



2021 SUSTAINABILITY REPORT

 TAINAN ENTERPRISES CO., LTD.

CONTENT

About this Report	01
From the Chairman	02
Awards and Accolades	04
COVID-19 Team Taiwan	07
Corporate Social Responsibility and Governance	08

01	Corporate Governance	18
1.1	About Tainan Enterprises	19
1.2	Corporate Governance	23
1.3	Ethical Management	26
1.4	Risk Warning and Assessment	27

02	Value Chain Transformation	30
2.1	Innovation and circular economy	31
2.2	Sustainability Partnerships	37
2.3	Product Safety	41

03	Environmental Sustainability	42
3.1	Operating Environment Management	43
3.2	Water Resource Management	51
3.3	Management of Chemicals	53
3.4	Compliance	54

04	Employee Care	55
4.1	Employee Profile	56
4.2	Employee Compensation and Benefits	59
4.3	Promotion of Employee Rights	63
4.4	Occupational Health and Safety	68
4.5	Career Management and Learning	72

05	Social Inclusion	75
5.1	Circular Reuse	76
5.2	Urban Sustainability	78
5.3	Crossover Co-creation	81
5.4	Youth Empowerment	83
5.5	Employee Engagement	83
	GRI Content Index	84
	SASB Standard - Sustainability Disclosure Topic and Accounting Metrics	90

About this Report

This is the third sustainability report to be published by Tainan Enterprises Co., Ltd. (hereafter referred to as Tainan Enterprises).

The purpose of this report is to disclose to the general public and stakeholders the efforts made by Tainan Enterprises in the Environmental, Social, and Governance aspects, as well as our performance and future strategic goals. Tainan Enterprises hopes that the publication of this report will give stakeholders an understanding of our commitment to the continued pursuit of corporate sustainability and social responsibility.

• Editorial Principles

The Tainan Enterprises Sustainability Report has been prepared in accordance with the GRI Standards: Core option published by the Global Reporting Initiatives (GRI).

• Reporting Period

The data and content disclosed here are mainly for the period between January 1 and December 31, 2021. Some of the performance data is from information prior to 2020 or more recent information in 2022.

• Report Boundaries and Scope

The information outlined in the report encompass Tainan Enterprises operating locations in Taiwan, China, Indonesia, Cambodia, and Vietnam.

• Basis of Information and Calculations

The information and statistics provided in this report come from internal statistics and investigations. Some of the financial data in the section on Business Performance cites financial statements signed by the CPA. All of the financial data in this report are expressed in New Taiwanese Dollars (NTD). All of the data were collected, measured, and calculated in accordance with regulatory requirements. International standards were followed if there were no specific applicable regulations. If there were no applicable international standards then industry standards or practices were used as a reference.

• Publication

This is the third report to be published by Tainan Enterprises Co., Ltd. The report is published annually and available for accessing and downloading from the Tainan Enterprises website.

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• Feedback

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Corporate website





From the Chairman

The Inspiring Story of Sustainability at Tainan Enterprises

Six decades have passed by since Tainan Enterprises was founded in 1961 and Tainan Enterprises Culture and Art Foundation was established 20 years ago. We are grateful to all of our diverse partners for their support and companionship along the way.

The ongoing COVID-19 pandemic that first broke out in December 2019 has been the ultimate stress test for all Taiwanese industries. Tainan Enterprises continued to uphold our corporate philosophy of Sincerity (to people), Goodness (in deeds), and Beauty (of products) in the face of the pandemic. We believe that the only way to build a resilient enterprise that can adapt to the new normal is through reform, innovation and perseverance in Environment (E), Society (S), and Governance (G).

Circular Transition and Science-based Carbon Reduction

The global push towards carbon neutrality means businesses must now consider climate change and sustainable management. The EU is set to introduce the Carbon Border Tax in 2026 and the national pathway to net-zero emissions in 2050 was announced by President Tsai, Ing-wen on March 30. The transition from trading of carbon credits to trading of carbon rights means a new age of sustainability is upon us. Green governance will now be the central theme in sustainability. Keeping pace with the trend towards a "zero carbon economy" and the forging of "sustainability capability" will be crucial to competitiveness in the carbon economy of the future. As a key player in the pollution-intensive supply chain of the apparel industry, Tainan Enterprises is now putting our own response plans into practice. In 2021, solar power equipment was installed at our laundry in Cambodia with provisions for its expansion to the garment factory as well. The system will provide a continuous supply of clean and green energy while also reducing indoor temperatures throughout the factories. This year, we have also expanded our Recycled Claim Standard (RCS) certification so that all Tainan Enterprises production sites are now capable of producing RCS products. Our plant in Jakarta, Indonesia,

received Global Organic Textile Standard (GOTS) certification and introduced “Life Cycle Assessment” to ensure that all aspects of organic textiles from their raw materials, production process through the final product all comply with specifications for organic standard and to provide end consumers with products they can trust. By taking inventory of our potential impacts on the environment from packaging, waste disposal to recycling as well as more precise management of product carbon footprint, we are achieving our goals of circular transition and science-based carbon reduction.

Digital Transformation:

Corporate Resilience through Value Chain Transformation

COVID-19 reinforces Tainan Enterprises the importance and urgency of digital transformation for businesses. The path of transformation involves enhancing the longstanding enterprise resource planning system introduced to integrate information flows from the factories, company, and customers in order to optimize production processes and shorten delivery times; at the same time, active efforts are made to match professional talent with education and training. Quality control, technology upgrades, and the R&D of production process are leveraged to realize the integration of innovative, diverse, and internationalized supply chains. AI technology such as image search and Robotic Process Automation (RPA) techniques are used to boost up productivity and competitiveness. In the meantime the thriving development of Industry 4.0 meant that factory automation is now inevitable. The use of automation systems to control production processes and equipment enables the automated manufacturing and processing of finished components. The integration of equipment and production lines with computer programs and manufacturing execution system (MES) to create safer and more streamlined workflows is another key area of development for Tainan Enterprises. By investing in new technologies and value chain transformation, Tainan Enterprises is continuing to introduce sustainability innovations in our production process. The setting of implementation targets and review of action plans focusing on our core business will strengthen Tainan Enterprises as a resilient enterprise.

Finding Our Place on the Global Sustainability Map

Becoming a bigger and more internationalized company also means greater responsibilities. In addition to making profits for shareholders and investors through the creation of economic value, businesses must also create social value and pay attention to the needs of stakeholders. We believe that the proper practice of ESG is the greatest gift that a business can contribute to society. Tainan Enterprises C.E. School, provided knowledge with the circular economy, was established by Tainan Enterprises Culture and Art Foundation began implementing online/offline digital transformation and producing teaching videos in 2021. The “recycling and circulation of people and objects” at the school made it a site for the practice and output of corporate influence. Women returning to the workforce found support, a sense of belonging, and job opportunities here. Items that were once discarded during the age of consumption also had the opportunity to be recycled and reused. Work began by designing projects connected to the ecosystem based on the reuse of agricultural and marine waste. Particular emphasis was given to reuse in design as well. In addition, the Personal Advancement & Career Enhancement (P.A.C.E.) program, an initiative to support female employees' education, first launched in Cambodia in 2013 was expanded to Indonesia and then to production lines in Vietnam in 2021. Ongoing efforts are being made to strengthen our connection with communities and non-profit organizations to enhance the quality of life for locals.

Planet Earth is the soil in which businesses grow. Giving back to society is our corporate responsibility. As an international corporate citizen, everything we do behind the scenes is out of mutual respect and gratitude. Tainan Enterprises strives to establish a cycle between society and the environment through sincerity, innovation and perseverance. We embrace sustainability as part of our corporate character in order to become a world-leading enterprise in sustainability.

Chairman of the Board

Yang Ching-Hon

Awards and Accolades

Past Awards

2012

- Ann Inc. Top Vendor Award
- Macy's Five Star Award



2017

- MGF Anti-Human Trafficking Award



2014

- Global Views Monthly 10th Corporate Social Responsibility Awards
- CommonWealth Magazine CSR Awards - No.5 in the Medium-sized Enterprises category
- Macy's Five Star Award



2019

- 1st Taiwan Circular Economy Awards - Gold award in the Cross-Industry category
- Global Views Corporate Social Responsibility Awards - Excellence in Environmental Sustainability Award
- CommonWealth Magazine CSR Awards - Medium-sized Enterprises award



2015

- CommonWealth Magazine CSR Awards - No.6 in the Medium-sized Enterprises category
- MGF Long Term Partnership Award
- Macy's Five Star Award for Global Citizenship



2020

- COVID-19 Team Taiwan



2016

- CommonWealth Magazine CSR Awards - No.6 in the Medium-sized Enterprises category
- 4th National Environmental Education Awards - Merit award in the Group category
- HER Project Excellence in Project Execution Award



2021

- 6th Taiwan Mittelstand Award
- Nominated for the 17th Global Views Monthly CSR Award in the Social Innovation category



Sustainability Highlights



Epidemic Prevention Measures

The COVID-19 pandemic broke out in December, 2019, and spread across the globe over the following two years. In 2021, governments in Southeast Asia responded to the increasing scale and severity of outbreaks by imposing strict controls. Vietnamese government ordered workers to “work, eat, and rest in place” while the Indonesian and Cambodian governments set staffing limits or even factory lockdowns that threatened to shut down factories altogether.

Tainan Enterprises set up an emergency command organization in 2020 to prevent and control the spread of COVID-19. The Chairman and General Manager served as the commanders-in-chief to oversee the decision-making and execution of epidemic prevention measures by front-line managers in the Systems Division, Human Resources/Financial Division, Logistics Management Division, Technical Research & Development Division, Information Systems Division, Development Division, Sportswear Division/Tainan Factory, and Sustainability and Quality Assurance Division. These included daily measurement of body temperatures, requiring face masks to be worn at all time in the office except when eating or drinking, regular handwashing with sterilizing alcohol, frequent sanitation of offices, procurement of rapid antigen testing kits for employees, working from home, and split shifts.

Emergency assistance teams were set up by factories to provide response based on changes in local policy and discussions at the emergency command organization. Tainan Enterprises also worked with local governments to arrange for medical personnel to visit the factories and give all employees both doses of the vaccination as soon as possible. Employees were encouraged to get their booster shots as well to improve their immune protection and reduce the risk of severe illness. Random rapid antigen test (RAT) testing was carried out to control any outbreaks as soon as possible. Outside visitors were banned at factories except for special or necessary issues. Important visitors such as customers and auditors were required to provide a negative COVID-19 test result before being allowed into the factory and wear a face mask at all times.

• Epidemic prevention measures at Tainan Enterprises



Daily measurement of body temperatures and disinfection of all employees



Reporting mechanism, contact tracing



E-mail/bulletin board, personal epidemic prevention and hygiene education/training



Limiting the number of people in conference rooms, office gatherings, and contact between floors



Set up of tele-working equipment, implementation of working-from-home and split shifts



Visitor restriction management, use of video conferencing in place of non-essential visits



Supply of disinfectant in kitchenettes that employees can use to replenish their own containers and disinfect their personal office space as necessary

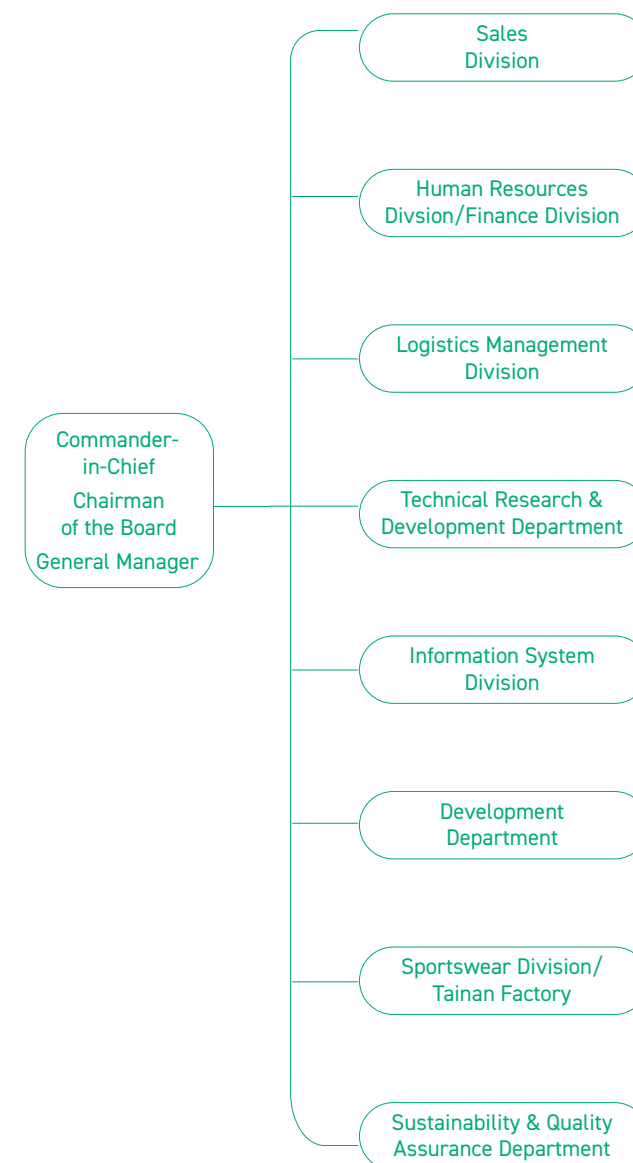


Third-party sterilization of office areas at various times



Procurement of RAT kits for employees

• Emergency Command Organization Chart



COVID-19 Team Taiwan

Tainan Enterprises joined the COVID-19 Team Taiwan and was actively involved in the development and production of personal protective equipment. In August 2020, Tainan Enterprises was presented with the COVID-19 Team Taiwan medal; President Tsai Ing-wen also visited our Tainan Factory on January 15, 2021, to thank Tainan Enterprises for cooperating with the crash production program during the pandemic. In return, we presented the President with a circular carry bag. Obsolete supplies were re-designed into carry bags to give them a new lease of life and make more efficient use of resources.

President Tsai Ing-wen visited
Tainan Enterprises' Tainan Factory
in person

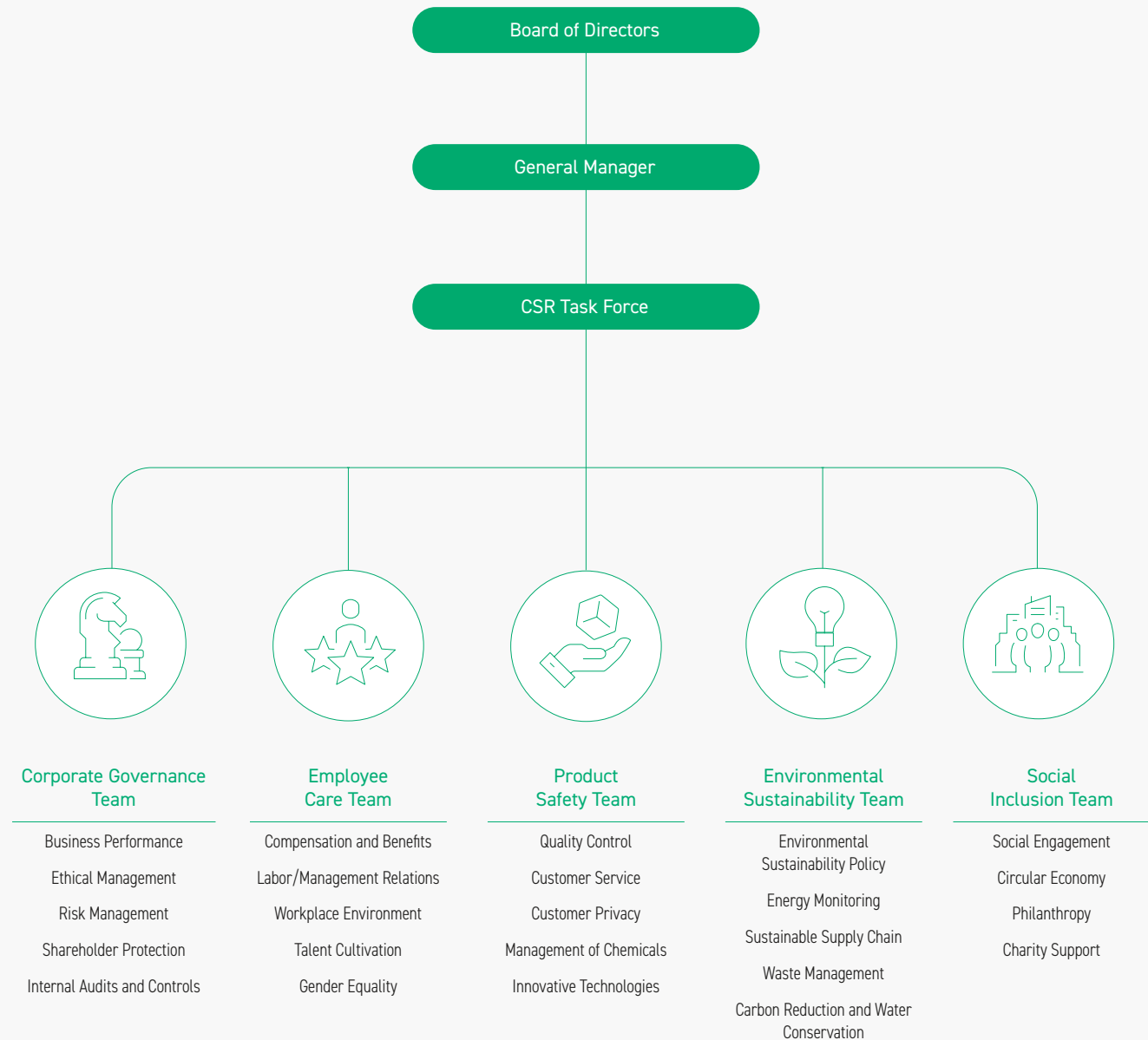


Corporate Social Responsibility and Governance

The sustainable development of society and the environment is the responsibility of Tainan Enterprises as a corporate citizen in good standing. We have developed management mechanisms and goals in response to social and environmental changes. We also strive to fulfill our corporate social responsibility by dealing with every employee in good faith and looking after every piece of land.

CSR Task Force

Tainan Enterprises embraces our role as a corporate citizen by actively putting CSR into practice in line with international trends. We also drew up the CSR Best Practice Principles to fulfill our corporate social responsibility and look after the rights of our stakeholders. As corporate citizens, we are fully committed to supporting the national economy, improving the quality of life for employees, communities and society, as well as the pursuit of sustainable corporate development and management. Tainan Enterprises attaches great importance to governance, environmental and social factors as well so have incorporated ESG into our management approach and business activities. Domestic and overseas trends in CSR development, correlation with core company operations, as well as the stakeholder impact of the Group's business activities as a whole were taken into account to devise our CSR policy, system, related management approach, and actual implementation plans. CSR is practiced across the board to reach a balance between economic and social sustainability.



Tainan Enterprises Support for UN SDGs

SUSTAINABLE DEVELOPMENT GOALS



1 NO POVERTY

Factories made regular visit to local children's homes to make donations in kind while also participating in various community engagement activities.

Financial donations are made by the Cambodian factory to the local children's home every year. Employees also visit the children and play with them.



4 QUALITY EDUCATION

1. The P.A.C.E. education program provides female employees with work and life education. Nearly 2,000 female employees have benefited from the program to date and it will be expanded to the Vietnamese factory in 2022.

Employee Care 4.5.1 P.A.C.E. Education Program

2. Women's empowerment courses were held to train middle-aged woman on entering the third stage of their lives. In addition to sewing and other skills, graduates also return as teachers to communicate concepts such as circulation, recycling, extension and sharing in the Circular Economy School.

Social Inclusion 5.2 Urban Sustainability

3. Summer youth empowerment training used real-world locations, topics and solutions to train students on how to identify, communicate and solve real-world problems; cultivate their ability to get to the crux of the issue and create solutions; working as part of a team and using circular design to change their lives.

Social Inclusion 5.4 Youth Empowerment



13 CLIMATE ACTION

Tainan Enterprises is confronting the effects of climate change by introducing the Task Force on Climate-related Financial Disclosures (TCFD) framework. Risk assessments are conducted for the impacts of climate change so that a carbon emission reduction plan can be devised to mitigate climate change.

Corporate Governance 1.4 Climate Change Risks and Opportunities



5 GENDER EQUALITY

The GBV-POSH sexual harassment prevention program trained selected factory employees to become instructors. The instructors then raised awareness on sexual harassment among other employees at the factory.

Employee Care 4.3.2 Sexual Harassment Prevention Program



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Tainan Enterprises Culture and Art Foundation turned "agri-waste" into usable resources to reduce their impact on the environment. A green design approach was adopted to connect agri-waste with packaging applications, creating a product for the circular economy that can not only be re-used but is also 100% bio-degradable.

Social Inclusion 5.1 Circular Reuse



14 LIFE BELOW WATER

The Cambodian laundry (water-intensive production site) recycled 100% of its process and domestic wastewater. "Zero wastewater discharge" was achieved in 2021.

Environmental Sustainability 3.1.2 Wastewater and Waste Management



17 PARTNERSHIPS FOR THE GOALS

The Foundation partnered with Dot Design and Super Textile Corp. to combine pineapple fiber with recycled plastics and transform recycled textiles into circular textiles. Tainan Enterprises' expertise in pattern-making, production, and R&D were also leveraged to create stylish eco-friendly bags. A circular economy mindset was applied to create practical applications for circular materials. By making sure that every material can continue to be circulated and reused through the industry, excessive consumption of resources is avoided during the product development process.

Value Chain Transformation 2.1.2 Circular Economy



11 SUSTAINABLE CITIES AND COMMUNITIES

The "Tainan ReDesign" project focused on urban sustainability, plastic-free business districts and relationship renewal to convey a zero-waste approach to fashionable living. A total of 22 related training workshops were conducted that provided art and cultural training to 401 people.

Social Inclusion 5.2 Urban Sustainability

Stakeholder Engagement

The AA1000 Stakeholder Engagement Standard (AA1000 SES), along with domestic/overseas trends in sustainability topics and operational requirements were used as a reference to define 8 types of key stakeholders, namely Employees, Shareholders/Investors/Banks, Suppliers/Contractors/OEM, Customers/Brand Vendors, Government, Community, Non-Government Organizations (NGO) and the Media. Tainan Enterprises listens intently to stakeholder opinions. Two different types of questionnaires were distributed to determine the topics of concern to stakeholders as well as the degree of impact that sustainability has on the society, environment, and economy. Feedback from the questionnaires were then sorted by materiality and incorporated into the Company's sustainability strategy planning to improve our future operations and implementation.

