

New Normal

SUSTAINABILITY REPORT
2019–2020

Welcome to TAL Apparel

Welcome to TAL Apparel's sixth sustainability report! Thank you for taking the journey with us for a sustainable world. This biennial report is for the period of 2019–2020. Honesty and integrity, as core values of TAL Apparel, will be exemplified in this report.

The report will help you to understand our sustainability journey, especially throughout 2020 – the hardest year the world has faced in some time. The past year has tested us and forced us to become a truly sustainable practitioner. We have been given the chance to do our business in a more sustainable way in every aspect through this great reset of the pandemic.

TAL Group consists of two business divisions: the apparel division and the services division. TAL Apparel is the apparel division, which offers a range of innovative products and services across various stages of the apparel supply chain.

This report has been prepared in accordance with the GRI Standards: Core Option. The GRI (Global Reporting Initiative) offers the most widely used framework for sustainability reporting and includes internally agreed principles and metrics which make sustainability reports more relevant and comparable.

Should you have any comments, questions or concerns, please contact us via email: sustainability@talapparel.com.

Contents

MANAGEMENT VIEWPOINTS

Message from the Vice Chair and CEO	5
-------------------------------------	---

ABOUT THIS REPORT

Scope of this report	7
Sustainability at a glance	9

BUSINESS

Our locations	13
Strategic initiatives	14
Business challenges	15
Major business changes	18
Product innovation	19

SOCIAL LABOUR

Sustainable Business Practice	22
Social labour management system	23
Foreign migrant workers management	27
Talent development	30
Community involvement	32

HEALTH & SAFETY

Pandemic management – COVID-19	36
Health and safety management system	39
Health and safety performance	41
Health and safety recognition program	43
Community program	47

ENVIRONMENT

Environmental management	50
Greenhouse gas (GHG) management	51
Water management	54
Waste management	56
Chemical management	59
Wastewater management	61

INDUSTRY COLLABORATION

Sustainable Apparel Coalition	64
Redress – united in educating the next generation	65
Social Labour Convergence Program	66
Fashion Industry Charter for Climate Action	67
Global Fashion Agenda	67

APPENDICES

GRI Index	69
Supplemental data	75



1

**Management
viewpoints**



Delman Lee, Vice Chair



Roger Lee, CEO

Message from the Vice Chair and CEO

Welcome to the 6th Sustainability Report of TAL Apparel. This is a biennial report where we describe candidly the challenges and achievements of our sustainable journey.

We write this report for the years 2019 and 2020 with a heavy heart. These two years are unlike any other periods that we have experienced before. Volatility, uncertainty, complexity and ambiguity have never resonated so loudly with everyone in our organization. The world has weathered through a lot of events, whether it is geo-political, country specific or pandemic. The events have direct impact on many industries including ours. We would like to highlight two forces that have influenced and shaped our work in the past two years.

The primary force is undoubtedly the COVID-19 pandemic. The market collapsed within a short period of time and the whole supply chain was in havoc. There was tremendous stress on cities and businesses worldwide as all tried to tackle the financial viability of their businesses and the health & safety of employees and families. The stress caused companies into bankruptcy and closures, whether you are a brand, retailer or manufacturer. The unpredictable world did challenge many people on what fair and equitable business practices are under such

drastic circumstances. We shared in this report what measures and decisions we took during such unprecedented times with the spirit of being a responsible business in both a social and financial sense.

The second force that has shaped and will continue to shape our work is an internal one. In 2019 before COVID-19, the company went through a business strategy review. An important outcome of the review is a renewed purpose of the company. During the strategic review, it became clear that sustainability is not only a business strategy but also something that is fuelling the company – the people and the work that we do. Our new purpose is “to lead change in how the world sustainably clothes itself”. We began in earnest implementing a strategy that embeds sustainability in every aspects of what we do.

With a new purpose and a new normal of the world, we share with you our sustainability journey. We would like to commend and thank our colleagues for their selfless dedication, ingenuity and perseverance during such difficult times.



2

**About this
report**

Scope of this report

We have followed the GRI standards to select which material topics influence our stakeholders the most in relation to the economic, environmental and social effects of our operations. We want to report our sustainability performance in a relevant and transparent way to our stakeholders.

MATERIALITY ASSESSMENT

We have used the risk assessment to determine the priority of topics to cover in our report. In our risk assessment, we scored topics on a one-to-five scale according to three main criteria – *likelihood*, *severity* and *responsibility* for our economic, environmental and social impact.

We used information from our various operational reports and interactions with these groups to assess the degree that each group would expect us to be accountable on a particular topic and rated it on a one-to-five scale. In 2020, we conducted a sustainability survey to over 2,200 staff. The results determined that health and safety, minimum wage and environmental pollution are the top three topics that most impact their lives. The top three topics that should be the company priority are social compliance, sustainable products and resource efficiency, according to the survey.

Five key stakeholder groups that are most influenced by us through our operation are:

1. Employees
2. Customers
3. Management
4. Supply chain partners
5. Community




STAKEHOLDER GROUP	INFORMATION SOURCE
Customers	Code of conduct, sustainability reports, vendor sustainability programs and audits.
Employees	Engagement surveys and informal feedback.
Management	Company strategy, vision and objectives.
Supply chain partners	Industry and NGO reports, informal feedback.
Community	Industry and NGO reports.

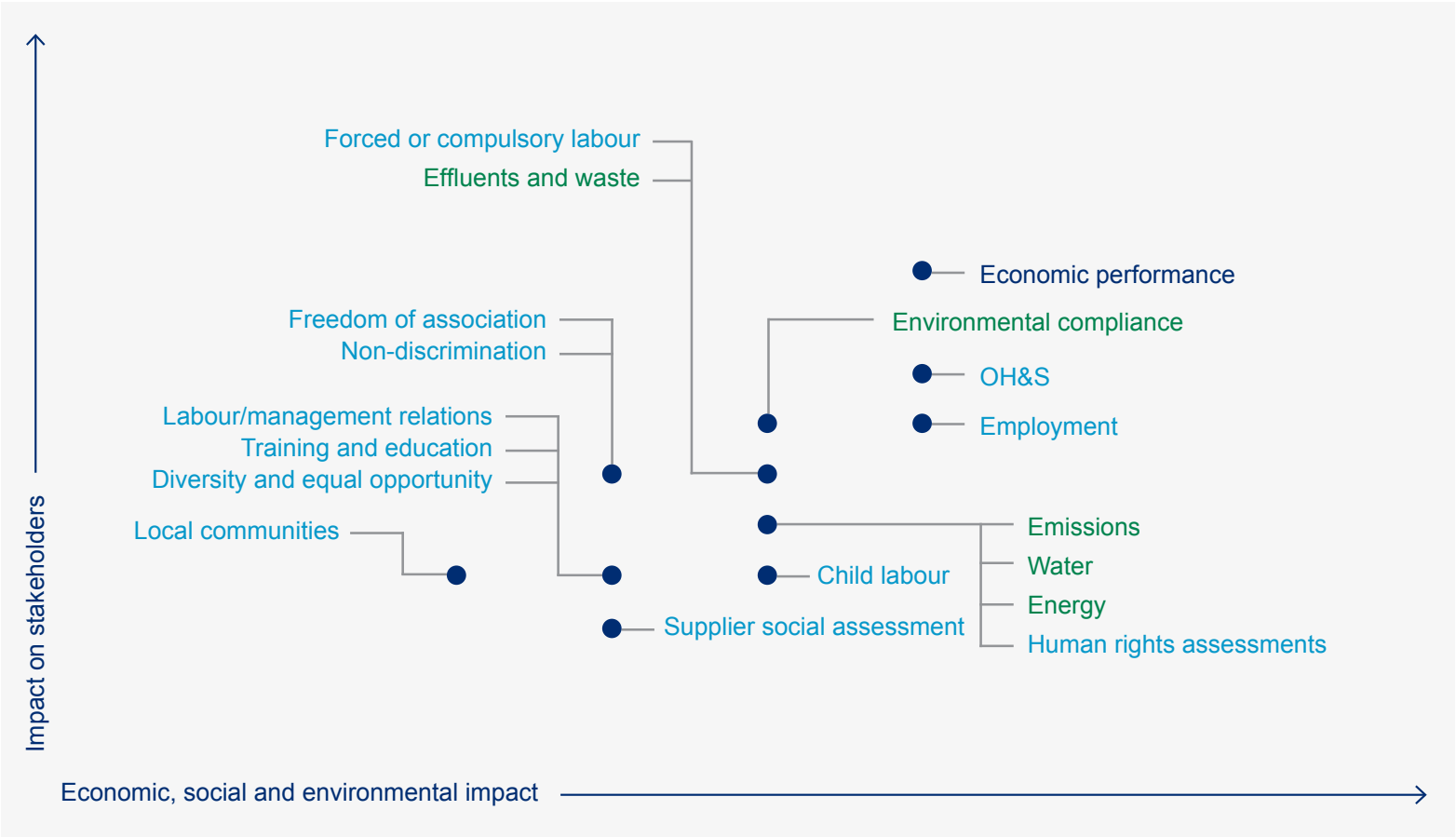
For details of our methodology, [please refer to page 15 of our 2013–2014 report.](#)

Scope of this report (cont.)

MATERIALITY MATRIX

We plotted each sustainability topic based on GRI standards onto a materiality matrix to discern the significance of our impact and importance to our stakeholders. The following material topics are reported in detail in this report.

-  Economic
-  Environmental
-  Social



Sustainability at a glance

PEOPLE



3.87 million \$US

Total TAL Apparel donation for the period of 2019–2020.



20 confirmed positive COVID-19 cases

across TAL's operations of 13,258 employees by the end of 2020.



In 2020, TAL committed to implement **Employer Pays Principle** in recruiting foreign migrant workers.



TAL is one of the signatories that applied verified self-assessment for **Social Labor Convergence Program (SLCP) Converged Assessment Framework (CAF) 1.3** (<https://www.slconvergence.org>) during the light operation in 2019.

RE-EMPLOYMENT OF FOREIGN MIGRANT WORKERS

Repatriation

54% 46%

Employment transfer



More than 46%

foreign migrant workers from Pen Apparel and Imperial Garment have been re-employed to other companies in Malaysia after the closure of factories.

LOST TIME INJURY RATE



0.30

28% reduction

-28%

0.22

2018

2020

Sustainability at a glance (cont.)

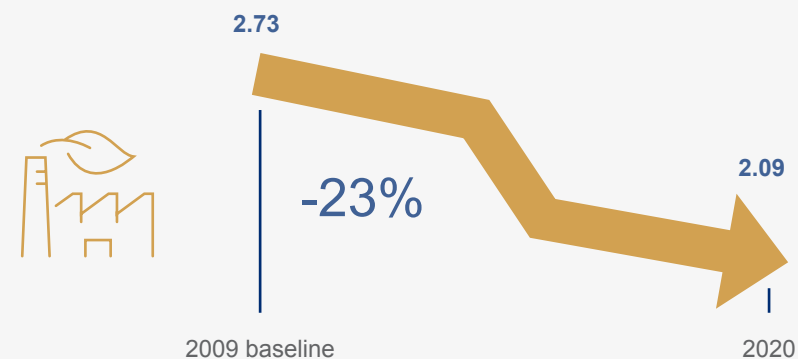
PLANET

bluesign® SYSTEM PARTNER CERTIFIED

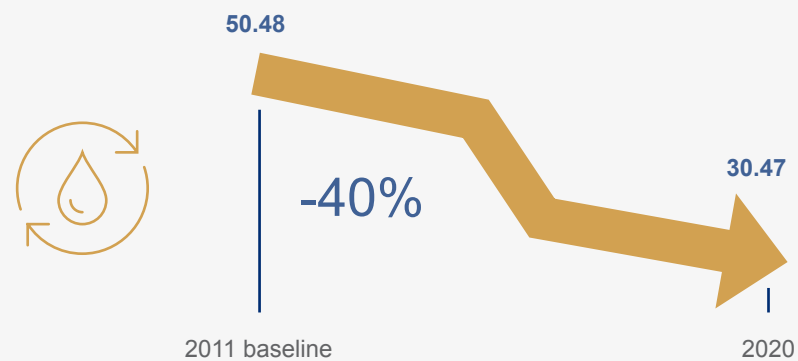
TAL was certified for bluesign® system partner in May 2020. For further information please see [page 59](#).



GHG INTENSITY (KGCO2E/GARMENT)



WATER INTENSITY (L/GARMENT)

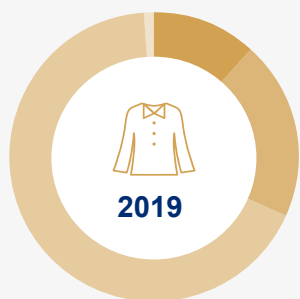


Sustainability at a glance (cont.)

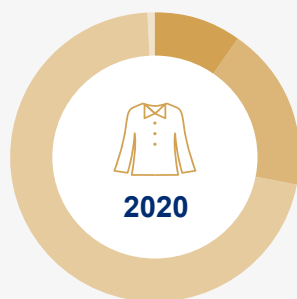
PROFIT

In 2019, TAL repurposed the business strategy towards sustainability and set a new purpose “To lead change in how the world sustainably clothes itself!”.

SALES BY REGION



- 67.09% North America
- 19.96% Europe
- 11.92% Asia
- 1.03% Other



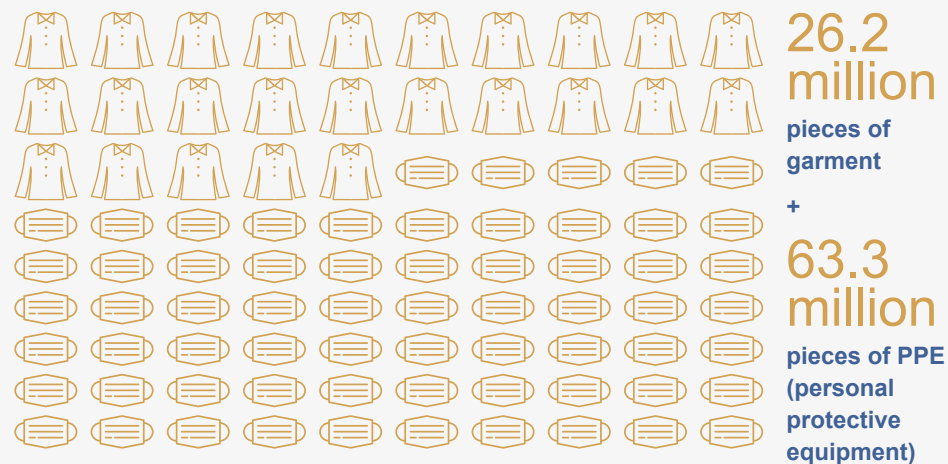
- 71.04% North America
- 18.34% Europe
- 9.96% Asia
- 0.66% Other

TOTAL GARMENTS SOLD

2019



2020

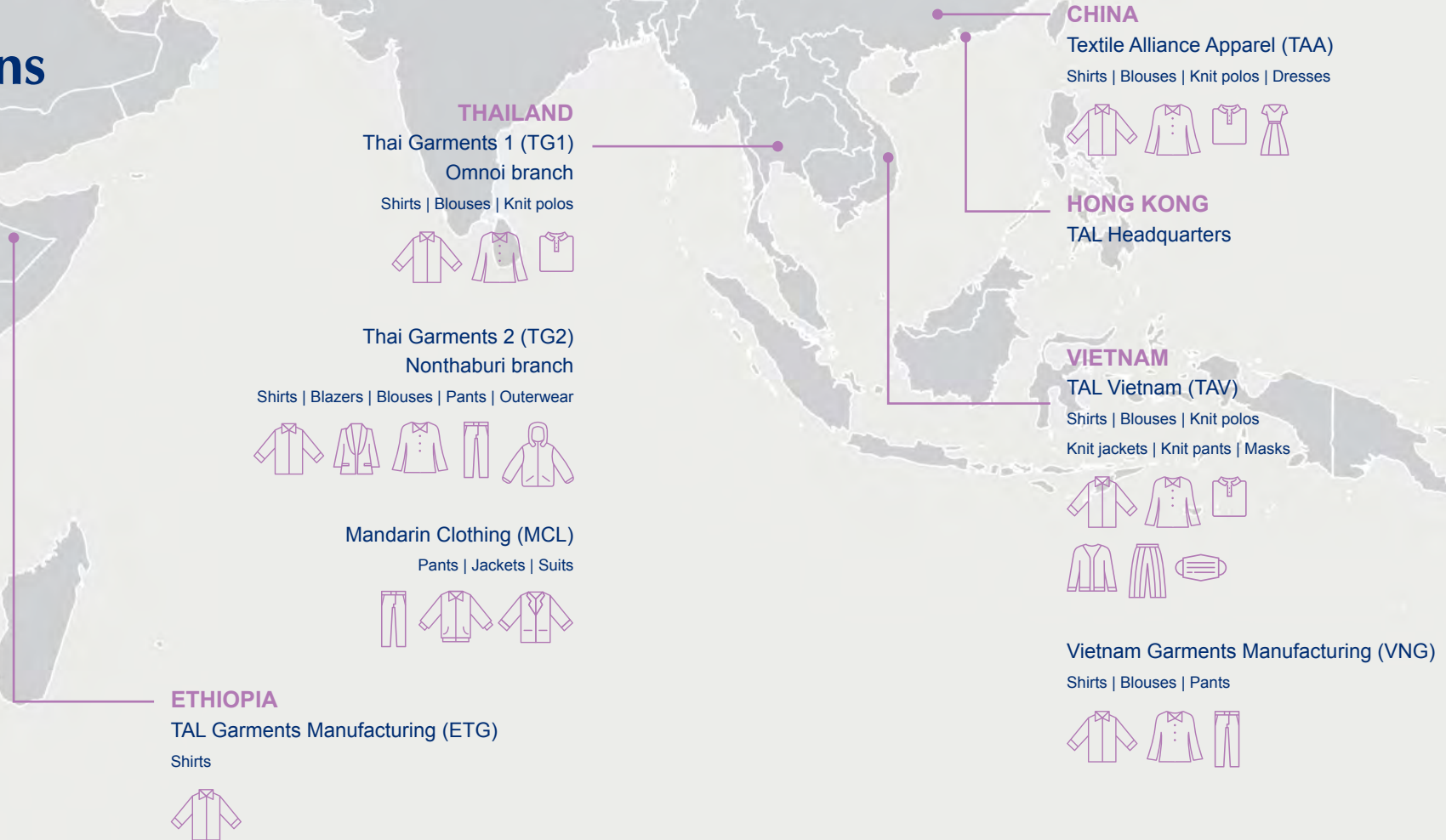




3

Business

Our locations



TAL’s headquarters are in Hong Kong and we operate seven factories in four countries. Each factory’s capabilities are illustrated in the map above.

