



# 2022

## SUSTAINABILITY REPORT



TAINAN ENTERPRISES CO., LTD.



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# ABOUT THIS REPORT

This report is the fourth sustainability report issued by Tainan Enterprises Co., Ltd. (hereinafter referred to as Tainan Enterprises), with the main purpose of disclosing the company's efforts, performance, and future strategic objectives in the areas of Environmental, Social, and Governance to the general public and stakeholders. 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 2021 GRI Standards: Core option published by the Global Reporting Initiative (GRI).

## > Reporting Period

The data and content disclosed here are mainly for the period between January 1 and December 31, 2022. Some of the performance data is from information prior to 2021 or more recent information in 2023.

## > Report Boundaries and Scope

The information outlined in the report encompass Tainan Enterprises operating locations in Taiwan, China, Indonesia, Cambodia, and Vietnam. In 2022, Tainan Enterprises did not experience significant changes in scale, structure, ownership, and supply chain. If any information in this report has been recompiled, it will be indicated in the respective paragraph.

## > 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.



## > Report Establishment

This is the third report to be published by Tainan Enterprises Co., Ltd. The report is published annually and made available for viewing and download on the Tainan Enterprises website.

Current release: September 2023

Previous release: September 2022

Next release: September 2024

## > Feedback

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Tainan Enterprises  
Co., Ltd. Website