Stakeholders	Relevance	Topic of Concern	Response	Channel and Frequency of Engagement
 Employees	Employees are Tainan Enterprises' most important asset. We grow and create value together with our employees through the establishment of sound labor/management relations and working environments.	- Economic Performance - Child Labor - Forced or Compulsory Labor	- Tainan Enterprises respects the rights of every employee and the use of child labor is strictly prohibited. We also conduct annual third-party audits in accordance with International Labour Organization (ILO) standards to ensure our compliance on employee rights, recruitment, and separation. - The Human Resources Department provides education and training to employees upon their arrival, and informs them of their rights and benefits. Employee rights and benefits are also published and available for employee review at any time.	- Weekly management-employee communication meeting - Monthly labor/management dialog - Ad hoc education and training - Instant employee suggestion box - Quarterly occupational safety meeting
 Shareholders/ Investors/Banks	The support and supervision of our investors is fundamental to the continuity of Tainan Enterprises operations. Transparency of information and continuous communication and engagement with stakeholders ensure that all investors are heard.	- Environmental Compliance - Forced or Compulsory Labor - Child Labor - Local Social Support	Tainan Enterprises has continued to disclose our outcomes in environmental performance, labor rights, compliance, and local social support in our corporate sustainability report since the first report was published in 2020. The reports can be viewed or downloaded from our corporate website.	- Annual general shareholders' meeting - Corporate website, Market Observation Post System and other information are updated as necessary - Responded to shareholders via telephone or correspondence on an ad hoc basis
 Suppliers/ Contractors/OEM	Suppliers/Contractors/OEM have a direct impact on production at Tainan Enterprises. Close collaboration and management are maintained to forge a sustainable supply chain.	- Corporate Governance - Anti-Corruption - Economic Performance - Labor/Management Relations	- The Company Articles of Incorporation are disclosed on the Chinese version of our corporate website for public viewing and download. - The Tainan Enterprises "Employee Code of Conduct" and "Anti-Bribery and Enticement Policy" prohibit bribery and the acceptance of improper gain in any form. Please report any suspected incidents of corruption or improper gain to: Ms. Chu Chen-chi, Internal Audit Tel: (06)2307-911 #151 E-mail: aifa@tai-nan.com - Tainan Enterprises has continued to disclose our outcomes in labor rights, compliance, and business performance in our corporate sustainability report since the first report was published in 2020. The reports can be viewed or downloaded from our corporate website.	- Ad hoc communication by phone or correspondence. - Ad hoc contractor conferences - Ad hoc counseling and audits - Ad hoc themed information sessions - Annual signing of Supplier Code of Conduct by vendors - Annual filling out of C-TPAT self-assessment questionnaire by suppliers

Stakeholders	Relevance	Topic of Concern	Response	Channel and Frequency of Engagement
 Customers/ Brand Vendors	Tainan Enterprises maintains strict quality controls through our expertise and technology to provide customers with the best products. We also develop new products and work with customers to open up new markets.	- Water Resource Management - Wastewater and Waste Management - Environmental Compliance - Forced or Compulsory Labor	- The Higg Facility Environmental Module (FEM) is used by each factory to share environmental data with customers every year. The data encompassed water resource management, wastewater and waste management, energy management, state of compliance, and greenhouse gas emissions. - Suppliers' codes of conduct are signed by Tainan Enterprises to promise that no forced or compulsory labor is used. We also conduct annual third-party audits in accordance with International Labour Organization (ILO) standards and share the audit results with our customers.	- Quarterly/annually factory audit - Quarterly customer conference - Ad hoc communication by phone or correspondence.
 Government	Tainan Enterprises complies with the relevant laws and regulations issued by the government and competent agencies. We cooperate fully with the introduction and implementation of government regulations.	- Wastewater and Waste Management - Environmental Compliance - Greenhouse Gas Emissions - Occupational Health and Safety	- Each factory applies for wastewater discharge and waste disposal in accordance with local laws. We also monitor regulatory developments and cooperate with the introduction and implementation of government regulations. - Tainan Enterprises conducts internal GHG inventory on a voluntary basis. GHG emissions of corporate entities and subsidiaries are now disclosed in accordance with the government's GHG inventory timetable. - Occupational injuries are reported by each Tainan Enterprises operating location in accordance with local regulations. Regular OHS meetings are also conducted to inspect and review factory safety.	- Ad hoc participation in forums and symposiums - Ad hoc communication via official correspondence - Regular reporting of wastewater and waste discharge
 Community	In addition to business profits, supporting the local community is another key component of business. The support of local communities makes it possible for Tainan Enterprises to carve out a local niche and set sights on international markets.	- Indirect Economic Impacts - Management of Chemicals - Greenhouse Gas Emissions	- Our factories in Cambodia as well as Jakarta and Solo in Indonesia make donations in kind to their local children's home every year and visit the children to play with them. - Tainan Enterprises Culture and Art Foundation is based in Tainan but its efforts have recently begun bearing fruit around Taiwan. The Foundation supports the local community and boosts the resilience of community development. - Tainan Enterprises conducts a GHG inventory of every plant each year. The In-EMS cloud energy management system is used to monitor data such as power consumption, temperature and humidity, detect the energy efficiency of equipment, devise a replacement plan, manage GHG emissions and lower the environmental impact on local communities.	- Ad hoc visits to local communities and organizing of community activities. - Ad hoc communication by telephone and E-mail.
 Non-Government Organizations	Resources provided by non-government organizations (NGO) and industry associations held fuel the steady development of Tainan Enterprises. We are an active participant in all matters and work together to create industry value.	- Water Resource Management - Labor/Management Relations - Employment - Technical Innovation (Circular Economy)	Tainan Enterprises has continued to disclose our outcomes in environmental performance (including water resource management), labor rights, compliance, innovative technologies and local social support in our corporate sustainability report since the first report was published in 2020. The reports can be viewed or downloaded from our corporate website.	- Ad hoc communication by phone or correspondence. - Ad hoc publication of information on the company website
 The Media	Media supervision and recommendations spur continued developments at Tainan Enterprises. We listen to the media with an open-mind and respond to requirements set by the local community.	- Corporate Governance - Technical Innovation (Circular Economy) - Labor/Management Relations - Local Social Support	- The Company Articles of Incorporation are disclosed on the Chinese version of our corporate website for public viewing and download. - Tainan Enterprises has continued to disclose our outcomes in environmental performance, labor rights, compliance, innovative technologies, and local social support in our corporate sustainability report since the first report was published in 2020. The reports can be viewed or downloaded from our corporate website. - Tainan Enterprises enters CSR-related awards organized by the media at different times, and report the company's outcomes on local community support to the media.	- Ad hoc communication by phone or correspondence. - Ad hoc publication of information on the company website - Ad hoc participation in awards and activities

Identifying and Responding to Material Topics

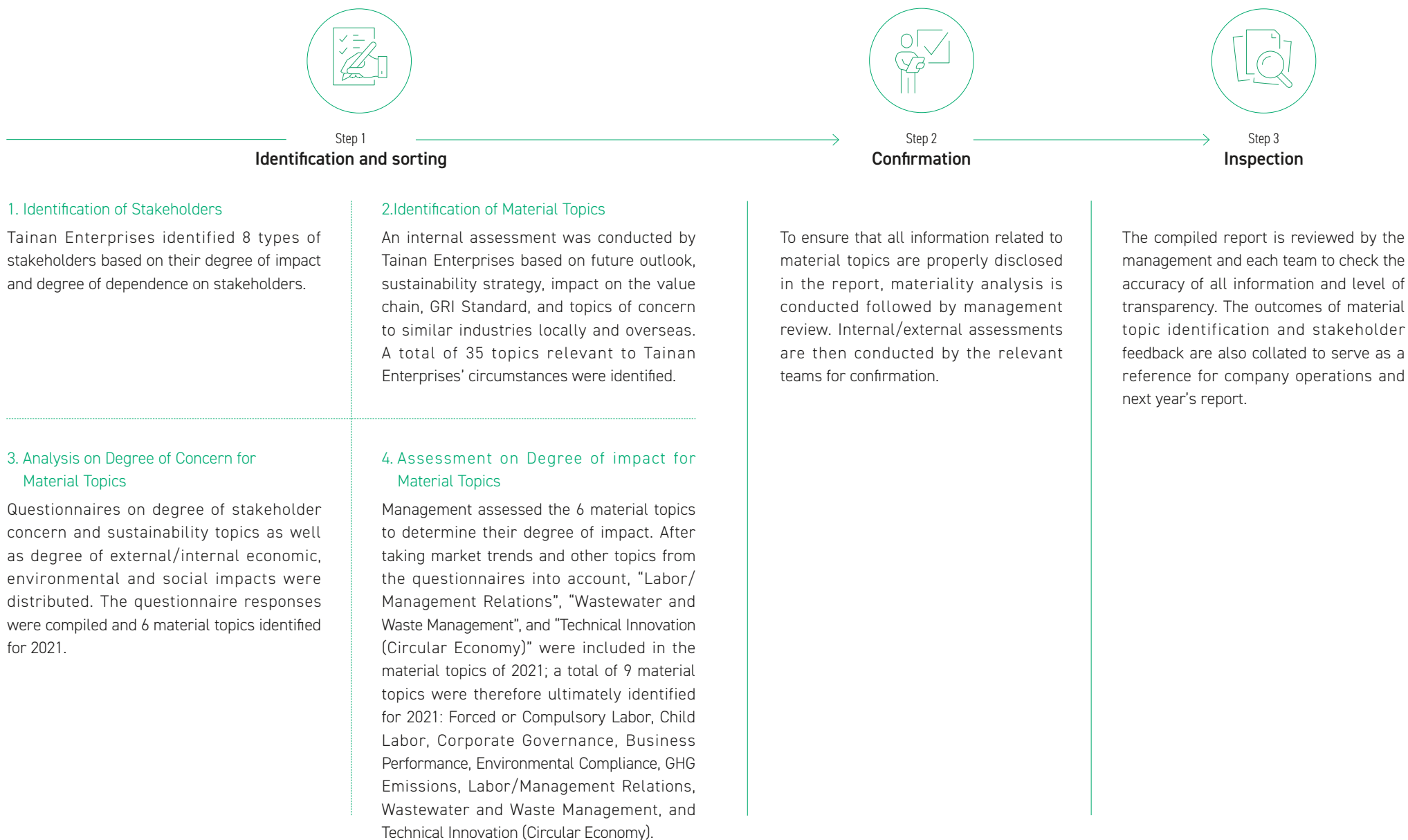


Table below shows the material topic matrix for Tainan Enterprises in 2021.



Impact Boundaries of ESG Material Topics

Aspect	Topic	Significance to Tainan Enterprises	Indirect Impact	Direct Impact		Indirect Impact	Explanation of Impact Boundary	GRI Index
			Upstream Supply Chain	Production Site	Headquarters	Downstream Brand		
Environmental	Environmental Compliance	Ensure that Tainan Enterprises production complies with the relevant local laws and regulations.	●	●	●	●	Non-compliance will have a negative impact on the overall value chain.	GRI307
	Emissions	Tainan Enterprises aims to cope with global climate change by reducing our GHG emissions to mitigate the potential impacts of disasters on company operations.		●		●	GHG emissions are linked to the impact of climate change. Downstream vendors also set requirements on GHG emissions as well so there is negative impact on both downstream vendors and production sites.	GRI305
	Effluents and Waste	Wastewater discharge and waste disposal at our factories are important issues for Tainan Enterprises as pollution will negatively impact on the surrounding environment.		●			Discharge of wastewater and waste have a negative impact on the environment near our sites.	GRI303 GRI306
Social	Forced or Compulsory Labor	Compulsory labor is an important issue for Tainan Enterprises. We aim to ensure that the rights of our employees and the supply chain comply with the relevant standards.	●	●	●	●	Compulsory labor violates ILO standards and impacts on the overall value chain.	GRI409
	Child Labor	Child labor is an important issue for Tainan Enterprises. We aim to ensure compliance with local laws.	●	●	●	●	Use of child labor violates ILO standards and impacts on the overall value chain.	GRI408
	Labor/ Management Relations	Employees are the most important company asset. Tainan Enterprises strives to build a healthy working environment with channels for bilateral communication.		●	●		Employees are company's important assets. Poor labor/ management relations have a negative effect on the company's constitution.	GRI401 GRI402 GRI404 GRI405
Governance	Corporate Governance	Tainan Enterprises strives to build a sound corporate governance structure and eliminate information asymmetry. We strive to protect the interests of stakeholders through corporate governance.	●	●	●	●	Corporate governance is the foundation of business operations. The soundness of the company affects the overall value chain.	Self-defined Material Topics
	Economic Performance	Tainan Enterprises has made sustainability our goal. We also strive to identify market trends so that we can refine our business strategy and protect the rights of stakeholders.	●	●	●	●	Economic performance is closely connected to the capacity for sustainability. The ability to recognize market trends in order to make the right decision on business strategy and accountability to stakeholders will effect the overall value chain.	GRI201
	Technical Innovation (Circular Economy)	Technical innovation is employed to make the circular economy a reality in order to solve social and environmental problems as well as developed new business opportunities.		●	●		Technical innovation can enhance productivity and lower costs. Failure to engage in technical innovation leads to corresponding risks for factories and headquarters.	Self-defined Material Topics

Management Approach for ESG Material Topics

An internal assessment was conducted by Tainan Enterprises based on future outlook, sustainability the dimensions of the GRI Standard, and topics of concern to similar industries locally and overseas. A total of 9 topics relevant to Tainan Enterprises' circumstances were identified.

Topic	Management Approach	2021 Goals	Actual Performance	2022 Goals	Medium and Long-term Goals	Corresponding Section
Environmental Compliance	Each factory shall periodically audit the validity of their regulatory permits, identify local laws and regulations that they need to comply with, and develop a plan to track new developments on a regular basis to ensure compliance with the latest regulatory requirements.	100% environmental compliance	There were no violations of environmental regulations in 2021	Maintain 100% environmental compliance	Exceed the minimum local standards and transition to low-carbon green production processes.	3. Environmental Sustainability
Emissions	The energy data of each factory is collated by Tainan Enterprises for management of power-consuming devices. Energy intensive processes are identified and energy conservation techniques developed to conserve energy and reduce GHG emissions.	Reduce energy consumption and periodically review the GHG data of each factory	2021 GHG emissions were 0.74% lower than the previous year	Continue to reduce energy consumption and periodically review the GHG data of each factory.	Continue reduce energy consumption and prioritize the use of low-carbon energy and fuels	3. Environmental Sustainability
Effluents and Waste	Effluents: Each factory conducts daily water quality testing and annual Zero Discharge of Hazardous Chemicals (ZDHC) testing of wastewater to ensure that all discharges comply with wastewater discharge standards. Wastewater recovery system has also been introduced to reduce wastewater discharge and use of groundwater Waste: Each factory is continuing to introduce new technologies and equipment to reduce the amount of waste generated. Regular employee awareness and poster campaigns are also run to encourage employees to sort waste for recycling by qualified contractors.	Compliance with local regulations on effluents and waste.	There were no violations of local effluent and waste regulations in 2021.	Continue to maintain compliance with local regulations on effluents and waste. Conform to ZDHC Wastewater Guidelines for wastewater testing and reach the Foundational level.	Conform to ZDHC Wastewater Guidelines and reach the Progressive or Aspirational levels.	3. Environmental Sustainability



Environmental



Social

Topic	Management Approach	2021 Goals	Actual Performance	2022 Goals	Medium and Long-term Goals	Corresponding Section
Forced or Compulsory Labor	Adopted International Labour Organization (ILO) standards banning forced labor on restrictions on employees' movements through the use of power or coercion. Annual third-party audits are conducted to ensure compliance on employee rights, recruitment and separation. Human rights improvement projects are also carried out.	Ensure that there are no incidents of forced labor in the supply chain	There were no incidents of forced labor in 2021	Continue to ensure that there are no incidents of forced labor in the supply chain	Assist employees with improving employee rights and benefits; strengthen human rights audits.	2. Value Chain Transformation 4. Employee Care
Child Labor	The use of child labor is prohibited in accordance with ILO standards. Annual third-party audits are conducted to ensure that all factories are in compliance and there is no use of child labor. Employee age and identification documents are also verified before employment so that nobody under the local statutory minimum age is hired.	Ensure that there are no incidents of child labor in the supply chain	There were no incidents of child labor in 2021	Continue to ensure that there are no incidents of child labor in the supply chain	Strengthen the transparency of the supply chain and conduct due diligence on supplier partners to check incidents of child labor.	2. Value Chain Transformation 4. Employee Care
Labor/Management Relations	Establish a sound foundation for positive labor/management regulations through regular meetings with unions, introduction of employee management app to facilitate employee suggestions as well as factory investigations.	Construct a healthy working environment with bilateral channels of communication.	A total of 5 factory complaints were received in 2021 involving factory regulations and COVID-19 policy. All complaints were dealt with in an appropriate manner with consensus achieved.	Build a better labor/management communications platform by refining the functionality and usage of the employee management app.	Improve labor/management relations by establishing diverse means of communication and encouraging employees to provide their opinions and suggestions.	4. Employee Care



Governance

Topic	Management Approach	2021 Goals	Actual Performance	2022 Goals	Medium and Long-term Goals	Corresponding Section
Corporate Governance	Tainan Enterprises strives to build a sound corporate governance system by participating in the annual corporate governance evaluation of the Securities and Futures Institute and adopting the evaluation metrics as our goal. We also use our website and Sustainability Report to expand our disclosure of company information. Providing shareholders, stakeholders, and the general public with the same access to information improves transparency and eliminates information asymmetry.	Strive to build a sound corporate governance structure and eliminate information asymmetry. We strive to protect the interests of stakeholders through corporate governance.	Board members take part in continuing education on corporate governance and business management every year. In 2021, each Board member undertook 6 hours of continuing education. Improvement of corporate competitiveness by focusing on the establishment of a sound corporate governance system.	Define organizational structure and roles to emphasize corporate governance affairs and appoint a corporate governance officer.	Continue to improve the company's corporate governance evaluation metrics by refining internal company regulations to ensure transparency of company information.	1. Corporate Governance
Economic Performance	Respond to market and technology trends by investing in smart equipment that improve performance. Boost profitability through better productivity and production agility.	Internal review of company operations and investment in smart production reduced the impact of COVID-19 and restored profitability.	Net profit after tax grew by 38% compared to 2020	Introduction of information management, data analytics and business intelligence (BI) systems.	Achieve sustainability by maximizing stakeholder returns and ensuring steady revenue growth	1. Corporate Governance
Technical Innovation (Circular Economy)	Use textiles that contain reclaimed materials and turn waste into merchandise through redesign to extend their product life cycle. At the same time, improvements were made to machines and production systems to enhance productivity and reduce costs.	Increase the ratio of recycled materials in textiles	Scope of RCS certification expanded in 2021 to include the Gin-Sovann Fashion and Gaoqing sites.	Continue to increase the ratio of recycled materials in textiles	Introduction of AI processes and intelligent production	2. Value Chain Transformation

CHAPTER 1

Corporate Governance

1-1 About Tainan Enterprises

1-2 Corporate Governance

1-3 Ethical Management

1-4 Risk Warning and Assessment



Highlights

- Active participant in 7 well-known domestic and overseas associations
- 0 violations of business ethics

1.1 About Tainan Enterprises



Tainan Enterprises Profile

Company Name
Tainan Enterprises Co., Ltd.



Location of Headquarters
No. 320, Sec. 3, Zhongshan Rd., Guiren Dist., Tainan City



Stock Code
1473



Date Established
August 1961



Number of Employees
11,353



Operating Revenue
5,761,476,000 TWD



Chairman of the Board
Yang Ching Hon



General Manager
Yang Shun-Hui



Total Assets
5,213,244,000 TWD



Total Equity
3,053,754,000 TWD

1.1.1 About Tainan Enterprises

Tainan Enterprises was established in August 1961 as a contract apparel maker producing trousers, shirts, dresses, skirts, jackets, vests and coats. In the beginning, most of Tainan Enterprises' business was based on low to mid-range clothing sold in hypermarkets such as K-mart in the US. In 1985, we entered the mid- to high-end apparel market thanks to orders from Conex in Germany. Our main customers today include mid/high-end leisure apparel brands such as GAP, Reitmans, Ann Taylor, Macy's and Talbots in the US, as well as well GU in Japan. The Tainan Factory now serves as Tainan Enterprises' new product design center and production site for high-value products. Taiwanese production processes and management were also transferred to overseas production locations in Indonesia, China, Cambodia, and Vietnam.

The economic miracle of Taiwan led to rising labor and land costs so Tainan Enterprises began setting up factories in China, Indonesia, Cambodia, and Vietnam. We now focus mainly on R&D and lead development in Taiwan while our factory in China is used to produce orders for the Chinese market or rush orders. Having a common language with Taiwan meant that the Chinese factory is used to personnel training as well. Indonesia, Cambodia and Vietnam serve as our main production sites due to the better quality of workers and labor costs. The distribution of manufacturing, personnel training and design functions gives Tainan Enterprises a unique competitive advantage in the global apparel market.

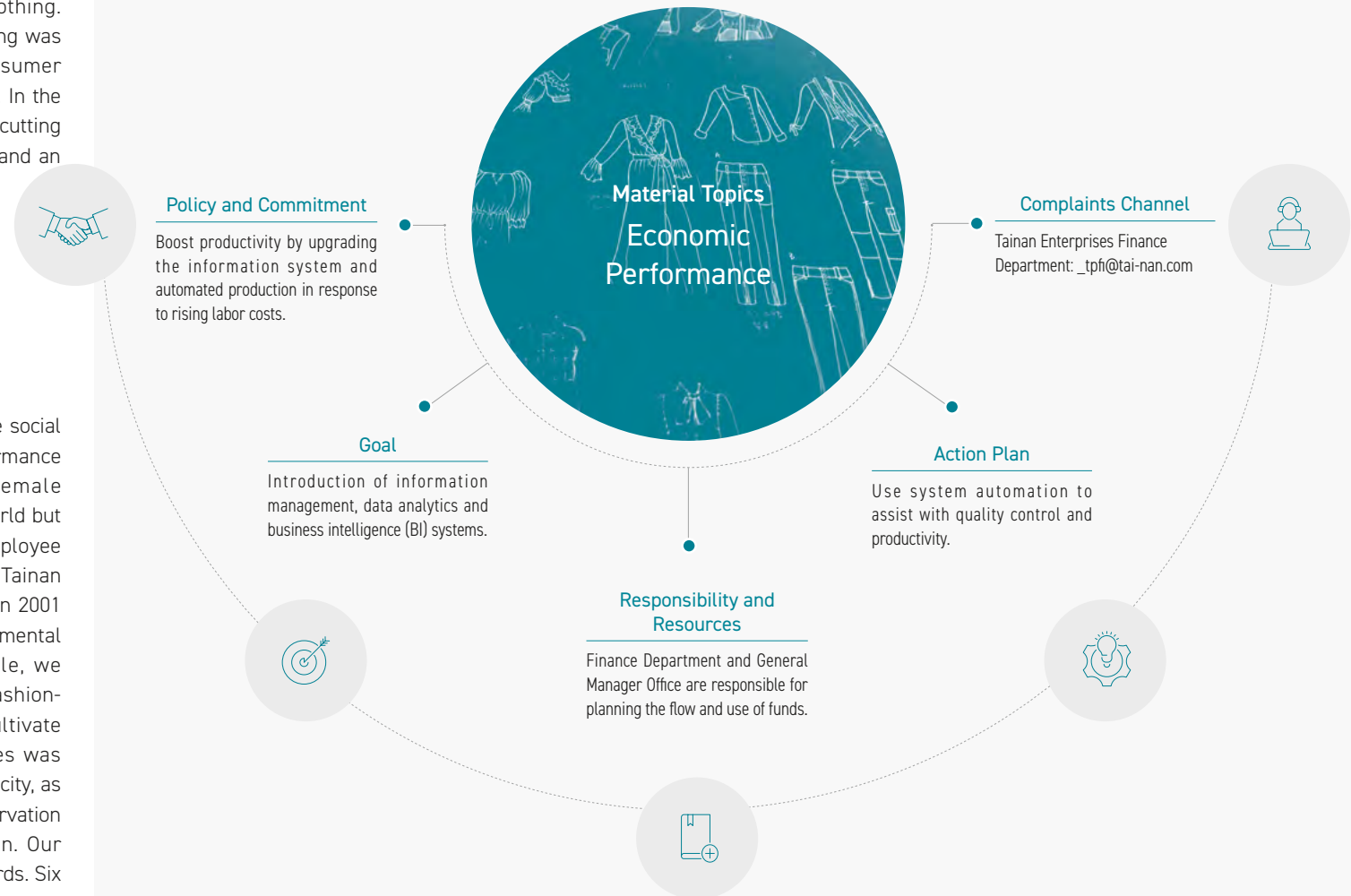
Diversified Product Strategy

Tainan Enterprises has made good progress on vertical integration in recent years and worked with our design team to keep abreast of the latest market trends. In addition to developing a wide range of products, we also expanded our apparel portfolio to include knitwear and sports clothing. Our past experience in producing mid/high-end clothing was leveraged to adapt to the constantly changing consumer market and satisfy customers' need for one-stop shop. In the future, Tainan Enterprises will continue to stay on the cutting edge through optimization of our production capacity and an efficiency-oriented operating model.

CSR in Practice

Tainan Enterprises has always embraced our corporate social responsibility. We not only pay attention to our performance in human rights, industrial safety, support for female employees and environmental protection across the world but also actively participate in projects that promote employee happiness at work and healthy living. In Taiwan, the Tainan Enterprises Culture and Art Foundation was founded in 2001 to play an active role in educational, cultural, environmental protection and social care initiatives. For example, we sponsored activities and graduation exhibitions of fashion-related departments in the university in order to cultivate more talented people in fashion. Tainan Enterprises was founded in Tainan. We feel a strong connection with the city, as a result, we have been a long-time investor in the preservation of the natural ecology and cultural assets at Tainan. Our continued efforts in CSR has garnered a number of awards. Six decades later, Tainan Enterprises' belief in "sincerity, kindness, and beauty" remains unchanged.

1.1.2 Business Performance



• Business strategy and profitability in the last three years

Unit: Thousands TWD

Financial performance	2019	2020	2021
Total assets	5,830,840	5,038,874	5,213,244
Total liabilities	2,014,447	1,758,875	2,159,490
Shareholder equity	3,816,393	3,279,999	3,053,754
Operating revenue	7,660,848	5,970,540	5,761,476
Operating costs	(6,594,956)	(5,299,588)	(4,985,268)
Gross operating profit	1,065,892	670,952	776,208
Operating expenses	(991,402)	(998,945)	(932,838)
Non-operating revenue and expense	(7,916)	(52,752)	29,972
Net profit before tax	66,574	(380,745)	(126,658)
Income tax	14,214	25,547	(8,446)
Net profit after tax	80,788	(355,198)	(135,104)

• 2019 ~ 2021 Direct economic value generated and distributed

Unit: Thousands TWD

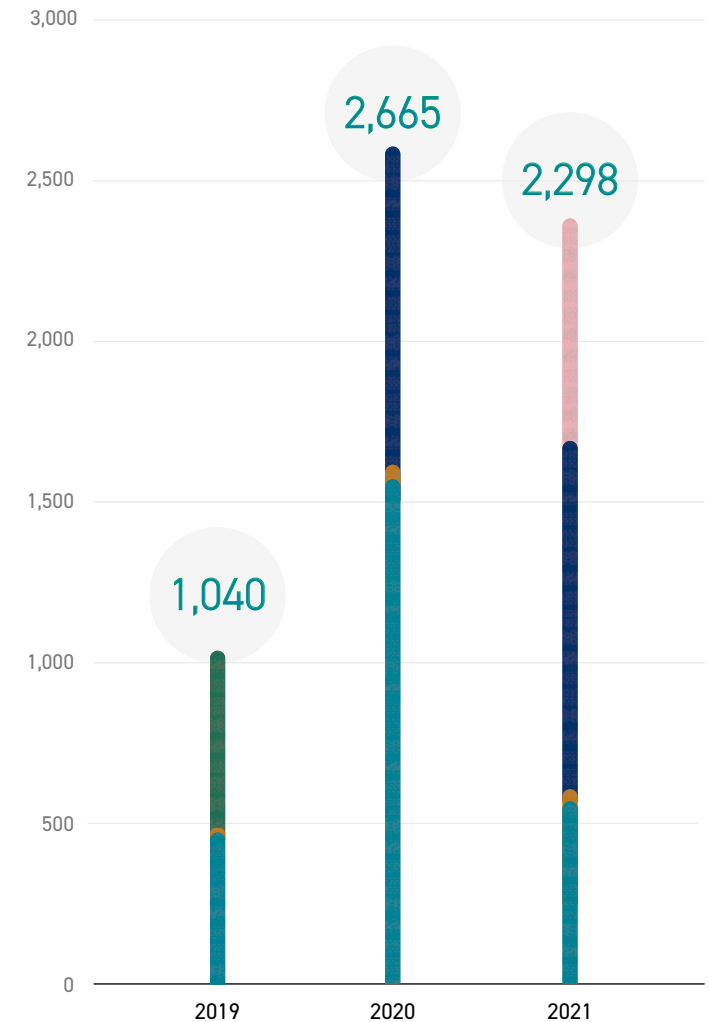
Economic value distributed to stakeholders	2019	2020	2021
Operating costs	93,897	9,662	0
Employee compensation and benefits	2,198,067	1,919,881	1,818,409
Payments to investors (Share dividend + interest payment)	117,114	73,102	41,468
Payments to government	(14,214)	(25,547)	8,446
Community investment	3,500	3,500	3,500

• Total monetary value of financial assistance from any government in 2021

Unit: Thousands TWD

Type of financial assistance from any government

- Yixing Human Resources
- Innovative R&D
- Handicapped subsidies
- Agricultural development
- Gas boilers



• Operating locations

Yixing, China

Yixing Gaoqing Garments Co., Ltd.