Strategic initiatives

In a world characterised by volatility and uncertainties, where the retail sector has been going through a structural transformation, one must adapt to stay competitive. Hence, in the past two years, TAL took the step to revisit our **Division Strategy**.

Remembering where we came from, we aligned on a renewed and modernised purpose statement:

‘To lead change in how the world sustainably clothes itself.’

As the Innofactor™, we are always committed to lead change in the apparel world, but this time we want to emphasise that it would be in a sustainable way, be that for the business and for the earth.

We believe the world of sourcing and manufacturing, the quest for the lowest cost, can be replaced with value-added strategic partnerships. As brands consolidate their vendor base, we strive to stay competitive and relevant via:

- Identifying high-potential companies and business models, and collaborate deeply to be their growth enabler
- Rebalancing our product mix to adapt to consumers’ changing lifestyles
- Staying geographically diversified to help retailers tapping into different skill sets while diversifying risks

As a result of the new strategy, we have been working a series of projects to:

- Strengthen specific product capabilities
- Rebalance our manufacturing footprint, leading to accelerated closure of Malaysian factories
- Optimise our organisational structure for focus, agility and speed

In 2020, we were drawn into the unexpected global turmoil brought by COVID-19. Instead of changing our course, we believe this actually accelerated many trends we have already seen and hence we were propelled to move even faster with our strategy. We believe by staying focused and committed with our strategy, we will come out of the storm stronger than before.



Business challenges

COVID-19 IMPACTS AND CHANGES

2019 and 2020 have been the toughest years for the apparel and retail industry as a whole as the global COVID-19 pandemic in Q1 2020 took the world by surprise and shock – driving global demand to a screeching halt in light of global travel restrictions, and a relatively high infection and mortality rate.

US traditional brick and mortar retailers like JCPenney, Neiman Marcus, Brooks Brothers, and J. Crew, already struggling with reduced footfall in-store, and expensive retail leases, quickly plunged into bankruptcies. Thirty-plus retailers filed for Chapter 11 bankruptcy during 2020. This had a major impact on suppliers when goods were not paid for, creating huge losses and cash flow crunch up the supply chain.

Garment manufacturers and mills had to extend payment terms up to 120 days during 2020 to manage the tough cash flow situation across the whole apparel supply chain. Many customers have also used this pandemic to unilaterally extend payment terms – even beyond short-term help in 2020 – and develop very one-sided manufacturing agreements with broad sweeping **'force majeure'** clauses. The estimated 450 million people working in the apparel supply chain faced reduced income or job loss as a result and are the

most vulnerable and affected by the crisis. As people across the globe were forced to **'social distance'** and **'work from home'**, demand on dress-categories (suits, ties, dress shirts) was far more severely impacted as opposed to casual and active clothing. TAL had to quickly pivot to survive this crisis and come out stronger. We had to shutter our Malaysian operations and pivot our balance idle capacity to make PPE (personal protective equipment) products like masks. We not only sold more than 50 million masks



to governments and organisations in 2020 but developed and are marketing a sustainable (good through one hundred washes) and a highly protective (PFE 95% of 0.1) mask under the ENRO brand name. The company also accelerated our 'digital transformation' journey beyond 3D sampling, creating a 'digital showroom with high resolution cameras' to showcase products remotely to our customers – a much more sustainable way of working.

Business challenges (cont.)

STRATEGIC PARTNERSHIP

In our supply chain, TAL leveraged the long-term partnership with our strategic suppliers and worked closely with them to reduce the impact on vulnerable worker groups.

As many of TAL's customers cancelled large amounts of orders placed before the pandemic began, the company was left with materials ordered that were not needed anymore.

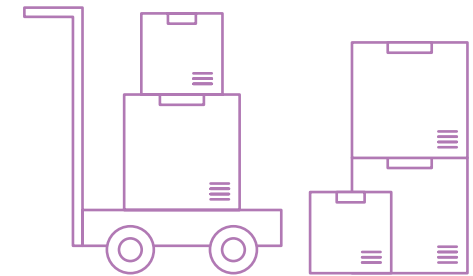
Recognising our suppliers may be at risk as well, particularly those that are exposed to debt because of delayed payments, have low liquidity, and/or face a concentration of risks

through their reliance on TAL, we worked hand in hand with them and their customers to mitigate the order cancellation impact.

We proposed to our customers to delay the payment of the materials they ordered and to use them in the subsequent seasons.

While some of them demonstrated great

responsibilities, others used the 'force majeure' to escape their responsibility. Other customers had to file Chapter 11 which allowed them to reduce the liability they had with their suppliers. Where no solutions could be found with a customer, we looked at how we could offer the materials for other customers at a discounted rate. When this



was not possible, we leveraged our suppliers' network – offering them to purchase back the ordered fabrics at a very preferential rate, allowing them to repurpose these new fabrics for other customers or use. Such a solution was found with our number one supplier.

Business challenges (cont.)

RESPONSIBLE PURCHASING PRACTICE

The COVID-19 pandemic clearly showed to the world the imbalance of power between the brands and their supply chain partners. ‘Lopsided contracts’ resulted in disastrous consequences for the weakest people who are working across the supply chain. The European Center for Constitutional and Human Rights (ECCHR), the Worker Rights Consortium, and the International Lawyers Assisting Workers Network (ILAW Network), published a paper in 2020 examining the law of force majeure, and called for better access to accountability mechanisms for workers to enforce brands’ responsible supply chain practices.

This policy paper¹ says:

‘These actions by some of the industry’s largest brands showed no apparent concern for the impact these decisions would have on their suppliers and the millions of low-wage workers...’

The paper explains how brands violate their due diligence obligations through cancelling orders. ‘It is clear that many brands are cancelling contracts primarily because they can, not because it is justified,’ the paper further explains.

Beyond the basic demand that brands honour their contracts, the human rights groups say the crisis has highlighted that global brands’ purchasing practices must change to ensure the rights and welfare of workers in supplier factories are fully respected and supported rather than undermined. Different groups have published reports on the situation, for example, Better Buying Institute², Fair Wear Foundation³ and Better Work – ILO⁴. In the UK, there are talks of having an adjudicator to oversee purchasing practices in the garment industry⁵. TAL is fully supportive of the effort to transform the whole industry to become more responsible and collaboratively work for better and fairer accountability mechanisms that will contribute to the protection of workers in the industry.

XPCC

Another challenge was the worsening of the US – China trade relationship, with alleged serious human rights abuses against ethnic minorities like Uyghurs and Kazakhs in the Xinjiang Uyghur Autonomous Region (XUAR) of China taking the spotlight. The US not only issued sanctions against the XPCC, but later issued a Withhold Release Order (WRO) for any goods being made or containing raw materials sourced for Xinjiang region. Since the Xinjiang region accounts for 20% of global cotton (and ~40% of longer staple cotton), it had a huge ripple effect across the supply chain. Companies had to scramble to drive ‘transparency’ of cotton sourcing across the supply chain and manage the huge price increase of non-China cotton in an already suppressed demand market scenario.

LOGISTICS

The other big challenge in the year was the sudden increase in logistics cost and significant delays from port congestions and limited availability of ships/crew worldwide.

Many countries imposed severe restrictions on transiting crew members and cargo. There was also an increased demand due to the increase of eCommerce and logistics related to distribution of COVID-19 vaccines being developed across the globe. Retailers faced, on average, two-plus weeks’ delay on sea shipment and a near three to four fold increase in logistics cost.

1 ECCHR
https://www.ecchr.eu/fileadmin/ECCHR_PP_FARCE_MAJEURE.pdf

2 Better Buying
<https://betterbuying.org/wp-content/uploads/2020/04/Better-Buying-Special-Report-COVID-19-Guidance-for-Brands-and-Retailers.pdf>

3 Fair Wear
<https://www.fairwear.org/COVID-19-dossier/responsible-purchasing-practices/garment-industry-coalition-statement/>

4 ILO
https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/briefingnote/wcms_758626.pdf

5 Committees Parliament
<https://committees.parliament.uk/committee/62/environmental-audit-committee/news/154721/eac-to-hold-further-session-on-fashion-sustainability-as-government-confirms-it-is-exploring-garment-trade-adjudicator/>

Major business changes

Malaysia was TAL's second largest production hub, just after Vietnam. We've been producing there since the early 1980s. There were two factories: Pen Apparel in Penang (PAP), producing shirts, and Imperial Garments in Ipoh (IG), producing pants.

In 2019, we shipped 6.5 million shirts and 4 million pants from the country. The total workforce was close to 4,300 in 2020. Among them, 35% were locals and 65% were foreign employees from countries like Myanmar, Bangladesh, Indonesia, Nepal, Sri Lanka, Cambodia and Vietnam.

The COVID-19 pandemic has affected many countries, economies, and companies around the world. The global apparel industry has not been spared, and unfortunately, despite being one of the leading garment manufacturers in the world, the order volume dropped 40% for the whole company. Considering the market conditions and the company's long-term strategy, we made the very difficult decision to permanently close the two factories and exit Malaysia. The announcement was made in April 2020. By the end of July, in just three

months, PAP was completely closed. IG continued to ramp down fast and is planned to close by the end of first quarter in 2021.

The goal was to close the factories with a high level of corporate social responsibility. All stakeholders including the employees, the customers, the suppliers, the communities and the government were engaged. We ensured the welfare of all employees were well taken care of in those challenging times. We met all legal and social requirements in terms of severance compensation. We identified opportunities for our employees who were able and willing to be transferred to any of our other factories or offices throughout the region. A group of Vietnamese employees from Malaysia have joined our factories in Hanoi, Vietnam. In addition, multiple Malaysian staff were relocated to factories and offices in other



countries to continue their career with us as well. We managed to keep the talent and the knowledge in the company.

We worked with the local authorities in assisting the repatriation of foreign employees, under the context of the local movement control order (MCO) and international travel restrictions. For those who would like to stay in Malaysia and look for new jobs, we arranged job fairs and offered our help to process all required transfer documents. In summary, a total of **1,331** (out of 1,339 requested) were **returned home safe** and a total of **865** (out of 1,287 interested) were **transferred out with new employers**. The balance was in progress at the time of writing and we estimate the mission can be completed in the second quarter of 2021.

Over the years, the team at Pen Apparel and Imperial Garments have served many of our major customers, such as Brooks Brothers, L.L.Bean and Bonobos. The customer service, quality and on-time delivery were solid. We would like to take this opportunity to thank everyone in both of our Malaysia factories. With Malaysia closed, TAL continued to produce in Vietnam, China, Thailand and Ethiopia.

Product innovation

ENRO REUSABLE FACEMASKS

The coronavirus (COVID-19) pandemic has had and is having an unprecedented impact on the apparel industry.

It all started in January 2020, when we were facing the threat of COVID-19, and we had to protect our 26,000 employees by providing masks as PPE. At the time, everywhere, facemasks were in serious shortage. Broadly speaking, we could either go on to produce disposable masks or work on reusable options. For us, the decision was quite straightforward because the latter is much closer to our values and more sustainable to Planet Earth.

As such, we immediately formed a multi-disciplinary task force with our in-house experts to design a washable, reusable facemask with protective filter that is also more environmentally friendly.

News spread quickly of our 'TAL mask' and soon many of our customers asked TAL to make masks for their employees, store associates or to sell to their customers online. Quickly, the project took on a 'life of its own'.

Here are the highlights of the filtration performance of our masks *after 100 washes**:



**Results are based on testing performed by renowned laboratories like Nelson Labs, SGS, TÜV.*

FILTRATION

One of the key challenges we needed to overcome was the washability of the filter. To effectively block out viruses as small as around 0.1 micron, a mask needs good quality melt-blown polypropylene (MBPP) filtration. However, these filters are generally not washable.

Our product innovation team was very determined to take on this challenge and finally came up with a proprietary process which could make the whole mask (including the composite filtration layers) machine washable and tumble dryable at least 100 times!

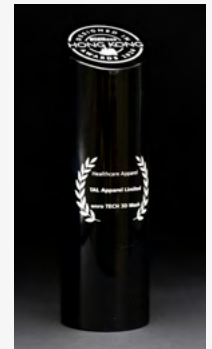
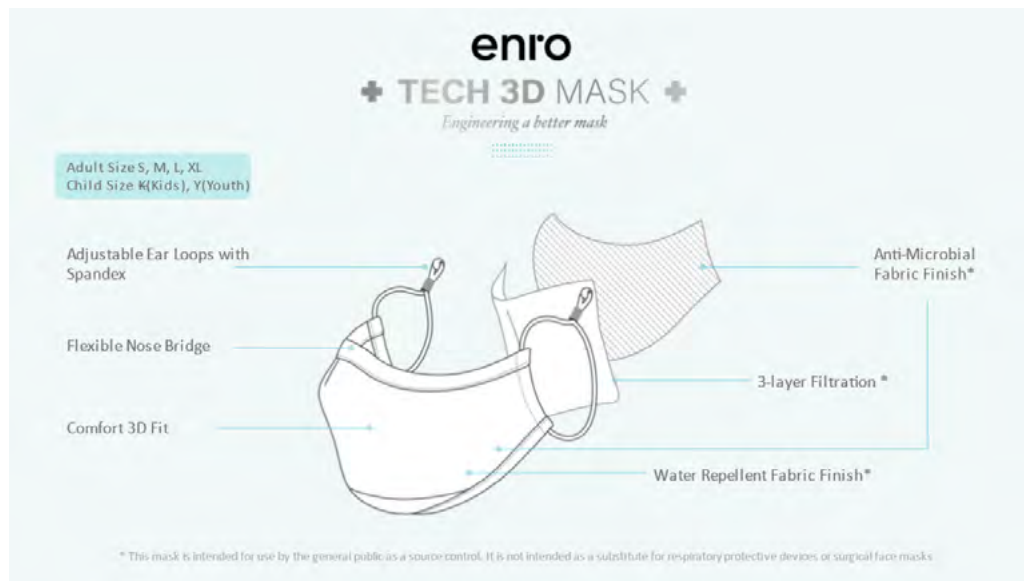
To recognise their creativity and to protect the intellectual properties of TAL Group, we filed for patent application both in US and Europe.

Product innovation (cont.)

COMFORT – FIT AND BREATHABILITY

With the protection part settled, now what?

In the COVID-19 situation, we need to wear masks for long hours at work or school and anywhere else in between. Wearing a comfortable mask is extremely important. To achieve that goal, we focused on two areas, **fit** and **breathability**. Through the use of 3D CAD and face-scanning technology, we engineered six sizes of mask that can fit **97% of the population** above four years of age. To strike the right balance between **breathability** and protection, we needed a clear strategy in the choice of materials and engineering expertise, fully vetted through numerous testing.



LAUNCH OF ENRO MASKS

After investing over 10,920 man-hours in technical design, with over 600 prototypes made, we finally launched our reusable masks branded **enro** through the enro.com website for the consumer segment in November 2020. With enro masks, consumers have the choice to **save at least 361 pieces of disposable masks** from the landfill by every one of us every year! Our mask design also landed us the Designed in Hong Kong Award 2020 – Healthcare Apparel category, awarded by *Hong Kong Business* magazine.

4

Social labour



Sustainable Business Practice

Our management system is the backbone of our sustainability implementation at TAL Apparel. The foundation of the management system is our management commitment which has been written into the sustainability policy. This policy was updated in 2020 and is now called the **Sustainable Business Practice (SBP)**.

The update included the renewal of TAL core values, an additional section for health and safety, more stringent standards on working hours, a commitment to the Employer Pays Principle (EPP) and an additional pollution prevention section. The update reflects TAL's

continual commitment to sustainability including the improvements that have occurred in the past six years, from when the first policy was launched. All employees will be trained in the SBP in 2021.

TAL Apparel

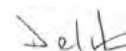
Sustainable Business Practice Policy Statement

Commitment to Ethical, Social, Health and Safety and Environmental Responsibilities

TAL Apparel recognises that our activities have various direct and indirect impacts on our employees, society, environment and supply chain. We hold ourselves accountable for the ethical, social, health & safety and environmental impacts of our operations.

The TAL Apparel Sustainable Business Practice Policy commits to ensure that we:

- Strive to comply with all applicable laws, regulations,
- Behave ethically in any decision making and in any interaction with others,
- Identify and minimise any ethical, social, health & safety and environmental risk from our activities, products and services,
- Continuously improve our ethical, social, health and safety and environmental performance with an effective management system,
- Provide suitable training and support to our employees and advocate their involvement in sustainable development,
- Implement new and innovative practices and technologies providing balanced economical, social, health & safety and environmental benefits to the business,
- Share and collaborate with stakeholders to identify, manage, and minimise our ethical, social, health and safety and environmental negative impacts.



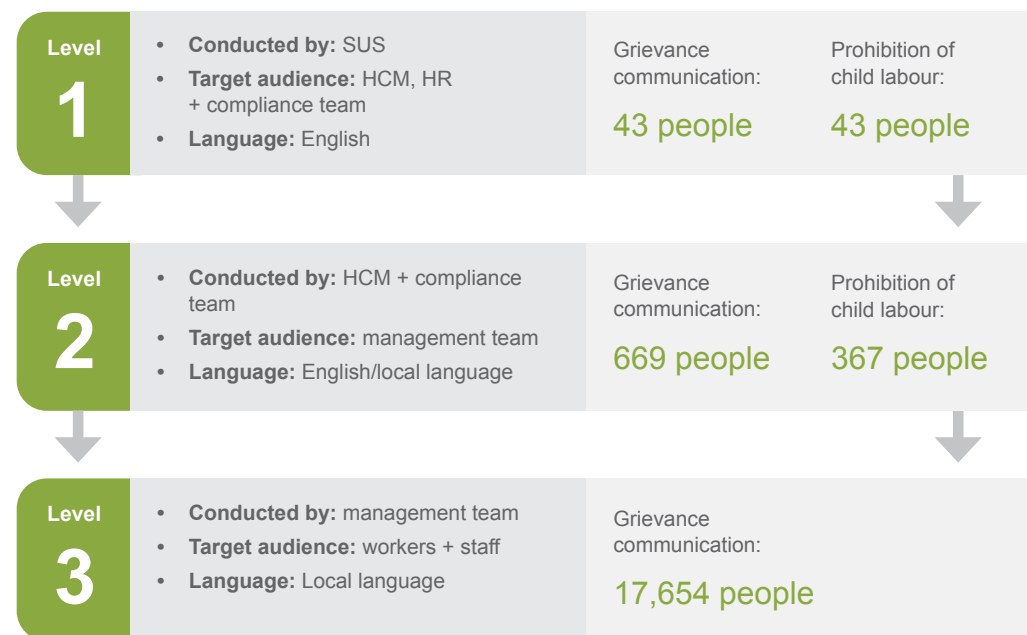
Dr. Delman Lee
President & Chief Technology Officer
TAL Apparel Limited

Social labour management system

The Plan-Do-Check-Act social labour management system has sustained the implementation of our social labour standard operating procedure (SOP) in the factories.