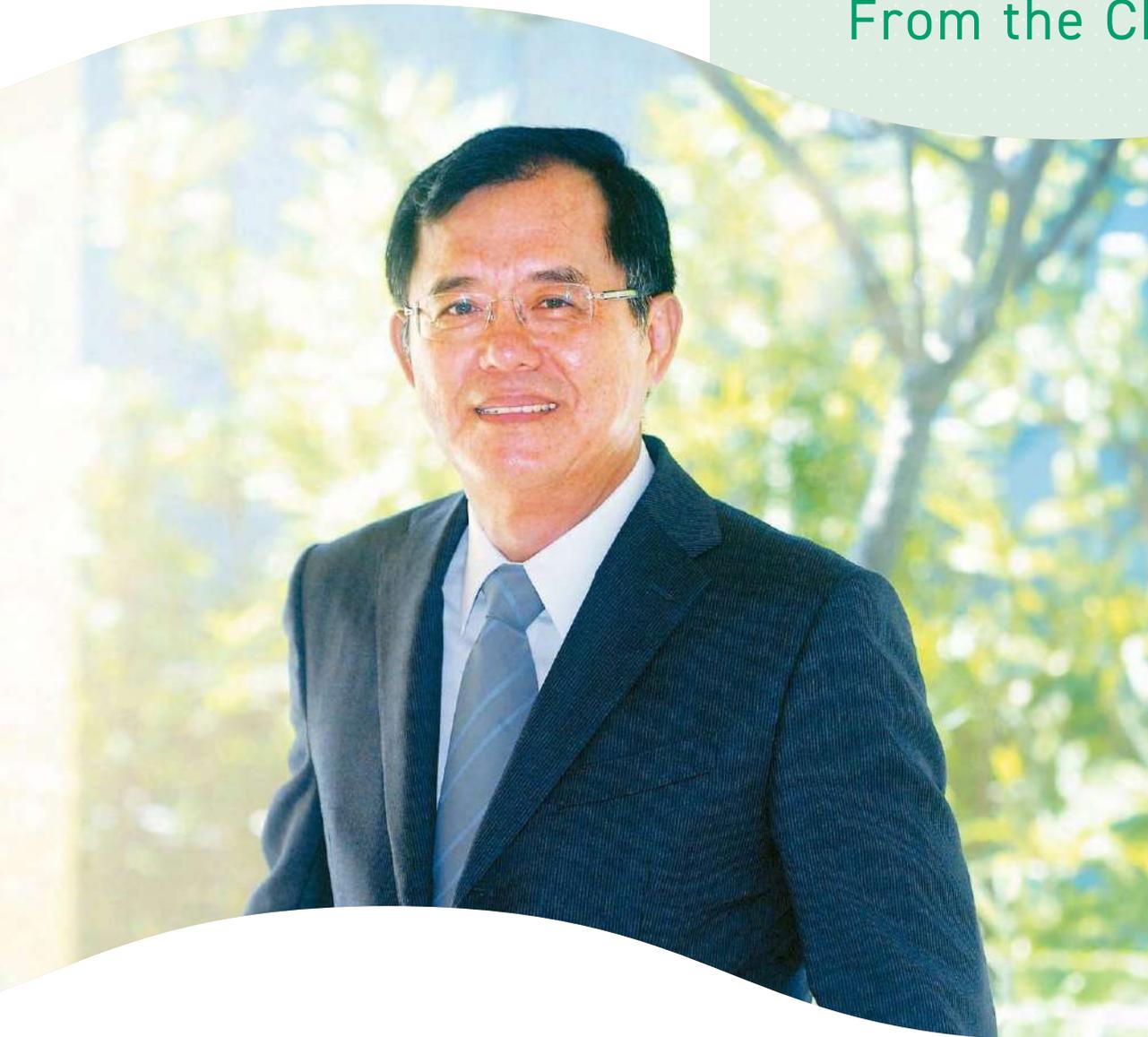
## From the Chairman

### Dear stakeholders:

2022 was a year of uncertainty and rapid changes. With the European Union's decision to implement the Carbon Border Adjustment Mechanism in 2026 and Taiwan's commitment to achieving net-zero emissions by 2050, green governance has become not only the prevailing theme of the present but also a key factor in assessing a company's sustainability and ability to operate in the long term.

Considering global sustainability trends, ESG issues are of concern to governments, investors, customers, and the general public. These issues encompass "climate action," "supply chain risks," "operational resilience," "social engagement," and "workplace equality," which serve as indicators for evaluating a company's sustainability. As a participant in the fashion industry supply chain, in response to the new norms of geopolitical and zero-carbon economies, Tainan Enterprises is actively embracing the "SDGs Sustainable Development Goals" and "Net Zero Emissions" initiatives. We are accelerating our journey towards sustainability by not only systematically formulating ESG development strategies and aligning them with our core business but also taking a leading position in the sustainability race. We are driving initiatives in four major dimensions: green manufacturing, responsible supply chain, diverse and inclusive workplace, and social engagement. Through these efforts, we aim to strengthen our operational resilience and create greater value for all stakeholders.

In our decarbonization efforts, we are implementing energy transformation, installing solar panels on our roofs, and adopting



biofuels to reduce carbon dioxide emissions. Additionally, process improvements, the use of variable-frequency equipment, and an intelligent electricity metering system (EMS) are increasing energy efficiency. Next year, we will officially introduce greenhouse gas inventories and combine digital solutions to achieve circular transition and scientifically set carbon reduction goals.

In the realm of circular economy and responsible production, all our manufacturing sites have the capability to produce products with RCS (Recycled Claim Standard) certification. Furthermore, our Gin-Sovann factory has obtained GRS certification for the use of recycled and eco-friendly fabrics. This not only reduces negative environmental impacts but also lessens reliance on conventional materials, aligning with our goal of greener processes.

Regarding human rights protection, we are committed to promoting gender equality. We have initiated the P.A.C.E. Women's Education Program in Cambodia, which has been extended to production areas in Indonesia, and our Vietnam factory has joined the similar HER project. Moreover, we continuously strengthen our connections with communities and non-profit organizations to improve the livelihoods of local people.

As the company undergoes its sustainability transformation, the Tainan Enterprise Arts & Culture Foundation is

repositioning itself as a pioneer of sustainable design, a leader in sustainable education, and a practitioner of the 17 SDGs. In preparation for the 400th anniversary of Tainan in 2024, the foundation is focusing on sustainable education and launching the "Tainan Re-Action" collaborative action to design the future of sustainable education, amplifying its social impact.