Tainan, Taiwan

Tainan Enterprises Co., Ltd.

Phnom Penh, Cambodia

Tainan Enterprise (Cambodia) Co., Ltd.

Kampong Speu, Cambodia

Gin-Sovann Fashion (Cambodia) Limited.

Long An, Vietnam

Tainan Enterprises (Vietnam) Co., Ltd.

Jakarta, Indonesia

PT. Tainan Enterprises Indonesia

Solo, Indonesia

PT. Andalan Mandiri Busana

1.1.3 Membership of domestic and foreign organizations

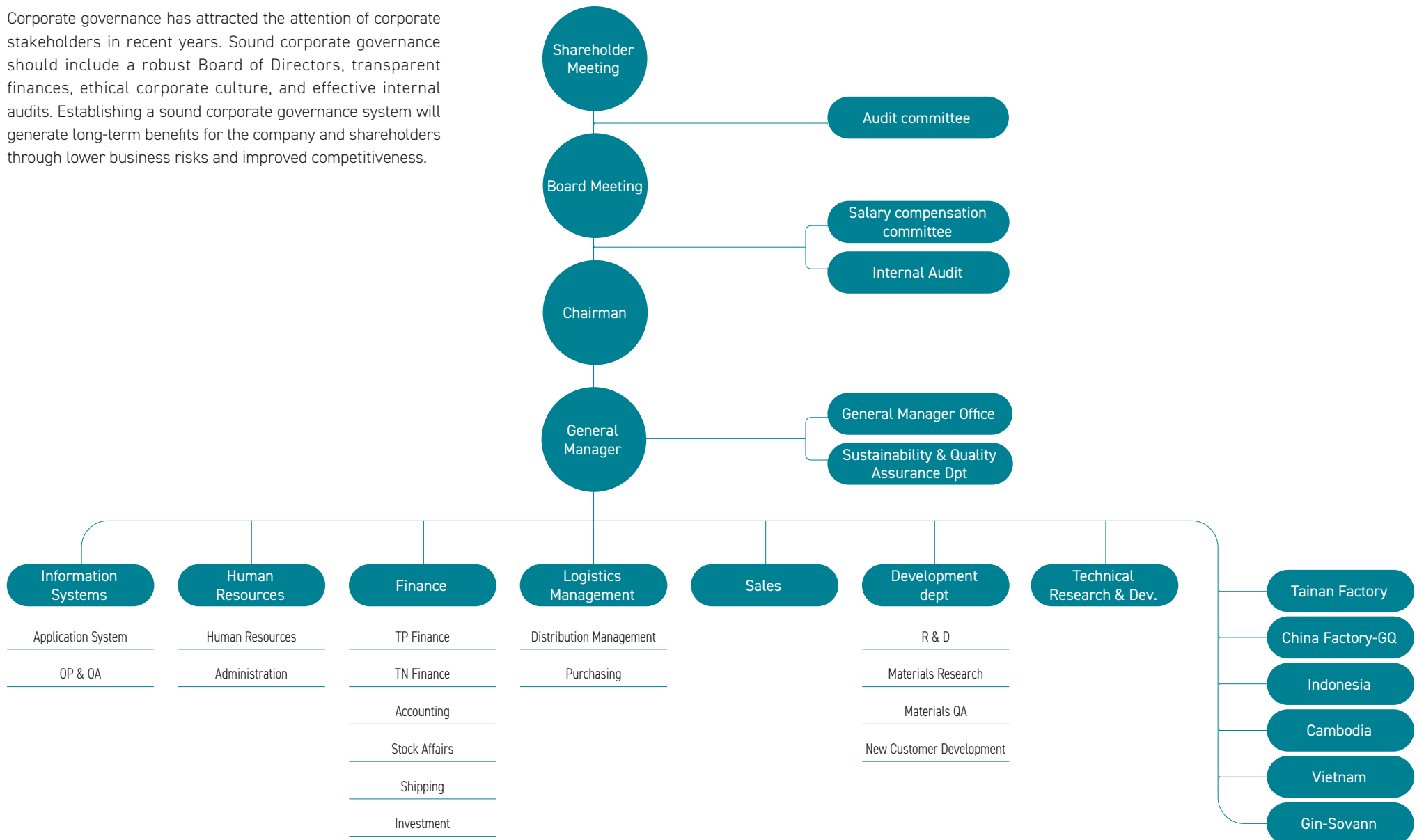
Country	Industry Associations
Taiwan	Taiwan Garment Industry Association Taiwan Textile Federation Taiwan Textile Research Institute Better Cotton Initiative Tainan Industry Association.
Cambodia	Garment Manufacturers Association in Cambodia (GMAC) Better Factories Cambodia (International Labor Organization)
Indonesia	Better Work (International Labor Organization)

1.2 Corporate Governance



• Organization Chart

Corporate governance has attracted the attention of corporate stakeholders in recent years. Sound corporate governance should include a robust Board of Directors, transparent finances, ethical corporate culture, and effective internal audits. Establishing a sound corporate governance system will generate long-term benefits for the company and shareholders through lower business risks and improved competitiveness.



1.2.1 Board of Directors

The Tainan Enterprises Board of Directors consists of 11 directors (including 3 independent directors) appointed for a term of three years. There must be at least three independent directors and they must account for no less than one-fifth of all directorships. The candidates nomination system is adopted for electing all directors, and elected from the list of director candidates by shareholders. The average age of Board members was 63 and they included 4 female directors. The background, professional knowledge and remuneration for each Board member can be found in the 2021 Annual Report. The Annual Report can be downloaded from Taiwan's Market Observation Post System website, or from the Shareholders section of our corporate website.

To prevent conflicts of interest in the top governance body, the Rules and Procedures of Shareholders Meetings stipulate that if a conflict of interest exists between an item on the agenda and a director or the legal person they represent, and that such conflict would harm Tainan Enterprises interests, they may state their position and respond to any questions but may not take part in the discussion and voting. They should also recuse themselves during discussions and voting, and may exercise the proxy votes of other directors. In addition, the Board should be convened at least once per quarter to review the Company's business performance, as well as discuss the Company's development strategy and major investments. Tainan Enterprises convened 4 Board of Directors' meetings in 2021 and the average attendance rate of directors was 97.73%.

Board members undertake continuing education on corporate governance, corporate management, laws and regulations, and finance every year. Each director undertook on average 6 hours of continuing education in 2021.

Date	Continuing Education Topic	Participants	Hours of Continuing Education
2021.05.11	Corporate Governance Responsibilities of Directors and Supervisors, and Examples	Yang Ching Hon, Wu Tao-Chang, Yang Yin-Ying, Yang Fu-Ching, Su Ching-Chung, Fang Yen-Ling, Yang Shun-Hui, Lien King-Biau, Pai Chung-Lian, Li Chih-Kuang	3
2021.08.10	Corporate Business Administration in Practice - Industry 4.0 Is not Like You Imagined	Yang Ching Hon, Wu Tao-Chang, Yang Yin-Ying, Yang Fu-Ching, Wang Fang-Chung, Su Ching-Chung, Fang Yen-Ling, Yang Shun-Hui, Lien King-Biau, Pai Chung-Lian, Li Chih-Kuang	3
2021.08.24	How Business Can Strengthen Their Strategic Execution and Leadership	Wang Fang-Chung	3



2021 Tainan Enterprises
Annual Report

1.3 Ethical Management

1.2.2 Remuneration Committee

The Remuneration Committee uses its expertise to formulate and periodically review the performance evaluation of directors and managers, as well as the policy, system, standard and structure of remuneration. Director and management remuneration are then periodically evaluated and set based on the Company's business performance along with the social and environmental impacts of organizational operations in order to strengthen the corporate ethics and culture of Tainan Enterprises in pursuit of sustainability. The Remuneration Committee was convened 2 times in 2021. Actual attendance rate of the convener and Committee members was 100%.

1.2.3 Audit Committee

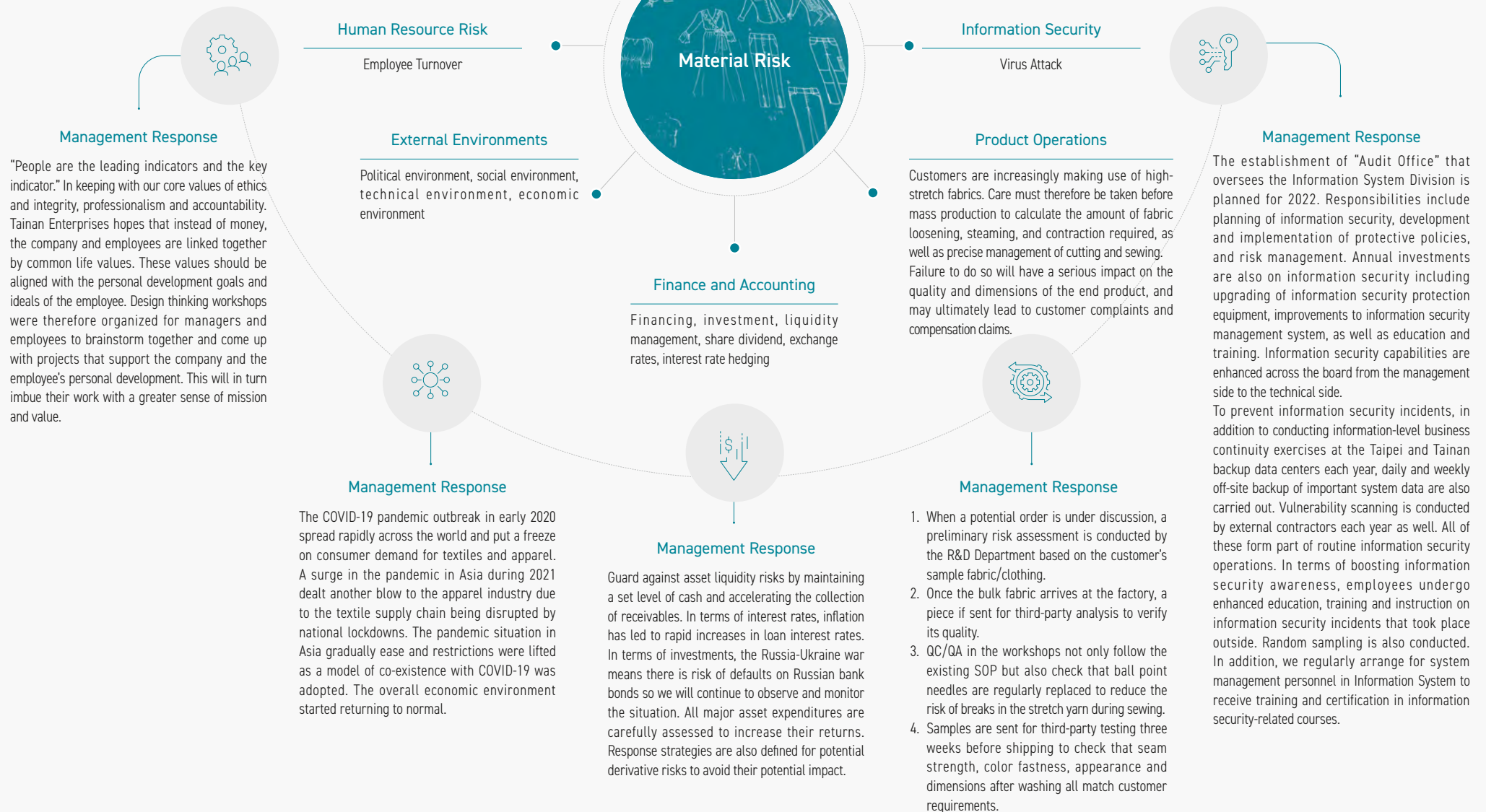
The Audit Committee was established on September 22, 2017, in accordance with the Regulations Governing the Exercise of Powers by Audit Committees of Public Companies. The mission of the Audit Committee is to assist the Board with carrying out its supervisory duties, as well as other missions assigned by the Company Act, Securities and Exchange, and other relevant laws. The Audit Committee is made up of all 3 independent directors with Independent Director Lien King-Biau serving as the convener. The Committee is convened at least once each quarter. Tainan Enterprises convened the Audit Committee 4 times during 2021. Actual attendance of Audit Committee members was 91.67%.

Tainan Enterprises has always considered ethics to be the most basic principle in business. In addition to complying with the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies and Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies, we also formulated the Ethical Management Principles, Employee Code of Conduct and other rules. The compensation system, internal control system, delegation system, and division of labor as well as internal audits and associated punishment/reward regulations. The establishment of an effective corporate governance structure as well as related ethical standards and practices have served to enforce ethical management throughout all company departments. The Anti-Bribery and Enticement Policy was also formulated by Tainan Enterprises to raise employee awareness by explicitly stating our responsibility and position on anti-bribery and corruption. We also provide all workers with information and guidance on how to identify and deal with bribery/corruption issues.

In addition to setting strict internal rules, suppliers and contractors are also required by Tainan Enterprises to sign the Supplier Code of Conduct on labor rights, anti-terrorism and security. A total of 27 suppliers signed and returned the Code of Conduct in 2021. In the future, more suppliers will be required to join the signing program. An audit scheme will ensure that the supply chain adheres to the requirements on ethical management and ethical standards. This will help prevent harm to employee rights from inappropriate operations or an increase in operating risks. There were no confirmed incidents of corruption at Tainan Enterprises in 2021.



1.4 Risk Warning and Assessment





TCFD Climate Change Risks and Opportunities

Climate change is affecting our lives in drastic ways. Frequent extreme climate events such as flooding, drought and typhoons also cause difficulties for business operations. Individual risk management schemes were therefore set up by Tainan Enterprises for climate change topics with the Environmental Sustainability Team from the CSR working group given the responsibility of assessing and managing climate-related risks and opportunities. The Director of Sustainability & Quality Assurance Dept. also provides periodic reports to the General Manager on climate change-related topics.

The Task Force on Climate-Related Financial Disclosures (TCFD) framework was applied to evaluate the impact on cost and revenue, take inventory of company resources, and develop a risk management approach that would mitigate the impact of climate change on company operations, strengthen the company's flexibility and adaptability, as well as take advantage of the transformation opportunities offered by climate change.

	Risk	Description	Financial effect	Administration
 Physical risk	Flooding, storms / Rise in sea level	1. Storms can increase humidity in the factory so raw materials and products are more likely to become moldy or spoiled. 2. More frequent flooding can lead to factory stoppages	1. Increase in the cost of storage for raw materials and products 2. Factory stoppages lead to reduced income and higher cost of shipping	1. Set up drying chamber and install humidity-control machines to maintain the humidity within the factory at a suitable level for storing products and raw materials. 2. Raise the foundations of the factory or relocate factory to higher ground 3. Transfer production to alternate factories in other regions 4. Set up a backup transportation plan with multiple channels
	Shortages or uncertainty in water and electricity supply	Impact on production process from uncertain water and electricity supply	Higher production costs	1. Introduction of wastewater/rainwater recovery system in the factory 2. Purchase of energy-saving and water-saving machinery 3. Build green factories and obtain green building certification 4. Switch to diesel generators during power outages
	Higher temperature	Increased electricity consumption and risk of power restrictions	Impact on production process leads to higher product costs and reduced operating income	1. Introduction of renewable energy at the factory 2. Build green factories and obtain green building certification
	Decrease in production of raw materials due to climate anomalies	Extreme climate events such as droughts, higher temperatures, and flooding can lead to lower production of raw materials and higher prices	Higher raw material sourcing costs	1. RCS certification for factories and the use of fabrics containing recycled materials to reduce dependence on raw materials 2. Use of packaging materials containing recycled materials for product packaging

	Risk	Description	Financial effect	Administration
 Transition risk	GHG emission disclosure and international carbon pricing mechanism	Domestic/overseas plans to impose carbon tariffs will directly/indirectly impact on operating costs.	Higher production costs	1. Introduction of renewable energy at the factory 2. Periodic internal GHG emission inventory 3. Set up green production processes in the factory and purchase low-carbon machines
	Low-carbon technology development and transformation	Acquire low-carbon technology and develop low-carbon merchandise to reduce impact on the environment as well as satisfy customer/consumer demand for products made with sustainable processes	Higher R&D costs Higher operating costs	1. Purchase low-carbon and water-saving machinery 2. Development of low-carbon products based on green design and obtaining related low-carbon/recycling certifications
	Growing environmental awareness among customers and in the market	1. Drastic changes in the climate is spurring growing consumer awareness on environmental protection 2. Customer requirements on environmental protection at the factory now exceed local regulations and also promoting the use of environmentally friendly products	Higher R&D costs	1. Purchase of energy-saving and water-saving machinery to reduce impact on the environment 2. Develop environmentally friendly products based on green design and obtaining of related environmental and product certifications

	Opportunity	Description	Financial effect	Administration
 Attract more customers/ Change in consumer preferences		Growing environmental awareness among customers, low-carbon products and consumer preference for purchasing sustainable fashion brands/merchandise is spurring the search by brand vendors (customers) for green factories and the development of products that incorporate sustainable materials.	Increase in operating revenue	1. Select recycled/organic cotton fabrics for making sustainable fashion products, obtain production certification for recycled/organic cotton products, and use product packaging that contains recycled materials/eco-friendly materials. 2. Introduction of wastewater recovery system by water-intensive factories and active promotion of zero wastewater discharge
	 Business model - Circular economy	Climate change has led to greater consumer awareness on sustainability. The establishment of a business model based on circular economy will facilitate the development of new marks and mitigate external costs from the environmental impact of products.	Increase in operating revenue	Form partnerships with other businesses to convert defective cement bags, advertising banners, and waste bedsheets from hotels into carry bags, wallets and other accessories.

Value Chain Transformation

2-1 Innovation and circular economy

2-2 Sustainability Partnerships

2-3 Product Safety

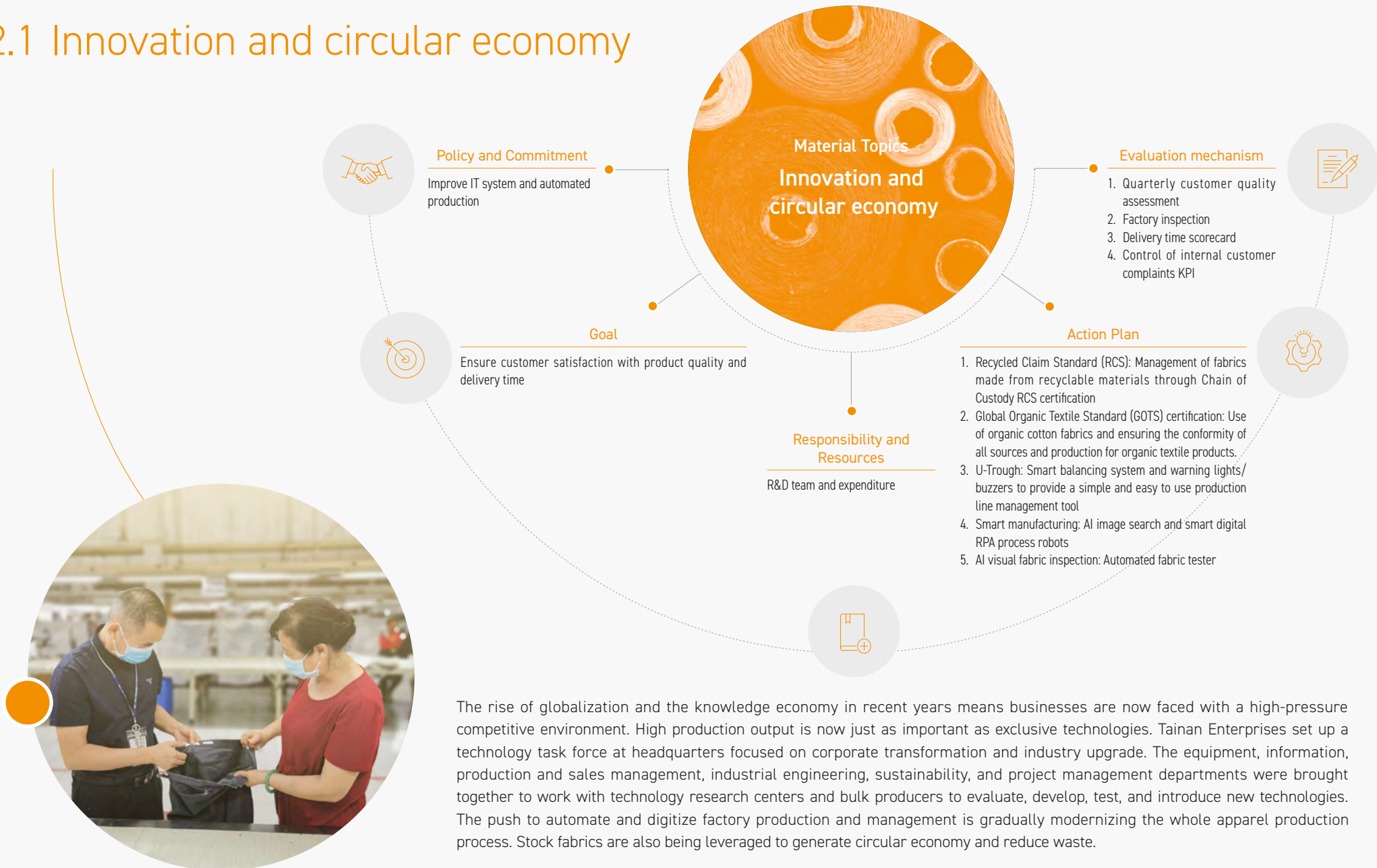


Highlights

- 4 factories obtained Recycled Claim Standard (RCS) certification for products from recycled materials
- 1 factory obtained Global Organic Textile Standard (GOTS) certification
- Actively participated in 9 international sustainability initiatives

CHAPTER 2

2.1 Innovation and circular economy



2.1.1 Innovative Technologies

• Recycled Fabrics Obtain Recycled Claim Standard (RCS) Certification

Pollution during the apparel production process come from the choice of design and materials used. As large amounts of waste, pollution and waste are generated during the production process, the re-processing and reuse of materials is crucial to reducing resource waste. The scope of RCS certification was expanded to include the Gin-Sovann and Gaoqing factories in 2021. All Tainan Enterprises production sites in China, Cambodia, Indonesia and Vietnam are now capable of producing RCS products. The RCS products at each site must contain more than 5% of PCW (Pre-consumer) recycled fabrics and have obtained Scope Certificate for Chain of Custody RCS. Such products must also be produced separately from standard fabrics to ensure that they are made from 100% recycled fabrics. Recycled fabrics reduces the damage to the environment and the reliance on general fabrics, thus achieving the corporate goal of green and sustainable production.



• GOTS Certification for Organic Cotton Fabrics

In addition to recycled materials, Tainan Enterprises also uses fabrics made from organic cotton that are grown using less water than conventional cotton. International certification ensures that the production process, environment and social rights at the factory using organic cotton conforms to GOTS. The GOTS standard only recognized cotton sources that follow the government's organic agriculture standard. The product under application must contain at least 70% organic cotton. The Jakarta factory obtained GOTS certification in 2021 to provide customers with safety, transparent, organic and dependable products.

• Smart manufacturing: AI image search and smart digital RPA process robots

"AI image search" and "Smart digital RPA process robots" were introduced by Tainan Enterprises as part of our evolution towards smart manufacturing. Sales preparing a quote can use the AI image search and recognition function to quickly locate reference styles and other details for calculating labor time. Searching large amounts of very similar data greatly boosts productivity. AI management functionality will be added in the future to optimize the search results.

The "Smart digital RPA process robot" set up software robots that learn, imitate and execute rules-based business processes. Order processing can be quite complicated. Machine learning can be used by the system to generate empirical previews, shortening the work hours and improving accuracy. Once the system has mastered past experience and criteria on its own, a preliminary test can be conducted to reduce time and labor costs. In the future, Tainan Enterprises hopes to incorporate forecast function into our order system via RPA. The accumulated order database can then undergo big data analytics to not only observe changes in order size, but also use the content of each product to predict future product requirements and their changes.