The standard was trained to all our employees through the train-the-trainer method and the implementation was assessed regularly every month on one specific topic through self-monitoring (see page 21 of our SR 2017–2018) and external audits. Corrective actions

and improvements are continuously taken to close the cycle of P-D-C-A and bring a higher standard of social labour implementation (see page 21 of our SR 2015–2016).



SOP AND TRAINING

In 2019–2020, our factories focused on the topics of grievance and the prohibition of child labour as part of the implementation of the next three-year plan of the social labour management system. Training was completed throughout 2019 and early 2020 before COVID-19 hit. Our factories have trained over 18,300 employees on the grievance topic and over 360 HR and management staff on the prohibition of child labour. The

training included a short survey to understand the employees' preference for a grievance channel which was filled out by almost 7,000 employees. The survey concluded that generally TAL employees prefer to air a grievance by meeting the person directly, to talk to the person rather than writing it, and there was an equal preference of talking to someone whether they knew them or were independent of them.

Social labour management system (cont.)

AUDITS

Our factories have two type of audits. Internally we conduct our self-monitoring every month for one social labour topic and externally we are audited by a professional third party according to the customer code of conduct or independent social labour auditing standards in the market.

In 2019, the number of external audits was reduced compared to the previous year as some brands started to accept other third-party audit reports. In early 2020, when COVID-19 started to hit, almost all audits were delayed. With the physical visit restrictions, the auditing method evolved to become

virtual. Today's technology has enabled the auditor to be connected live with the auditee and observe the factory situation while checking the documents. The virtual audit has become an alternative way of conducting an audit either fully or partially.

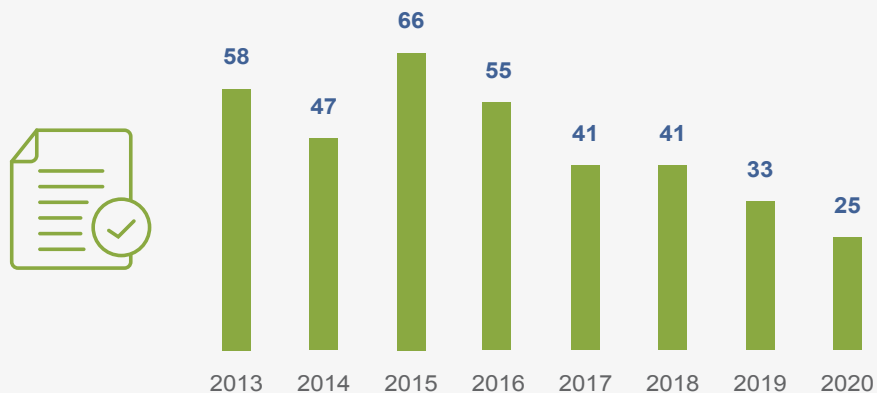
Working hours and compensation and benefit are still the most identified findings from all the audits in regards to the social labour topic, while in health and safety, emergency preparedness and fire safety are also common. In 2020, TAL set up a new, stricter standard for working hours, reducing the daily working hours limit from twelve hours



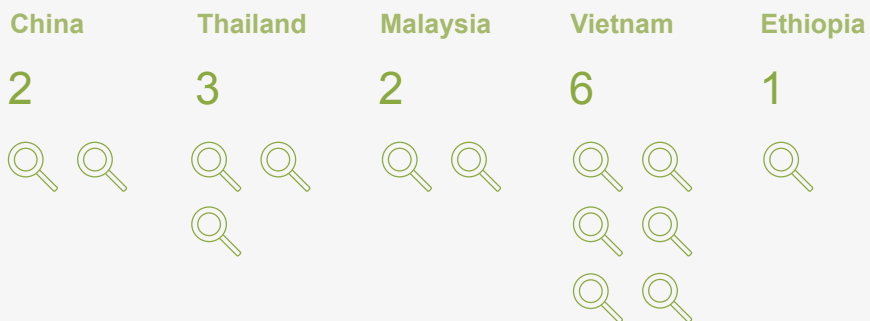
to eleven hours, setting up sixty-six hours as the maximum allowable working hours per week and reducing the weekly rolling average from six months to four months. TAL will keep improving our standard for better working conditions and will continue to strive to meet industry standards and local law requirements.

Social labour management system (cont.)

EXTERNAL AUDITS FOR 2013–2020



AVERAGE EXTERNAL AUDITS PER YEAR 2019–2020

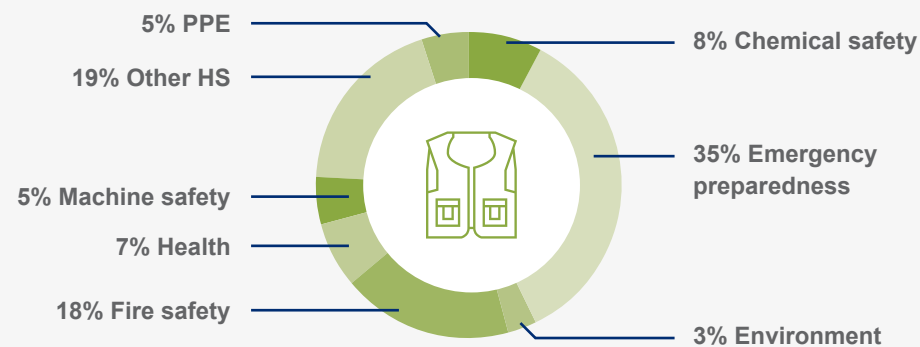


EXTERNAL AUDIT

Social labour findings



health and safety findings



Social labour management system (cont.)

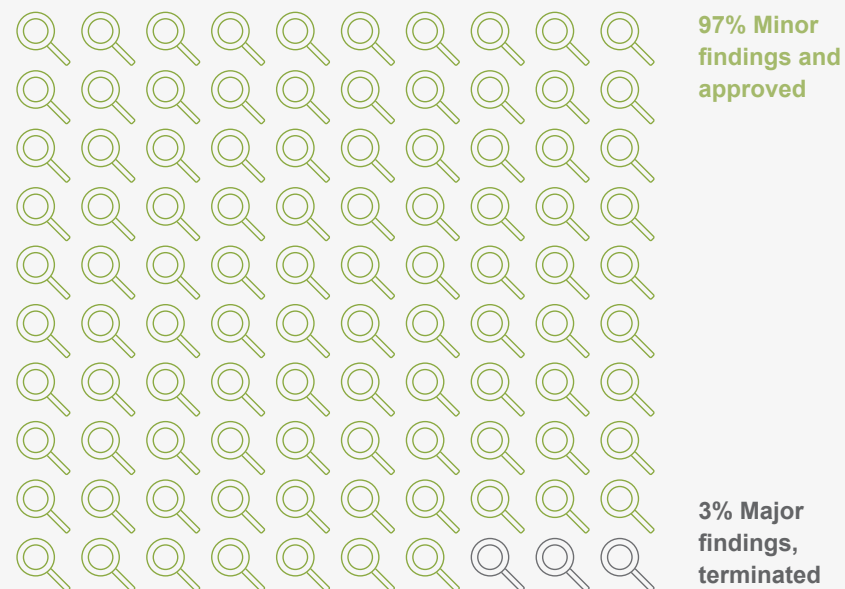
SUBCONTRACTOR SCREENING

TAL have screened thirty-one subcontractors for production processes related between 2019 to 2020.

From all audit screening processes, there was only one subcontractor with a major finding that resulted in rejection for the approval; the other thirty subcontractors were audited with no major findings both by TAL's internal compliance team and an external third party. As the practice of screening has become more

embedded, subcontractors that have been working longer with TAL are able to improve their compliance better through periodic audits and our factories are able to identify subcontractors with better compliance track records. For the subcontractor screening procedures please [see page 37 in our SR 2015–16](#).

TAL SUBCONTRACTOR SCREENING 2019–2020



Foreign migrant workers management

Foreign migrant workers have been part of the TAL workforce specifically in countries where local labour is in shortage, i.e., Malaysia and Thailand.

As one of the leading garment manufacturers in the world, we operate in full transparency and in strict adherence to the local and international laws. TAL holds itself to the highest ethical, social and environmental standards of operations; we strive to implement the best practices, where the law is abstained and even improved on from time to time.

In January 2020, the whole of TAL adopted the Employer Pays Principle (EPP) regarding recruitment fees of foreign migrant workers. We have been working with customers and NGOs on the implementation details of such a commitment. Below, two subsections explain the work behind this initiative

MALAYSIA

In Malaysia, TAL had been recruiting foreign migrant workers for our Pen Apparel factory in Penang and Imperial Garments factory in Ipoh since 2000. At that time, it was a common and accepted practice to work with Malaysian recruitment agencies to source these workers. These agencies, in turn, work with other parties in their respective home countries for recruitment. The recruitment fees in the home country borne by the workers are opaque under this practice. Workers could be subject to high interest loans with their local agents, resulting in a large portion of their salaries going towards repaying the loan.

In 2014, TAL evolved its practice and took action to mitigate the financial burden of the migrant workers and eliminate the risk of debt bondage. TAL offered to take up these loans from the workers without interest. Workers repay these loans over the duration of their contract. If a worker leaves or if their contract is terminated early, TAL waived the balance loan. The worker would return home with no loan, thus eliminating any risk of debt bondage with TAL.

As the industry continues to evolve, we continue to uphold ourselves to better standards of recruitment. The International Labour Organization (ILO) have led the

responsible recruitment effort with many industry-specific initiatives in recent years. In line with the latest ILO guidelines and definitions of recruitment fees, TAL changed its policy in Malaysia to cover 100% of recruitment fees including home country fees for new recruits from 1st January 2020 onwards. This new best practice eliminates the loan altogether.

Our foreign migrant worker recruitment practice has evolved over the years for the better. We have worked collaboratively with key stakeholders on the evolution of our practices. Our practice has always been transparent.



Foreign migrant workers management (cont.)

In May 2020, Transparentem – an NGO focusing on human rights and environmental abuses in global supply chains – shared the findings of an investigation with customers of TAL. According to their findings there were indications of forced labour in our Malaysia plants. There were two main concerns mentioned in the findings: the malpractice of recruitment agents and their sub-agents, and the health and safety of workers during the COVID-19 pandemic. Their investigation revealed that foreign migrant workers had been asked to pay extra amounts of money outside of the contract that TAL had with the recruitment agent. The recruitment agent/ sub-agent also performed other malpractices such as forcing workers to falsely confess to not paying anything in video, not disclose the recruitment fees that workers paid, and not clearly explain the working agreement to workers.

TAL took the initiative to reach out to Transparentem directly for clarifications. TAL worked closely with Transparentem and brands involved in subsequent months to clarify the situation and make improvements where necessary. In total, eleven companies were engaged in collaborative discussions around remediation. Below are some of the key actions taken.

- All foreign migrant workers paid no loans from January 2020 onwards.
- To enhance the COVID-19 prevention, Impactt (an independent consultancy) conducted assessment in the hostels (provided for foreign employees) in both Penang and Ipoh. Actions were taken to address improvement opportunities identified by the assessment to ensure the health of workers during the pandemic.

- TAL and six brands collectively paid out US\$1.1 million to alleviate the financial situation of foreign workers with illicit home recruitment fees in their home countries. The reimbursement started in July 2020.
- To eliminate the potential root causes of forced labour in future recruitment, the practice of direct recruitment from the home country and improvement of recruitment procedures with agents were identified. Work has begun with the NGO since 2019.

There has never been forced labour nor exploitation of workers in TAL factories.

COVID-19 has impacted the world tremendously, including TAL. With the significant drop in business, one of the decisions made was to close our Malaysian factories permanently. The closing was done in a responsible manner and fulfilled all local law requirements. In addition, we helped foreign workers look for alternative employment in Malaysia and safe passage home during COVID-19.

Foreign migrant workers management (cont.)

THAILAND

TAL have been recruiting foreign migrant workers in Thailand since 2010, specifically from Myanmar. We have been recruiting through a recruitment agent in Thailand, who works with a recruitment agent in Myanmar. We follow all the requirements and costs that the Thailand and Myanmar governments set up in the Memorandum of Understanding (MOU). In 2019, TAL began to work with a customer and an NGO, Issara, to improve the foreign migrant workers' recruitment

practice, aligning with ILO guidelines on Fair Recruitment principles. The improvement aims to reduce the recruitment chain by direct recruiting from Myanmar. This ultimately reduces the risk of forced labour and the cost of recruitment fees. The collaboration included visits to Myanmar to observe directly the recruitment practice, e.g., we conducted a study to understand the cost of recruitment fees, held a survey of the workers on recruitment fees and set up independent hotline number for the foreign migrant workers. Issara conducted interviews in Q3

2020 of almost 500 Myanmar workers in three TAL factories. Myanmar workers were asked if they had paid any fees on the Thailand side and Myanmar side during the recruitment. The survey revealed that workers recruited through the MOU system were asked for certain amount of illicit fees in their home country.

TAL took the initiative to compensate the workers for the illicit fees paid in their home countries. The payments were made, beginning at the end of January 2021, to almost 2,200 workers – over US\$430,000.

TAL engaged Issara in communicating the payment to the workers and assisting in any issue the workers faced during the payment. The next step that TAL will take is to improve the procedure for the recruitment of foreign migrant workers together with Issara, eliminating the risk of illicit charges to the workers and setting up a responsible recruitment cost structure that covers all the fees incurred in the recruitment chains.

Talent development

TALENT MANAGEMENT

Talent management and development is of vital importance to TAL Apparel. We not only recruit the right talent, but provide them with fulfilling careers that match their longer-term career aspirations.

TAL started the talent development program called 3DD in 2018 ([please see our SR 2017–2018, page 31](#)), and in 2019 a program was set up to grow talent, beginning at entry level in TAL's Hong Kong office. A career development committee (CDC) was set up to review the career development plans of our talent with a long-term aim to develop home-grown leaders. CDC is composed of a balanced representation of business and functional leaders, to capture different perspectives. Considering the talent's strengths, experience and career aspirations,

CDC members help develop career roadmaps and identify actions required at different stages of their career with TAL Apparel. Not only does the talent attend appropriate training, they also have opportunities to get the right work experience.

At TAL Apparel, we understand that everyone is different. Our business/functional leaders have regular career discussions with the talent to see how they progress on their career journey.

FUNCTIONAL SKILLED KNOWLEDGE

A big turning point for the homegrown functional skilled knowledge (FSK) department ensued as decentralisation transpired across the organisation.

Established in 2010, FSK's purpose has always been to focus on creating a high performance and sustainable organisation that meets our strategic and operational objectives. It is a systematic training program with a structured syllabus and assessment which replaced the unstructured mentor-apprentice style of knowledge transfer.

Throughout the decade, the department developed over ten training programs covering twenty-one key job roles in production and supporting departments. Translated into seven languages, over 2000 employees in Vietnam, Thailand, China, Malaysia and Ethiopia benefited from the trainings.



'QA staff can't make individual changes if they don't know how their existing skills can meet the factory expectation or they aren't aware of business crisis,' a manager in the Thai region said.

Talent development (cont.)

FUNCTIONAL SKILLED KNOWLEDGE (CONT.)

An internal FSK study showed that when employees feel their training needs are met, they are more likely to stay with the company and engage in their role. We shared with our people the factory situation considering the world crisis of COVID-19. The expanded mix of products required much more from our existing talents. In 2020, many sites began multi-functions training. No longer fixed to specific programs, our people were eager to equip themselves with skills related to other functions and products. The refined training program allowed them to master the functional skills and knowledge in a more focused time frame compared to the former 'watch and learn' method.

A big change in learning mode was the rollout of 'training by immediate superior' to replace the previous 'training by subject matter experts (SME)'. The former practice restricted the training availabilities and scheduling due to SME's intense involvement within daily operations. The FSK department moved swiftly to focus on increasing the direct supervisors' and managers' participation, equipping them with the trainer skills and techniques. This approach intensified the employees' skill readiness within three years, hitting 92% for four pillars (sewing supervisor, garment technician, mechanic, AAM trainer) and 77% for five functions (QA, CMD, cutting, material management, mending).

The training programs evolved over the time, adapting to new intakes and shifting learning behaviors. It started off in instructor-led classroom mode, progressed through target group learning and eventually transformed to blended modes of e-learning and on-the-job training. The continuous improvement was fueled by the drive to push the limits of training and achieve greater talent sustainability. The decade-long journey enabled FSK members to garner and master the institutionalisation of implicit and tacit knowledge into structured training syllabus.

Generations of FSK (functional and disciplinary) knowledge was transferred from the corporate staff function platform to regional site-specific user bases. Basically, it's no longer a staff function, but a line function. It is now a field responsibility and

accountability, very much closer to the reality of its application. Sustainability is reinforced and consistently maintained by the very nature of the new architecture.

- Real user base – practical and pragmatic
- Advantage of sensitivity to local application
- Core fundamental skills institutionalised across the sites versus sole corporate expertise
 - » Reduces risk of sole dependency on few at corporate office
 - » Duplication of core fundamentals much easier/core fundamental is common over a bigger spread of practitioners
- Upgrades and response to FSK site-specific challenges are faster and speedier due to commonality of knowledge from a bigger base (many sites)

Community involvement

CHARITABLE DONATIONS

During the difficult COVID-19 pandemic, TAL Apparel has proven its commitment to make a positive contribution to the community through donation.

In 2019 and 2020, TAL made a total donation of over US\$3.8 million. The majority goes to education scholarships for our employees' children who demonstrate outstanding performance. Two other categories are: donation to support various garment industry initiatives, and donation to communities who are in need.

TAL APPAREL DONATIONS

2019–2020



COMMUNITY ACTIVITIES

Our factories have organised various events engaging our employees to contribute and donate to the local community.



Malaysia: Go Green day

On 25 July 2019, our Imperial Garments factory held an environmental event to promote recycling awareness. The event was created in collaboration with local NGO KOHIJAU with a vision to create a society that cares for a sustainable environment. The activities included pledging tree-planting commitment, creating handicrafts from recycled materials and education on practicable recycling. Some immediate



practices applied in the factory were banning the use of polystyrene plastic for food packaging in the canteen, offering a ten cent discount on food purchases if the employee brings their own food container, a Go Green corner at the hostel recreation club for planting chili and lemongrass, and using recycled materials for furniture – bookshelf, chairs – at the recreation club.