The Earth is the soil that nurtures our company, and giving back is our 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



### 2014

- Global Views Monthly 10th Corporate Social Responsibility Awards



### 2015

- Commonwealth Magazine CSR Awards - No.5 in the Medium-sized Enterprises category
- Macy's Five Star Award
- 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



### 2016

- Commonwealth Magazine CSR Awards - Medium - sized Enterprises category
- 4<sup>th</sup> National Environmental Education Awards - Merit award in the Group category
- HER Project Excellence in Project Execution Award





- 1<sup>st</sup> Taiwan Circular Economy Awards - Gold award in the Cross-Industry category

2019

- Global Views Corporate Social Responsibility Awards - Excellence in Environmental Sustainability Award
- Commonwealth Magazine CSR Awards - Medium-sized Enterprises award



2017

- MGF Anti - Human Trafficking Award



2020

- COVID -19 Team Taiwan

2021

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



2022

- Net Zero Industry Competitiveness Excellence Award



# Sustainable Performance Highlight

## Economic Aspect

- Participation in **8** well-known domestic and overseas associations
- **0** violations of business ethics
- Operating revenue grew by **30%** compared to the previous year
- Joined **9** international sustainability initiatives

## Society Aspect

- Passed **100%** of human rights audits with no use of child labor, forced labor, or discrimination
- **2,000** employees have benefited from the PACE education program
- Hosted **22** development courses; provided arts and culture training **401** times
- Tainan Enterprise Arts & Culture Foundation's "Tainan Re-Action" project created a collaborative support system for sustainable education

## Environmental Aspect

- All factories have obtained Recycled Claim Standard (RCS) certification
- Cambodia factory obtained Global Organic Textile Standard (GOTS) certification
- Cambodia Factory installed **63** solar streetlights to provide nighttime illumination for the factory area
- Jakarta Factory activated biomass fuel in boilers, with other factory areas gradually transitioning to clean energy
- Scope 1 and Scope 2 GHG emissions were **13.67%** lower than the previous year
- Overall water consumption reduced by **8.2%** than the previous year
- Patented Washing method - using bamboo roots instead of stones
- Replacing water-washing with bamboo roots reduces environmental impact, heavy metal residues, and water pollution caused by stone mining
- No penalties for violation of local environmental laws and regulations in 2022