• AI Visual Fabric Inspection: Automated Fabric Tester

The fabric inspection system is an important part of the production and quality controls. Computer systems and related peripherals are used to simulate human vision and inspect fabrics for surface defects. The system can completely replace the manual classification, logging of defects, and copying of quality inspection sheets the traditional way that made searching, statistics and archiving difficult.

The IspERP fabric inspection and packaging factory system was introduced by the Cambodian factory at the end of 2021. Rapid fabric inspection and labeling can be accomplished on-site using a touch control computer. Computerized management of inspection sheets enable rapid access and better management; practical statistics can be compiled for fabric inspection efficiency, inventory performance and shipping statistics to effectively reduce management difficulty. The IspERP system streamlined the work process and improved productivity. The transition to an AI-driven smart production line also reduced labor costs and improved management quality.

Tainan Enterprises divided the apparel processing area into Value added and Non-value added processes. Separate automation strategies were devised in to gradually realize the goals of streamlined production, enhanced productivity, reduced waste and shorter delivery times. For value added processes, we broke down the production process to identify common components for high-mix low-volume manufacturing. Priority was given to assessing and introducing equipment with a high level of commonality. At the same time, factory skill levels and order distribution were studied to provide guidance on product specialization. This will hopefully complement the introduction of new equipment and speed up the pace of automation. For the non-value added component, initial focus was on the transportation and takt management. The suspension system and U-shaped trough system were introduced at different factories.

• Suspension System at Indonesian Factory

The advantage of the suspension system introduced at the Solo factory was the ability to customize the flow and ordering of products to individual work stations. Dynamic balancing of differences in takt time between work stations helped avoid backlogs and mitigate bottlenecks. The operating system also provided full, real-time information on products and work station productivity to help managers make swift and effective decisions.





• U-shaped water trough at Cambodian Factory improved production time

The Xinyifeng smart U-shaped takt trough (U-shaped trough) was introduced by the Cambodian factory to lower labor costs and improve productivity. Lean production (one-piece flow), TOC philosophy, and kanban principles were applied along with a smart balancing system and warning lights/buzzers to provide a simple and easy-to-use production line management tool. The system inherits the simplicity and intuitiveness of traditional troughs. The simple layout and clearly defined personnel assignments made the entire process crystal-clear. The multi-layered design of the basket in particular can be used for producing styles of varying complexity. Its pull production model based on standardized timing is well-suited to dealing with small orders and multiple products.

Global manufacturers are now all embracing Industry 4.0 so smart manufacturing and flexible production will all be required by default. Intelligent transportation devices in the place of manual transfers greatly shortened transportation times; processes ran faster without the need for physical lifting; automation equipment replaced some of the simple manual labor.

Lean production management made business processes run more smoothly. Targeted improvements using industrial engineering (IE) techniques from lean production created positive feedback loops, established a sound process management and defined the owners of critical processes.

The measurement management system used operating data and data charts to give the management a clear picture of each employee's productivity so that production processes can be effectively tweaked for optimal production.

Factory 8S improvements

Factory workers watch the availability of fabrics and accessories carefully. Preparations for new styles and pre-production training are also strictly enforced. These included

simulated processes, learning the order and techniques of special procedures, and the uploading of such content to the company's internal common files where they can be accessed for learning in the workshop. In addition to maintaining productivity and stability, changeover processes and summaries are also carefully logged to improve the 3P operating mechanism. Team leaders in the workshop observe and calculate the production targets for their team to ensure they are reasonable and draw up a weekly production plan. They also supervise the periodical updating of each visual management board. The introduction of electronic boards for takt measurement allows for team leaders to adjust the production output for better efficiency. Supervisors attend weekly project meetings to summarize deficiencies from last week and draw up the plan and focus for this week.

Productivity increased by 30 ~ 40% after the U-shaped trough system was introduced. This translates into 150 ~ 200 more pieces each day with relatively stable, demonstrating the timeliness of IFIR (Immediate Find and Immediate Response). The pull production model of the U-shaped trough provides the factory with a simple and easy to use production line management tool. The simple layout and clearly defined personnel assignments made the entire process crystal-clear so it can be used for producing styles of varying complexity. The system proved its worth after it became operational at the Cambodian factory. There are now plans for its introduction at the Vietnam factory.



Garment section supermarket



Scrap platform



Polishing tool suspended over the bench

2.1.2 Circular Economy

Innovation and change adaptation are critical to business survival in a competitive market. In the past, a traditional mindset meant that new products and services were developed after studying market requirements. The sustainability approach however looks for social and environmental problems that have not been resolved. Friendly production is then leveraged to solve problems and develop new business opportunities. We leveraged our corporate expertise to extract and create new value for products. We noticed many business opportunities, start-up opportunities, employment opportunities and new business models. We hope these value once destined for destruction can be converted into another possibility of sustainability.



• Hao!Taiwan x Sustainable Design

Resource utilization and circular economy are becoming increasingly important today. By adopting the circular economy approach, we hoped to create practical circulating materials through design, R&D and practical production. All materials are used in appropriate and environmentally friendly design. Resources can circulate through the industry system to prevent excessive consumption of resources during product development.

• Combining Pineapple Fiber and Reclaimed Plastics

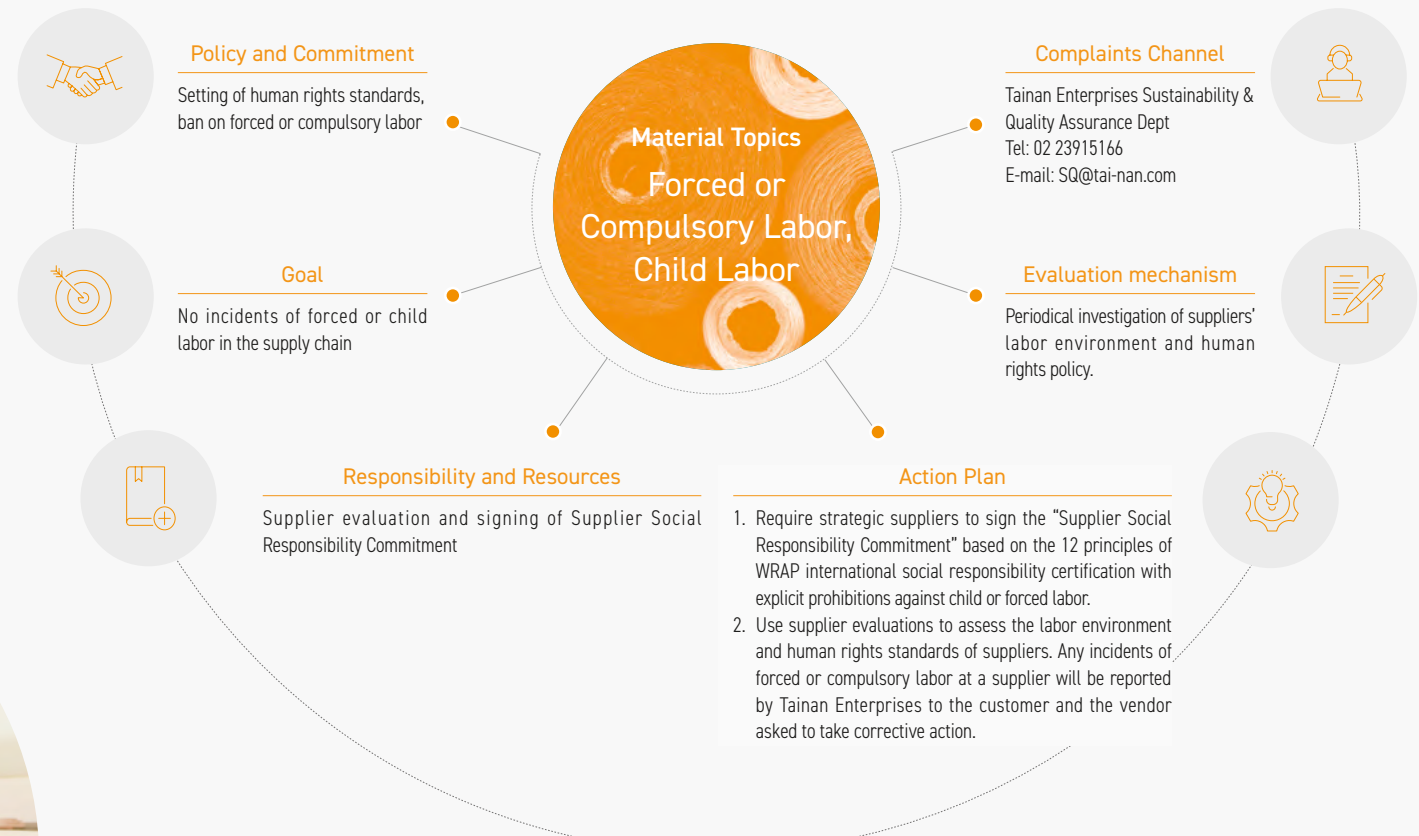
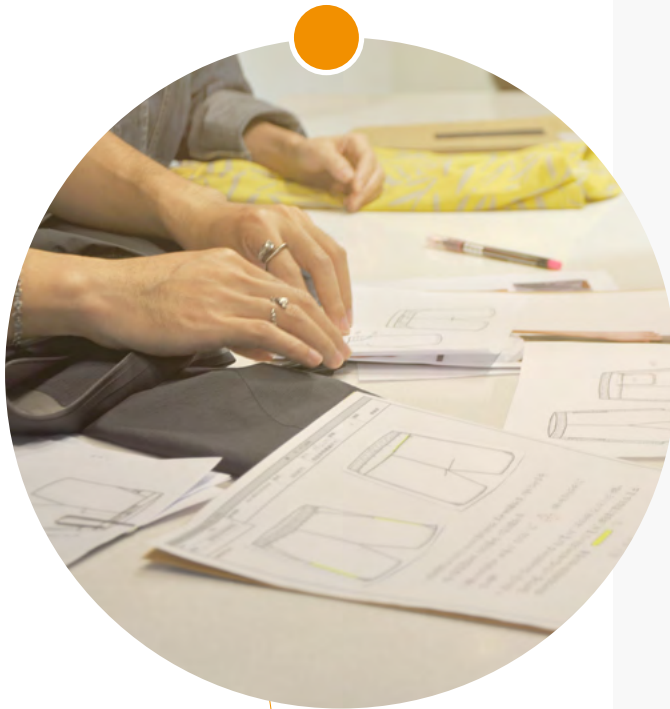
In 2020 the Foundation formed a partnership with the design team led by Lance Han at Dot Design to decorate waste plain NG cement packaging materials supplied by Gain Hwang Paper Mfg. with Tainan motifs such as the city flower (orchid) and city bird (water pheasant). The distillation of cultural essence imbued the product with new cultural value. The large quantities of NG cement packaging destined for the incinerator now found new commercial value through redesign. The project was exhibited at the Circular Economy pavilion of the Industrial Development Bureau in September 2020, and attracted widespread attention.

In 2021, the Foundation partnered with Dot Design and Super Textile Corp. to study the integration of pineapple fibers and recycled plastics with the support of Commerce Development Research Institute. The printing of 3D patterns transformed the mundane recycled fabric into high-class circular fabric. The first-rate pattern-making, production, R&D and manufacturing expertise of Tainan enterprises came together to create a trendy eco-bag. The Taiwan pop up event of "Hao! Taiwan" was held on the top level of the 2nd floor of Japan Takarazuka Hankyu Store from March 24-30, 2021, to showcase the creativity and design of Taiwan's recycled products and to enhance the give-back economic added value of the "resource-product-renewable resource". The "re-ing" is a new brand created by the Foundation in collaboration with the Dot Design, which aims to raise awareness of the concept of sustainability and make consumption more meaningful through action and circular design.



The Taiwan pop up event of "Hao! Taiwan" was held on the top level of the 2nd floor of Japan Takarazuka Hankyu Store from March 24-30, 2021, to showcase the creativity and design of Taiwan's recycled products.

2.2 Sustainability Partnerships



Tainan Enterprises provides customers with good-quality products and services. We choose legal suppliers that adhere to humanitarian and ethical standards as our partners. Our Supplier Code of Conduct serves as the basis for transparent, ethical, and responsible sourcing. To protect human rights and prevent incidents of forced or compulsory labor, we also require suppliers to sign the "Supplier Social Responsibility Commitment" annually, which is based on the 12 principles of the WRAP International Social Responsibility Accreditation, and incorporates human rights, environmental, and shipping safety-related regulations, and pledge to comply with the Supplier Anti-Terrorism Code, which was developed in accordance with the C-TPAT U.S. Customs Business Coalition Against Terrorism's Factory and Shipping Safety Management Guidelines. At the same time, they must also fill out the "Supplier Anti-Terrorism Security Self-Assessment Questionnaire", as well as provide C-TPAT, GSV and other related certifications to assess the risk level of suppliers and to increase transparency and trust.

Potential suppliers that submit the Commitment, Code of Conduct and self-assessment questionnaire are deemed eligible to proceed to the supplier evaluation phase. Tainan Enterprises will evaluate suppliers based on their production quality, flexibility, and payment terms. Suppliers' environmental and social impacts will also be taken into consideration to identify suppliers that match the sustainability philosophy of Tainan Enterprises.

Tainan Enterprises' business partners are required to strictly comply with the Company's "Supplier Code of Conduct", including reasonable working hours, wages, and employment of employees. The use of products with forced labor risks is prohibited by Tainan Enterprises. If any forced/compulsory labor incident is found in the supply chain or upstream vendors, or any violation of the "Supplier Code of Conduct" or "Supplier Social Responsibility Commitment", Tainan Enterprises will notify the offending vendor and brand customers then ask the vendor take corrective action.

To mitigate the environmental impact from production activities, in addition to the development of green, sustainable fabrics, Tainan Enterprises also encouraged suppliers to obtain green certification such as RCS, OEKO-TEX and BLUESIGN, increase the use of recycled materials, obtain chemicals that comply with OEKO-TEX and BLUESIGN guidelines, assess the impact on the environment, society and worker performance through the product life cycle, and work with customers to promote sustainability and lay down the foundations of a green economy.



Supplier evaluation

Environment	Compliance with local environmental regulations, possess the necessary wastewater, waste and discharge permits, and conduct an annual follow-up environmental evaluation each year monitor the environmental quality and build a sound, working environment.
Society	Comply with local labor laws or International Labor Organisation (ILO) guidelines, comply with social rules and guidelines, and provide employees with protection on right to work.



Supplier Commitment

Society	Ban on use of child and forced labor
	Ban on discrimination and any form of degrading conduct
	Provide reasonable compensation that satisfies a worker's basic needs and the minimum wage at the very least
Environment	Compliance with local environmental regulations
Anti-terrorism and security	Establish a security inspection process to ensure the safety of incoming and outgoing goods
	Security system and process established for access control. A reporting process for reporting unauthorized entry by suspicious persons was also put into place
	Deployed information security system to protect Company information against misuse of software/hardware
	Established safety process to prevent human trafficking and smuggling

2.2.1 Supplier Mentoring

Tainan Enterprises values our cooperation with suppliers and their growth. We mentor suppliers every year on how to pass brand audits and become an approved supplier to international brands. Such mentoring covers quality, human rights, environmental safety and hygiene. We hope by mentoring suppliers we can expand our markets together, enhance our international skills and support mutual growth.

Year	Supplier Type	Mentoring Outcome
2019	Hui Ren Laundry	Became approved jeans laundry to GAP and introduced ZDHC
	Green Fashion Laundry	Became approved jeans laundry to GAP and ANN TAYLOR, and introduced ZDHC
	Bogor Laundry	Became approved jeans laundry to ANN TAYLOR, and introduced ZDHC
2020	Green Fashion Laundry	Became jeans laundry to American Eagle Outfitters, and passed Disney FAMA factory inspection.
2021	Tatsu Garment Joint Stock Company	Became JC Penney supplier

2.2.2 Sustainability Initiatives

Sustainability is of paramount importance to Tainan Enterprises. We actively participate in international sustainability initiatives and certifications, use various platforms to confirm that the materials sourced by our suppliers comply with ethical and human rights standards, manage the working conditions at our factories, improve their working environments, monitor our environmental data, and conduct assessments on the use of energy and water resources. Tainan Enterprises also adheres closely to international anti-terrorism guidelines by enforcing tight security to ensure products we ship for our customers arrive safely at their destination.

• Upstream Material Management

Cotton and artificial fibers are the raw materials most commonly used in the apparel industry. Cotton-farming requires the liberal use of pesticides and chemical fertilizers that increase the risk of soil salinity. Soil productivity is degraded and the local environment is affected. Artificial fibers are synthesized from oil and does not break down naturally. To reduce the social and environmental impact of sourcing, Tainan Enterprises makes use of the Better Cotton Initiative (BCI), Recycled Claim Standard (RCS), and Conflict Minerals as the three tools for sourcing management and supply chain transparency.



Better Cotton Initiative BCI

BCI cotton is used by Tainan Enterprises due to their lower environmental impact and sound ethics. The BCI platform tracks the production of cotton to improve transparency between the Company, suppliers and upstream material suppliers.



Recycled Claim Statement RCS

RCS-certified fabric containing recycled cotton and polyester fibers is used by Tainan Enterprises to reduce waste and avoid resource depletion.



Global Organic Textile Standard GOTS

Tainan Enterprises has obtained GOTS certification and uses organic cotton fabrics grown with less water. GOTS products also contain at least 70% organic materials and provide customers with a safe, transparent and organic product that they can count on.

Conflict Minerals

The Conflict Minerals sourcing standards were drawn up by Tainan Enterprises to periodically trace the source of the metals used in accessories (zippers, buttons) and ensure that products manufactured by Tainan Enterprises do not use minerals from conflict zones (3TG minerals).



• Labor Rights Management



Better Work

The working environment at each factory is important to Tainan Enterprises. Joining Better Work helps us manage the working conditions, comply with local regulations, and adhere to the international labor standards of ILO. We are continuing to build the best working environment for workers.

SOCIAL & LABOR CONVERGENCE

Social and Labor Convergence Program SLCP

SLCP has been introduced by Tainan Enterprises with the Facility Social & Labor Module (FSLM) used to share our self-assessment and verification outcomes to other brands through the SAC Higg platform. Duplicate audits can be reduced and customers provided with more channels for tracking the social and human rights performance of factories.



Worldwide Responsible Accredited Production WRAP

The 12 WRAP production principles are widely recognized internationally. Certification encompasses a variety of aspects including labor rights, health and safety, environmental management, and compliance. WRAP is respected certification standard that has been adopted by many apparel businesses and suppliers worldwide; a number of Tainan Enterprises factories have already received WRAP's gold certification of their operations.

• Environmental Management



Higg Index HIGG

Environmental management and labor evaluation based on the Higg Index of the Sustainable Apparel Coalition (SAC) is used to enhance the transparency of Tainan Enterprises and regional factories, improve management each factory, and establish a more transparent platform for customer communications.

• Goods Management



Global Security Verification GSV

Tainan Enterprises uses the GSV international standard to ensure the safe importation and export of goods and materials as well as the effective management of global logistics risks.



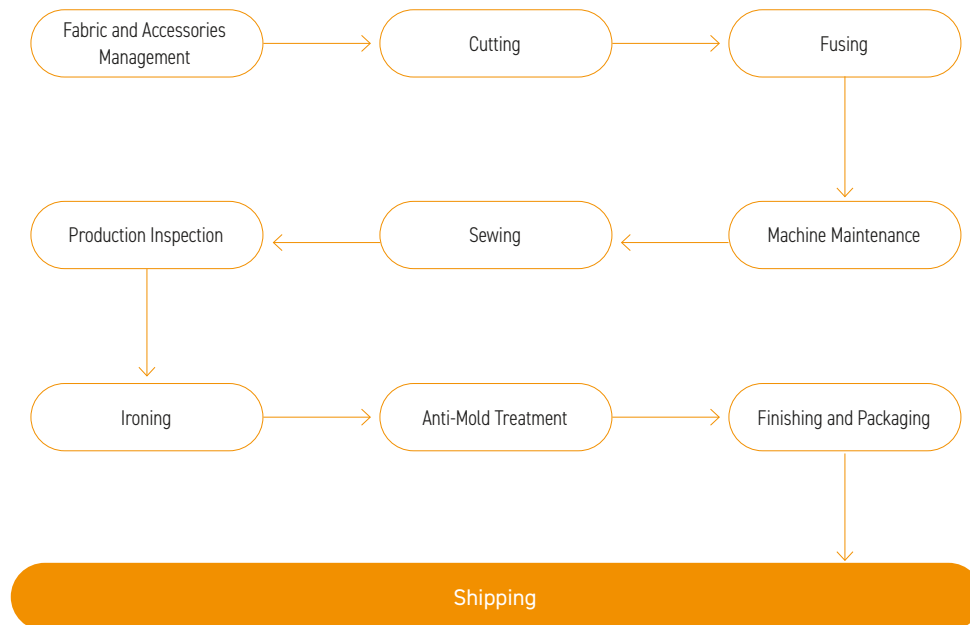
Supplier Compliance Audit Network SCAN

SCAN is a set of common standards that incorporate existing import/export regulations of each country. SCAN can help Tainan Enterprises reduce risks from attacks or lost goods through improved security.

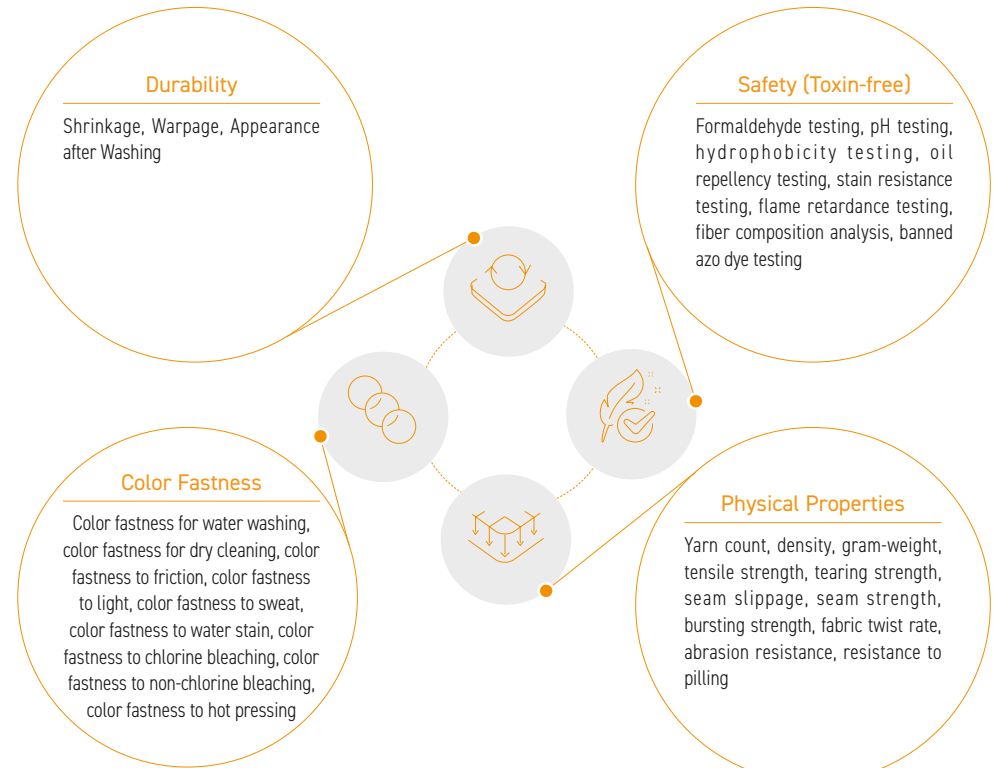
2.3 Product Safety

Product safety is aimed at preventing potential harm to human safety, health and the environment. Safety is an attribute formed by the production process and cannot be ignored. Tainan enterprises plans production processes to achieve product safety, and different products have different safety due to their different characteristics and use requirements. Through various tests, including durability, color fastness, physical properties, and safety tests, we are able to produce products that customers and consumers can use with peace of mind. Tainan Enterprises discloses the composition of our products in accordance with global product labeling standards. There were no violations of customer labeling rules in 2021.

• Production Process



2.3.1 Product Testing



2.3.2 Protection of Customer Confidentiality

Customer confidentiality is of great importance to Tainan Enterprises. Our strict internal management prohibits the factories from selling any customer-branded products or raw materials, or photos of any branded products, and keeps proper records of all transactions, including all raw material purchase records, detailed inventory records, sample numbers, quantities, and production dates, until the products are sold or destroyed. Factories must also maintain brand labels in a secure storage area with strict controls to protect any branded items during the production process and to track the movement of the items throughout the production cycle. There were no leaks of customer secrets or information security problems at Tainan Enterprises in 2021.