Community involvement (cont.)

COMMUNITY ACTIVITIES



Vietnam: Flood donation

In December 2020, heavy rain caused flooding in some areas in the province where our TAV factory is located. Driven by the compassion to help others, our factory gathered donations, working together with the trade union, to help the flood victims. We have managed to donate 2,500 garments and over US\$4,500 from employees through Vietnam Red Cross and Thai Binh Fatherland Front.



Vietnam: Blue Dragon Children's Foundation

In December 2020, another donation was gathered from TAV employees and given to the Blue Dragon Children's Foundation. Blue Dragon Children's Foundation is a non-profit organisation that helps underprivileged children and their families to have better living conditions. TAV donated 500 garments for the children under the care of Blue Dragon.



Ethiopia: Marathon

Our factory TAL Garments Manufacturing completed its three-year sponsorship for the TAL Hawassa Marathon working together with the Great Ethiopian Run organisation from 2018 to 2020. In the 2019 TAL Hawassa marathon, more than 3,500 people, including professional runners, participated in three tracks of marathon, half-marathon, mass run and children's run.



Community involvement (cont.)

COMMUNITY ACTIVITIES



Hong Kong: Mini bazaar

In 2019, our Hong Kong office organised a mini bazaar by inviting six small local enterprises to display and sell their goods. Each enterprise came with their own mission that contributed to improving society by engaging the underprivileged and setting up better living standards. The bazaar provided a chance for our colleagues to meet and learn about the different enterprises and participate in their mission by purchasing goods. The bazaar generated over US\$2,000 in purchases.



Hong Kong: Green collection

TAL collaborated with Christian Action – a Hong Kong-based charitable organisation – to organise a recycling event. Through their Green Collection Program, they have successfully collected 5,800 tons of clothing since 2006. After collection, they either sell the clothing through their local community sales outlets or through their green recycling



business partners in developing countries. In 2019, our office was able to collect recycled clothing, handbags, soft toys, accessories, and new shoes in total of 45 kg of clothes and 65 kg of the other items. In June 2020 we donated 903 TAL reusable facemasks through their distribution network to be distributed to those who needed them.

Hong Kong: TAL Green Action

In June 2020, an environmental initiative was launched for our Hong Kong colleagues to share unwanted things that are in good condition and fully functional. It aims to help reduce, reuse and recycle waste. A platform was created in Microsoft chatter for anyone to offer their things and for others to request them. The initiative has offered more than sixty items since it was launched and successfully engaged the staff to continue to share their unused items.





5

Health & safety

Pandemic management: COVID-19

In December 2019, the world as we all knew it changed when an outbreak of a coronavirus causing severe pneumonia was reported in Wuhan, China. On 30 January, 2020, the World Health Organization declared the SARS-CoV-2 (COVID-19) outbreak a Public Health Emergency of International Concern. On 11 March 2020, concerned by the alarming levels of both spread and severity, the WHO made the assessment that COVID-19 could be characterised as a **global pandemic**.

Since 2003, TAL Apparel has effectively responded to SARS, Avian Flu and Swine Flu due to diligent compliance with strict Group guidelines and the implementation of comprehensive prevention and containment plans. The experience gained in these past epidemics enabled TAL Apparel's Group leadership to mobilise quickly and implement its Pandemic Prevention and Containment Plan, and on Monday 27 January 2020 the Plan was re-activated across all ten TAL Apparel factories. The key aim for deploying the Plan was to protect the health and safety of all our employees and their families during the pending COVID-19 global crisis.

The first step involved establishing a Group leadership team responsible for providing strategic guidance, decision-making and to ensure the speedy implementation of the COVID-19 response plans within TAL factories and global offices. The next step required each of the factory teams to nominate their site emergency management teams who would be responsible for establishing and implementing the key requirements of the COVID-19 response plans within their factories. The third step involved defining and communicating the key guidelines that the factories needed to implement to monitor and prevent the spread of the virus during

TAL Apparel operations. Some of the key guidelines introduced at the early phase of the COVID-19 crisis included:




- **Hazard assessment** – Established a five-level code response system to provide guidelines for the factory emergency response teams to manage the COVID-19 threat in each country.
- **Quarantine policy** – Deployed for anyone who had travelled or had family or friends visit from high-risk countries.
- **Company travel** – All business travel between TAL work locations was cancelled.
- **Personal travel** – Company requested that employees cancel any personal travel planned to high-risk countries until further notice.
- **Company meetings** – Face-to-face meetings were kept to a minimum and the use of video technology strongly promoted.
- **Company guests** – All external guests and visitors needed to register at reception, give their name and contact details should they need to be contacted in the future in relation to any health issues.
- **Personal protective equipment** – Conducted inventory to ensure factories had adequate supplies of PPE such as facemasks, hand sanitiser and gloves, with the wearing of facemasks strongly encouraged.
- **Factory cleanliness** – Daily cleaning and disinfection of potentially contaminated surfaces and objects was established to minimise the risk of disease transmission.
- **Work from home** – Employees were allowed where practical to work from home.
- **Entrance protocol** – Security monitored employees entering factories to ensure they wore a facemask and they also took employees' temperatures.
- **What to do if you feel sick** – Staff encouraged to report immediately to their immediate manager if they were a suspected or confirmed case of COVID-19.
- **Medical team** – Support enlisted from medical team to monitor and train operators, provide PPE and to implement SOP if an employee reports sick.

Pandemic management: COVID-19 (cont.)

TRACK AND TRACE CONTAINMENT SYSTEM

One of TAL's COVID-19 response measures was to set up a track and trace system based on World Health Organization and Centers for Disease Control and Prevention guidelines. Our track and trace framework was created to support our offices and factories in slowing the spread of infection inside our factories, as well as helping to prevent employees from bringing the virus to the workplace. Our framework consisted of five levels.

When a positive case was found our administrative staff began the process of establishing their daily routine and identifying all close contacts. In addition, to help prevent employees from bringing the virus to the workplace, factories regularly reminded employees to notify their supervisors if any friends or family outside of work contracted the virus. When this happened the employee was allowed to take sick leave at home, and prior to returning to work received a COVID-19 test to ensure they were free of COVID-19.

LEVEL DEFINITION	REQUIRED ACTION
 <p>Level 0</p> <p>Employee confirmed as having COVID-19 through medical testing.</p>	<p>Quarantine: No direct interaction with TAL colleagues or no entry into TAL premises until medically certified as being fully recovered and having self-observed, monitored and reported his/her temperature for an additional fourteen days prior to re-entering TAL premises.</p>
 <p>Level 1</p> <p>Employee comes into direct contact with confirmed infected patient and employee develops symptoms of fever, cough, runny nose and shortness of breath.</p>	<p>Mandatory medical consultation and subsequent action as directed by the attending medical practitioner. Employee in factory must self-report to company clinic; clinic must report to hospital; employee must self-admit to hospital, quarantine centre or self-observation at home as directed by the attending medical practitioner.</p>
 <p>Level 2</p> <p>Employee comes into direct contact with confirmed infected patient but employee does not have any symptoms of fever, cough, runny nose and shortness of breath.</p>	<p>Self-monitoring, temperature taking and reporting, fourteen days at home.</p>
 <p>Level 3</p> <p>Employees who live in government designated COVID-19 hotspots, including those who may be under quarantine orders by the government.</p>	<p>Self-monitoring, temperature taking and reporting, fourteen days at home. If during the fourteen days of self-monitoring that employee develops symptoms of fever, cough, runny nose and shortness of breath – mandatory medical consultation and subsequent action as directed by the attending medical practitioner.</p>
 <p>Level 4</p> <p>Employee comes into contact with person who has had direct contact with confirmed infected patient, but the employee does not have any symptoms.</p>	<p>Self and company monitoring fourteen days in the workplace. Defined as the employee must visit the clinic three times/day for temperature monitoring and obtain doctor or nurse clearance where available each day to continue to come to work. Where the worksite doesn't have a clinic, the person must take his/her temperature three times a day and leave the workplace immediately to seek medical advice if he/she develops a temperature of 38°C.</p>

Pandemic management: COVID-19 (cont.)

FACTORY HYGIENE AND SOCIAL DISTANCING MEASURES

In addition to the above measures, personal hygiene and social distancing were two methods recommended by WHO to prevent the spread of the virus. To introduce these measures quickly and effectively, TAL developed six one-point lessons which the factory EHS teams used to expedite training and communicate the personal hygiene and social distancing measures to all operators. The key topics covered included:

- **Handwashing**
- **Coughing etiquette**
- **Social distancing**
- **Wash before you touch**
- **Wearing a facemask**
- **Help prevent spread of germs**

Let's stay healthy together!
Social Distancing

What?
Where possible maintain at least 1 meter or 3 feet between yourself and others

Why?
To prevent spreading germs to others or getting germs from others, particularly when you or they cough

How?

1. Avoid face-to-face meetings where possible. If necessary, keep a distance away from others
2. Avoid shaking hands or other direct physical contact where possible. If necessary, wash your hands as soon as possible after having contact
3. Keep your hands away from your face after shaking hands if necessary, and wash your hands as soon as possible

Don't infect, Please Protect Social Distancing

Good hygiene, good health!

TAL Apparel – 1 Point Lesson
Please contact your EHS Manager if you have questions

Since the beginning of the outbreak through to the end of 2020, there were twenty confirmed positive cases across TAL's operations. The largest cluster was in our factory in Ethiopia where there was an outbreak within the Hawassa Industrial Park. Quick measures implemented by the management meant we were able to contain the outbreak by quickly isolating close contacts of the initial positive cases.

Throughout the pandemic, our track and trace program has helped to contain and reduce the spread.

Examples of social distancing practices implemented by factories:



Partitioning installed in canteen for social distancing



Foot-operated hand sanitiser dispenser



Board room sitting arrangement



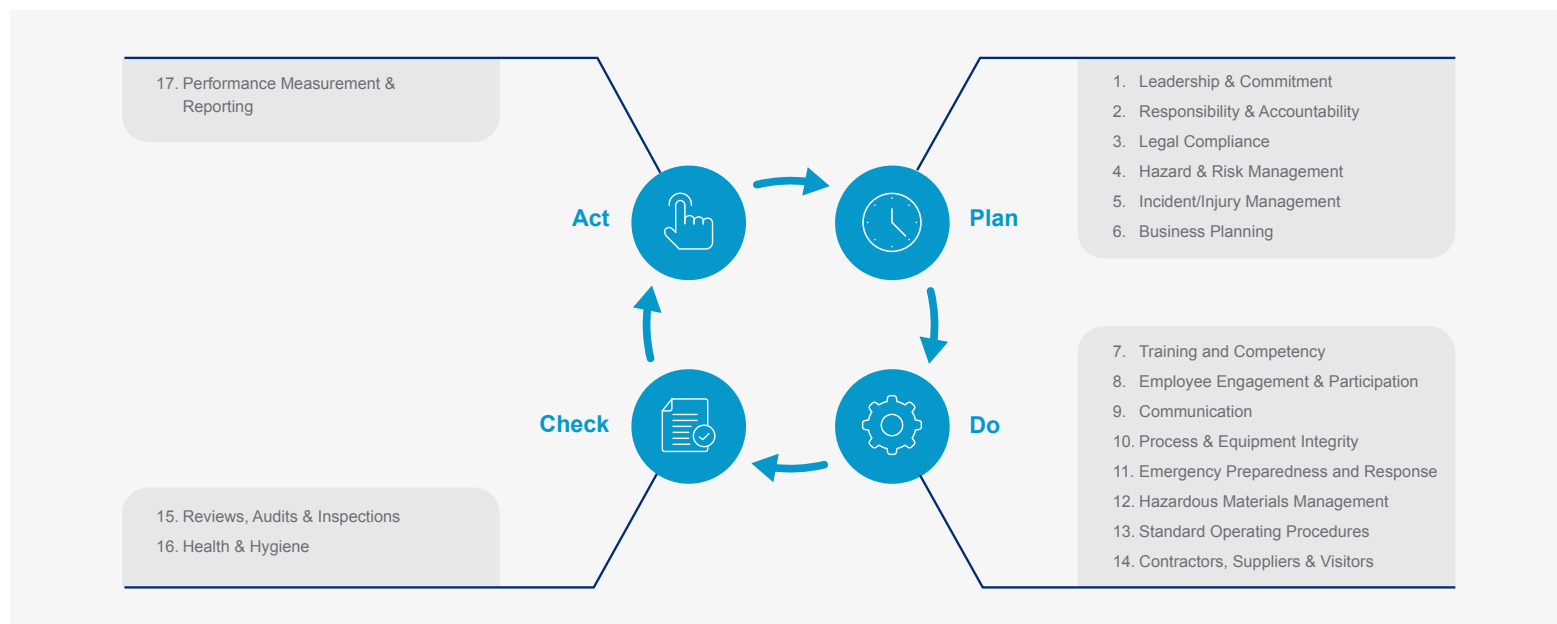
Conference room seating arrangement



Lining up to enter factory premises

Health and Safety Management System

The TAL Apparel Health and Safety Management System is made up of a total of seventeen standards, and factories have been charged with the progressive implementation of the management system standards over the past four years.



As was reported in the **SR 2015–2016** and **SR 2017–2018**, to facilitate the implementation of the standards, TAL factory EHS teams received training in the key requirements and then began work on the progressive implementation of the standards: four standards in 2016, ten standards in 2018 and the remaining seven standards in 2019.

The factories conduct a **monthly self-assessment** against a range of detailed topics and in August each year they complete the Health and Safety Management System self-assessment. One of the shortcomings of the factory self-assessment program is that the factories tend to always rate themselves

highly. To overcome this problem and ensure consistency, the corporate health and safety director completes an **annual verification assessment** audit of each factory in September and October. The 2020 target score for each factory was set at 75% and to date most factories have achieved this

target. The graph below provides the overall score for TAL Apparel and each factory since audits began in 2017 and highlights the overall management system improvement score over this period

Health and Safety Management System (cont.)

There are many benefits to having a strong health and safety management system.

TAL Apparel believes that a strong management system assists to manage health and safety in a structured and systematic manner which helps to reduce risk, resulting in a lower accident and injury rate which helps drive down the costs associated with injuries and incidents. The proactive management of safety and health in TAL Apparel has helped to prevent injuries and promote better health, as was covered in **health and safety performance** and **health monitoring** sections. Some of the other benefits of maintaining a strong health and safety management system include:

- **Improved employee relations and morale**
- **Improved business efficiency and reduced costs**
- **Increased regulatory compliance so customers have greater confidence in TAL Apparel**

- **Boosts corporate and social responsibility and**
- **Enhances TAL's reputation as an employer of choice within the local community.**

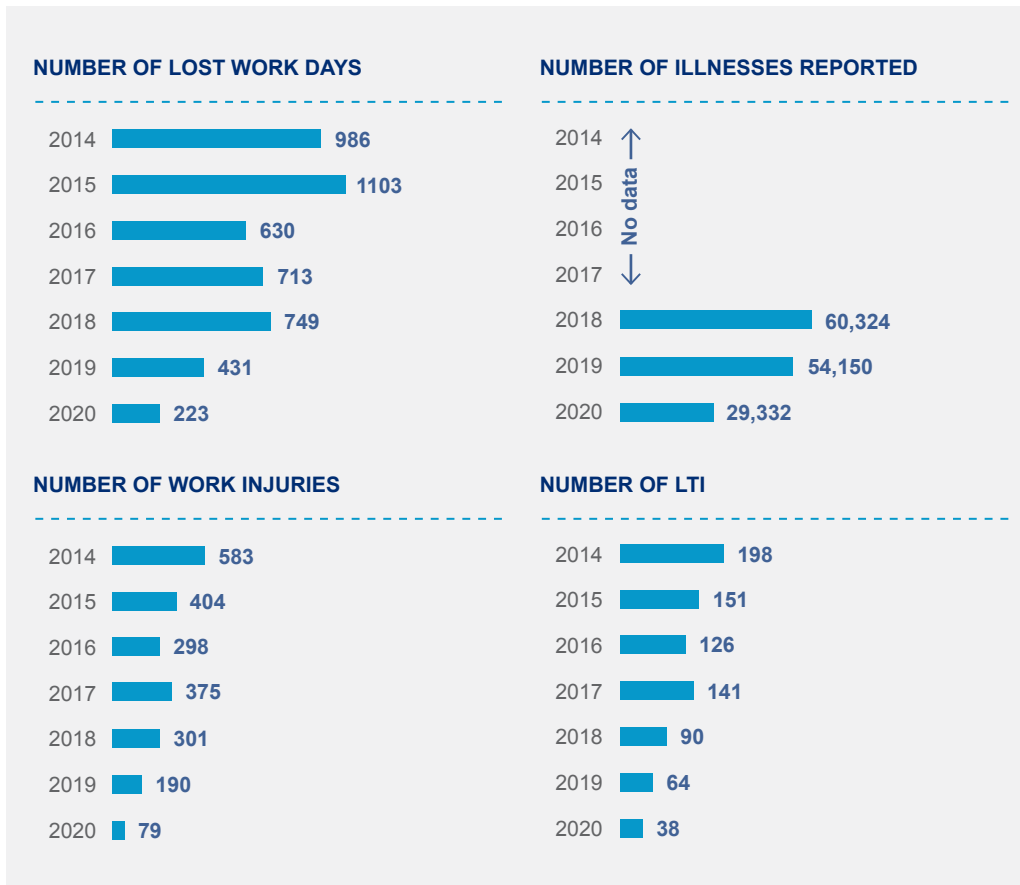
The key aim of the TAL Apparel Health and Safety Management System audit program is to identify gaps in the seventeen management system standards and, using the continuous improvement framework of Plan, Do, Check and Act, identify corrective actions to include in the annual Group and factory EHS annual plans. The robust implementation of the management system audit program will ensure that TAL Apparel's health and safety management system performance continues to improve over future years.

HEALTH AND SAFETY MANAGEMENT SYSTEM AUDIT SCORE (2017–2020)

	2017	2018	2019	2020
TAA	70	72	74	75
PAP	70	71	74	75
IG	65	68	71	74
TG1/3	70	70	72	74
TG1/4	68	68	72	75
MCL	73	73	74	76
TAV	74	75	75	76
VNG	73	75	76	76
VTG	74	75	76	76
TAL TOTAL	70	72	74	75

Health and safety performance

In 2020 TAL Apparel had one of the safest years in the past seven years with the lowest number of work injuries, lost time injuries and lost work days reported. Graphs 1,2 and 3 below provide injury and lost work day trends for the combined TAL Apparel factories over the past seven years.