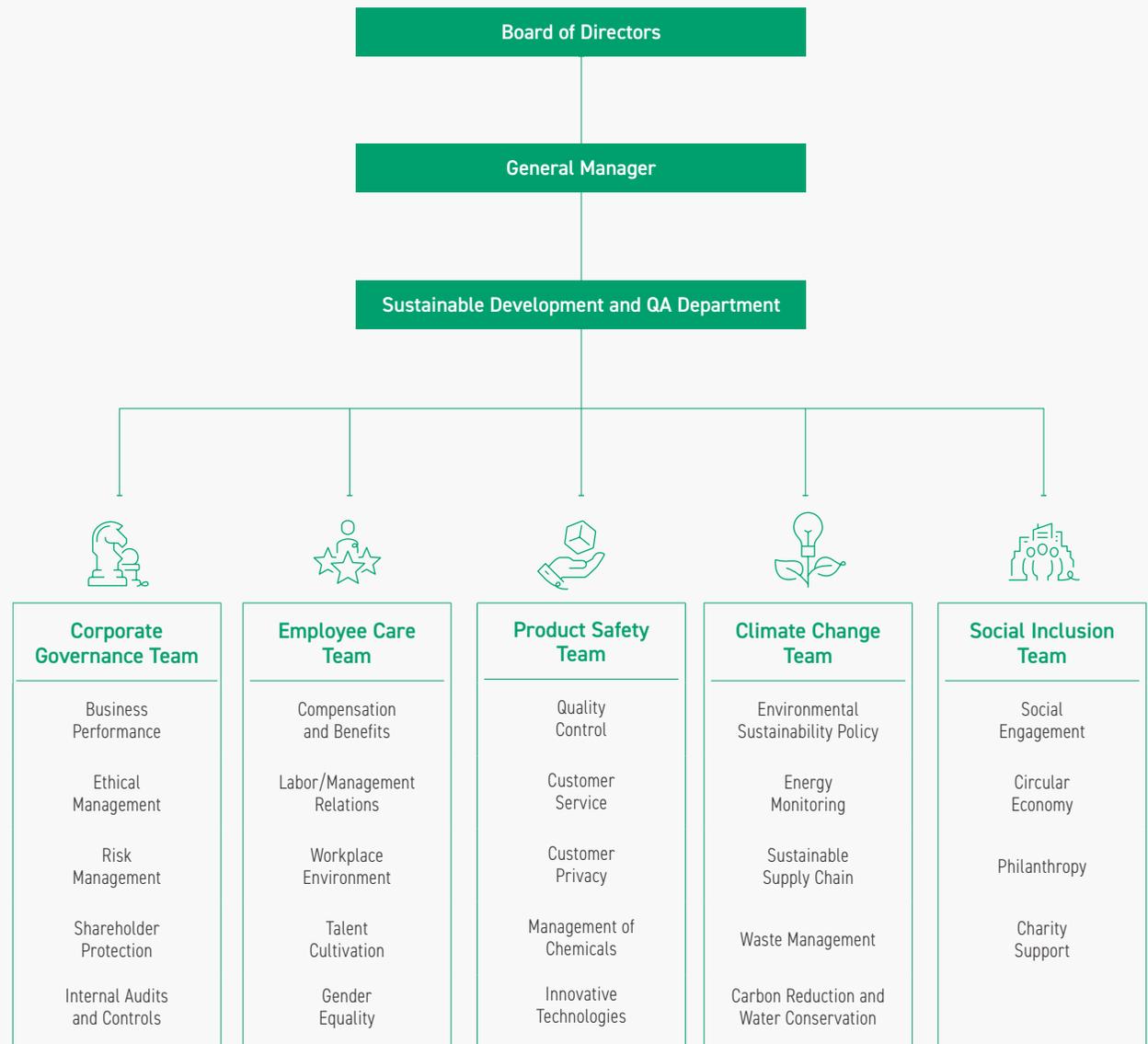
# Sustainable Blueprint

## 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.



# SUSTAINABLE DEVELOPMENT GOALS

## Tainan Enterprises Support for UN SDGs



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. Employee also visit the children and play with them.



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. The "Little Nans Sustainable Collaborative Learning Action Plan" project invited 24 representative professionals to act as sustainable learning mentors for 50 third and fourth-grade elementary school children, allowing them to explore themselves, participate in society, and adopt a sustainable lifestyle by starting with an understanding of the land in a fun and engaging way.

### 5.2 "Tainan Re-Action" Little Nans Sustainable Collaborative Learning Action Plan



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



The "Tainan ReAction" project has been implemented with three dimensions - Urban Sustainability, Plastic-Free Business District, and Relationship Renewal. As a result, the accumulated public service hours have reached 2,074 hours (520 hours in urban community service and 1,554 hours in the second department). Additionally, there were 5 community building courses with 400 participants (103 males and 297 females).

### Social Prosperity 5.2 "Tainan Re-Action" Little Nans Sustainable Collaborative Learning Action Plan



The Cambodian washing factory (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



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



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 Reform 2.1.2 Circular Economy

## Stakeholder Engagement

The AA1000 Stakeholder Engagement Standard (AA1000 SES) international standard, 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	Channel and Frequency of Engagement	Tainan Enterprises Response
 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.	<input checked="" type="checkbox"/> Economic Performance <input checked="" type="checkbox"/> Child Labor <input checked="" type="checkbox"/> Forced or Compulsory Labor	<ol style="list-style-type: none"> <li>Weekly management-employee communication meeting</li> <li>Monthly labor/management dialog</li> <li>Ad hoc education and training</li> <li>Instant employee suggestion box</li> <li>Quarterly occupational safety meeting</li> </ol>	<ol style="list-style-type: none"> <li>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.</li> <li>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.</li> </ol>
 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.	<input checked="" type="checkbox"/> Environmental Compliance <input checked="" type="checkbox"/> Forced or Compulsory Labor <input checked="" type="checkbox"/> Child Labor <input checked="" type="checkbox"/> Local Social Support	<ol style="list-style-type: none"> <li>Annual general shareholders' meeting</li> <li>Corporate website, Market Observation Post System and other information are updated as necessary</li> <li>Responded to shareholders via telephone or correspondence on an ad hoc basis</li> </ol>	<ol style="list-style-type: none"> <li>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.</li> </ol>
 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.	<input checked="" type="checkbox"/> Corporate Governance <input checked="" type="checkbox"/> Anti-Corruption <input checked="" type="checkbox"/> Economic Performance <input checked="" type="checkbox"/> Labor/Management Relations	<ol style="list-style-type: none"> <li>Ad hoc communication by phone or correspondence.</li> <li>Ad hoc contractor conferences</li> <li>Ad hoc counseling and audits</li> <li>Ad hoc themed information sessions</li> <li>Annual signing of Supplier Code of Conduct by vendors</li> <li>Annual filling out of C-TPAT self-assessment questionnaire by suppliers</li> </ol>	<ol style="list-style-type: none"> <li>The Company Articles of Incorporation are disclosed on the Chinese version of our corporate website for public viewing and download</li> <li>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</li> <li>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.</li> </ol>