CHAPTER 3

Environmental Sustainability

3-1 Operating Environment Management

3-2 Water Resource Management

3-3 Management of Chemicals

3-4 Compliance



Highlights

- Reduced annual water consumption in 2021 by 53.3% overall compared to last year
- Cambodia factory became a zero-wastewater discharge factory
- Cambodia laundry installed solar power system with an estimated annual generating capacity of 115 MWh
- No penalties for violation of local environmental laws and regulations in 2021

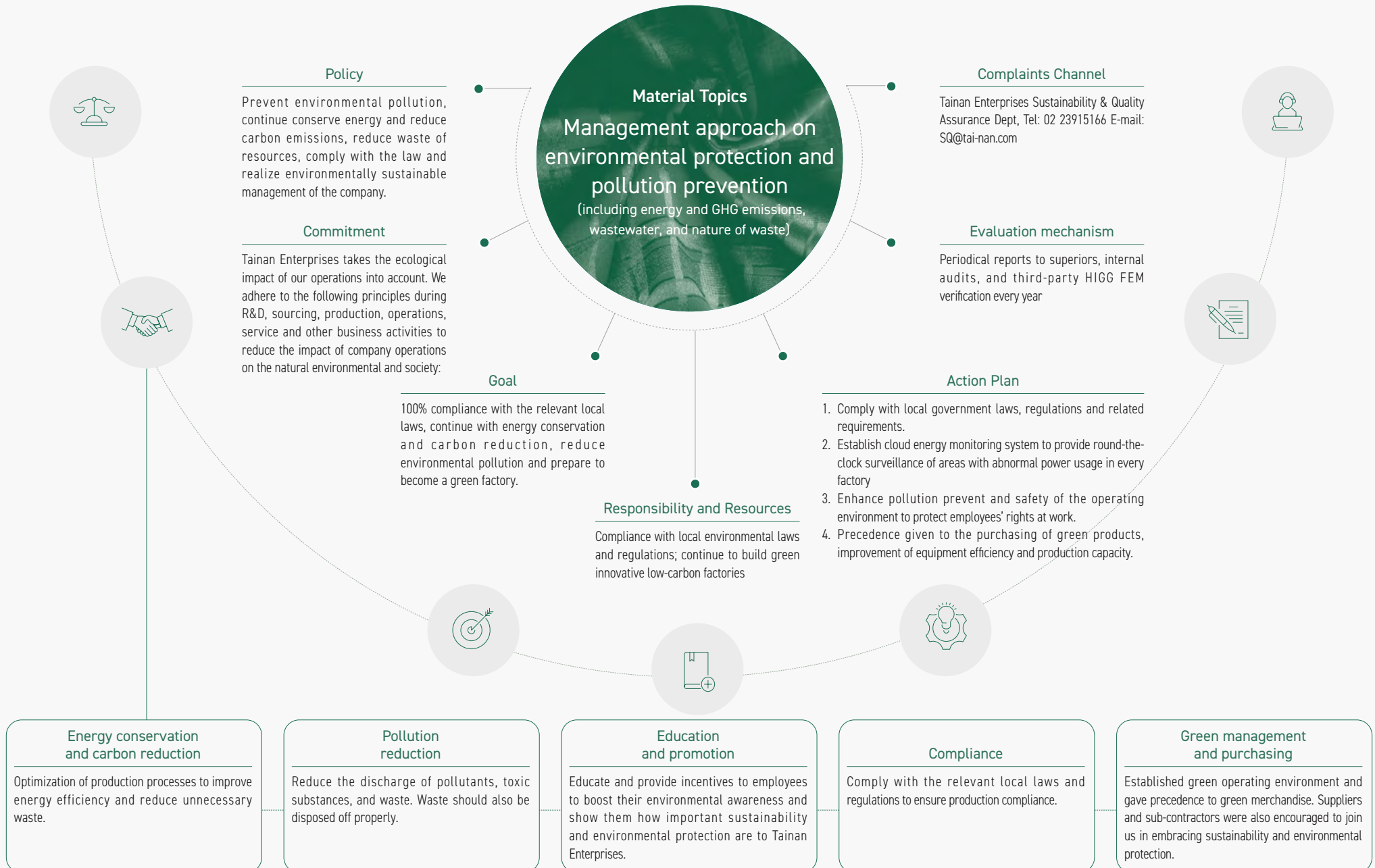
3.1 Operating Environment Management

Society today is faced with a variety of challenges. Climate change, environmental pollution, ecological imbalance, soil degradation and resource depletion are all happening one after another. All these global issues are forcing people to think hard about “sustainability.”

Tainan Enterprises in particular is a part of the textile and apparel industry whose energy- and water-intensive production processes are considered to be second only behind the petroleum industry in pollution intensity. Chemicals and pollution-intensive fuels are used extensively during the clothes production process so fast fashion has only made the waste of resources and environmental pollution worse. Green management has therefore become a common goal among large enterprises. The ecological impact of production operations means an effort should be made to reduce energy consumption, emissions and discharge of waste during the production process. Energy management monitoring systems were therefore used to track energy usage at the Cambodian, Vietnamese and Indonesian factories in real-time. Wastewater recovery systems were also introduced to reduce water usage and define the environmental management approach. Regular employee training and promotion of energy conservation also helped enhance the environmental management mechanisms of each factory. No Tainan Enterprises factor has been penalized for violation of local environmental regulations as of 2021.

For six decades, Tainan Enterprises has upheld the spirit of sincerity, goodness and beauty in implementing environmental protection and monitoring environmental sustainability topics. It is the hope of Tainan Enterprises as a key part of the industry supply chain that we can reduce our impact on the natural environmental and society. It is our responsibility to fulfill our corporate social responsibility and create an industry chain that makes an even greater contribution to the environment.





3.1.1 Energy and GHG Management

The UN Climate Change Conference called for more urgent climate action to be taken in response to extreme global climate change. GHG emissions should be halved by 2030 and reach net zero by 2050. It is now the responsibility of all large enterprises to make continued reductions to GHG emissions to cope with the challenges of extreme climate. Resilience and adaptivity is required to alleviate the potential operational and environmental impacts of disasters. The current and future threats posed by climate change to the living environment now has the attention of the world and the only solution is sustainable development.

Tainan Enterprises must understand how energy is being used in factories in order to improve our energy management and efficiency. By periodically compiling the energy data at each factory and managing powered equipment, energy-intensive processes can be identified to assess whether their usage and energy consumption are reasonable. For power-intensive machinery in the production process we develop techniques to improve their energy efficiency in order to boost productivity, cut energy consumption, and realize green production through reduced GHG emissions. Tainan Enterprises has decided to adopt a progressive carbon reduction regime that will reduce carbon emissions per unit of clothing by 30% by 2030.

Internal GHG inventory was conducted by Tainan Enterprises to determine the energy usage at each factory. The Scope 1 and Scope 2 GHG emissions of each factory are disclosed. In 2021, total Scope 1 GHG emissions was 7,001CO₂e, 6,442 tonnes CO₂e while total Scope 2 GHG emissions was 13,443 tonnes CO₂e. Total energy usage in 2021 amounted to 192,824 GJ.



• Energy Usage at each Tainan Enterprises Factory

Unit: Gigajoule

Year	Energy	Tainan Factory	Jakarta Factory (Indonesia)	Solo Factory (Indonesia)	Cambodia Factory	Gin-Sovann Factory	Gaoqing Factory	Vietnam Factory	Total
2019	Purchased electricity	3,098	8,989	6,429	14,853		2,832	4,799	40,999
	Coal		51,365						51,365
	Purchased steam						4,070		4,070
	Heavy oil	538							538
	Natural gas	1,341							1,341
	Diesel	165	3,766	19,975	4,418			101	28,426
	Petrol	176	897	1,201	1,677		495	203	4,649
	Wood block				18,153				18,153
	Sawdust				46,299				46,299
	Rice husk							13,487	13,487
	Solar power							29	29
	TOTAL GJ	5,318	65,018	27,605	85,400		7,397	18,619	209,356

Year	Energy	Tainan Factory	Jakarta Factory (Indonesia)	Solo Factory (Indonesia)	Cambodia Factory	Gin-Sovann Factory	Gaoqing Factory	Vietnam Factory	Total
2020	Purchased electricity	2,916	8,425	5,742	15,141	2,360	2,409	4,597	41,591
	Coal		47,060						47,060
	Purchased steam						3,286		3,286
	Heavy oil								
	Natural gas	1,088							1,088
	Diesel	237	335	16,220	1,753	309		67	18,921
	Petrol	192	429	861	1,808	88	281	155	3,814
	Wood block				14,018	3,827			17,845
	Sawdust				37,569	622			38,192
	Rice husk							11,650	11,650
	Solar power							29	29
	TOTAL GJ	4,433	56,250	22,824	70,289	7,206	5,977	16,499	183,477
2021	Purchased electricity	3,114	6,941	5,649	16,712	3,046	2,847	4,651	42,959
	Coal		40,152						40,152
	Purchased steam						3,302		3,302
	Heavy oil								
	Natural gas	1,414							1,414
	Diesel	206	4,759	18,302	420	850		67	24,604
	Petrol	224	473	713	1,007	255	643		3,315
	Wood block				14,783	3,940			18,723
	Sawdust				48,922				48,922
	Rice husk							9,008	9,008
	Solar power				395			29	424
	TOTAL GJ	4,959	52,325	24,664	82,239	8,091	6,791	13,755	192,824

* Only counted energy usage by production processes

* Conversion based on heating value in the GHG Emission Factor Table (6.0.4) issued by the Environmental Protection Administration, Executive Yuan

* Bio-fuel conversion based on EUBIA

• GHG emissions

Unit: Tonnes CO₂e

Year		Tainan Factory	Jakarta Factory (Indonesia)	Solo Factory (Indonesia)	Cambodia Factory	Gin-Sovann Factory	Gaoqing Factory (China)	Vietnam Factory
2019	Scope 1	63	6,518	1,438	421		36	22
	Scope 2	537	1,330	951	2,198		530	710
	Scope 1 + 2	600	7,848	2,389	2,618		566	732
	Total GHG emissions by Tainan Enterprises in 2019							14,753 Tonnes CO ₂ e
2020	Scope 1	30	5,733	1,159	250	27	20	16
	Scope 2	495 ¹	1,247	850	2,240	349	446	680
	Scope 1 + 2	525 ²	6,979	2,009	2,490	376	467	696
	Total GHG emissions by Tainan Enterprises in 2020							13,543 Tonnes CO ₂ e
2021	Scope 1	32	5,250	1,476	106	85	47	5
	Scope 2	538	1,013	824	2,439	444	506	679
	Scope 1 + 2	570	6,263	2,300	2,545	529	552	684
	Total GHG emissions by Tainan Enterprises in 2021							13,443 Tonnes CO ₂ e

* Only counted energy usage by production processes

* Only disclosed use of non-renewable energy

* Conversion based the GHG Emission Factor Table (6.0.4) issued by the Environmental Protection Administration, Executive Yuan

* Conversion of purchased electricity based on the 2020 electricity emission factor issued by the Energy Bureau, Ministry of Economic Affairs

* Steam at Gaoqing Factory was calculated using formula 17 from the Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for Other Industries (Trial)

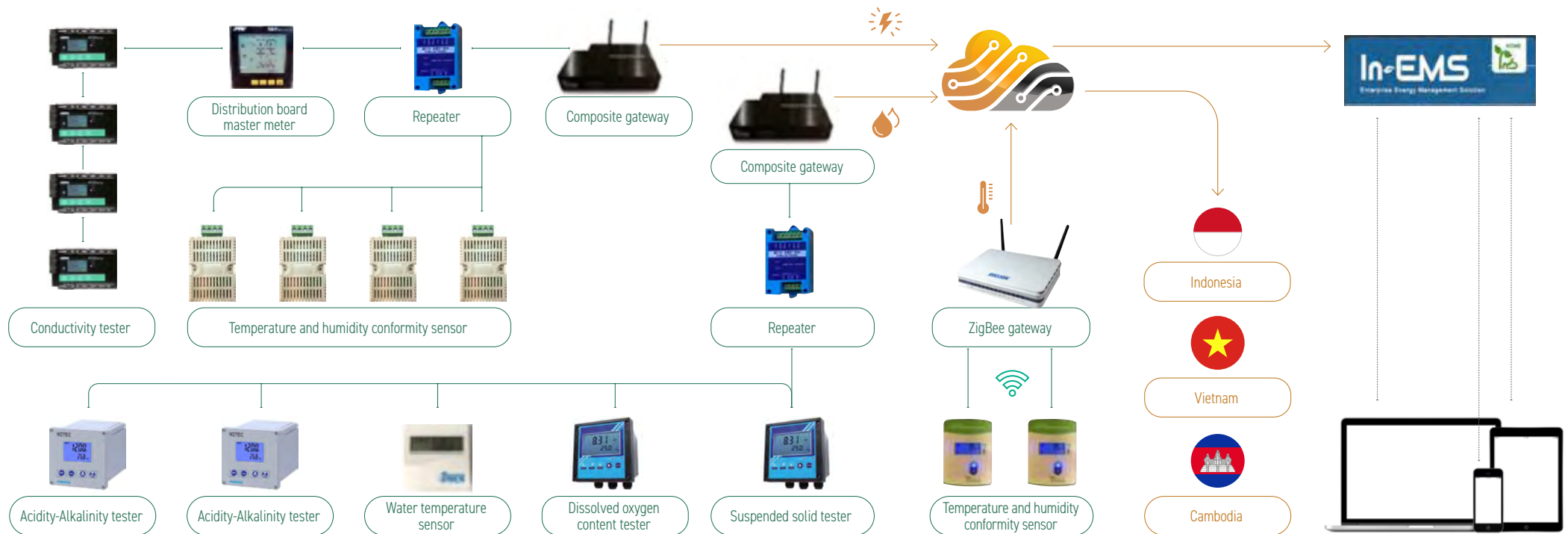
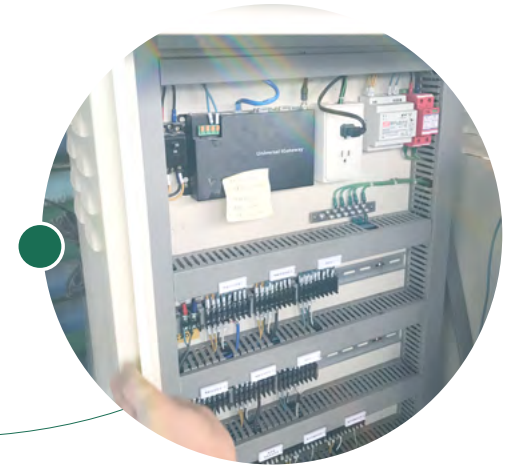
* Heat capacity of steam at Gaoqing Factory was based on the Steam Enthalpy Reference Table published by the U.S. National Institute of Standards and Technology

Note 1: Errata: Tainan Factory's 2020 Scope 2 emissions revised to 495 tonnes CO₂e; Scope 1 + 2: 525 tonnes CO₂e; 2020 Total GHG emissions by Tainan Enterprises in 2020: 13,543 Tonnes CO₂e

• Environmental Management Action Plan

1. Energy Monitoring Management System

Tainan Enterprises' Cambodia, Jakarta (Indonesia) and Solo (Indonesia), and Vietnam factories have all introduced energy monitoring management systems to track electricity usage and temperature/humidity data. Monitoring of electricity usage is achieved by compiling data from distribution board sub-meters to the master meter. The signal is then boosted by a repeater and transmitted to the In-EMS cloud platform via a wired gateway. Real-time electricity usage, data collection and statistical analysis can then be carried out a device for electricity and equipment management to help the business effectively manage electricity costs. Causes of abnormal electricity usage are analyzed through visualization of electricity demand and smart system reports (degradation in power factor, 3-phase power imbalance etc.). Electricity usage can then be optimized to reduce electricity costs. Electrical cabinets are also constantly monitored by integrated temperature and humidity sensors to ensure a stable environment inside the cabinet and improve electrical safety.



2. Low-carbon fuel boiler

The Vietnam, Cambodia and Gin-Sovannn factories use biomass energy to fuel their boilers. The biomass energy made from rice husk and wood chips significantly reduces the use of coal and diesel. Tainan Enterprises' factory in Tainan is also throwing its support behind the government's push to build a low-carbon homeland by replacing industrial boilers to improve air quality. The factory's heavy oil boiler was replaced with natural gas boiler at the end of 2019. The switch to natural gas, low-polluting gas fuel, will reduce GHG emissions and improve air quality.

3. Green Factory

The Vietnam factory has installed solar panels to provide 8,500 kWh of electricity for streetlights, parking lot and related equipment. The factory design incorporated green building concepts and was certified by the US Green Building Council as a LEED International Green Building in 2017. It is an environmentally friendly green factory that helps reduce energy consumption and greenhouse gas emissions.

4. Renewable Energy Generation - Solar Power

The development of renewable energy can increase energy independence and reduce carbon emissions at the same time. Solar panels on the rooftop can also help workshops keep temperatures down. Tainan Enterprises is actively planning to install solar power equipment at each site. GHG emissions have already been reduced to qualify for green factory status.

Tainan Enterprises' solar power program commenced with Cambodia. For phase 1, 100KW of rooftop solar power was installed at the Cambodia laundry in 2021 with an estimated annual power output of 115MWh. Phase 2 will expand the program to the Cambodia apparel factory and Vietnam factory in 2022. The Cambodia factory will generate up to 1500MWh of electricity each year while the Vietnam factory will generate around 915MWh per year. Total GHG emissions will be reduced by 1,200 tonnes (based on the electricity carbon emission factor of 0.599 KgCO₂e/kWh for Cambodia, and 0.363 KgCO₂e/kWh for Vietnam)

	Factory	Installed capacity	Estimated annual power output
Phase 1	Cambodia laundry	100 KW	115 MWh
Phase 2	Cambodia apparel factory	982 KW	1,360 MWh
Phase 3	Vietnam factory	640 KW	915 MWh

5. Higg FEM Index

The Higg Facility Environmental Module (Higg FEM) published by the Sustainable Apparel Coalition is a tool for measurement environment impact jointly developed by textile industry brands, retailers, manufacturers, non-government organizations, and academic experts. Tainan Enterprises factories evaluate their environmental performance and engage in continuous improvement every year. Data collected via the platform is used to measure the environmental impact of production output. In 2013, we voluntarily joined the Higg index to support the environmental initiatives and actions of international textile bodies. Environmental performance is shared with partner through the platform and everyone in the supply chain is working together to monitor environmental topics. All Tainan Enterprises factories completed their 2021 environmental management system self-assessment. All partner laundries were asked to take part and reach out to their partners as well.



3.1.2 Wastewater and Waste Management (Pollution Prevention)

Wastewater Management and Supervision

Rapid population growth has led to wastewater being produced and discharged in large quantities by factories. The water resources accessible to the human race are limited as well making wastewater management all the more important. Tainan Enterprises has established a comprehensive wastewater procedure with regular water quality testing every day to ensure that all water discharged comply with local wastewater discharge standards in order to reduce environmental damage from wastewater discharge. Tainan Enterprises not only complies with local regulatory requirements but is also expected to achieve local wastewater discharge standards. Zero Discharge of Hazardous Chemicals (ZDHC) inspections are organized for laundries each year to track the water quality of the wastewater. All chemicals added during the production process are also monitored as well. The goal is to realize sustainability of chemicals in order to improve the health of all human race.

Tainan Enterprises has built a laundry at the Cambodia factory. Access and use of water resources is an important area of management. To reduce environmental pollution and damage from wastewater and realize the recycling and reuse of water, Tainan Enterprises installed "Workshop Condensate Recovery" and "Process Wastewater Recovery and Reuse System" at our Cambodia factory. Wastewater from the production process is treated and fed back into the clean water tank for reuse. The factory achieved "Zero Wastewater Discharge" in 2021 with 100% recycling of process and domestic wastewater. The reclaimed water was divided by quality for production and domestic use. There were no sanctions any Tainan Enterprises factories by the government authorities for violation of water discharge regulations as of 2021.

Waste Management

The international trend towards "sustainable use of resources" and "zero waste" has now set the elimination of all waste as the ultimate goal of industrial waste management. In the future, source reduction and sorting as well as recycling and reuse will be the primary forms of waste disposal in the future to realize the effective circular reuse of resources.

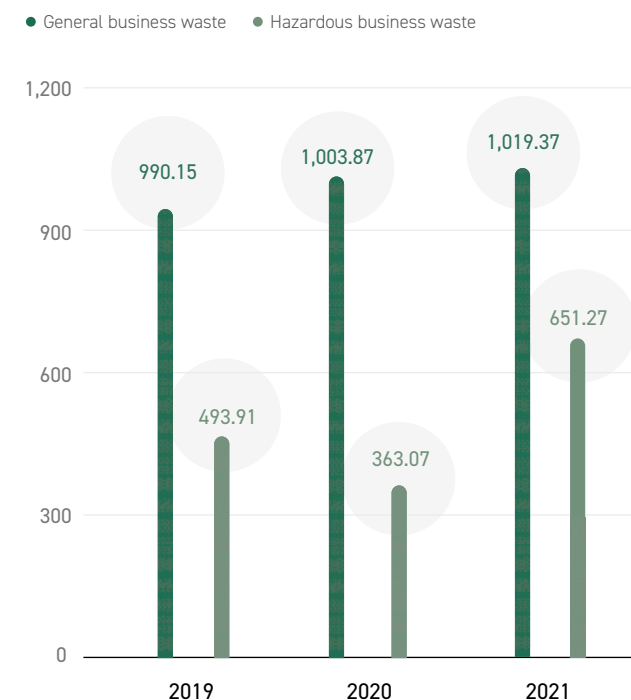
A waste management mechanism has been established by Tainan Enterprises to realize the goal of safety, health, hazard removal, and recycling. Regular employee awareness and poster campaigns are also run to encourage employees to sort waste for recycling by qualified contractors. All waste is disposed of through waste contractors in accordance with local regulations.

Waste is sorted into general industrial waste and hazardous industrial waste. The former consists mainly of food, cartons and plastics, while the latter includes wastewater, sludge, chemical containers, and boiler fly ash. Measures have been put into place by Tainan Enterprises to ensure that waste is isolated, stored and disposed of legally. In addition to ensuring the safety of employees at work, the natural environment is also protected against pollution to provide the general public with a safe social environment. There have been no sanctions against Tainan Enterprises for violations of waste disposal laws by the government authorities as of 2021.

• Cambodia Factory (incl. laundry and apparel) Unit: Megaliters (ML)

Water Supply	2019	2020	2021
Municipal water	23.474	9.203	9.478
Surface Water (incl. recycled water)	469.308	396.183	91.759
Total Water Consumption	492.782	405.386	101.237
Wastewater Discharge	147.835	39.715	-

• Waste Generated by each Tainan Enterprises Factory Unit: Tonnes



3.2 Water Resource Management

The term "Water Crisis" has been used by UN and other international organizations to describe the global availability of water resources for human use since 1970. The main sources of the crisis include shortage of potable water and water pollution. A lack of typhoons during the 2020 wet season meant water shortages in Taiwan so industrial water usage was asked to increase water savings from 5% to 7%. The Taiwanese high-tech and manufacturing industries were therefore faced with the prospect of shutdowns. In addition to highlighting the importance and urgency of water resource management, the situation also emphasized how critical water is to business sustainability and competitiveness.

Tainan Enterprises has continued to manage water consumption in accordance with the United Nations 2030 Sustainable Development Goals (SDGs). In addition, condensate recycling and wastewater recovery technologies were introduced at the Cambodian laundry, as well as a fully automatic washing machine optimization process to reduce water consumption directly from the front end. Total water consumption of Tainan Enterprises in 2021 was 311.623 ML, down 53.3% compared to the same period last year.

Reclaimed water is industrial wastewater that has been treated for reuse. Increasing the efficiency of water usage is very important when water resources are finite. Tainan Enterprises adjusted our processes to improve the efficiency of our water usage through wastewater recovery and reuse. The topic of water resources has a huge effect on people's everyday life. How to maintain the sustainability of water resources and promote the welfare of humanity is something that everyone in the world should work towards.

Unit: Megaliters (ML)

Year	Water Resource	Tainan Factory	Jakarta Factory (Indonesia)	Solo Factory (Indonesia)	Cambodia Factory	Gin-Sovann Factory	Gaoqing Factory (China)	Vietnam Factory
2019	Municipal water	13.116	76.42	23.564	23.474	-	39.4	-
	Ground water	-	-	10.444	-	-	-	134.18
	Surface water	-	-	-	469.308	-	-	-
	Total Water Consumption	13.116	76.42	34.008	492.782	-	39.4	134.18
	Total Water Consumption of Tainan Enterprises							789.906
2020	Municipal water	12.495	73.482	27.774	9.203	24.727	46.69	-
	Ground water	-	-	10.104	-	-	-	66.516 ¹
	Surface water	-	-	-	396.183	-	-	-
	Total Water Consumption	13,116	76,420	37.878	405.386	24.727	46.69	66.516
	Total Water Consumption of Tainan Enterprises							667.174
2021	Municipal water	13.38	62.147	29.688	9.478	14.412	22.46	-
	Ground water	-	-	8.795	-	-	-	59.504
	Surface water	-	-	-	91.759	-	-	-
	Total Water Consumption	13.38	62.147	38.483	101.237	14.412	22.46	59.504
	Total Water Consumption of Tainan Enterprises							311.623

Note: 1. Errata: Vietnam factory used 66.516 ML of ground water in 2020

Fully Automatic Washing Machine

The textile and apparel industry is a water-intensive industry. Tainan Enterprises introduced fully automatic washing machines to the Cambodian factory to address the problem of water scarcity in 2019. Compared with the traditional washing machine, the fully automatic washing machine can reduce the water bath ratio by 50%, and reduce the amount of chemical and waste water emissions at the same time. The large loading capacity and centralized dosing system reduce the variables and losses. In addition, the fully automatic washing machine can be operated by one person and multiple machines, using the computer program to set the bath ratio, temperature, rotation speed and dewatering of each section of the water washing, which can be completed in one machine! The advantages of small footprint and large loading capacity reduce the number of machines, cost and maintenance expenses, and improve the problem of wet and slippery floor in the working environment, reducing clothing contamination and work safety accidents.