In general, the overall health and safety performance across TAL Apparel, as monitored by the Monthly Balanced Scorecard, improved compared to 2019, and this can be attributed to all the hard

work, efforts and initiatives implemented by factory leadership, management and EHS teams. **Some key health and safety milestones achieved at the end of 2020 included:**

✓ **36%**
Reduction in the overall work injury frequency rate

✓ **37**
Safety alert bulletins were shared across TAL

✓ **9%**
Reduction in the lost time injury frequency rate

✓ **160**
Mass innovation safety ideas generated

✓ **21%**
Reduction in lost work day frequency rate

✓ **45.8%**
Reduction in health ailments reported to clinics

✓ **60%**
Reduction in needle puncture injuries

Health and safety performance (cont.)

The reduction in injuries and the overall improvement in safety performance is a satisfying result as it signifies employees are coming to work in a safer workplace environment and returning home safely to their families. In addition, it supports the concept that **'Good safety equates to good business'**, and a cost benefit analysis conducted in 2020 evaluating TAL Apparel health and safety costs indicated that there are considerable cost savings to be gained by strengthening the focus on improving employee health and reducing workplace injuries.

Although the 2020 health and safety results are positive, there is still room for significant improvement. As mentioned in the **SR 2015–2016**, any injury number above zero is considered too high a number and there are many challenges we still need to confront if we are to continue to improve our overall safety performance. Firstly, we need to promote

an environment where leadership takes full ownership of health and safety and the level of commitment is maintained and strengthened. Secondly, we need to create an environment where every person in the organisation understands their role and responsibility when it comes to managing safety and thirdly, we need to introduce programs that promote employee engagement.

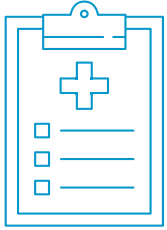
The TAL Apparel health and safety strategy, first deployed in 2018, provides the foundation to continue to build a strong health and safety culture across TAL Apparel by focusing on the four key pillars of:

- **Strengthening leadership**
- **Deployment of a robust health and safety management system**
- **Ensuring employees have necessary skills and competencies**
- **Engaging and involving employees**

HEALTH AND SAFETY FUNCTION



Strong leadership, ensuring everyone understands their responsibilities, and engaging employees will all help to promote an environment where the safety performance across the TAL factories continues to improve.



Health and safety recognition program

Recognition is an important element of any health and safety program and the award ceremony forms a major part of TAL Apparel's gala dinner which is usually held in Hong Kong every year.

However, due to the COVID-19 pandemic, the TAL Safety Awards were announced at a virtual Town Hall meeting hosted by Roger Lee, TAL Apparel CEO, and with Delman Lee, President and Chief Technology Officer presenting the health and safety awards to the winners by video conference call. For

2020, VNG was announced as the winner of Factory with the Best Overall Health and Safety Performance. The winning factory was chosen by evaluating their overall health and safety performance as reported in the Monthly Balanced Scorecard at end of December 2020.



Health monitoring

All TAL Apparel factories have medical clinics with supporting medical staff including doctors and nurses. Each day, employees use the services provided by the medical clinic to report health issues and ailments.

The clinic in turn diagnoses these ailments and provides the employee with medical treatment and medication. As was reported in the **SR 2017–2018**, the factory medical clinics began collating and sending the data to the corporate sustainability team for analysis so that the main health ailments could be

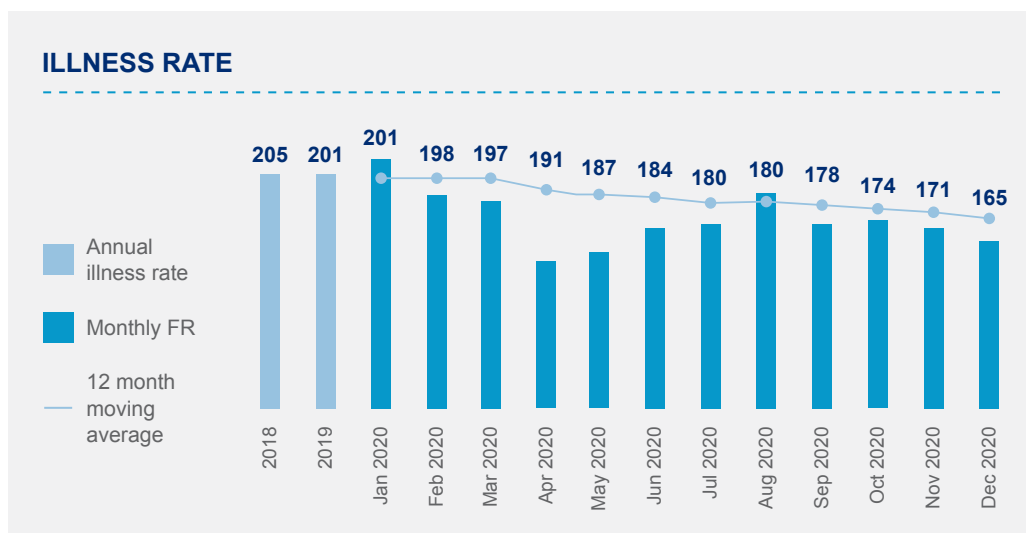
identified. The aim of the health monitoring program was to collect and analyse the data to identify the major employee illnesses/health impacts and then, if practical, develop workplace educational and communication programs to minimise and reduce those impacts.

Health monitoring (cont.)

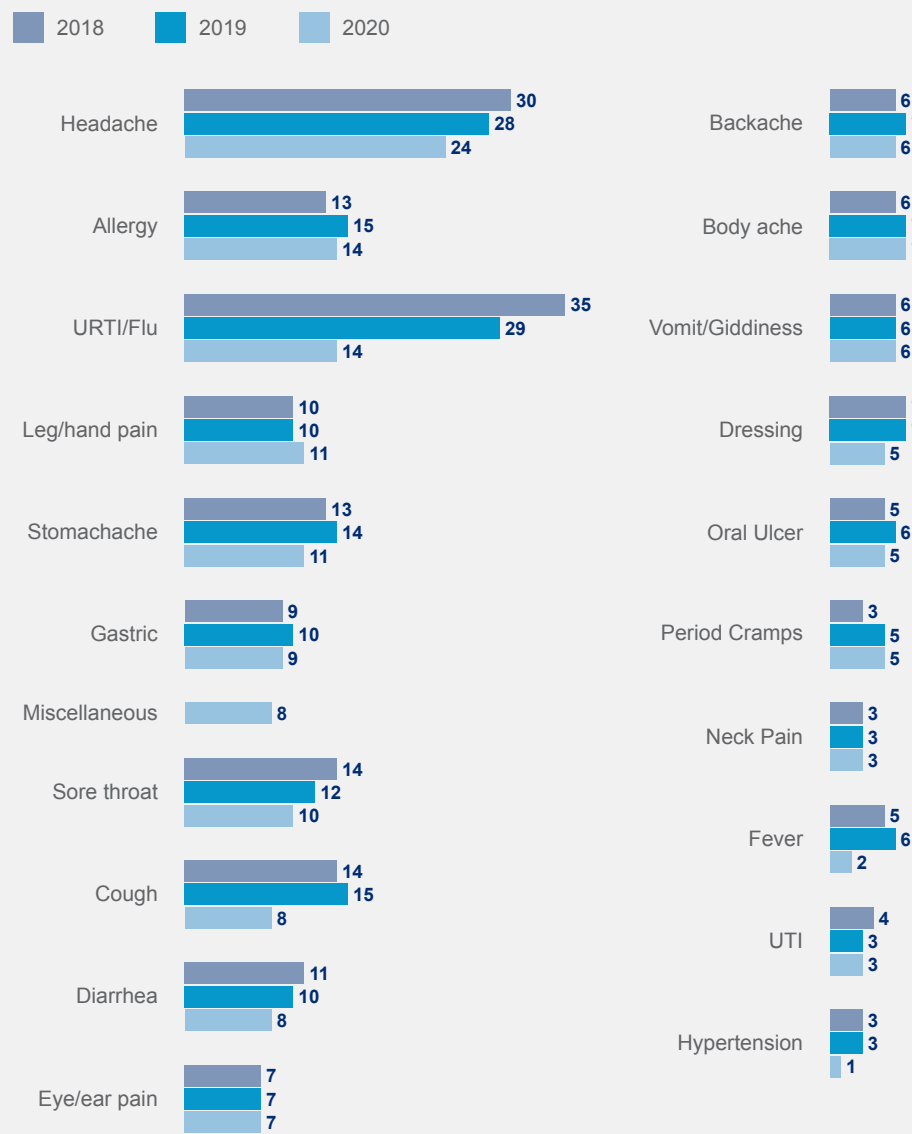
Graph 1 below shows the TAL Apparel illness rate per 200,000 hours worked and graph 2 depicts the main health issues reported to the medical clinics over the past three years. The top three ailments reported were: i) upper respiratory tract infection/flu, ii) headaches, and iii) ergonomic ailments – which included leg/hand pain, neck pain, backache and body ache.

On a positive note, the health incidence rate over the past three years has started to improve and trend downwards (see graph 1) and this can be attributed to two key factors. Firstly, the myriad health initiatives implemented by the TAL Apparel factories. Table 1 below provides a list of the various health initiatives

implemented over the past two years. The programs implemented vary from factory to factory, depending on the specific factory needs and resources available. Annual employee health examinations, personal and food hygiene training, advice on how to reduce the risk of catching dengue fever, communication on the prevention of measles and flu, stretching exercises, blood tests, motorcycle training, home health and safety communications and testing of eye sight are just a few of the health initiatives that have contributed to the overall improvement in the health trend. All the workplace health programs are designed to improve employee health and involve employees, management and other stakeholders in their implementation.



TAL ILLNESS RATE/100FTES



Health monitoring (cont.)

The second reason the illness trend is heading in a downward direction could potentially be due to the onset of the COVID-19 global pandemic in December 2019. As was shared in the **pandemic management – COVID-19 section**, TAL reacted quickly and introduced several health and hygiene practices in all the factories. As was occurring across the world, TAL also introduced social distancing guidelines to minimise social contact in the office environment and during meetings, and some employees where practical were enabled to work from home. Some factories introduced the compulsory wearing of facemasks, while other factories strongly promoted the wearing of facemasks and provided PPE to all employees. Using the six one-point lessons, developed by the Group's COVID-19 prevention and containment team, all operators were trained in the social distancing requirements, hygiene practices, coughing etiquette, how to wash their hands and how to prevent spreading germs. Hand sanitiser bottles were strategically positioned in the factories and offices and employees

encouraged to regularly wash their hands. Employees had their temperature taken twice a day, at the beginning of their shift and again midway through the shift, and factory cleanliness programs strengthened to include the daily cleaning and disinfecting of potentially contaminated surfaces, floors and objects.

The various health initiatives implemented by the factories in combination with the social distancing and hygiene practices have appeared to have a positive knock-on impact and have possibly contributed to the reduction in the incidence rate of illnesses reported. The benefits to employees are a healthier and more comfortable work environment, increased skills for health protection and improved health and a sense of wellbeing. TAL Apparel also benefits by providing a well-managed health program generating a positive and caring image for the company. Other benefits include improved staff morale, reduced turnover and lower absenteeism, reduced medical costs and increased productivity.

TABLE 1: TAL APPAREL HEALTH INITIATIVES

HEALTH INITIATIVE	TAA	TAV	VNG	VTG	TG 1	TG 2	MCL	PAP
Medical clinics	x	x	x	x	x	x	x	x
Env monitoring	x	x	x	x	x	x	x	x
Hygiene program								
Dengue fever awareness			x					x
Measles awareness			x					x
Tuberculosis training								x
Ergonomic training program								
Ergonomic mats			x	x	x			x
Workplace exercise program			x					
Aerobic dancing							x	
Eye sight testing			x					
Annual health check		x	x	x	x	x	x	
Home safety communication			x					x
Quit smoking								x
Pregnant mother programs					x	x		
Food hygiene								
Medical clinic health communication			x					
Sexual reproductive health								
Breast cancer awareness talk and check-up								x
Blood test for malaria								x
Health and hygiene one point lessons	x	x	x	x	x	x	x	x

Health monitoring (cont.)



1 VNG – Eyesight testing



2

2 VNG – Operators completing daily stretching exercises



3

3 PAP – Breast cancer awareness talk

Community program

COVID-19 PANDEMIC SUPPORT

The impact of the COVID-19 pandemic on TAL Apparel operations has been significant, with some factories having to close and other factories having to reduce the number of employees due to a decline in customer orders.

TAL Apparel is recognised as an innovative manufacturer and one of the measures that TAL introduced to try to reduce the impact from the fall in sales was to commence manufacturing PPE such as facemasks and gowns.



Kevin Zheng, VNG Managing Director, handing over 100,000 facemasks to Vinh Phuc community representatives

VIETNAM

In February 2020, TAV Limited and Vietnam Garments Manufacturing (VNG) were asked by their own local community and government for support to produce masks to assist in overcoming the global shortage of PPE. TAV supported their local Thai Binh province government by donating 200,000 facemasks to the Thai Binh community. VNG supported the local Vinh Phuc Industrial Park management by



TAV team handing over 200,000 facemasks to Thai Binh community representatives

donating 100,000 facemasks to the Vinh Phuc community. The Son Loi village community in Vinh Phuc was one of the first communities in Vietnam to be placed in lockdown due to several confirmed COVID-19 cases in the community. Both TAV and VNG management were very supportive and believed manufacturing and providing free facemasks was essential to support the local community and their families during the global pandemic.



Victor Sze, ETG Managing Director, handing the donation to Ethiopian Minister of Health, Dr Lia Tadesse

ETHIOPIA

In June 2020, COVID-19 started to hit Ethiopia and the need for testing kits started to rise. TAL collaborated with Temasek Foundation in Singapore to donate 5,000 COVID-19 test kits to Ethiopia. It was not an easy donation as the COVID-19 pandemic was still on the rise. The donation was highly appreciated by the Ethiopian government.

Community program (cont.)

HELMETS FOR KIDS

As was reported in the **SR 2017–2018**, on 24 October 2018, Vietnam Garments Manufacturing (VNG) partnered with the Asia Injury Prevention (AIP) Foundation and donated 500 helmets to students during a helmet handover ceremony at Ba Hien B primary school in Binh Xuyen District, Vinh Phuc Province.

It is extremely pleasing to be able to report that on 19 December 2019, VNG again partnered with AIP Foundation and donated 412 helmets to students of the at Phu Xuan primary school, which is in the Vinh Phuc Province, in Hanoi. This is the second time the Helmets for Kids program has been implemented in Vinh Phuc Province through the support of VNG, our factory located in the Binh Xuyen District.

The helmet handover ceremony was attended by both students and parents, as well as representatives from the National Traffic Safety Committee, Ministry of Education and



Training, Vinh Phuc Traffic Safety Committee, Vinh Phuc Department of Education and Training, Binh Xuyen Bureau of Education and Training, and the Binh Xuyen People's Committee. Additionally, representatives from AIP Foundation and TAL Apparel were present.

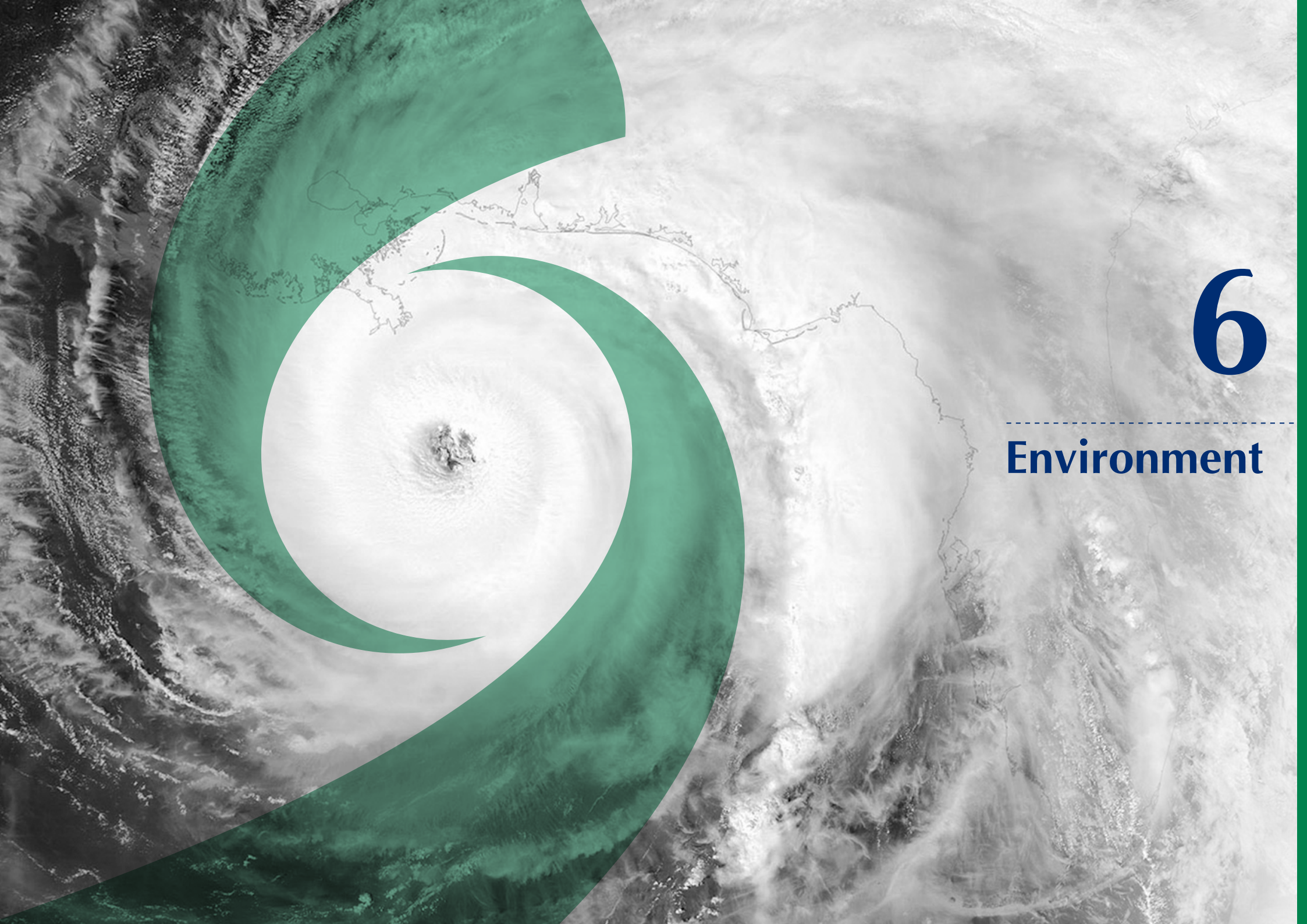
During the event, students learned about proper helmet wearing techniques and gained a better understanding of road injury prevention through various activities and games. One student shared, **'Before this event, I knew that I should wear a helmet, but truthfully, my family could not afford to provide me one. I am so happy that I have this helmet now, and I will always wear it.'**



Kevin Zheng, the managing director of VNG stated that, **'Our factory is located in Binh Xuyen District and not far from Phu Xuan school, and many of our employees are from this community. Therefore, we strive to work with local organisations that make a difference for children and their families in this area. This is a very socially responsible project that addresses an important issue in Vietnam. We are honoured to support the students at Phu Xuan primary school today in learning more about the importance of road crash prevention.'**



Greig Craft, Founder and President of AIP Foundation, further added, **'Changing the culture surrounding road safety is not always easy, but that's why we start in the classroom by targeting children. The Helmets for Kids program is not only about providing new helmets, it is also about teaching young children important skills which will last throughout their lifetime. Through a positive reinforcement approach, students will be able to remind each other, their teachers, and their parents, how to practise safer driving behaviours that can reduce the risk of a horrific tragedy.'**



6

Environment

Environmental management

In 2019 our company went through a comprehensive strategy review placing sustainability as its core purpose. Our company also created a more holistic framework to not only address sustainability challenges within our operations, but beyond them as well.