Stakeholders	Relevance	Topic of Concern	Channel and Frequency of Engagement	Tainan Enterprises Response
 <p>Customers/Brand Vendors</p>	<p>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.</p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Water Resource Management</li> <li><input checked="" type="checkbox"/> Wastewater and Waste Management</li> <li><input checked="" type="checkbox"/> Environmental Compliance</li> <li><input checked="" type="checkbox"/> Forced or Compulsory Labor</li> </ul>	<ol style="list-style-type: none"> <li>1. Quarterly/annual factory audit</li> <li>2. Quarterly customer conference</li> <li>3. Ad hoc communication by phone or correspondence</li> </ol>	<ol style="list-style-type: none"> <li>1. The Higg Facility Management 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.</li> <li>2. Customers' supplier 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.</li> </ol>
 <p>Government</p>	<p>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.</p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Wastewater and Waste Management</li> <li><input checked="" type="checkbox"/> Environmental Compliance</li> <li><input checked="" type="checkbox"/> Greenhouse Gas Emissions</li> <li><input checked="" type="checkbox"/> Occupational Health and Safety</li> </ul>	<ol style="list-style-type: none"> <li>1. Ad hoc participation in forums and symposiums</li> <li>2. Ad hoc communication via official correspondence</li> <li>3. Regular reporting of wastewater and waste discharge</li> </ol>	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. 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.</li> <li>3. 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.</li> </ol>
 <p>Community</p>	<p>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.</p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Indirect Economic Impacts</li> <li><input checked="" type="checkbox"/> Management of Chemicals</li> <li><input checked="" type="checkbox"/> Greenhouse Gas Emissions</li> </ul>	<ol style="list-style-type: none"> <li>1. Ad hoc visits to local communities and organizing of community activities.</li> <li>2. Ad hoc communication by telephone and E-mail.</li> </ol>	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. Tainan Enterprise Arts &amp; Culture 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.</li> <li>3. 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.</li> </ol>
 <p>Non-Government Organizations</p>	<p>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.</p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Water Resource Management</li> <li><input checked="" type="checkbox"/> Labor/Management Relations</li> <li><input checked="" type="checkbox"/> Employment</li> <li><input checked="" type="checkbox"/> Technical Innovation (Circular Economy)</li> </ul>	<ol style="list-style-type: none"> <li>1. Ad hoc communication by phone or correspondence.</li> <li>2. Ad hoc publication of information on the company website</li> </ol>	<ol style="list-style-type: none"> <li>1. 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.</li> </ol>
 <p>The Media</p>	<p>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.</p>	<ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> Corporate Governance</li> <li><input checked="" type="checkbox"/> Technical Innovation (Circular Economy)</li> <li><input checked="" type="checkbox"/> Labor/Management Relations</li> <li><input checked="" type="checkbox"/> Local Social Support</li> </ul>	<ol style="list-style-type: none"> <li>1. Ad hoc communication by phone or correspondence.</li> <li>2. Ad hoc publication of information on the company website</li> <li>3. Ad hoc participation in awards and activities</li> </ol>	<ol style="list-style-type: none"> <li>1. The Company Articles of Incorporation are disclosed on the Chinese version of our corporate website for public viewing and download.</li> <li>2. 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.</li> <li>3. 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.</li> </ol>

## Identifying and Responding to Material Topics



1.

### Identification of Stakeholders

Tainan Enterprises identified 8 types of stakeholders based on their degree of impact and degree of dependence on stakeholders.



2.

### Identification of Material Topics

An internal assessment was conducted by Tainan Enterprises based on future outlook, sustainability strategy, impact on the value chain, GRI Standard, and topics of concern to similar industries locally and overseas. A total of 35 topics relevant to Tainan Enterprises' circumstances were identified.