Water Risk Assessment (disclosure is only for Cambodian factory due to high water usage of the laundry)

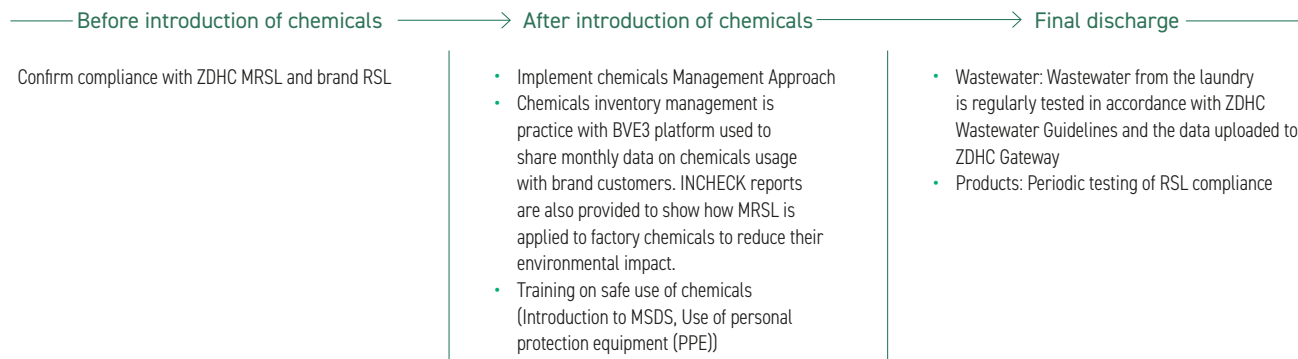
The global water risk assessment tool WRI Aqueduct placed the Cambodia factory in a High Risk region. The main risks are water shortages, wastewater discharge, drinking water quality, and flooding. Due to the water intensive nature of the laundry at the site, water-saving KPIs were set for the Cambodia factory with regular monitoring of performance. Targets for the following year are also adjusted annually based on water usage and related risks to improve our ability to response to water shortages or restrictions. A detailed analysis of water risks is provided in the table below.

Item	Content	Risk Level
 Water Shortage	The global water risk assessment tool WRI placed the Cambodia factory in a city at high risk of water shortages. To improve the Cambodia factory's ability to respond to water shortages due to its higher water usage, the water recovery equipment was upgraded in 2021 to achieve 100% recycling of process and domestic wastewater. The reclaimed water is divided by quality for production and domestic use.	Low Risk
 Wastewater Discharge	The Cambodia factory already carries out annual ZDHC wastewater testing and tracking of wastewater quality. It already exceeds local regulatory requirements and has achieved zero direct discharge of wastewater. There have been no incidents of water pollution over the past few years.	Low Risk
 Drinking Water Quality	Drinking water in the Cambodia factory are treated with filtration equipment and undergoes periodic statutory testing to ensure the safety of its water quality.	Low Risk
 Flooding	WRI analysis placed the Cambodia factory in a high flood risk region. Tainan Enterprises has emergency response procedures in place for managing natural disasters. The site has suffered no damage due to flooding in recent years.	Low Risk

3.3 Management of Chemicals

The UN Strategic Approach to International Chemicals Management (SAICM) mandated the meeting of sustainability goals by 2020. SAICM aimed to reduce the negative impacts from the use and manufacture of chemicals on the environment and human health. The 2020 goals have become the basis for subsequent developments. UN SDGs now aim to continue promoting the management of chemicals before 2030 to reduce the release of toxic chemicals substances and hazardous materials, as well as increase the global rates of recycling and safe reuse. The sound management of chemicals is therefore a prerequisite for the realization of sustainability, and their industrial production processes are now developing in the directions of green and sustainability.

Great importance is attached to the management of chemicals and their safe usage by Tainan Enterprises to stay aligned with industry and UN approaches on chemicals management. These include compliance with the relevant chemicals management regulations, ZDHC Manufacturing Restricted Substances List (ZDHC MRSL), and the Restricted Substances List (RSL) of brand customers. A chemicals products registry was set up with periodic tracking of chemicals usage. The BVE3 platform is used to share monthly usage data with customers. Employee training is also regularly held on Material Safety Data Sheet (MSDS), chemicals hazard signs, and use of personal protective equipment to ensure that employees possess the corresponding safety knowledge when using chemicals. Production process wastewater is also regularly tested against ZDHC MRSL parameters to check for restricted substances. Source management and follow-up tracking are used to reduce the ecological damage from discharge of chemicals substances. The management structure and chemicals management are being gradually refined. Capacity and system building in accordance with the chemicals management strategy is being progressively implemented over multiple years. It is the national policy of Taiwan to fulfill our responsibilities of global citizenship through the implementation of UN international action plans. Proactive action is now being taken on SAICM indicators to improve our chemicals management system and promote eco-friendly products.



1. Implement Chemicals Management Approach

A set of comprehensive chemical management policies were formulated by each factory for enhanced management of chemicals. Workers in contact with chemicals must understand their responsibilities, know what chemicals are used in the production process, as well as the procedures for their safe handling, use and storage to prevent environmental pollution or direct human exposure.



2. Chemicals Inventory Management

A record of chemicals inventory is maintained to ensure that each factory properly tracks the chemicals they use. All types of chemicals in the inventory are therefore periodically audited including chemicals used during the production process (chemicals for production, site cleaning, and waste disposal), all chemicals used by the equipment, and chemicals used for factory operations and maintenance.

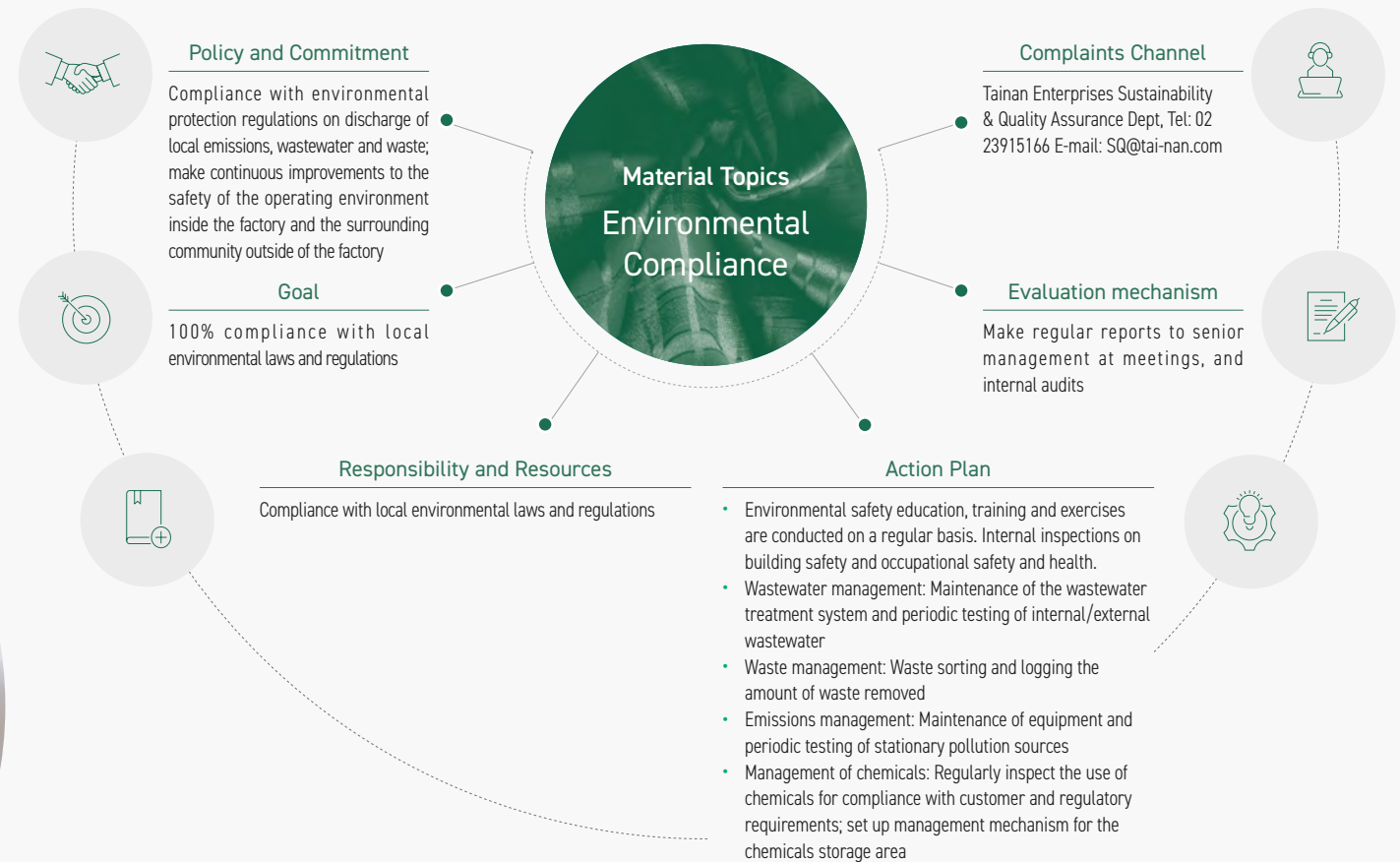
The inventory list details the identifying information for chemicals including chemical name, type, supplier name and type, MSDS, function, uses, hazard type, storage conditions and location, quantities and dosage. The chemicals list is regularly audited.



3. Training on Safe Use of Chemicals

Employee education and training is regularly conducted on topics such as chemicals hazards and identification, MSDS/SDS, labeling, compatibility, risks, appropriate storage, handling, and use of personal protective equipment (PPE). Employees are taught on how to respond in an emergency, accident or spill, access restrictions to chemicals storage areas, the potential environmental impacts of chemicals in storage containers and their use. Employees responsible for supervision of storage and transportation are provided with proper protective measures. We also ensure that all employees responsible for operations involving handling of chemicals undergo training.

3.4 Compliance



Compliance with local regulatory requirements is the most fundamental component of the management approach at Tainan Enterprises. Each factory shall periodically audit the validity of their regulatory permits, identify local laws and regulations that they need to comply with, and develop a plan to track new developments on a regular basis to ensure compliance with the latest regulatory requirements. There were no sanctions against Tainan Enterprises for significant environmental non-compliance by the government authorities in 2021.

Employee Care

4-1 Employee Profile

4-2 Employee Compensation and Benefits

4-3 Promotion of Employee Rights

4-4 Occupational Health and Safety

4-5 Career Management and Learning



Highlights

- Passed 100% of human rights audits with no use of child labor, forced labor, or discrimination.
- 2,300 employees have benefited from the P.A.C.E. education program

Tainan Enterprises strives to cultivate a working environment with "family" as its core value. We hope that every member of Tainan Enterprises can receive all the care and support they need to put their talents to good use. We also extend our support to employees' families to raise the overall feeling of happiness.

CHAPTER 4

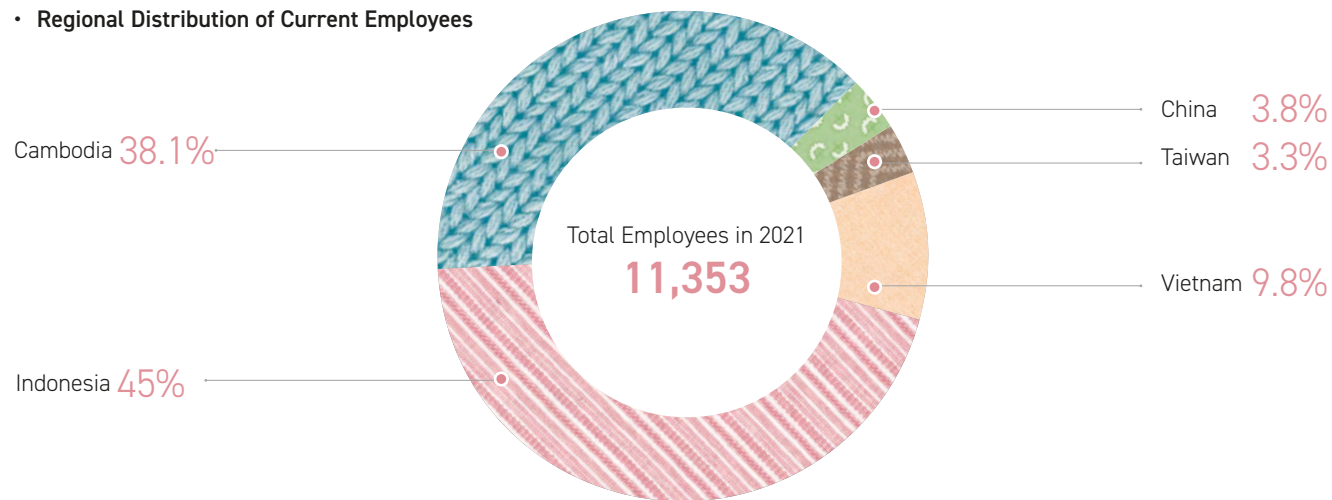


4.1 Employee Profile

• Age Distribution and Gender Ratio of Current Employees

Age Group		Taiwan Office	Tainan Factory	Gaoqing Factory (China)	Jakarta Factory (Indonesia)	Solo Factory (Indonesia)	Vietnam Factory	Cambodia Factory	Gin-Sovann Factory
Male	30 years and under	6	0	4	53	197	79	815	155
	31 ~ 50 years	26	5	18	144	118	147	256	121
	51 years and above	18	4	24	7	3	8	10	4
Female	30 years and under	53	13	106	712	1,452	249	1,195	268
	31 ~ 50 years	136	27	210	1,342	1,060	617	1,086	373
	51 years and above	69	22	71	18	1	11	40	0
Total		308	71	433	2,276	2,831	1,111	3,402	921
Ratio of Men		16%	13%	11%	9%	11%	21%	32%	30%
Ratio of Women		84%	87%	89%	91%	89%	79%	68%	70%

• Regional Distribution of Current Employees



"People is the leading indicator and the most important metric." With the core values of integrity and honesty, professionalism and accountability as our guide, Tainan Enterprises hopes employees and the company are not just linked by money. Instead, we hope that we share the same values on personal development and ideals. Tainan Enterprises' Taiwan Office introduced the design thinking workshop in 2021 to reduce employee turnover. Managers and employees brainstormed together to design projects that match the company and employees' personal development plans to imbue work with a greater sense of mission and value. External education and training were also organized to enhance employee professionalism and management skills.



• Number of New Hires, Turnovers, and Gender Ratio

Age Group			Taiwan Office		Tainan Factory		Gaoqing Factory (China)		Jakarta Factory (Indonesia)		Solo Factory (Indonesia)		Vietnam Factory		Cambodia Factory		Gin-Sovann Factory	
			Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%	Number	%
New Hires	30 years and under	Male	4	9.3%	0	0%	3	4.8%	23	2%	114	10.8%	74	21.7%	390	25.9%	107	23.3%
		Female	20	46.5%	5	27.8%	14	22.6%	511	44.5%	728	69.3%	164	48.1%	230	15.3%	142	30.9%
	31 ~ 50 years	Male	2	4.6%	0	0%	2	3.2%	32	2.8%	17	1.6%	30	8.8%	311	20.7%	61	13.3%
		Female	15	34.9%	6	33.3%	29	46.8%	582	50.6%	192	18.3%	70	20.5%	434	28.9%	145	31.6%
	51 years and above	Male	0	0%	0	0%	3	4.8%	1	0.1%	0	0%	3	0.9%	39	2.6%	0	0%
		Female	2	4.7%	7	38.9%	11	17.8%	0	0%	0	0%	0	0%	100	6.6%	4	0.9%
	Total		43	100%	18	100%	62	100%	1,149	100%	1,051	100%	341	100%	1,504	100%	459	100%
Employee Turnover	30 years and under	Male	2	3.9%	0	0%	3	3.3%	9	0.9%	67	4%	54	15.8%	430	25.9%	55	12.4%
		Female	14	27.4%	8	34.8%	17	18.7%	498	50.8%	1,046	61.9%	154	45.2%	250	15.1%	163	36.7%
	31 ~ 50 years	Male	0	0%	1	4.4%	3	3.3%	17	1.8%	35	2.1%	26	7.6%	336	20.2%	40	9%
		Female	26	51%	10	43.5%	46	50.5%	456	46.5%	541	32%	106	31.1%	450	27.1%	185	41.7%
	51 years and above	Male	1	2%	1	4.3%	4	4.4%	0	0%	0	0%	1	0.3%	39	2.4%	0	0%
		Female	8	15.7%	3	13%	18	19.8%	0	0%	0	0%	0	0%	155	9.3%	1	0.2%
	Total		51	100%	23	100%	91	100%	980	100%	1,689	100%	341	100%	1,660	100%	444	100%



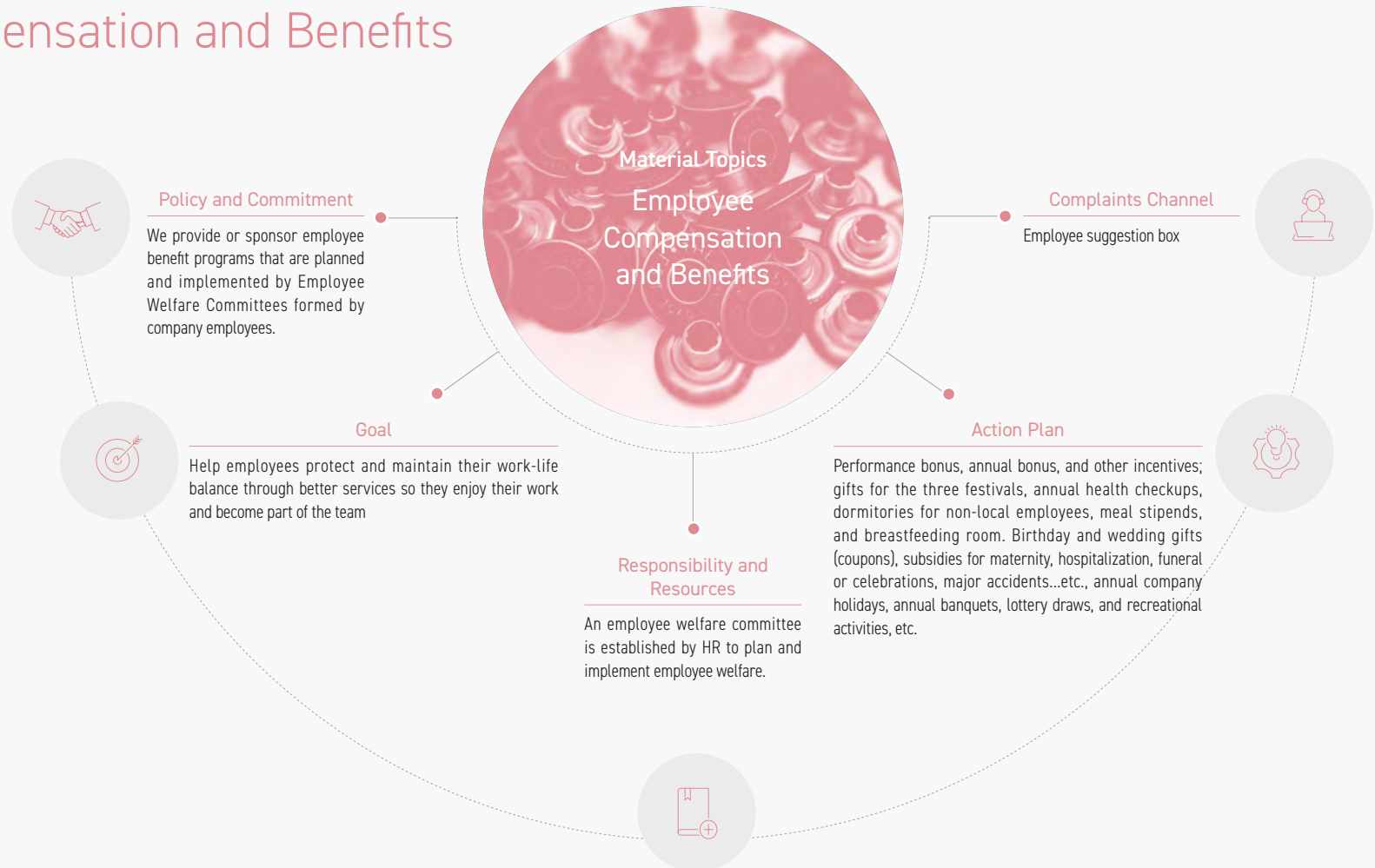
• Management Ratios

	Taiwan Office	Tainan Factory	Gaoqing Factory (China)	Jakarta Factory (Indonesia)	Solo Factory (Indonesia)	Vietnam Factory	Cambodia Factory	Gin-Sovann Factory
Local Employee	94	9	57	150	335	108	237	36
Foreign Employee	0	0	5	5	10	18	50	13
Ratio of Locals	100%	100%	92%	97%	97%	86%	83%	73%
Ratio of Foreign Nationals	0%	0%	8%	3%	3%	14%	17%	27%
Male	19	2	8	48	100	48	38	27
Female	75	7	54	107	245	78	249	22
Gender Ratio (Male:Female)	1:3.94	1:3.5	1:6.75	1:2.22	1:2.45	1:1.62	1:6.55	1:0.81

• Employee Diversity

Tainan Enterprises pays close attention to equal opportunity in employment for the disadvantaged and other related groups. We provide suitable job opportunities for disabled persons in accordance with the People with Disabilities Rights Protection Act and Indigenous Peoples Employment Rights Protection Act. In 2021, Tainan Enterprises employed a total of 8 people with disabilities to promote inclusive and sustainable economic growth. Disabled employees are treated equally in terms of compensation and benefits. Most Tainan Enterprises employees are Taiwanese nationals and preference is given to local hires at our main production locations. In addition to creating local employment opportunities and stimulating the local economy, this also leads to lower employee turnover. Foreign nationals are introduced on a small minority of production lines where Taiwanese nationals could not be recruited.

4.2 Employee Compensation and Benefits



4.2.1 Fair Compensation System

The starting salary of new hires far exceed the statutory minimum wage. We also offer a competitive standard of compensation. Salary survey data (based on research by DGBAS, peers in the same or other industries, or external consulting firms) indicated that compensation offered by Tainan Enterprises was above the industry average.

• Incentivizing Employees to Share in Business Success

A certain proportion of our annual profits are set aside each year by Tainan Enterprises based on our overall business performance. The money is distributed as profit-sharing bonuses to employees to boost their morale, recognize their hard work and contributions, and show employees that we appreciate their importance. A high-value trust subsidy is provided to encourage employees to participate in stock ownership trusts, so that they can accumulate personal wealth through long-term investment to protect their future livelihood after retirement or separation from the company.

4.2.2 Diversified Benefits Scheme

Tainan Enterprises strives to cultivate working environment where employees can put their talents to full use. We also comply with the relevant laws and formulate employee policies to ensure that all employees receive proper care and support. Diverse benefits are used to look after employees' lives, improve their quality of life, enhance physical and mental well-being, and build bonds between employees. The "Employee Welfare Committee of Tainan Enterprises Co., Ltd." was established by the Taiwan Office in accordance with the Employee Welfare Fund Act. The Committee meets regularly to review and plan company benefit, and continues to develop diverse benefits based on employee ends.

Benefit measures include the following:

Employee group insurance, subsidies for club activities, wedding gifts, birthday gifts, maternity allowances, travel subsidies, and employee benefits.

• Pension System

The Employee Retirement Implementation Regulations were formulated by Tainan Enterprises to protect the lifestyles of employees once they retire in accordance with the Labor Standards Act, and Labor Pension Act. The Regulations set out the conditions for retirement and contributions are made to employee pensions in accordance with the relevant laws. For all employees with years of service under the old system, a set percentage of their salary is deposited each month into a dedicated bank account under the name of the Pension Fund Committee. For employees covered by the new system 6% of their salary is paid as pension contributions into their personal pension account with the Bureau of Labor Insurance.

The Group's overseas subsidiaries make monthly provisions of 5% to 22% of local employees' salaries to the pension reserve and endowment insurance system on a voluntary basis in accordance with local government regulations. Tainan Enterprises made \$11,832,619 in pension contributions in 2021.

• Health Checkups

The physical health of employees has always been of utmost importance to Tainan Enterprises and is fundamental to our sound development. In 2021, Tainan Enterprises provided NT\$982,550 in subsidies for employee health checkups. Professional medical staff are also employed at each factor to provide employees with health advice, check their workload and physical condition, and work together to look after employee health.

Country	Pension System
Taiwan	For employees that meet the conditions for retirement, pension payments are based on their length of service and their average salary in the 6 months before retirement. The Company appropriates 7.5% of the total monthly salary for the pension fund, which is deposited in the name of the Supervisory Committee of Labor Retirement Reserve to a dedicated account at the Bank of Taiwan. The Company and its domestic subsidiaries make monthly contributions of 6% of salaries to employees' personal accounts at the Bureau of Labor Insurance for employees who choose to be subject to the labor pension scheme under the Labor Pension Act of the R.O.C. Employees' pensions are paid in the form of monthly pensions or lump-sum pensions, depending on the amount of the employees' individual pension accounts and accumulated earnings.
Indonesia	Employees that reach retirement age can apply for retirement with the company's approval. Applications are processed in accordance with Indonesia's Labor Law No. 13 of 2003.
Vietnam	Local laws in Vietnam provide for retirement pensions. The Vietnamese Law on Social Insurance states that to qualify for a pension, an employee must have made social insurance contributions for at least 20 years. The retirement age is then 60 for men and 55 for women. Those who engaged in at least 15 years of high-risk work also qualify for a pension once they reach 55 ~ 60 years of age for men, and 50 ~ 55 years of age for women. If an employee is only 50 ~ 55 years of age but has made social insurance contributions for at least 20 years, then they may qualify for a pension under two special circumstances. Those who stopped working after making at least 20 years of social insurance contributions are eligible to collect a pension upon reaching the age of 55 for men, and 50 for women. Those who engaged in at least 15 years of high-risk work also qualify for a pension once they reach 55 ~ 60 years of age for men, and 50 ~ 55 years of age for women.
China	Under national law, once an employee reaches retirement age and has completed the necessary applications then the government's social insurance department will deposit their monthly pension in their personal social insurance card.