This framework highlights that environmental management does not stop at our factory gates but is embedded in the everyday decisions we make as a company. Yet, the integration of this sustainability mindset must continually be reinforced and expanded upon. Our teams need support to understand sustainability challenges and potential solutions.

To support our teams within this new framework, we became members of the Textile Exchange (TE) and developed our internal sustainable fibre guide based on TE's Preferred Fiber and Materials Market Report. In addition, we created a Sustainability 101 guide to provide a broad overview of the sustainability agenda within the fashion industry and how TAL is meeting these challenges. Based on these guides our sales teams are creating their own sustainability sales toolkits to present to customers. In addition, TAL has begun integrating the Higg Materials Sustainability Index (Higg MSI) and Higg Product Tools into our fabric and product libraries. We are planning to set targets for increasing the quantity of sustainable fibres TAL uses as categorised by our sustainable fibre framework.

In 2019, the company also went through a comprehensive bluesign® audit for system partnership. This identified gaps in our current Environmental Management System (EMS) which needed improvement. While TAL implemented standard operating procedures (SOPs) to cover all the important aspects of an environmental management system, we lacked a comprehensive EMS framework. In addition, it was noted that our corporate teams were responsible for the management of each site's EMS. It was recommended our factories should adopt and implement the EMS locally to ensure EMS activities are more closely monitored by factory management. Based on the recommendations from bluesign®, we conducted a review of our EMS, drafted an EMS Manual to better frame our management system, and began systematically reviewing all our environmental management SOPs in order to reduce redundant processes.

During 2021 we will focus on finalising the updates to our EMS, training our factory teams, and monitoring implementation.

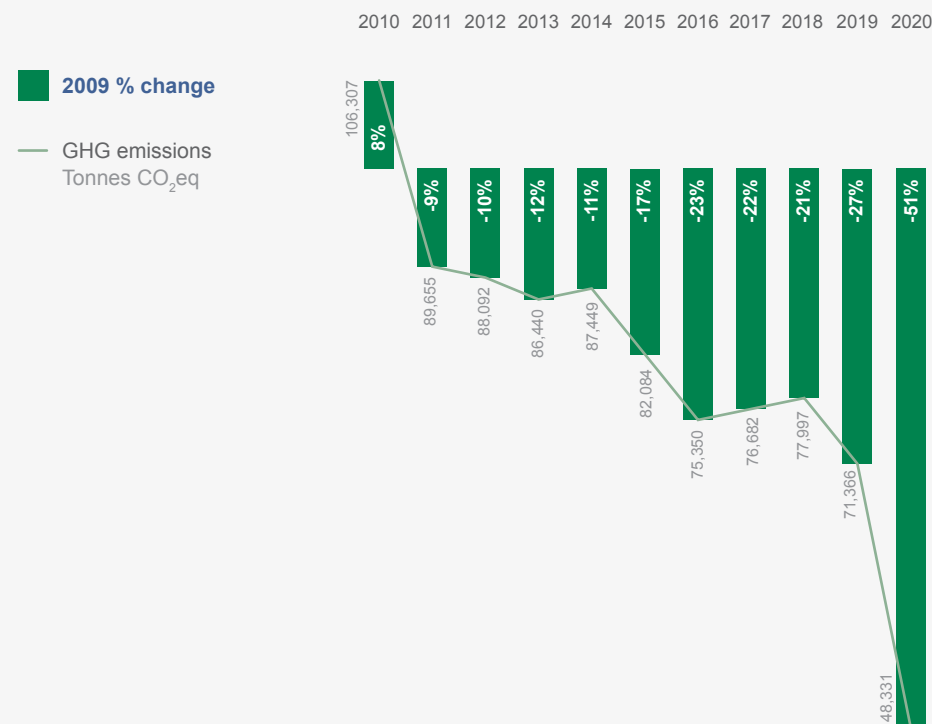
Greenhouse gas (GHG) management

Our last sustainability report documented the end of our last three-year plan. Instead of jumping right into another three-year plan, we decided to use 2019 as a year to evaluate our next steps for GHG management as we enter a new decade.

With the publication of the **IPCC Special Report on Global Warming of 1.5°C** stating that to avert the worst consequences of climate change the world would need to reduce emissions by 45% below 2010 levels by 2030.

Since TAL began measuring GHG emissions in 2009, the company has significantly decreased our total GHG by 27% through 2019. Due to the pandemic year, 2020 saw sharp drop in GHG emissions related to the loss in business and closure of our two factories in Malaysia.

TAL GHG EMISSIONS AND % REDUCTION COMPARED TO 2009



Greenhouse gas (GHG) management (cont.)

Yet, the biggest challenge to any company when managing GHG emissions is business growth.

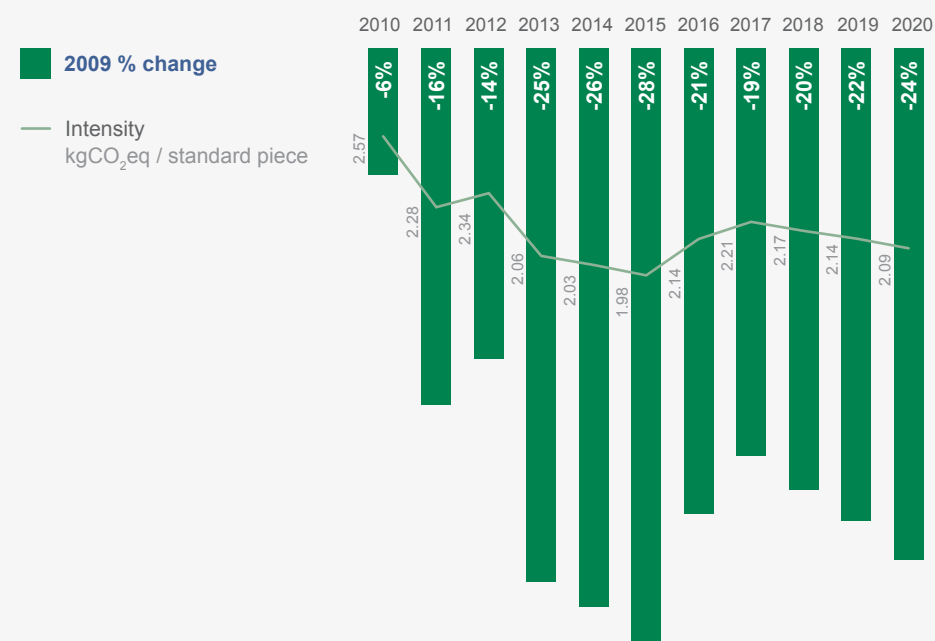
In 2020, we all learned what 'flattening the curve' means (lowering the rate of new infections). It is the same principle in managing GHG emissions in a growing business. You must lower the rate of GHG emissions or intensity per output unit. TAL has consistently had a lower GHG intensity compared to 2009 over this last decade. In addition, our GHG intensity has been somewhat stable, fluctuating within +/- 8% during this time.

As our business recovers from the downturn caused by COVID-19, we expect our GHG emissions to grow and nearly reach our 2010 levels by 2030. This means we need an ambitious effort to continue to reduce our

GHG emissions while our business grows. To strengthen our resolve, in 2019 TAL joined the Fashion Industry Charter for Climate Action (FICCA). Signatories to FICCA commit to a 30% reduction of total GHG emissions compared to a baseline no earlier than 2015.

To meet our commitments, we chose 2018 as our new baseline year, mapped out a 30% reduction trajectory through 2030, and created a business-as-usual (BAU) scenario, to understand how our GHG emissions may grow over time and develop an action plan to cover the gap between our 2030 BAU and 2030 target emissions. We then set targets aligned with this trajectory.

TAL GHG INTENSITY AND % REDUCTION COMPARED TO 2009



Greenhouse gas (GHG) management (cont.)

Then it was 2020, and we had to completely scrap those targets. During 2020, the industry grew in its ambitions and there were increasing calls for businesses to align their GHG reduction targets with the IPCC report. This meant a deeper cut in emissions was necessary, so we aligned on 45% reduction by 2030 as our new target trajectory. At the end of 2020, we created a new set of targets for our factories based on the business recovery projections and associated GHG emissions.

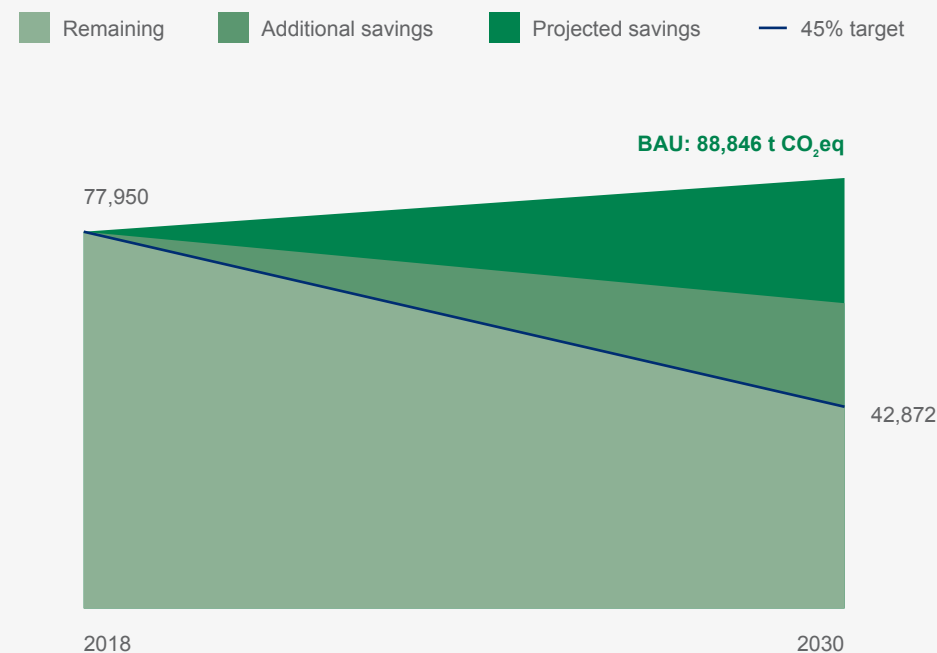
We mapped out the 45% reduction based on our 2018 baseline and new BAU calculations. Based on this new trajectory we need to reduce our GHG emissions to 42,872 tonnes CO₂eq per year. See chart below.

Based on current available options to reduce GHG emissions at our factories, such as onsite solar, improving energy efficiency, and

switching to lower carbon fuels, we expect a reduction of 25,046 tonnes CO₂eq by 2030 to be viable. We consider these to be 'low-hanging fruit' which we can readily adopt. Yet, an additional 20,928 tonnes still need to be reduced to hit our 45% reduction target. We are hopeful that additional options will become available over the course of this next decade to help us meet our 2030 target, and we are actively participating within our industry organisations, such as the SAC and FICCA, to help make further options available for all manufacturers.

Until then our 2021–2022 GHG intensity targets are 1.90 kg CO₂eq/standard piece and 1.75 kg CO₂eq/standard piece. We believe these aggressive GHG intensity targets will allow us to grow while also challenging us to implement some of the low-carbon solutions needed to begin making an impact today.

GHG EMISSIONS t CO₂eq



Water management

During 2020, TAL began producing facemasks to help people do their part to protect themselves and others from COVID-19. Yet, this change to our normal product types meant our unit of normalisation to measure the intensity of our water use was no longer useful.

Prior to 2020, we used output piece as our normalisation unit because at the time it was determined to be the best metric for setting water targets. This changed after we began producing facemasks in the millions, which drastically increased our 'output piece', but did not increase our water usage. With our factories now producing two vastly different products, it was time to change our normalisation metric.

In our wet process the fabric weight of the garment determines the amount of water used. In general, the weight of the fabric determines the amount of water needed to saturate the fabric. It takes much less water to saturate a

lightweight facemask as it does a garment of a heavier fabric. Outside of our wet process our water consumption is largely determined by the number of workers, working hours, and number of dormitory occupants. Yet it is the orders we receive, or the business volume, which are highly correlated with the above-mentioned variables, and hence water use as well. Therefore, we decided to adopt the standard piece, the same metric as our GHG emissions, because it is a good representation for efficiency of business output. In both GHG and water we want to understand the intensity of GHG and water use as it compares to the efficiency of our production.

We recalculated our intensity metrics going back to 2011, as well as setting our new targets based on the standard piece. In addition, we also had to re-evaluate our targets based on the new business realities of COVID-19.

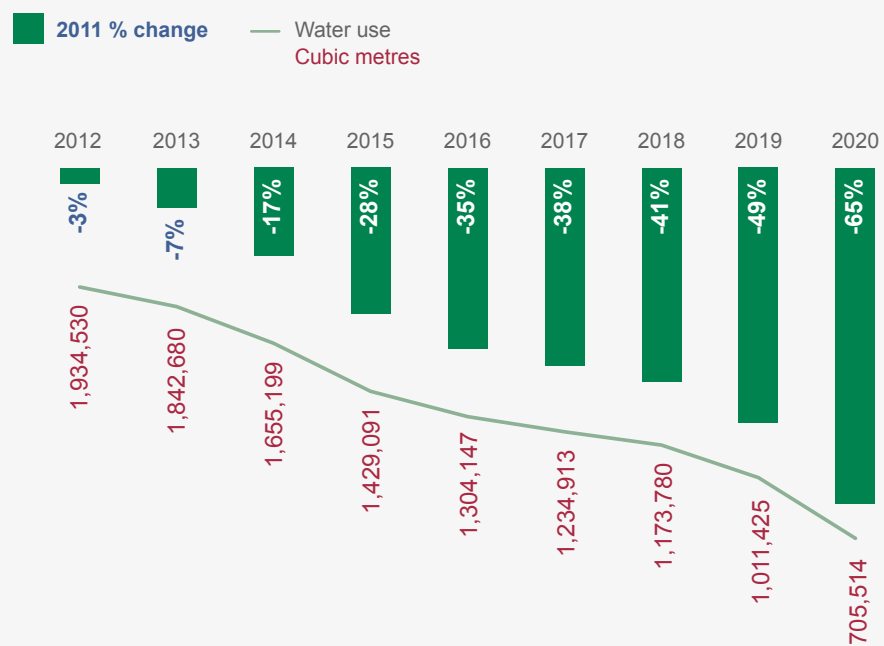
We expect our water use to increase as our business recovers from COVID-19. During 2020 our wet processing teams developed a plan to decrease water use per piece in the wet process. Testing was a success during 2020, and this plan will be fully implemented in 2021. In addition, we are setting aggressive intensity targets to manage the expected increase in water.

Due to COVID-19, we decided to postpone the implementation of some of our other major water reduction initiatives. As the business environment improves, we expect to move ahead with these projects in the next couple of years.

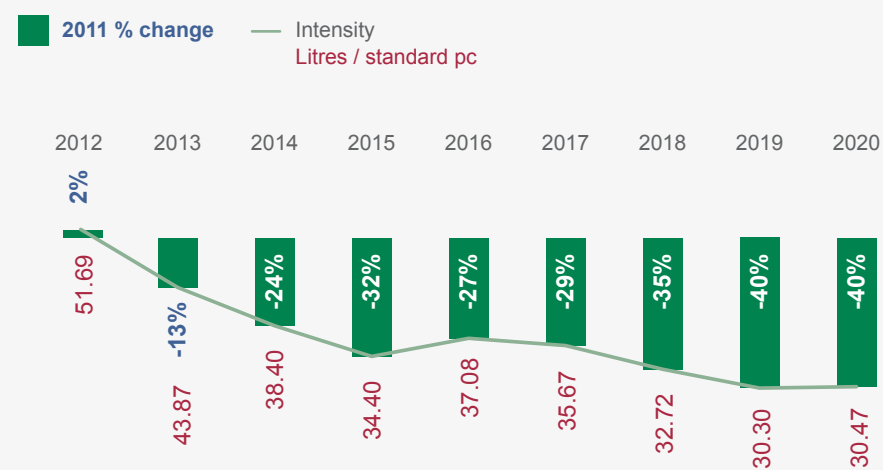
TAL has a strong history of reducing year on year water use through innovation and efficiency measures. As we continue to build back after COVID-19 there is a good chance we will be well on our way to decouple our water use from business growth..

Water management (cont.)