3.

### Analysis on Degree of Concern for Material Topics

Through the "Stakeholder Sustainable Issue Concern Survey," 8 categories of stakeholders were surveyed on their level of concern for 35 sustainable issues, and the questionnaire results were analyzed to identify the top 20 sustainable issues most valued by stakeholders in 2022.



4.

### Assessment of Material Topics' impact

The internal management team conducted impact assessments on the 20 relevant issues, evaluating the potential positive or negative actual/potential impacts, considering the "likelihood of occurrence" and "impact level," and assigning weighted scores. Finally, the scores were calculated to determine the nine major topics for 2022. The nine major topics are: Forced or Compulsory Labor, Child Labor, Corporate Governance, Economic Performance, Compliance, Greenhouse Gas Emissions, Labor/Management Relations, Effluents and Waste, Circular Economy.



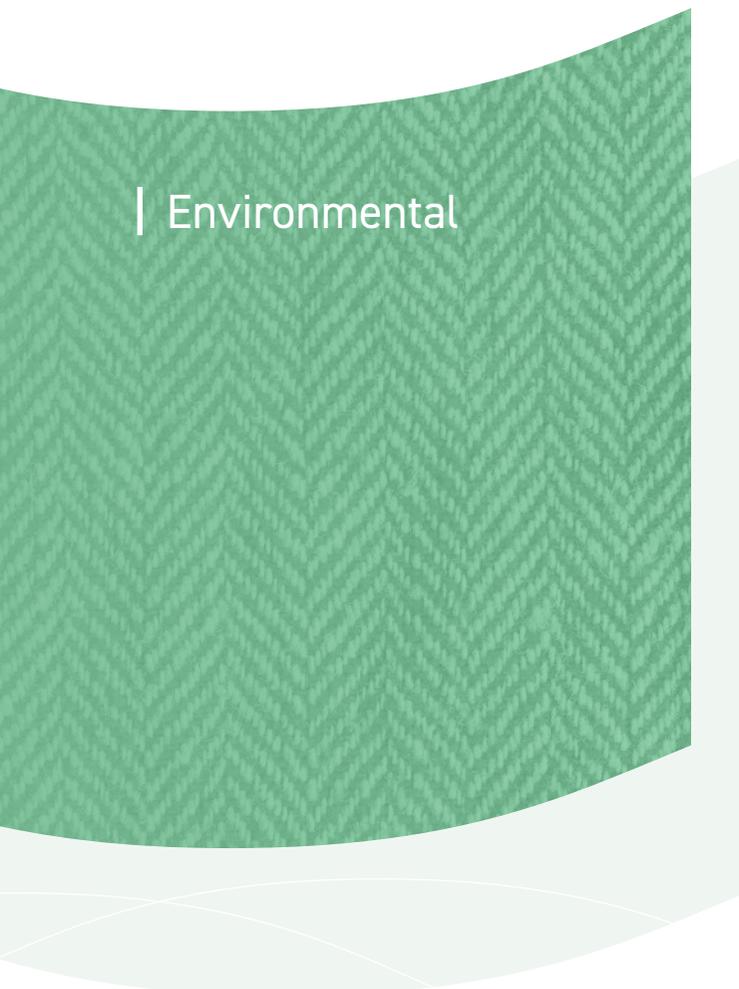
5.

### Confirmation and Review

The compiled report is reviewed by the management and each team to check the accuracy of all information and level of transparency. The outcomes of material topic identification and stakeholder feedback were also collated to serve as a reference for company operations and next year's report.

## Impact Boundaries of ESG Material Topics

Aspect	Topic	Significance to Tainan Enterprises	Indirect Impact		Direct Impact		Explanation of Impact	GRI Index
			Upstream Supply Chain	Production Site	Head quarters	Downstream Brand		
 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.	Self-defined Material Topics
	Greenhouse Gas 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 important company 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
	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 Material Topics

Topic	Management Approach	2022 Goals	Actual Performance	2023 Goals	Medium and Long-term Goals
 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 2022.	Maintain 100% environmental compliance	Exceed the minimum local standards and transition to low-carbon green production processes.
 Greenhouse Gas 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.	2022 GHG emissions of scope 1 and 2 were 13.67% lower than the previous year	At least one factory area conducted a greenhouse gas inventory and verification, gradually extending it to all factory areas.	Continue reduce energy consumption and prioritize the use of low-carbon energy and fuels
 Effluents and Waste	<p><b>Effluents:</b> 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</p> <p><b>Waste:</b> 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.</p>	Compliance with local regulations on effluents and waste.	There were no violations of local effluent and waste regulations in 2022.	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.

