Air-conditioners for Kindergarten



Gift Giving to Poor Family



Gift Giving to Kindergarten



Congratulations to Lai Vu Medical Centre on Vietnam Physician's Day



Funding for Building of a Secondary School



Attend the Festival in Lai Vu Temple



Funding for Building of a Primary School



Opening Ceremony of a Funded Primary School

ENVIRONMENTAL, SOCIAL AND GOVERNANCE DATA

During the Reporting Period, the key performance indicators of the Group in all aspects under the subject area of environment are as follows:

KPI		Panyu Plant and Vietnam Plant	Unit
Emissions from Gaseous Fuel Consumption and Vehicles	Nitrogen oxides (NO _x)	Total	568,932.65
		Per metric tonne of finished products	8.24
	Sulfur oxides (SO _x)	Total	2,750.56
		Per metric tonne of finished products	0.04
	Particulate matters (PM)	Total	41,886.99
		Per metric tonne of finished products	0.61
GHG direct emissions, indirect emissions and removals	Carbon dioxide equivalent (CO ₂ equivalent)	Total	612,434.16
		Per metric tonne of finished products	8.88
Hazardous wastes	Hazardous wastes	Total	1,939,272.76
		Per metric tonne of finished products	28.10
Non-hazardous wastes	Non-hazardous wastes	Total	64,601,469.61
		Per metric tonne of finished products	936.21
Energy consumption	Direct and indirect energy consumption	Total	1,659,313,639.39
		Per metric tonne of finished products	24,046.79
Water consumption	Water consumption	Total	20,221,125.00
		Per metric tonne of finished products	293.04
Packaging materials	Use of plastic material	Total	335,585.72
		Per metric tonne of finished products	4.86
	Use of paper material	Total	731,668.10
		Per metric tonne of finished products	10.60

The following publications were referenced in the calculation of the above key performance indicators:

1. "Appendix 2: Reporting Guidance on Environmental KPIs" by the Hong Kong Exchanges and Clearing Limited;
2. "List of Grid Emission Factors version 10.8" by the Institute for Global Environmental Strategies;
3. "2006 Guidelines for National Greenhouse Gas Inventories Volume 2" by the Intergovernmental Panel on Climate Change (IPCC);
4. "China Energy Statistical Yearbook 2018" by the National Statistics Bureau of the People's Republic of China;
5. "2011 and 2012 China Regional Grid Average Carbon Dioxide Emission Factor" by National Center for Climate Change Strategy and International Cooperation (NCSC) of the People's Republic of China;
6. "GB Standards on diesel, gasoline and liquefied petroleum gases" by Standardization Administration of the People's Republic of China; and
7. The "Energy Statistics Yearbook 2016" by United Nation Statistics Division.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX

Subject Area A: Environment		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	p. 4
A1.1	The types of emissions and respective emissions data.	p. 19
A1.2	Greenhouse gas emissions in total and intensity.	p. 19
A1.3	Total hazardous waste produced and intensity.	p. 19
A1.4	Total non-hazardous waste produced and intensity.	p. 19
A1.5	Description of measures to mitigate emissions and results achieved.	p. 4-5
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	p. 4-5
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	p. 5
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	p. 19
A2.2	Water consumption in total and intensity.	p. 19
A2.3	Description of energy use efficiency initiatives and results achieved.	p. 6-8
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	p. 6-8
A2.5	Total packaging material used for finished products with reference to per unit produced.	p. 19
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	p. 8
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	p. 8



ENVIRONMENTAL, SOCIAL AND GOVERNANCE CONTENT INDEX (Cont'd)

Subject Area B: Social		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	p. 8-10
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	p. 11-12
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	p. 13-14
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	p. 15
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	p. 15
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	p. 15-16
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	p. 16
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	p. 17-18



PACIFIC TEXTILES HOLDINGS LIMITED
互太紡織控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

(Stock Code 股份代號 : 01382)