WATER USE AND % REDUCTION COMPARED TO 2011



WATER INTENSITY AND % REDUCTION COMPARED TO 2011



Waste management

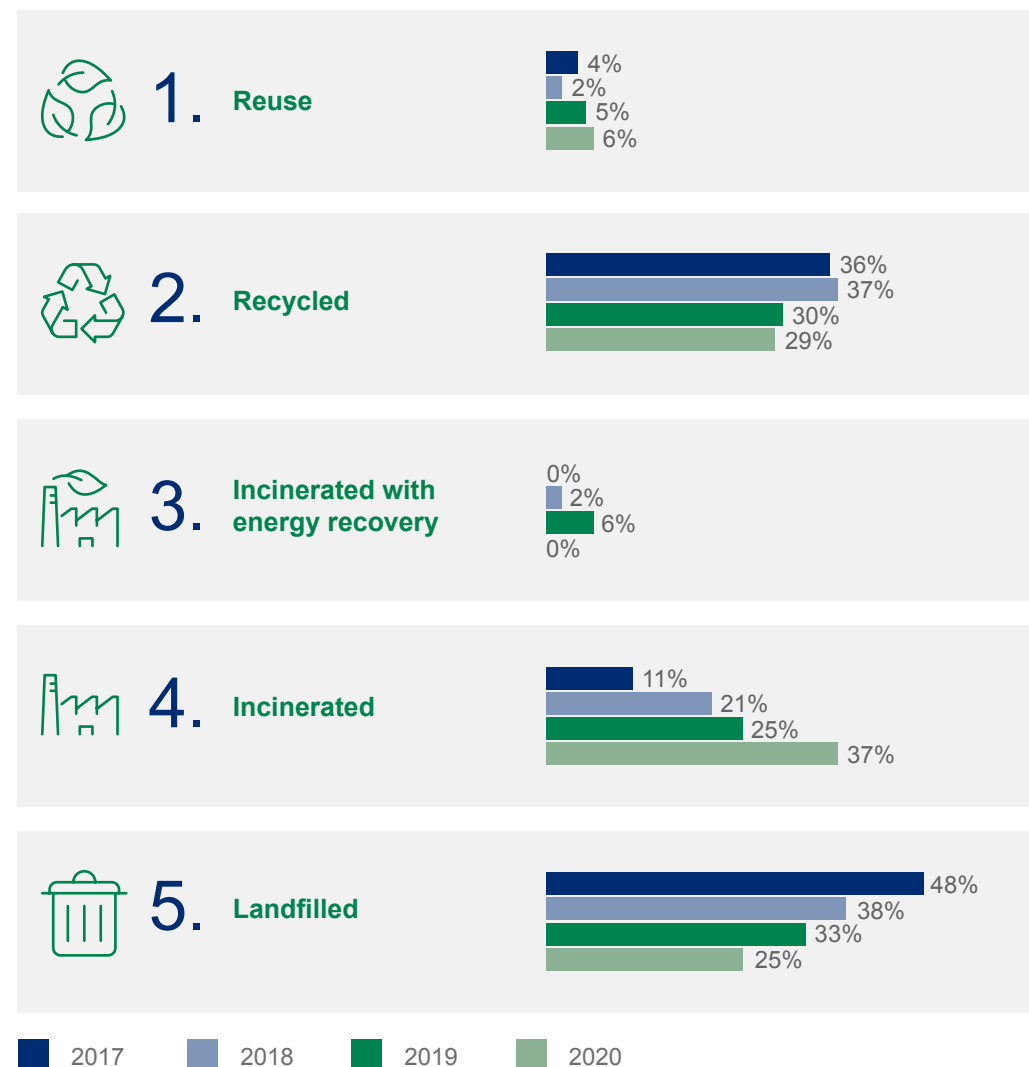
In our last report we highlighted the introduction of TAL's waste management system covering our hazardous and non-hazardous waste.

We remarked on our goal of creating a zero waste to landfill target and the challenges of local practicalities slowing the achievement of that goal. In this report, we highlight a new challenge. In most of our factory locations, the main alternative to landfills are incinerators.

As the chart highlights, we have made good progress in reducing waste sent to landfill, but the percentage of waste sent to incinerators has increased by almost the same amount as the percentage of our reduction to landfills. Due to this, we are setting ourselves a new challenge in the next two years to reduce

waste sent to both incinerators and landfills. This is much easier said than done. Once again, practical challenges of finding a proper waste contractor who can recycle or reuse each type of waste generated by the factory is not easy or may not even exist in the area. Our factories will continue to research waste solutions, including opportunities to reduce and reuse internally, and then identify waste contractors who can recycle, or at a minimum offer a waste to energy solution.

BREAKDOWN OF DISPOSAL METHOD



Waste management (cont.)

In 2019 and 2020 we also experienced challenges with our normal fabric scrap recyclers.

These recyclers are sometimes middlemen who help further separate the scraps into more homogenous bundles of fabric scraps to sell into the fibre recycling market. Some of our factories work directly with fibre recyclers who generally turn the fabric scraps into felt stuffing. During the last two years the market for secondary fibres slowed down. This led to

our recyclers delaying collection of the fabric scraps, or sometimes refusing to collect. Since space is limited at our factories, we cannot store the fabric scraps forever and must dispose of them. Unfortunately, the alternative options were incineration or landfill. This is the main reason our recycled waste percentage decreased during these two years.



Waste management (cont.)

BREAKOUT CASE STUDY

There is also another challenge of 'domestic waste'. Domestic waste is what we call the non-production waste generated by our employees. This can be takeaway food containers, drink containers, and various foods. This is especially a challenge for our factories in Thailand because they are in urban areas where there are plenty of outside food shops and stores. For our Thai factories, domestic waste is the main waste type being sent to landfills. To investigate what can be done to reduce this domestic waste, our Thai factories formed a waste task force. To fully understand the waste contained within this domestic waste, it was necessary to get dirty.

The task team dug through the garbage in key locations around the factory and separated the waste into its individual waste types.

The result is that food waste is by far the largest waste stream by weight within domestic waste. It is also contaminating many of the potential recyclable waste streams. To address this, our Thai factories have initiated a project to encourage our employees to dispose of their food waste in a separate bin. Some next steps will be to focus on individual solutions for waste items like eating utensils. Some waste we will not have a solution for in the next few years, such as food wrapper waste for items purchased at the local convenience store.



Thai factories – breakdown of waste by weight



Chemical management

TAL specialises in adding performance finishes during garment wet processing. Major finishes we apply are SOFTAL™ and SOFTAL AG™. We also add other functional finishes to provide easy care, protective and moisture management functions.



bluesign® SYSTEM PARTNER CERTIFICATION

TAL Apparel applied for bluesign® system certification in mid-2019 and was certified as a system partner in May of 2020. bluesign® is a well-recognised, rigorous standard for chemical management through the concept of input stream management. The bluesign® system helps manufacturers manage their chemical management and chemical inputs to minimise risks. bluesign® also covers environmental management, social compliance, and H&S standards. Being a bluesign® system partner epitomises TAL's approach towards sustainability and offers recognition for our pursuit to continuously

meet industry best practices in chemical management, traceability, transparency, and overall sustainability performance.

Throughout the system partner review process, the bluesign® audit team conducted a comprehensive onsite verification and screening process in our factories (excluding our factory in Ethiopia). Through this process we identified that a few of the chemicals we use are made with hazardous substances according to the bluesign® manufacturing restricted substance list. Most chemicals used in the textile industry are recipes upon recipes – in other words, mixtures of many different chemicals, all in the pursuit of achieving the desired chemical performance.

With the support of the bluesign® team, we were able to identify appropriate substitutes for these chemicals that did not impact the desired performance. In addition, the bluesign® audit team also helped us to identify areas for continuous improvement, especially in our management systems such as wastewater, boiler management, and general EMS.

Furthermore, TAL is working with the bluesign® team to migrate our bluesign-approved chemicals from bluesign FINDER to the ZDHC Gateway. As a responsible company, we shall enhance our chemical transparency and disclose more than 75% of TAL production chemicals on this public platform in 2021.

Achieving the status of bluesign® system partner is only the first step in our bluesign® system journey. Our goal is to deliver to our customers a product made from bluesign's approved inputs. To achieve this, we are working with our value chain partners (brands, trim suppliers, chemical suppliers and fabric suppliers) to become bluesign® system partners.

Chemical management (cont.)

OUR APPROACH

As a garment manufacturer who applies a unique finish to our products, we understand the importance of using chemicals that are safe, and that meet our customers' requirements and global regulatory standards.

In addition, we are responsible for preventing any potential health, safety and environmental risks during chemical usage and storage. In our last report we wrote about the implementation status of our TAL Apparel group-wide Chemical Management System

(CMS). We also update our Manufacturing Restricted Substance List (MRSL) and Product Restricted Substance List (PRSL) twice per year, or when major updates in legislation or other industry standards require.

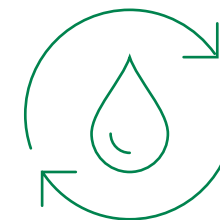
TARGET AND PERFORMANCE

We are pleased to report that all of our factories have implemented TAL's CMS and we've begun collecting baseline data to measure performance improvement. In the next two years, we will release targets for our factories so each may continuously improve its chemical management performance.

	WHAT WE DID IN 2019–2020	WHAT WE WILL DO IN 2021–2022
Written SOP	TAL Group CMS SOPs were written and approved	Annual review and update
SOP implementation	Factories trained and began CMS implementation	Full implementation continues
KPI developed to follow up performance	Scorecard implemented in 2019	Full implementation continues
Targets released to challenge performance	Not begun	Targets will be released

Wastewater management

Our plans to upgrade our wastewater management were impacted by COVID-19. In 2019, TAL put a great deal of effort into identifying ways of improving our wastewater treatment plants' performance, as well as installing new recycled water capacity.



While we're within regulatory boundaries for our wastewater pollutant levels, to meet all the wastewater parameters for more stringent international best practices, such as the ZDHC Gateway and the bluesign® standard, we required upgrades to our treatment systems.

An approximate amount of USD 5.8 million was budgeted to conduct upgrading for the wastewater treatment plant in five of TAL's factories by the end of 2020. In Q3 of 2019, the team enthusiastically began the hunt for technologies that would meet our objectives. After identifying suitable partners, we worked through the scope of the treatment system and developed the conceptual designs necessary to lower some of the key pollutant

loads exiting the factory, such as phosphorus. The excitement was short-lived as COVID-19 spread around the world.

The lockdown across our operating countries caused most of the economic and commercial activities to come to a halt. Ultimately, the decision was made to postpone the upgrade of our wastewater treatment plants till we had a better understanding of the business landscape after the disruption caused by COVID-19.

In early Q2 2020 a reluctant decision was made by the management to close our two factories in Malaysia. The move from upgrading the wastewater treatment then

switched to a decommissioning plan. The decommissioning plan needed to be enacted within a short four-month time frame. Proper decommissioning of a wastewater treatment plant is conducted like cleaning up a small hazardous waste site. All work must be done with the utmost care to ensure the land can be properly sold or returned to the owner without any contamination to the soil or local waterways. Detailed preparation is needed from planning, to defining the job scope, selecting the qualified contractors, and determining the most effective decommissioning method is kicked off prior to onsite execution. Decommissioning actions include a full-power down, sealing off the site, and the decontamination of the treatment system, and finally, dismantling.

A team of environmental specialists was appointed to verify that the decontamination process was conducted according to local regulation and reported to the relevant authorities. To officially mark the completion of decontamination process, a due diligence report was generated by the environmental specialists to capture whether all steps of decontamination were successfully completed as per the job scope and regulations.

As business rebounds from COVID-19, management is still committed to upgrading the wastewater treatment plants at the three factories whose work was postponed.

Wastewater management (cont.)

WATER RECYCLING

In March 2019, Thai Garment Factory 1 completed the installation of its water recycling system. The system uses reverse osmosis technology to purify the water before sending it back into our wet process for reuse. The installed capacity of the recycling system is 200 m³ per day. This is roughly one-third of the total daily water use for the factory.

Using reverse osmosis was a new technology for TAL and some unforeseen challenges arose with the membrane system. During 2019 the team worked to solve these challenges and by 2020 the system was operating near full capacity. When COVID-19 led to a slowdown in business, the water recycling system was underutilised for much of 2020.

Now, with the addition of this new water recycling system, we have three factories with installed water recycling systems, with the capacity to save approximately 10,000 cubic meters per month. Averaged over 2019 and 2020, our recycled water systems helped TAL reduce its water consumption by 10%.



Water recycling system in Thai Garment Export 1



7

**Industry
collaboration**

Sustainable Apparel Coalition

Ever since TAL joined the Sustainable Apparel Coalition (SAC) in 2011, we have contributed to the strategic direction of the SAC and the development of the Higg Index suite of tools.

It has been ten years since SAC was founded and TAL Apparel joined. Over that time, we helped develop three versions of the Facility Environmental Module (FEM), each one better than the last. We participated in the first FEM verification pilots and contributed to the development of the verification protocol. On the social side, we contributed to the development of the scoring in the Facility Social Labour Module (FSLM) and also helped found the Social Labour Convergence Program (SLCP), a sister organisation to the SAC, that develop a converged standard social labour assessment tool from various auditing tools accepted by the industry – used by SAC as the FSLM.

In addition, TAL helped contribute to and launch the much-anticipated Brand and Retail Module (BRM). This tool helps brands and retailers understand their sustainability impacts and, most importantly, how their decisions have ripple effects up the supply chain impacting the decisions made by each business in their supply chain. The BRM, along with the FEM and FSLM, offers a holistic sustainability assessment of the key industry actors, and helps to increase transparency, identify challenges, and improve constructive dialogue.

TAL is also excited by the launch of the updated Higg Materials Sustainability Index (MSI) and the new Higg Product Tool. As we integrate these tools into our business, we will use them to identify specific challenges within product groups and find creative solutions to reduce the environmental impact of these products.

Unfortunately, the COVID-19 pandemic delayed our plans to verify our 2019 FEM self-assessment for our factories. Conducting a third party verification for our FEM self-assessment is still a priority for TAL. We look forward to sharing our scores with you in the next report.

As the SAC continues into the next decade, TAL strongly supports the new mission statement of the SAC:

‘To transform business for exponential impact through ground-breaking tools, collaborative partnerships, and trusted leadership for industry sustainability.’

TAL's Vice Chair, Delman Lee, was elected to the SAC Board of Directors in 2020. We look forward to the next decade of SAC's work to fully implement the Higg Index suite of tools, provide heightened transparency for consumers, and drive impact reduction across the value chain.



Redress – united in educating the next generation

It's often said that **collaboration** is key to driving sustainability in the fashion industry. I'd add that **courage** and **conviction** are also needed, all of which are firmly established within Redress's ongoing partnership with TAL.

In 2019 and 2020, and for the fifth consecutive year of collaboration, TAL supported our NGO Redress's large project, The Redress Design Award. In its tenth year anniversary cycle and having become the world's largest sustainable fashion competition, through Redress's collaboration with TAL we are turning our mission – to reduce waste in fashion – into a reality.

Each year in our competition, we educate thousands of designers about sustainable design, full life cycle and the latest innovations in circular fashion solutions. Redress's TAL partnership enables us to bring critical industry knowledge to designers globally. Later, with our finalists shortlisted from across the globe, TAL then does more hard work in preparing these talents for their future careers by giving them unrivalled access to TAL's factories and experts.

Despite 2020's COVID-19 pandemic bringing unprecedented challenges across the entire fashion industry, and indeed our competition, Redress courageously worked with TAL to switch our typical physically onsite factory educational tours for our finalists into a virtual experience. So, like many, we were forced to jump into the digital world. True to our united conviction that emerging designers must face real-life industry experiences, together with TAL we engineered virtual design and business challenges for our finalists that focused on real-time, real-life COVID-19 impacted challenges.

For this, we also worked with Browzwear on our 'Digital Upcycling Challenge' in which our 2020 finalists devised upcycling design solutions for real-life. COVID-19 caused deadstock shirts and so designers were tasked to redesign deadstock to become

viable commercial solutions, putting TAL's deadstock garments back on track to customers. The designers took part in teams from their homes – connecting across time zones from Korea to China to Canada – using the Browzwear VStitcher 3D design software to provide design-manufacturing solutions to address TAL's deadstock.

This collaborative challenge was a catalyst for designers to adopt improved virtual design and sampling technical skills – truly needed industry-wide – and demonstrated the importance and power of digital design and sampling to minimise waste. This challenge also included a virtual factory tour of the TAL Thai Garment Exports Factory, where finalists discovered how a mass production factory operates, which even through the virtual lens is an eye-opening experience for emerging designers.

Finally, all of this excitement and learning was captured in Redress's Frontline Fashion series, (**Frontline Fashion Unstitched Episode 4**). Collectively, over the years, and with TAL's support, Frontline Fashion has



reached millions of people, while also bagging its own list of awards, including an Asian Academy Creative Award.

Our valued partnership with TAL helps build the Redress Design Award competition's legacy – and indeed paves a better future for fashion.

– Dr Christina Dean, Founder/Chair of Redress

For more information on Redress and the Redress Design Award, visit:

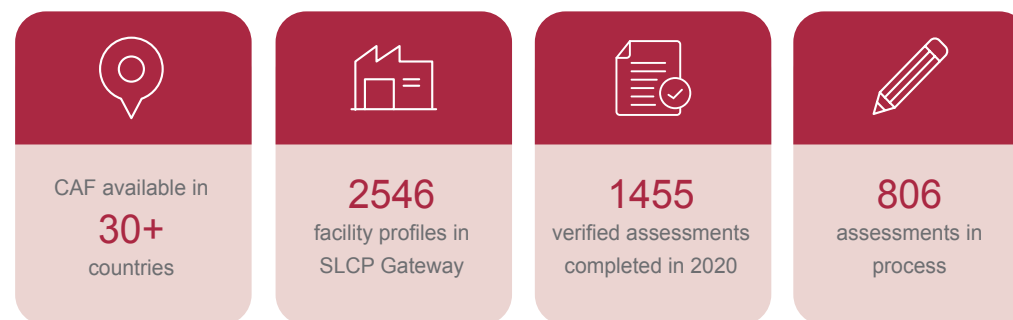
<https://redress.com.hk/our-work/>

Social and Labor Convergence Program (SLCP)

2019 was an exciting milestone in the development of SLCP. It was the year SLCP's operation was officially launched.

The first four countries in which it operated were China, India, Sri Lanka and Taiwan, in early 2019. Within two years, at the end of 2020, SLCP had succeeded in rolling out to over thirty countries. SLCP have also increased collaboration with Better Work, amfori, Better Buying and ITC, making their tool widely accepted and more accessible. SLCP have perfected their tool into a set called the Converged Assessment Framework (CAF). It consists of a data collection tool, verification protocol, and facility and verifier guidance documents. The outcome of the CAF is to produce a high-quality verified data set that has no value-judgement or scoring.

TAL have been one of SLCP founding signatories. We are deeply engaged to develop the tool, using it as our internal self-assessment and engaging our customers to accept the tool. Our China factory was involved in the pilot and light operation, and when the tool was launched in 2019, we took part in taking the verified self-assessment. In 2020, COVID-19 impacted our factories' abilities to accept external audits. However, our factories still managed to do the SLCP self-assessment in 2020. For our Thailand and Vietnam factories, this was their first time using the tool. It was a learning experience for them to understand the tool and the process of the CAF. In 2021, all our factories will take the verified self-assessment where it is possible and use it as our baseline to improve social labour performance.