- Factory Celebrations and other Company Functions



COVID-19 vaccination at the Solo Factory in Indonesia



The Cambodia factory makes regular visits to orphanages to engage with the local community.



Eid prayers at Solo Factory (Indonesia)

The Ramadan and Eid al-fitr are important Muslim holidays and festive occasions. Eid prayers and celebrations are held for employees out of respect for the customs of each religion.

Graduation ceremony for employees that completed P.A.C.E. education and training at the Solo factory in Indonesia.



Education and training on HIV prevention and hygiene for employees at Gin-Sovann Factory in Cambodia to improve their health and welfare.



Workplace Cooperation Program (WCP) employee education and training at the Solo factory in Indonesia



4.3 Promotion of Employee Rights



We want to provide good working conditions and take proper care of employees' physical and well-being so they can enjoy and concentrate on their work. We are therefore committed to treating all employees with respect and upholding their human rights in accordance with the relevant laws. Tainan Enterprises recruits talented people from different backgrounds. We also respect workers' rights and enforce equal treatment including:

1. The rights and duties of both the employer and employee are explicitly stated in employer-employee agreements as well as employee code of conduct or ethics.
2. Formulated the work rules and human resources management regulations in accordance with the Labor Standards Act.
3. Formulated the Rules for Prevention and Punishment of Sexual Harassment and set up complaints mailbox and hotline to provide employees with a channel for communication when their legal rights are violated. Protected employees against sexual harassment by upholding gender equality in the workplace and human dignity.



• MicroBenefits and WOVO Employee Management App Introduced at Factories

With an increase in mobile phone usage in South East Asian countries, Tainan Enterprises introduce the MicroBenefits and WOVO employee management app. The apps were introduced at the Vietnam Factory and Cambodia factories respectively. Employees can create their online own communities, interact with each other and also understand the needs and requirements of employees. Tainan Enterprises also posts business news and hygiene education matters through the app. Questionnaire surveys are also issued at different times to employees to improve the level of transparency. Employees can also use the app to make suggestions, file complaints, or report any other problem. It increases the frequency of direct labor-management communications between the labor and management. In 2021, Vietnam and Cambodia factories used the MicroBenefits and WOVO apps to introduce gender-based violence (GBV) prevention education and training.

• Minimum Notice Period for Material Operational Changes by Country

Country	Minimum noticed period for material operational changes
Taiwan	We comply with the minimum notice period based on the age of employees in accordance with the Labor Standards Act.
Cambodia	Cambodia's Labor Law stipulated that the minimum notice period for permanent employees was based on their minimum labor time. For regular contract workers it was 15 days.
Vietnam	The Vietnam Labor Code requires the Company to give at least 45 days notice to temporary employees. Permanent employees provided the minimum warning period set out the Code.
Indonesia	Businesses must notify employees 14 days before termination of employment.

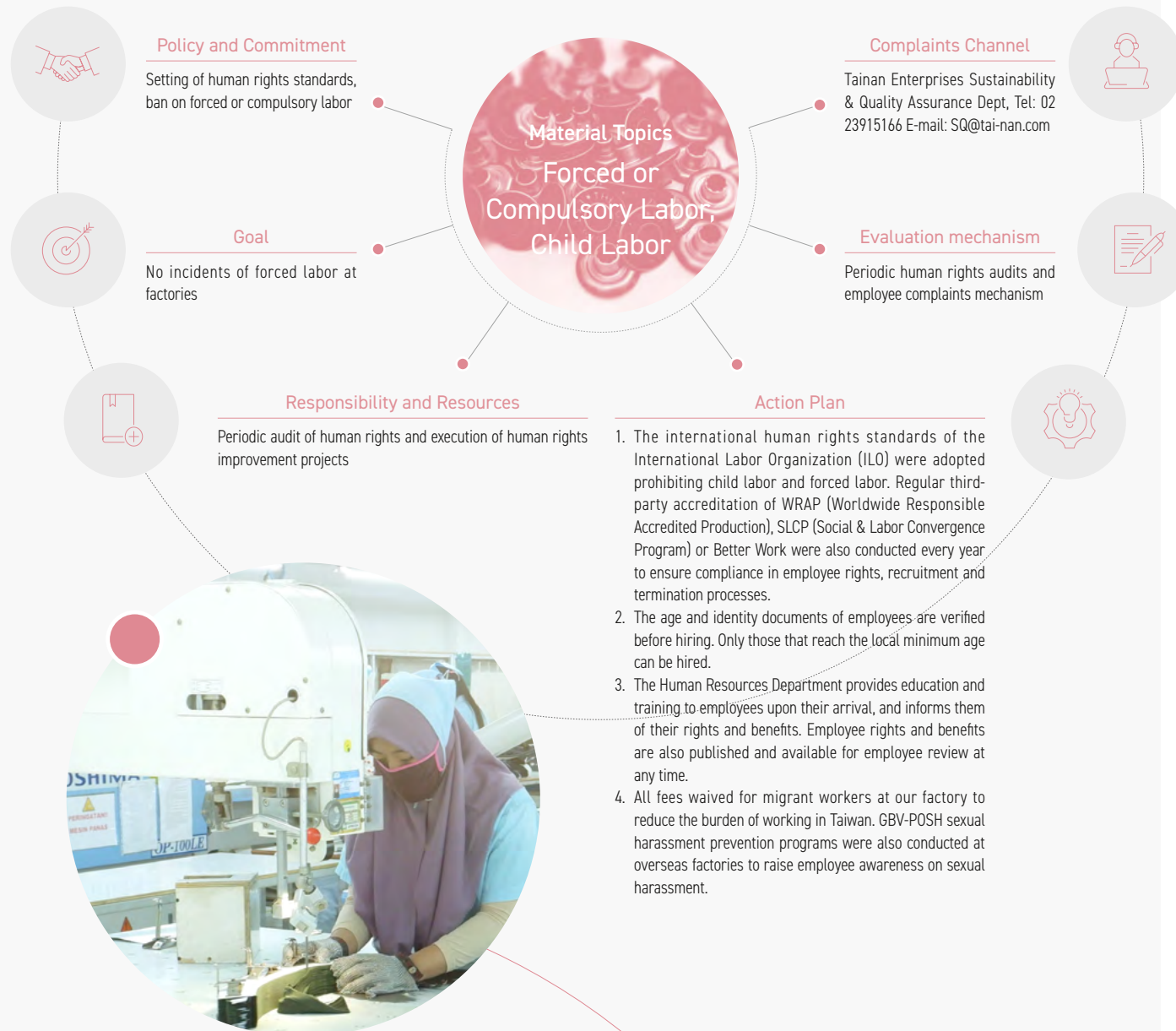
4.3.1 Employee Communications

Employees are our most important asset. The company strives to build a friendly, safe and healthy, and dignified environment that is safe, friendly, healthy, respects human rights, and free from discrimination and harassment. To truly understand employee needs, multiple channels for two-way communications were established the head office for employee feedback. An e-mail address (hrservices@tai-nan.com) is also used to listen and respond to employee feedback in order to enhance our management performance.

Each factory also has its own complaints channels. Employees can file a complaint with the Complaints Handling Committee. The investigation and review processes are kept confidential and a written record compiled of the case. Employees may not be punished by the company for filing a complaint either. A total of 5 factory complaints were received in 2021 involving factory regulations and COVID-19 policy. After the complaints were discussed by the complainants and the committee all cases were dealt with in a appropriate manner with consensus achieved.



4.3.2 Human Rights Assessment



• Human Rights Education and Training

Region	Course Name	Duration	Trainees
Taiwan	New Hire Training	1 hour	43
Gaoqing Factory (China)	New Hire Training	30 minutes	106
	Sexual Harassment Prevention	3 hours	440
Jakarta Factory (Indonesia)	Employee Code of Conduct	15 minutes	2,638
	Employee Complaints Mechanism	15 minutes	2,090
	Sexual Harassment Prevention	15 minutes	2,260
	HIV Prevention and Treatment	15 minutes	1,980
Solo Factory (Indonesia)	Anti-Discrimination	30 minutes	34
	HIV Prevention and Treatment	30 minutes	31
	Sexual Harassment Prevention	1 hour	34
Cambodia Factory	New Hire Training	1 hour	1,504
	Sexual Harassment Prevention	2 hours	40
Vietnam Factory	New Hire Training	2 hours	370
Gin-Sovann Factory	New Hire Training	1 hour	908
	Sexual Harassment Prevention	1 hour	908
	HIV Prevention and Treatment Plan	2 hours	48

• Human Rights Audit

Guided by the philosophy of social responsibility and sustainability, Tainan Enterprises is committed to providing customers with sound products and services in a legal, ethical and humanitarian manner. The commitment shall serve as the basis for transparent, ethical and responsible management at Tainan Enterprises. As an international apparel manufacturer of clothing that enriches and beautifies the lives of customers, Tainan Enterprises must adhere to all applicable laws regarding employment, discrimination, environment, quality and safety. We strive to meet the highest audit standards.



Prohibition against Forced Labor

To protect the interests and human rights of employees, forced labor in any form, human trafficking or treating employees as slaves, abuse of power or use of coercion to force employees into working or restrictions on their freedom of movement are all prohibited by Tainan Enterprises. To build a safe and equitable working environment, we also conduct human rights inspections and operational impact assessments, draw up codes of conduct and labor rights management guidelines, as well as develop human rights policy and employee training to improve employees' basic awareness and ability to protect themselves.



Prohibition against Child Labor

To protect the basic human rights of children, Tainan Enterprises emphasizes that children under the age of 15 or those under the working age according to local law might not be hired for any reason. Forcing child workers to engage in labor is strictly prohibited, and we comply with all laws and regulations that restrict the type and amount of work that underage employees may engage in. These include limits on working hours, and ensuring that underage employees do not engage in any hazardous work such as the handling of chemicals or operation of heavy machinery. Employees' date or birth are reviewed using their provided documentation to ensure that compliance with age requirements.



Prohibition against Harassment or Abuse of Workers

Tainan Enterprises believes that freedom for physical or mental harassment or abuse is a fundamental human right for every employee. We are committed to providing a working environment free from harassment, abuse and any form of corporal punishment. No employee is permitted to engage in or to condone acts of sexual harassment, sexual abuse, verbal abuse, obscene or threatening behavior. Employees are also provided with related courses and lectures on acceptable behavior to cultivate a safe and healthy working environment.



Prohibition against Discrimination

Tainan Enterprises believes that employees should be based on their ability rather than any personal characteristics such as gender, race, religion, age, disability, sexual preference, nationality, political opinion, social status or ethnicity. We guarantee the right of all employees to non-discrimination in employment.



Reasonable Working Hours

Tainan Enterprises adheres strictly to the Labor Standards Act or local laws in providing employees with normal working hours and imposing limits on overtime. The number of hours worked per day and the number of working days per week should comply with the law. Even if additional hours must be worked due to urgent business demand at least one rest day must be provided every seven days. Employees will not be disciplined or dismissed if they refuse to work overtime.



Percentage Audited on Human Rights in Each Region

Country	Percentage Audited on Human Rights
Taiwan	100%
Indonesia	100%
Cambodia	100%
Vietnam	100%

There no incidents of human rights violations, discrimination, forced labor or harassment at Tainan Enterprises in 2021.

• Human Rights Improvement Programs

Zero Fees for Migrant Workers

Migrant workers were often saddled with huge debts from visa, residency permit, recruiting and broker fees before they arrive in Taiwan. To eliminate transparency issues between migrant workers and brokers, Tainan Enterprises followed the lead of the international brand Burton in adopting a zero fee policy. As of December 2019, we make monthly repayments on migrant workers' loans based on the duration of the contract. The payments are structured to completely pay off their loan at the end of the contract. Broker fees are all paid by HR to prevent double-dipping by labor brokers.

Sexual Harassment Prevention Program

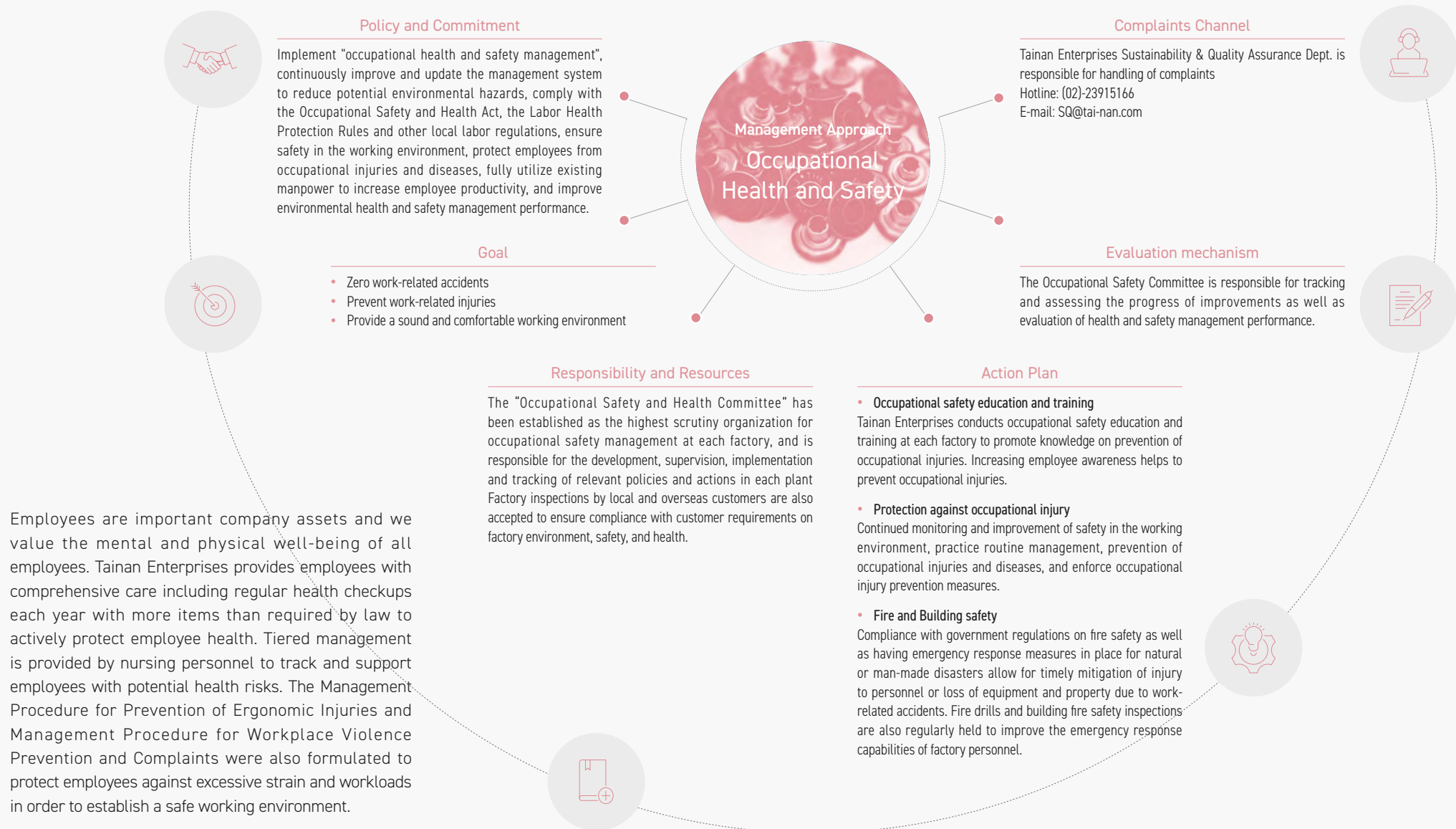
To protect gender equality in the workplace and promote a friendly working environment, Tainan Enterprises partnered with GAP Inc. in 2020 on the Gender Based Violence - Prevention of Sexual Harassment (GBV-POSH) program. A sexual harassment complaints mechanism and related rules were drawn up and announced to employees to protect their rights. GBV-POSH was introduced at our production sites in Indonesia and China. Selected employees underwent instructor training on sexual harassment prevention before going on to train employees at other factories. The training improved employees' self-awareness on sexual harassment, reduced improper behavior by perpetrators, and publicized the complaints platform and procedure. The establishment of a protected and trusted platform ensured that affected employees can file a complaint without fear.

Better Work Program

To ensure that the rights of employees at overseas factories are being respected and upheld, our Jakarta and Solo factories in Indonesia as well as the Cambodia factory all joined the Better Work initiative of the International Labour Organization (ILO) in order to provide a healthier and safe working environment, improve employee welfare, and enhance transparency on internal company information. External brand customers can also use an online platform to view our company's information in real-time. Consistency of the above information are also verified through on-site inspections by ILO.



4.4 Occupational Health and Safety



• Workplace Health Promotion

We believe that employee health is the most important element in the sustainability of a business. Workplace health promotion is being progressively rolled out by the Company to improve the physical and mental well-being of employees, and enhance the quality of their working environment. A variety of health management and promotion activities are used to build a happy, healthy workplace where employees enjoy their work and enjoy working for Tainan Enterprises.

The "Occupational Safety and Health Committee" at each factory is responsible for the development, supervision, implementation and tracking of relevant policies and actions in each factory. The committee meets regularly and is composed of member representatives and employee representatives to ensure the operation of the management system and to continuously track the improvement results of problems and conduct reviews and confirmations.

• Regional Health and Safety Committees

● Number of Employee Representatives ● Size of Committee

Cambodia - Gin-Sovann Factory Meeting Frequency: 12

1 11

Vietnam - Vietnam Factory Meeting Frequency: 6

4 30

Indonesia - Jakarta Factory Meeting Frequency: 12

6 6

China - Gaoqing Factory Meeting Frequency: 12

13 18

Taiwan - Tainan Factory Meeting Frequency: 4

7 12

Cambodia - Cambodia Factory Meeting Frequency: 4

5 20

Indonesia - Solo Factory Meeting Frequency: 24

22 37

• Work-related Injury Ratios

		Tainan Factory	Jakarta Factory	Solo Factory	Cambodia Factory	Gin-Sovann Factory	Vietnam Factory	Gaoqing Factory
2020	Accidents at work (number of cases)	1	37	28	24	0	0	2
	Injury Rate (IR)	6.63	7.41	4.61	2.91	0	0	1.81
	Lost Days Rate (LDR)	338.23	0	0.99	2.91	0	0	3.16
	Absentee Rate (AR)	Male	13.93	0.21	0.34	2.54	6.69	3.15
		Female	6.17	1.16	0.94	4.79	9.35	2.98
	Work-related Fatalities	0	0	0	0	0	0	0
2021	Accidents at work (number of cases)	1	20	20	4	4	0	1
	Injury Rate (IR)	7.09	34.04	3.679	0.907	1.912	0	0.9
	Lost Days Rate (LDR)	653.11	34.04	3.679	2,334.57	76.48	0	11.75
	Absentee Rate (AR)	Male	0.17	0.009	0.003	0.00016	0.0594	0.036
		Female	0.05	0.017	0.008	0.00019	0.1058	0.06
	Work-related Fatalities	0	0	0	0	0	0	0

Work-related Injury Rate (IR) = Occupational injury (cases) X 1,000,000 / Total work hours

Lost Days Rate (LDR) = Total days lost (days) X 1,000,000 / Total work hours

An investigation found that most work-related injuries were minor ones caused by needles. Factories have stepped up their education on proper use of sewing machines and finger guards. For more severe work-related injuries, action is immediately taken by factory managers and nursing personnel. Better operator safety training, regular inspection and maintenance of machinery, as well as the replacement of old/worn and improperly maintained equipment are employed to reduce the chance of further work-related injuries.

Annual occupational safety training is conducted by Tainan Enterprises for employees to improve operational safety at our factories. In addition to basic safety training for new employees in applicable positions, we also continue to track changes in government regulations and customer requirements/guidelines then update our safety rules and training for employees accordingly. Topics covered by training include Safe machine operation, use of personal protective equipment, safe handling of chemicals, operational safety, first-aid, and health education.





• Occupational Safety Training

Region	Course Name	Course Duration	Trainees
Gaoqing Factory (China)	First aid training	45 minutes	488
	Fire safety and evacuation	45 minutes	970
	Safe machine operation	30 minutes	16
	Chemicals and personal protective equipment	30 minutes	3
Jakarta Factory (Indonesia)	Internal first-aid	1 hour	30
	Safe machine operation	15 minutes	1,990
	Fire evacuation	15 minutes	2,260
	Health and safety	15 minutes	2,267
	MSDS	15 minutes	2,569
Solo Factory (Indonesia)	First-aid	30 minutes	63
	Safe machine operation	30 minutes	30
	MSDS	30 minutes	21
	Emergency exits	30 minutes	49
Cambodia Factory	First-aid	1 hour	3,232
	Fire safety and evacuation	1 hour	3,232
	Chemicals and personal protective equipment	1 hour	3,347
Vietnam Factory	COVID-19 epidemic prevention	30 minutes	350
	Emergency evacuation	1 hour	1,111
	Safe machine operation	24 hours	8
	Chemical safety	24 hours	31
	Occupational and internal safety	1.5 hours	13
	Fire safety and evacuation	16 hours	30
Gin-Sovann Factory	First-aid	2 hours	48
	Workplace safety	1 hour	11

4.5 Career Management and Learning

Tainan Enterprises believes that talent development and upgrading of employee competency form the foundations of corporate innovation and sustainability. A comprehensive training & development system was therefore set up to support employee career development by providing employees with a systematic, goal-oriented learning environment and development channels. The talent cultivation strategy at Tainan Enterprises is based around the Company's business philosophy and vision. Corporate core values and annual implementation strategy are also incorporated to develop different types of training programs. Job rotations, subsidies for continuing education, and internal core general knowledge courses help employees growth with the company by expanding the breadth and scope of their work to achieve the goal of multi-skilling.

The Company provides appropriate education and training programs for employees, including pre-employment training for new employees and on-the-job training for employees. In addition, we strengthen professional knowledge and skills training, develop second expertise, cultivate management functions, and obtain relevant licenses for employees with different attributes. In 2021, the total number of training hours for the Taipei and Tainan offices were 144 hours, with 252 participants.



Internal Education and Training



Nowadays, “human resources capital” is now an important element in productivity and talent development is now fundamental to development and upgrades in every industry. Training quality and performance must therefore be emphasized to effectively help workers enhance their competitiveness in the workplace. The introduction of the Talent Quality-Management System (TTQS) in 2021 provides Tainan Enterprises with a mechanism for training quality and continuous improvement that ensures the reliability and integrity of the training process. Improving the performance of our personnel training system enhances our international competitiveness. TTQS certification was achieved in 2021.

The growing impact of climate change makes the practice of sustainability a top priority. Tainan Enterprises joined Unity Good's iLab for sustainability in 2021, and sends personnel to participate in sustainability-related education and training every month for a total of 30 hours. In addition, we have hired external lectures to train management for a total of 6 hours to deepen the concept of sustainability in our business culture.

4.5.1 P.A.C.E. Education Program

The Vietnam factory plans to introduce the P.A.C.E. (Personal Advancement and Career Enhancement for Female Garment Worker) program in partnership with GAP Inc. and GAP Foundation in 2022. The program provides female factory workers with a complete package of benefits through the project launch meeting, selection of instructor cadre, formulation of implementation rules, and performance assessments.

The program was first implemented in Cambodia in 2013 and has since been rolled out to the Indonesia factory as well, with the Vietnam factory being the next in line. The program is targeted at female garment workers. It helps them improve their personal skills in the workplace and in everyday life, while creating a sustainable and continuous program that benefits all participants and contributors. It also strengthens the link between the community and non-profit business organizations. Up to 2,000 female workers have benefited from the program so far.

Content of education and training:

 Communication skills	 Problem-solving and decision-making skills	 Time and stress management
 Exceptional execution ability	 Financial knowledge	 Drinking water and health management
 Physical and reproductive health	 Functional literacy	 Basic skills development

4.5.2 HERproject

The Solo and Jakarta factories in Indonesia partnered with the apparel brand ANN INC. to conduct employee education and training for HERproject, female worker support project that was co-developed by ANN Inc. and SBR, and international non-profit business organization. Project launch meetings were conducted by the three partners to decide on the method of implementing training for instructor cadre selected by the factory. Female workers employed by the Company in Indonesia were provided with knowledge and training on health, finance, and influence in the workplace.

The program was implemented at the Jakarta factory in May, 2013. The full health and financial management training package as well as marketing promotion was completed in 2016. In September 2017, the program was rolled out to the Solo factory in Indonesia as well. The health education and financial knowledge provided by HERproject to female employees had a positive effect on their personal, work, and family lives. Arekalita from Packaging at the Jakarta Factory for example became an HERproject instructor and shared information on birth control, HIV, and self-protection with many of her colleagues. Learning about the importance of planned parenthood through the project helped Khoeriyah from Pattern-making improve her life and finances.

The project's success led to the UN Foundation visiting the factory to take photos and conduct interviews.

The interview details can be found on the [UN Foundation website](#).

4.5.3 Performance Evaluation

A sound career system was established by Tainan Enterprises quite early. A dual-track promotion system that combines professional competency and management positions give employees every possible opportunity to put their expertise, ability and knowledge to good use. Talented personnel that show potential are promoted into management roles by the Company to give them more challenging jobs. Rejuvenation of the management has become an increasingly important management issue in recent years. Outstanding specialists also receive special promotions at various times to boost employee morale.

Annual performance evaluations are conducted by Tainan Enterprises. All employees with more than one year of service (including those returning to work) must undergo a performance evaluation. The individual performance of each employee as well as the business results for that year are then used to determine what incentive rewards are appropriate. There is no difference or inequality due to gender.



Vice President Jerry of Jakarta Factory being interviewed by UN Foundation

Group photo with deputy director of UN Foundation's Universal Access Project



UN Foundation website

CHAPTER 5

Social Inclusion

5-1 Circular Reuse

5-2 Urban Sustainability

5-3 Crossover Co-creation

5-4 Youth Empowerment

5-5 Employee Engagement



Highlights

- Hosted 22 development courses; provided arts and culture training 401 times
- Removal of 121 advertising banners

Global warming and ecosystems are on the verge of collapse, meaning the management of carbon risks and climate change strategy are now critical to business competitiveness. Tainan Enterprises is a key player in the fashion industry supply chain in the Carbon Free Age. The Foundation is therefore not only taking action to boost climate competitiveness and committing to social engagement. We are also leveraging our business expertise to promote sustainable fashion, and applying social design to overcome obstacles to the circular economy and regional revitalization. Our core values of "value", "passion" and "ability" were used to map corporate sustainability precisely to the UN SDGs. The challenge in terms of corporate sustainability is how to build a "system" that satisfies "society", "environment", and "economy." As of 2018, we began applying our corporate expertise to the circular economy for textiles. We launched the "Textile Recovery and Used Materials Re-design" project that moved beyond the circulation to substances to using "textile" as a catalyst. Gradually, the project will move from circulation of materials to using "Textile" as a medium for revitalizing the relationship between people and the environment. The implementation of the initiative meant that we were slowly moving beyond the shallows into deeper waters. We can then exert even greater social influence while climbing the mountain of "CSR."

The project was proposed and implemented in 2020. Our "Tainan ReDesign" action plan used social design to overcome social and environmental issues. The Tainan C.E. School was also established in the Confucian Temple business district. These are some of the standard techniques for promoting urban sustainability. Here we recruited a group of "Hao-nan People" to engage in the co-creation of stories for the business district. Through the "Store Staff for the Day" program, we introduced slow and gradual changes to their everyday life. By listening, we found the focus for common good and the frequency for dialogue. Through trust, we find the power of inspiration so that the Hao-Nan People can understand our approach and achieve a plastic-free business circle together. Innovative products were developed that incorporated Tainan's urban style. Innovative merchandise based around circulation and reuse were made through redesigns such as modification of used clothing, stock textiles, and NG cement packaging materials. The model was used for prototype testing of a circular reuse economy. We continued to conduct study tours as well to regional art festivals. Tainan will be celebrating the 400th anniversary of its founding in 2024. In response to this important city topic, we began using Tainan's 400th anniversary as a recruitment tool and reached out to local groups, corporate citizens, and well-connected NGOs partners in Tainan. With the help of Evergreen University and National Cheng Kung University University Social Responsibility (NCKU USR), we began promoting circular economy and regional revitalization to gradually bring about co-creation and inclusion.

5.1 Circular Reuse

Agri-waste x Re-design

- **Collaborative exploration of green products and fully bio-degradable design**

Circular design is becoming a hot international topic. The market is already overrun with environmental topics as well. After many years of research in circular design, we discovered that "product and packaging materials" have always played an essential role in industrial societies. The attrition of materials was also one of the key factors in the consumption of social resources. Many businesses are now looking at ways of replacing non-sustainable materials with natural materials. Many products on the market combine natural fibers with recyclable plastics but the result is still not 100% bio-degradable. The two materials may be eco-friendly on their own but combining them causes difficulties with biodegradability or recycling because the materials can't be separated again.





• Agri-waste Fiber Re-design Project

As a participant in circular design we came into contact with many types of natural materials. During this process, we noticed that agri-waste imposed a certain amount of burden on the environment even though it was an unavoidable part of the harvesting process. We decided to turn "agri-waste" into usable resources and reduce their impact on the environment. By adopting a green design approach, we connected businesses from different fields to build a bridge between "market demand" and "green materials." Linking agri-waste with packaging applications established the upstream, mid-stream and downstream components of circular design.

• Development of Two Agri-waste Packaging Materials

Our collaborative projective on agri-waste reclamation produced two types of packaging materials: "Packaging material based on agri-waste fibers and paper pulp" and "Packaging derivative based on agri-waste fibers and textiles." The trial did not just produce practical benchmark products. Combining natural agri-waste with other biodegradable materials created a circular economy product that could be reused and 100% biodegradable.



5.2 Urban Sustainability

Tainan is a city of many stories. This year, the main theme for Tainan Enterprises Culture and Art Foundation projects was circular reuse that promoted urban sustainability and reflected the slow living style of Tainan. In the textile cycle we are promoting, we search existing cultural foundations and initialize circular reuse to make the city sustainable.

We set up the Tainan C.E. School in the Confucian Temple business district of old town. A group of "Hao-Nan People" were brought in and the "Store Staff for a Day" project used to understand their everyday lives, build up trust and find inspiration. Putting the circular economy into fruition requires a reversion to business activities in the business district. The revitalization and recovery of local micro-economics through recycling incorporated Tainan urban style. Innovative merchandised base on cores for circular reuse helped bring about regional revitalization for urban sustainability.

In 2021, we continued to roll out our gentle micro-revolution for sustainable fashion. The "Tainan ReDesign" project focused on urban sustainability, plastic-free business districts and relationship renewal in order to convey a zero-waste approach to fashionable living, and trigger a gentle yet forceful sparks in social design.

Tainan Circular Economy School

We established the Tainan Circular Economy School (Tainan C.E. School) at the Confucian Temple-Fuzhong Business District in August 2020. Here is a bank for waste textiles for people that need them to treasure hunt and share together. Professional sewing equipment and classes are available for people interested in giving old clothes a makeover. With our partners Chabuwu and Chito Art, we attempted to construct an adapter between local power and circular reuse. Horizontal connections between the three key frameworks of circular reuse, art co-creation, and cultural localization brought together Hao-nan People united by their common consensus on zero waste to promote lateral dialog, creating 1+X connections between local support for circular innovation.



Tainan C.E.School

Logo of Tainan C.E. School

Represents how the power of water is produced through the condensation and dispersal of water molecules.



• Reuse Education

Circular reuse, resource sustainability and zero waste are not just slogans. The top priority now is increasing the efficiency of resource use. Tainan C.E. School was therefore set up by the Foundation to provide a design and sewing space with "circular reuse and resource sustainability" as its core philosophy. A series of workshops on makeovers for old clothing and banners were held every Tuesday, Friday, and Saturday from October 2021 onwards. Local residents were invited to upgrade their skills and connect with each other through used clothing. People in the community were taught to how re-design used clothing filled with memories and stories in order to preserve their warmth. Residents in turn learned the importance of cherishing their clothing and sustainable fashions.

• Plastic Free Business District

The material used for election and advertising banners tend to fade over time so they are usually sent straight to the incinerator once the elections/marketing campaigns are over. The Foundation decided to tackle the challenge posed by waste textiles after the election. With the help of Tainan City Environmental Protection Bureau, election and advertising banners were stripped from Tainan's streets and alleys then delivered to Tainan Enterprises' Tainan Factory for processing. Tainan C.E. School developed a circular shopping bag made from advertising banners based around the core values of "circulation, recovery, continuation, sharing." The banners were turned into material packs by Tainan Enterprises' Tainan Factory so that workshop participants can pick out the graphics they want, cut the fabric to size, then sew on handles to create a shopping bag. Students could also paint their shopping bags to give them a unique look. The process of making their very own shopping bag made people appreciate the value of circular reuse. Limited resources can then be reclaimed and used in a sustainable manner.



• Circular Service Station for Used Clothing

We believe that "life extension" is more energy-efficient than recycling and reuse for used clothing. We live in an age of over-production in clothing and the Foundation hopes to change that through consumer education. Once the COVID-19 situation stabilized, Tainan C.E. School introduced the "Circular Service Station for Used Clothing" with designers from Chabuwu and Tainan Enterprises' R&D Department as instructors. Before they start learning about techniques, students are asked to share the story of the used clothing they brought before. The topic then moves onto how to pick good clothing, proper care and washing, basic tailoring, patterns and even materials. They also learn about the environmental and labor costs involved in each piece of clothing, as well as how to recognize and prevent impulse buys. The goal of this is to encourage students to think about how they dress and treat their clothes while they are altering used clothing. Understanding the link between clothing and the environment will help students pick clothing that they need and is right for them, mend or modify clothing that is damaged or does not fit, and appreciate that slow consumption and slow disposal are the key to fashion sustainability.



The six Do+T think women graduates each came from different walks of life. They included single parents, new immigrants, indigenous people, and grandmothers. They possessed basic sewing skills and shared the common goal of enhancing their own value through "self-development." By pooling their respective skills, they turned the textile scraps from the "Textile Bank" that the Foundation set up with contributions from the textile industry into useful items. During this process, the women supported each other and responded to the needs of society by cherishing objects and people.

Pattern-making and technical empowerment classes were organized by the Foundation for the Third Life Women Empowerment Course. Do+T also received help with developing hand-made circular merchandise and corporate purchasing so that the resilient women taking part could rediscover their confidence and purpose in life through social engagement. Circular shopping bags made from recycled advertising banners were given out to merchants to promote a plastic-free Fuzhong business district. Specialty carry bags, hand bags, and beverage bags created from textiles and fishing nets were the products of these women in Third Life's ingenuity.

• Cadre Training and Empowerment Plan

To help the circular reuse station take root in the community, the Foundation partnered with Do+T to launch the Third Life Community Women Empowerment Course in October 2021. The course aimed to train instructors for more used clothing reuse education courses in the future. The graduation and certification ceremony was held on November 9. The six middle-aged women were trained on sewing skills. They will become instructors in their own right at the Tainan C.E. School upon graduation teaching concepts such as circulation, recycling, extension and sharing. The course also helped middle-aged women find a third life and their own catwalk of beauty.



5.3 Crossover Co-creation

A circular economy takes teamwork so the Love Taiwan +1 action plan was launched by the Foundation to form a cycle of good through business cooperation/co-creation and social inclusion. The complementary expertise and resources of businesses were combined through "social design x circular innovation x co-creation and inclusion" so that idle textile resources and scraps could help reduce carbon emissions, protect the environment, realize climate justice, promote systematic cooperation, and make an even greater difference to society. Together, we can write a great epic for Taiwan.

• Love Soap, Love Charity

The COVID-19 pandemic dealt a severe blow to many social enterprises and non-profit organizations. The R.O.C. Down Syndrome Foundation that provided long-term care for Down Syndrome patients was particularly hard hit. In May 2021, level-3 alert was declared by the Central Epidemic Command Center. The ban on dine-ins for all restaurants wreaked widespread havoc. According to the Down Syndrome Foundation, May donations dropped by 35% compared to the same period last year. The Foundation's 47 locations including early intervention clinics, public child care, small workshops, and daycare institutions temporarily suspended their services until June 14 due to the level-3 alert. The closure of sheltered workshops meant a loss of more than 2.8 million TWD in income. The Abrazo brand lost more than a thousand orders with a value of more than 1 million TWD as a result of the pandemic as well. Services had to be maintained despite the drop in fund-raising. The Down Syndrome Foundation needed to make urgent sales of hand-made soap gift boxes in order to raise funds. Singtex was the first business to lend its support to the Foundation's Love Taiwan+1 initiative. The company



developed the world's first S.Café® eco-friendly coffee yarn back in 2008. Guided by a philosophy of that there is no such thing as useless waste, Singtex found a way to recycle 99.8% of coffee dregs. The technology, concept, as well as the sustainability value of the 100% recyclable were all epitomes of the circular economy. Singtex was therefore invited by the Foundation to Love Taiwan +1's first co-creation charitable initiative. Friendly enterprise + Recycling of stock textiles for zero waste + social design + helping the disadvantaged = Co-creation demonstration highlight for a better Taiwan.

Project Title: Love Soap, Love Charity

Purpose: Business co-creation to turn stock textiles into social charity resources for helping the disadvantaged through social design.

Format: Stock eco-friendly coffee yarn from Singtex was used to make Love Soap travel packs. The "Love Soap Studio Handmade Range" was launched as a group effort to raise funds for the Down Syndrome Foundation.

• **Textile Bank x Toy Bank = Unlimited Possibilities**

"Toys" and "Used Clothing" are interactive medias that cross culture, language and age. Textile Bank x Toy Bank was co-created by the Foundation and the Taiwan Toy Library Association. We believe this will keep resources in use and create even more social dialog. Love can then be paid forward without end.

The Taiwan Toy Library Association(TTLA) has been recycling toys for more than a decade to protect the planet and encourage resource sharing. More than 40 tonnes of toys are recycled in one year! A thousand volunteers carrying backpacks stuffed with toys have been delivering resources to where they are needed in the countryside since 2008. Toy libraries not only help toys find new possibilities. They also create more opportunities for children to connect with adults. Even more importantly, toys donated and sorted by volunteers young and old are sent overseas in a show of Taiwanese love and compassion. The initiative not only embraces the spirit of environmental sustainability and circular reuse but also embodies the energy of social inclusion and dialog.



The Foundation joined the dream-building project as well by using stock textiles to make toy bags for online fund-raising efforts. Mothers from Do+T joined in as well. A flea market was even held at Zhongyi Elementary School on December 11, 2021, with all of the school children pitching in to help with the screen printing of the toy bags. This huge relay of love injected a heart-warming story into the cycle. It not only kept resources in circulation but also spread dreams and touched people's hearts.

5.4 Youth Empowerment

In an age where innovation is the engine of the economy, one of the Foundation's key goals is the cultivation of youths with the ability to detect, define and solve problems in circular economy and regional revitalization so that tertiary education can keep up with the times.

The five interns this summer came from the Department of Environmental Engineering at NCKU, Department of Business & Management and Department of Information and Learning Technology at National University of Tainan (NUTN), and the Graduate School of Creative Design at Yuntech. The interns mainly assisted the Foundation with website re-design, implementing the "Hao-Nan People Sustainability Action Plan in Confucian Temple Business District", and e-learning at Tainan C.E. School. The interns were mentored by project managers during the process to show them how to identify and solve actual problems, step out of their comfort zone, and learn through doing. The first month of internship coincided with the height of the pandemic. The interns had to tele-work and online meetings were held every day to discuss work progress. The pandemic situation eased in the second month so the Foundation organized planning courses, design thinking workshops, external visits and off-site empowerment. Intensive hands-on learning over 60 days forced the interns to dig deep and carry out their assigned tasks.

Thanks to the internship program, the Foundation was able to successfully carry out many large-scale events. During this process, interns also learned how to judge themselves and other people, resilience and work ethics. They bettered themselves and gained an exciting addition to their life resume.

5.5 Employee Engagement

The team of volunteers made up of Tainan Enterprises employees pay a central role when organizing activities on campus, designing teaching plans, or developing merchandise made from recycled waste. Foundation projects since 2018 included re-designing stock textiles and used clothing to give them a new lease of life. We set up a volunteer support team for recycling used materials, and recruited Tainan Enterprises employees to contribute their expertise to the Foundation's annual projects. These included promotion of circulation courses, sewing classes, making of material packs, and assisting with the making of art installations out of stock textiles. We also partnered with other corporate partners to build a co-creation ecosystem that injected new energy into the fashion industry and helped mend the environment.

The number of volunteers grew from 28 in 2019 to 32 in 2020. In 2021, there were 31 volunteers from the Company's R&D, Management, Finance, Production Management, General Affairs, Sales and Procurement units. 528 hours of volunteer service were completed. Tainan Enterprises owes its growing social influence to all of these employees working quietly behind the scenes. Their support was essential to promoting textile recycling and environmental education.



GRI Content Index

• General Disclosures

GRI Standard	Disclosure	Section	Page
GRI 102: General Disclosures 2016	102-1 Organizational profile	1.1 About Tainan Enterprises	19
	102-2 Activities, brands, products, and services	1.1 About Tainan Enterprises	19
	102-3 Location of headquarters	1.1 About Tainan Enterprises	19
	102-4 Location of operations	1.1 About Tainan Enterprises	22
	102-5 Ownership and legal form	1.1 About Tainan Enterprises	19
	102-6 Markets served	1.1 About Tainan Enterprises	19
	102-7 Scale of the organization	1.1 About Tainan Enterprises	19
	102-8 Information on employees and other workers	1.1 About Tainan Enterprises	19
	102-9 Supply chain	2.2 Sustainability Partnerships	37
	102-10 Significant changes to the organization and its supply chain	No significant changes	-
	102-11 Precautionary Principle or approach	1.4 Risk Warning and Assessment	27
	102-12 External initiatives	2.2 Sustainability Partnerships	39
	102-13 Membership of associations	1.1 About Tainan Enterprises	22
	102-14 Statement from senior decision-maker	0.2 From the Chairman	2
	102-16 Values, principles, standards, and norms of behavior	1.3 Ethical Management	26

GRI Standard	Disclosure	Section	Page
GRI 102: General Disclosures 2016	102-18 Governance structure	1.2 Corporate Governance	24
	102-40 List of stakeholder groups	0.4 Corporate Social Responsibility and Governance	10
	102-41 Collective bargaining agreements	4.3 Promotion of Employee Rights	63
	102-42 Identifying and selecting stakeholders	0.4 Corporate Social Responsibility and Governance	10
	102-43 Approach to stakeholder engagement	0.4 Corporate Social Responsibility and Governance	10
	102-44 Key topics and concerns raised	0.4 Corporate Social Responsibility and Governance	12
	102-45 Entities included in the consolidated financial statements	0.1 About this Report	1
	102-46 Defining report content and topic Boundaries	0.1 About this Report	1
	102-47 List of material topics	0.4 Corporate Social Responsibility and Governance	15
	102-48 Restatements of information	0.1 About this Report	1
	102-49 Changes in reporting	There were no significant changes in scope and Boundaries compared to the last report.	-
	102-50 Reporting period	0.1 About this Report	1
	102-51 Date of most recent report	0.1 About this Report	1
	102-52 Reporting cycle	0.1 About this Report	1
	102-53 Contact point for questions regarding the report	0.1 About this Report	1
	102-54 Claims of reporting in accordance with the GRI Standards	0.1 About this Report	1
	102-55 GRI content index	Appendix	84
	102-56 External assurance	None	-

• Material Topics

GRI Standard	Disclosure	Section	Page
Corporate Governance - Self-defined Material Topics			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility and Governance	14
	103-2 The management approach and its components	Corporate Social Responsibility and Governance	15
	103-3 Evaluation of the management approach	Corporate Social Responsibility and Governance	15
Emissions			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility and Governance	14
	103-2 The management approach and its components	Corporate Social Responsibility and Governance	15
	103-3 Evaluation of the management approach	Corporate Social Responsibility and Governance	15
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	3.1.1 Energy and GHG Management	47
	305-2 Energy indirect (Scope 2) GHG emissions	3.1.1 Energy and GHG Management	47
Effluents and Waste			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility and Governance	14
	103-2 The management approach and its components	Corporate Social Responsibility and Governance	15
	103-3 Evaluation of the management approach	Corporate Social Responsibility and Governance	15
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	3.1.2 Wastewater and Waste Management	50
		3.2 Water Resource Management	51
	303-2 Management of water discharge-related impacts	3.1.2 Wastewater and Waste Management 3.2 Water Resource Management	50 51
GRI 306: Waste 2020	306-3 Waste generated	3.1.2 Wastewater and Waste Management	50

GRI Standard	Disclosure	Section	Page
Environmental Compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility and Governance	14
	103-2 The management approach and its components	Corporate Social Responsibility and Governance	15
	103-3 Evaluation of the management approach	Corporate Social Responsibility and Governance	15
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	3.4 Compliance	54
Forced or Compulsory Labor			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility and Governance	14
	103-2 The management approach and its components	Corporate Social Responsibility and Governance	15
	103-3 Evaluation of the management approach	Corporate Social Responsibility and Governance	15
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	2.2 Sustainability Partnerships	37
Child Labor			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility and Governance	14
	103-2 The management approach and its components	Corporate Social Responsibility and Governance	15
	103-3 Evaluation of the management approach	Corporate Social Responsibility and Governance	15
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	2.2 Sustainability Partnerships	37

GRI Standard	Disclosure	Section	Page
Labor/Management Relations			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility and Governance	14
	103-2 The management approach and its components	Corporate Social Responsibility and Governance	15
	103-3 Evaluation of the management approach	Corporate Social Responsibility and Governance	15
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	4.3 Promotion of Employee Rights	64
Economic Performance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility and Governance	14
	103-2 The management approach and its components	Corporate Social Responsibility and Governance	15
	103-3 Evaluation of the management approach	Corporate Social Responsibility and Governance	15
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	1.1.2 Business Performance	21
	201-2 Financial implications and other risks and opportunities due to climate change	1.4 Risk Warning and Assessment	28
	201-3 Defined benefit plan obligations and other retirement plans	4.2.2 Diversified Benefits Scheme	60
	201-4 Financial assistance received from government	1.1.2 Business Performance	21
Technical Innovation (Circular Economy) - Self-defined Material Topic			
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	Corporate Social Responsibility and Governance	14
	103-2 The management approach and its components	Corporate Social Responsibility and Governance	15
	103-3 Evaluation of the management approach	Corporate Social Responsibility and Governance	15

• Other Topics

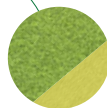
GRI Standard	Disclosure	Section	Page
GRI 200: Economy			
GRI 202: Market Presence	202-2 Proportion of senior management hired from the local community	4.1 Employee Profile	58
GRI 300: Environment			
GRI 302: Energy	302-1 Energy consumption within the organization	3.1.1 Energy and GHG Management	45
GRI 400: Society			
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	4.1 Employee Profile	57
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.2 Employee Compensation and Benefits	59
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	4.4 Occupational Health and Safety	68
	403-4 Worker participation, consultation, and communication on occupational health and safety	4.4 Occupational Health and Safety	69
	403-5 Worker training on occupational health and safety	4.4 Occupational Health and Safety	71
	403-9 Work-related injuries	4.4 Occupational Health and Safety	70
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	4.5 Career Management and Learning	72
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	4.1 Employee Profile	58
GRI 412: Human Rights Assessment	412-1 Operations that have been subject to human rights reviews or impact assessments	4.3.2 Human Rights Assessment	66
	412-2 Employee training on human rights policies or procedures	4.3.2 Human Rights Assessment	65
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	2.3 Product Safety	41

SASB Standard

• Sustainability Disclosure Topic and Accounting Metrics

Metric	Metric Description	Metric Code	Reference
NA	Number of Tier 1 suppliers and suppliers beyond Tier 1	CG-AA-000.A	Number of Tier 1 suppliers: 4 Number of suppliers beyond Tier 1: 27
Management of Chemicals in Products	Description of processes to maintain compliance with restricted substances regulations	CG-AA-250a.1	Environmental Sustainability - Management of Chemicals
	Chemical Substance Risk Assessment and Management	CG-AA-250a.2	Environmental Sustainability - Management of Chemicals
Environmental Impacts in the Supply Chain	Percentage of Tier 1 suppliers in compliance with wastewater discharge permits and/or contractual agreement	CG-AA-430a.1	100% All Tier 1 suppliers hold wastewater discharge permits and were in compliance with local wastewater discharge regulations. The water quality of their wastewater discharge is also periodically tracked by Tainan Enterprises through third-party verification products.
	Percentage of Tier 1 suppliers that have completed the Sustainable Apparel Coalition's Higg Facility Environmental Module (Higg FEM) or an equivalent environmental data assessment	CG-AA-430a.2	100% All Tier 1 suppliers have completed the Higg FEM and their environmental management performances are periodically tracked by Tainan Enterprises.
Labor Impacts in the Supply Chain	1. Percentage of Tier 1 suppliers that have been audited to a labor code of conduct 2. Percentage of suppliers beyond Tier 1 that have been audited to a labor code of conduct 3. Percentage of total audits conducted by a third-party auditor	CG-AA-430b.1	1. 100% All laundries that Tainan Enterprises collaborates with have passed international labor audits 2. Not applicable. All raw material suppliers such as fabric and auxiliary material factories met the requirements of our customers' supplier code of conduct. Tainan Enterprises also requires raw material suppliers to sign the Supplier Social Responsibility Commitment every year. 3. 100% of laundries that collaborate with Tainan Enterprises have passed third-party audits.
	Compliance by Tier 1 suppliers Percentage of non-compliance	CG-AA-430b.2	Percentage of non-compliance: 0% Non-compliant suppliers are required to submit corrective action reports. We review the contents of the report and continue to track the progress of corrective actions.
	Description of greatest labor and environmental, health, and safety risks in the suppliers	CG-AA-430b.3	Value Chain Transformation - Sustainability Partnerships
Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials	CG-AA-440a.1	Value Chain Transformation - Sustainability Advocacy
	Percentage of raw materials third-party certified to an environmental and/or social sustainability standard	CG-AA-440a.2	Recycled Claim Statement (RCS): 1.5%

Note: Tier 1 Supplier: Suppliers in this category are defined as "Laundries" based on the nature of the Company's business. Suppliers beyond Tier 1 were raw material suppliers such as fabric factories and accessories factories.



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