Location of facilities with profiles in Gateway



China (57%)	Bangladesh (1%)	Thailand	Tunisia
Taiwan (3%)	Portugal	Philippines	South Korea
India (11%)	Guatemala	Mauritius	Kenya
Turkey (7%)	Indonesia	Morocco	
Sri Lanka (5%)	Peru	Romania	
Vietnam (5%)	USA	Mexico	

Fashion Industry Charter for Climate Action

In September 2019 TAL Apparel, along with other members of the Sustainable Fashion Business Consortium, joined the Fashion Industry Charter for Climate Action (FICCA).



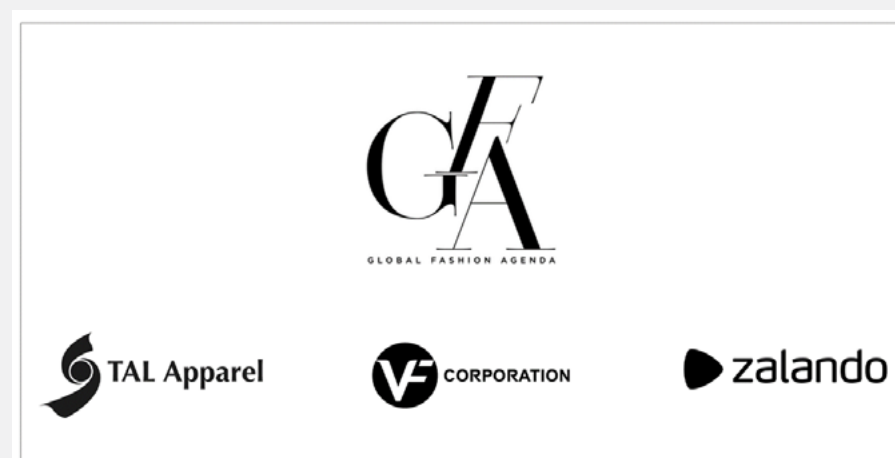
FICCA is hosted by the UN and has over 124 signatories and supporting organisations. Signatories to the charter commit to establishing a GHG baseline no earlier than 2015 and commit to reducing their GHG emissions by 30% by 2030.

The charter helps to focus rapid action on decarbonisation across the fashion industry

value chain. We are an active participant in multiple FICCA working groups and task teams, helping to provide advice, build tools, and offer leadership. By joining this initiative TAL Apparel is committing to **reduce our GHG emissions by 30%** compared to our 2018 baseline by 2030. We are excited for the opportunities this target will generate for our business and our customers' products.

Global Fashion Agenda

TAL Apparel became a [Global Fashion Agenda \(GFA\)](#) associate partner in 2019. There are many multi-stakeholder initiatives in our industry.

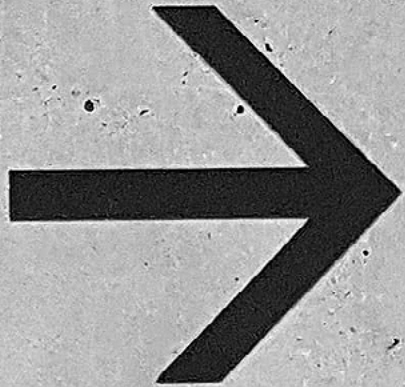


We decided to join GFA because it plays a specific role in the industry. It has a diverse audience and wider perspectives than other initiatives.

For example, the involvement of C-suites in many companies. GFA is a good platform to trigger different types of conversations necessary for systemic change.

8

Appendices



GRI index

GRI STANDARD	GRI DISCLOSURE CONTENT	IMPACTS INSIDE/ ON TAL ONLY	IMPACTS OUT- SIDE TAL ALSO	PAGE NUMBER(S), URLS OR COMMENT	
GENERAL DISCLOSURES					
GRI 102: General disclosures	Organisational profile				
	102-1	Name of organisation	N/A	N/A	Welcome to TAL Apparel, p. 2 .
	102-2	Activities, products, and services	N/A	N/A	Welcome to TAL Apparel, p. 2 , Our locations, p. 13 .
	102-3	Location of headquarters	N/A	N/A	Our locations, p. 13 .
	102-4	Location of operations	N/A	N/A	Our locations, p. 13 .
	102-5	Ownership and legal form	N/A	N/A	TAL Apparel is a privately held business.
	102-6	Markets served	N/A	N/A	Sustainability at a glance, p. 9 .
	102-7	Scale of organisation	N/A	N/A	Refer to Supplemental data, p. 75 for total number of employees, Our locations, p. 13 for total number of operations and Sustainability at a Glance, p. 11 for total number of products sold. Revenue and net sales data are not available due to commercial confidentiality.
	102-8	Information on employees and other workers	N/A	N/A	Supplemental data, p. 75 .
	102-9	Supply chain	N/A	N/A	Subcontractor screening, p. 26 .
	102-10	Significant changes to the organisation and supply chain	N/A	N/A	Major business changes, p. 18 .
	102-11	Precautionary principle or approach	N/A	N/A	TAL Apparel's top management holds regular meetings to make decisions on critical management matters, including precautionary policies for suspected risks that may be harmful to the company, environment and public.
	102-12	External initiatives	N/A	N/A	Industry collaboration, p. 63 .
	102-13	Membership of associations	N/A	N/A	Industry collaboration, p. 63 .
	Strategy				
	102-14	Statement from senior decision-maker	N/A	N/A	Message from Vice Chair and CEO, p. 6 .
	102-15	Key impacts, risks, and opportunities	N/A	N/A	Sustainability at a glance, p. 10 .
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	N/A	N/A	Strategic initiatives, p. 14 .	
102-17	Mechanisms for advice and concerns about ethics	N/A	N/A	TAL ethics hotline. Please refer to our Sustainability Report 2017–2018, p. 22 .	

GRI STANDARD	GRI DISCLOSURE CONTENT	IMPACTS INSIDE/ ON TAL ONLY	IMPACTS OUT- SIDE TAL ALSO	PAGE NUMBER(S), URLS OR COMMENT	
GRI 102: General disclosures (cont.)	Governance				
	102-18	Governance structure	N/A	N/A	Two members of the executive committee joined and left TAL during 2019–2020. One member of executive committee was promoted from internal and another member has retired during 2019–2020. Please refer to our Sustainability Report 2013–2014, p. 12 , for the structure.
	Stakeholder engagement				
	102-40	List of stakeholder groups	N/A	N/A	Scope of this report, p. 7 .
	102-41	Collective bargaining agreement	N/A	N/A	TAL Apparel cover 100% of all employees in the collective bargaining agreement.
	102-42	Identifying and selecting stakeholders	N/A	N/A	Scope of this report, p. 7 .
	102-43	Approach to stakeholder engagement	N/A	N/A	Scope of this report, p. 7 .
	102-44	Key topics and concerns raised	N/A	N/A	Materiality matrix, p. 8 .
	Reporting practice				
	102-45	Entities included in the consolidated financial statements	N/A	N/A	Welcome to TAL Apparel, p. 2 .
	102-46	Defining report content and topic boundaries	N/A	N/A	Refer to Scope of this report, p. 7 , for list of topics and GRI Index, p. 69 , for details.
	102-47	List of material topics	N/A	N/A	Refer to Scope of this report, p. 7 , for list of topics and GRI Index, p. 69 , for details.
	102-48	Restatements of information	N/A	N/A	No reinstatements from previous reports.
	102-49	Changes in reporting	N/A	N/A	No changes in the reporting scope and aspect.
	102-50	Reporting period	N/A	N/A	Welcome to TAL Apparel, p. 2 .
	102-51	Date of most recent report	N/A	N/A	Welcome to TAL Apparel, p. 2 .
	102-52	Reporting cycle	N/A	N/A	Welcome to TAL Apparel, p. 2 .
	102-53	Contact point for questions regarding the report	N/A	N/A	Welcome to TAL Apparel, p. 2 .
	102-54	Claims of reporting in accordance with the GRI Standards	N/A	N/A	Welcome to TAL Apparel, p. 2 .
	102-55	GRI content index	N/A	N/A	GRI Index, p. 69 .
102-56	External assurance	N/A	N/A	This report is written internally following GRI standard, there has not been external review at the moment.	

GRI STANDARD	GRI DISCLOSURE CONTENT	IMPACTS INSIDE/ ON TAL ONLY	IMPACTS OUT- SIDE TAL ALSO	PAGE NUMBER(S), URLS OR COMMENT	
MATERIAL TOPICS					
Economic performance					
GRI 103	103-1-3	Management approach*	X	X	Business challenges, p. 16 .
GRI 201	201-1	Direct economic value generated and distributed	X	X	Refer to business figures and our donations in Sustainability at a glance p. 10 . Revenue and sales data are not available due to commercial confidentiality.
Anti-corruption					
GRI 103	103-1-3	Management approach	X		Anti-corruption is in our Sustainable Business Practice policy and it is communicated to all employees at TAL Apparel and to our suppliers and subcontractors through the Welcome Kit.
GRI 205	205-3	Confirmed incidents of corruption and actions taken	X		No confirmed incidents of corruption.
Water and effluent					
GRI 103	103-1-3	Management approach	X	X	Water management, p. 54 , Wastewater management, p. 61 .
GRI 303	305-1	Materials used by weight or volume	X	X	
GRI 303	303-3	Management of water discharge-related impacts	X	X	
Emissions					
GRI 103	103-1-3	Management approach	X	X	Greenhouse gas management p. 51 , Water management, p. 54 .
	305-1	Direct Scope 1 GHG emissions	X	X	
	305-2	Energy indirect Scope 2 GHG emissions	X	X	
	305-3	Energy indirect Scope 3 GHG emissions	X	X	
	305-4	GHG emissions intensity	X	X	
GRI 305	305-5	Reduction of GHG emissions	X	X	
Waste					
GRI 103	103-1-3	Management approach	X	X	Waste management, p. 56 .
GRI 306	306-1	Waste generation and significant waste-related impacts	X	X	
GRI 306	306-2	Management of significant waste-related impacts	X	X	

GRI STANDARD	GRI DISCLOSURE CONTENT		IMPACTS INSIDE/ ON TAL ONLY	IMPACTS OUT- SIDE TAL ALSO	PAGE NUMBER(S), URLS OR COMMENT
Environmental compliance					
GRI 103	103-1-3	Management approach	X	X	Environmental management, p. 50 .
GRI 307	307-1	Non-compliance with environmental laws/regulations	X	X	No fines and non-monetary sanctions incurred.
Employment					
GRI 103	103-1-3	Management approach	X	X	Social labour management system, p. 23 .
GRI 401	401-1	New employee hires and employee turnover	X	X	Appendix: Workforce demographics, Supplemental data, p.75 .
Labour/management relations					
GRI 103	103-1-3	Management approach	X	X	For the closing of Pen Apparel and Imperial Garments, management informed employees well in advance, and handled disputes promptly and transparently. See p. 18 , Major business changes.
GRI 402	402-1	Minimum notice periods regarding operational changes	X	X	
Occupational health and safety					
GRI 103	103-1-3	Management approach	X	X	Health and Safety Management System, p. 39 .
GRI 403	403-1	Occupational health and safety management system			Health and safety community program, p. 47 .
	403-4	Worker participation, consultation, and communication on occupational health and safety			
	403-6	Promotion of worker health			Health monitoring, p. 43 .
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships			Health monitoring, p. 43 .
Training and education					
GRI 103	103-1-3	Management approach	X		Talent development, p. 30 .
GRI 404	404-2	Programs for upgrading employee skills and transition assistance programs	X		No formal transition assistance programs for employees who retire or are terminated.
Diversity and equal opportunity					
GRI 103	103-1-3	Management approach	X		For the diversity of our managerial, non-managerial and operator employees, see Supplemental data, p.75 .
GRI 405	405-1	Diversity of governance bodies and employees	X		

GRI STANDARD	GRI DISCLOSURE CONTENT		IMPACTS INSIDE/ ON TAL ONLY	IMPACTS OUT- SIDE TAL ALSO	PAGE NUMBER(S), URLS OR COMMENT
Non-discrimination					
GRI 103	103-1-3	Management approach	X	X	Non-discrimination is regulated as part of Social labour management system and is monitored as part of the self-monitoring program, p. 24 . Subcontractors are screened on this topic as well, p. 26 . No confirmed incidents of discrimination found from internal or external audits, p. 25 .
GRI 406	406-1	Incidents of discrimination and corrective actions taken	X	X	
Freedom of Association and collective bargaining					
GRI 103	103-1-3	Management approach	X	X	Freedom of Association is regulated as part of Social labour management system and is monitored as part of the self-monitoring program, p. 24 .
GRI 407	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	X	X	
Child labour					
GRI 103	103-1-3	Management approach	X	X	Child labour is regulated as part of the Social labour management system and is monitored as part of the self-monitoring program, p. 24 . Subcontractors are screened on this topic as well, p. 26 .
GRI 408	408-1	Operations and suppliers at significant risk for incidents of child labour	X	X	
Forced or compulsory labour					
GRI 103	103-1-3	Management approach	X	X	Forced labour is regulated as part of the Social labour management system and is monitored as part of the self-monitoring program, p. 24 . Subcontractors are screened on this topic as well, p. 26 .
GRI 409	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	X	X	
Human rights assessment					
GRI 103	103-1-3	Management approach	X	X	All TAL Apparel factories were subject to internal and external audits, p. 25 . As part of Management System implementation, all factory managers, frontline supervisors and workers have been trained on human rights-related policies or procedures, p. 23 .
GRI 412	412-1	Operations that have been subject to human rights reviews or impact assessments	X	X	
GRI 412	412-2	Employee training on human rights policies or procedures	X	X	
Local communities					
GRI 103	103-1-3	Management approach	X	X	Ad hoc local community activities were organised in our office locations, and donations were given to charitable causes, p. 32 .
GRI 413	413-1	Operations with local community engagement, impact assessments, and development programs	X	X	

GRI STANDARD	GRI DISCLOSURE CONTENT	IMPACTS INSIDE/ ON TAL ONLY	IMPACTS OUT- SIDE TAL ALSO	PAGE NUMBER(S), URLS OR COMMENT
Supplier human rights assessment				
GRI 103	103-1-3 Management approach	X	X	Subcontractor screening, p. 26 .
GRI 414	414-2 Negative social impacts in the supply chain and actions taken	X	X	
Customer health and safety				
GRI 103	103-1-3 Management approach	X	X	No fines and non-monetary sanctions incurred.
GRI 416	316-1 Incidents of non-compliance concerning the health and safety impacts of products and services	X	X	
Socioeconomic compliance				
GRI 103	103-1-3 Management approach	X	X	No fines and non-monetary sanctions incurred.
GRI 419	419-1 Non-compliance with laws and regulations in the social and economic area	X	X	

Supplemental Data

TOTAL NUMBER OF EMPLOYEES

31 DEC 2019	31 DEC 2020
20,570	13,582

EMPLOYEES BY FACTORY OR OFFICE

	2019	2020		2019	2020
Thailand			Ethiopia		
Thai Garments 1	2273	1758	TAL Garments Manufacturing	950	706
Thai Garments 2	1605	1495	Vietnam		
China			TAV Limited	5666	5769
Textile Alliance Apparel	1613	1109	Vietnam Garments Manufacturing	2777	1941
Malaysia			Vietnam Tailored Garments	735	576
Pen Apparel	2895	0	Hong Kong		
Imperial Garments	1776	0	HK Office	280	228

*Pen Apparel and Imperial Garments stopped operating in 2020

EMPLOYEES BY REGION

	2019		2020	
China	1613	8%	1109	8%
Thailand	3878	19%	3253	24%
Malaysia	4671	23%	0	0%
Vietnam	9178	45%	8286	61%
Ethiopia	950	5%	706	5%
Hong Kong	280	1%	228	2%

*data with Pen Apparel and Imperial Garments

EMPLOYEES BY CONTRACT AND GENDER

	2019	2020	2019	2020
	Male		Female	
Permanent	2135	1588	8713	7128
Fixed Term	3572	1769	6150	3097
Total by Gender	5707	3357	14863	10225
	28%	25%	72%	75%

EMPLOYEES BY CATEGORY AND NATIONALITY

	2019*	2020	2019*	2020
	Local		Foreign	
Managerial	477	362	96	63
	83%	85%	17%	15%
Non Managerial	3794	2638	229	27
	94%	99%	6%	1%
Operators	11569	9151	4405	1341
	72%	87%	28%	13%
Total by Nationality	15840	12151	4730	1431
	77%	89%	23%	11%

*data with Pen Apparel and Imperial Garments

EMPLOYEES BY CATEGORY AND AGE GROUP

	2019*	2020	2019*	2020	2019*	2020
	under 30		30-50		over 50	
Managerial	19	23	479	347	75	55
	3%	5%	84%	82%	13%	13%
Non Managerial	1194	1004	2645	1561	184	100
	30%	38%	66%	59%	5%	4%
Operators	7409	5498	8212	4780	353	214
	46%	52%	51%	40%	2%	2%
Total by Category	8622	6525	11336	6688	612	369
	42%	48%	55%	49%	3%	3%

NEW HIRES & TURNOVER BY AGE GROUP

	2019*	2020	2019*	2020	2019*	2020
	under 30		30-50		over 50	
New hires	4198	3618	1662	1234	23	20
	4.1%	4.6%	1.2%	1.5%	0.3%	0.5%
Turnover	4939	3945	2585	2102	178	191
	4.8%	5.0%	1.9%	2.6%	2.4%	4.3%

NEW HIRES & TURNOVER BY REGION

	2019		2020		2019		2020	
	New hires				Turnover			
China	405	2.1%	70	0.5%	2038	10.5%	441	3.3%
Thailand	545	1.2%	23	0.1%	630	1.4%	1191	3.1%
Malaysia	258	0.5%	0	0%	1624	2.9%	2268	0%
Vietnam	4581	4.2%	4693	4.7%	3286	3.0%	4437	4.5%
Ethiopia	0	0%	6	0.1%	34	0.3%	37	0.4%
Hong Kong	94	2.8%	80	2.9%	90	2.7%	132	4.8%

*data with Pen Apparel and Imperial Garments

EMPLOYEES BY CATEGORY AND GENDER

	2019*	2020	2019*	2020
	Female		Male	
Managerial	311	250	262	175
	54%	59%	46%	41%
Non Managerial	2730	1858	1293	807
	68%	70%	32%	30%
Operators	11822	8118	4152	2374
	74%	77%	26%	23%
Total by Gender	14863	10226	5707	3356
	72%	75%	28%	25%

NEW HIRES & TURNOVER BY GENDER

	2019*	2020	2019*	2020
	Female		Male	
New hires	3572	2768	2311	2104
	2.0%	2.3%	3.4%	5.2%
Turnover	4854	3968	2848	2270
	2.7%	3.2%	4.2%	5.6%



5/F, TAL Building
49 Austin Road, Kowloon
Hong Kong