# Social

Topic	Management Approach	2022 Goals	Actual Performance	2023 Goals	Medium and Long-term Goals
 <p><b>Forced or Compulsory Labor</b></p>	<p>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.</p>	<p>Ensure that there are no incidents of forced labor in the supply chain</p>	<p>There were no incidents of forced labor in 2022</p>	<p>Continue to ensure that there are no incidents of forced labor in the supply chain</p>	<p>Assist employees with improving employee rights and benefits; strengthen human rights audits.</p>
 <p><b>Child Labor</b></p>	<p>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.</p>	<p>Ensure that there are no incidents of child labor in the supply chain</p>	<p>There were no incidents of child labor in 2022</p>	<p>Establishment of a comprehensive supplier management system.</p>	<p>Strengthen the transparency of the supply chain and conduct due diligence on supplier partners to check of incidents of child labor.</p>
 <p><b>Labor/management Relations</b></p>	<p>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.</p>	<p>Construct a healthy working environment with bilateral channels of communication.</p>	<p>In 2022, the complaint procedures of all factory areas were integrated, categorizing complaints into four levels (A, B, C, D) to enhance the efficiency and responsibility of responding to employee complaints.</p>	<p>Build a better labor/management communications platform by refining the functionality and usage of the employee management app.</p>	<p>Improve labor/management relations by establishing diverse means of communication and encouraging employees to provide their opinions and suggestions.</p>

## Governance

Topic	Management Approach	2022 Goals	Actual Performance	2023 Goals	Medium and Long-term Goals
 <p>Corporate Governance</p>	<p>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 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.</p>	<p>Strive to build a sound corporate governance structure and eliminate information asymmetry. We strive to protect the interests of stakeholders through corporate governance.</p>	<p>Board members take part in continuing education on corporate governance and business management every year. In 2022, each Board member undertook 6 hours of continuing education. Improvement of corporate competitiveness by focusing on the establishment of a sound corporate governance system.</p>	<p>Define organizational structure and roles to emphasize corporate governance affairs and appoint a corporate governance officer.</p>	<p>Continue to improve the Company's corporate governance evaluation metrics by refining internal company regulations to ensure transparency of company information.</p>
 <p>Economic Performance</p>	<p>Respond to market and technology trends by investing in smart equipment that improve performance. Boost profitability through better productivity and production agility.</p>	<p>Internal review of company operations and investment in smart production reduced the impact of COVID-19 and restored profitability.</p>	<p>Operating revenue grew by 30% compared to the previous year.</p>	<p>Introduction of information management, data analytics and business intelligence (BI) systems.</p>	<p>Achieve sustainability by maximizing stakeholder returns and ensuring steady revenue growth</p>
 <p>Circular Economy</p>	<p>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.</p>	<p>Increase the ratio of recycled materials in textiles</p>	<p>All factory areas are capable of producing RCS products, and the Gin-Sovann Factory received GRS Global Recycle Standard certification.</p>	<p>Continue to increase the ratio of recycled materials in textiles</p>	<p>Introduction of AI processes and intelligent production</p>



CHAPTER

# 1 Corporate Governance

1.1 About Tainan Enterprises

1.2 Corporate Governance

1.3 Ethical Management

1.4 Risk Warning and Assessment

1-5 TCFD Climate Change Risks and Opportunities



## Highlights

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

# 1.1 About Tainan Enterprises

## 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 Chinese factory 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.



### Tainan Enterprises Profile



#### Company Name

Tainan Enterprises Co., Ltd.



#### Stock Code

1473



#### Date Established

August 1961



#### Chairman of the Board

Yang Ching-Hon



#### General Manager

Hsieh Yiu-Chin



#### Location of headquarters

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



#### Number of employees

13,549



#### 2022 Total Operating revenue

7,529,845,000 TWD

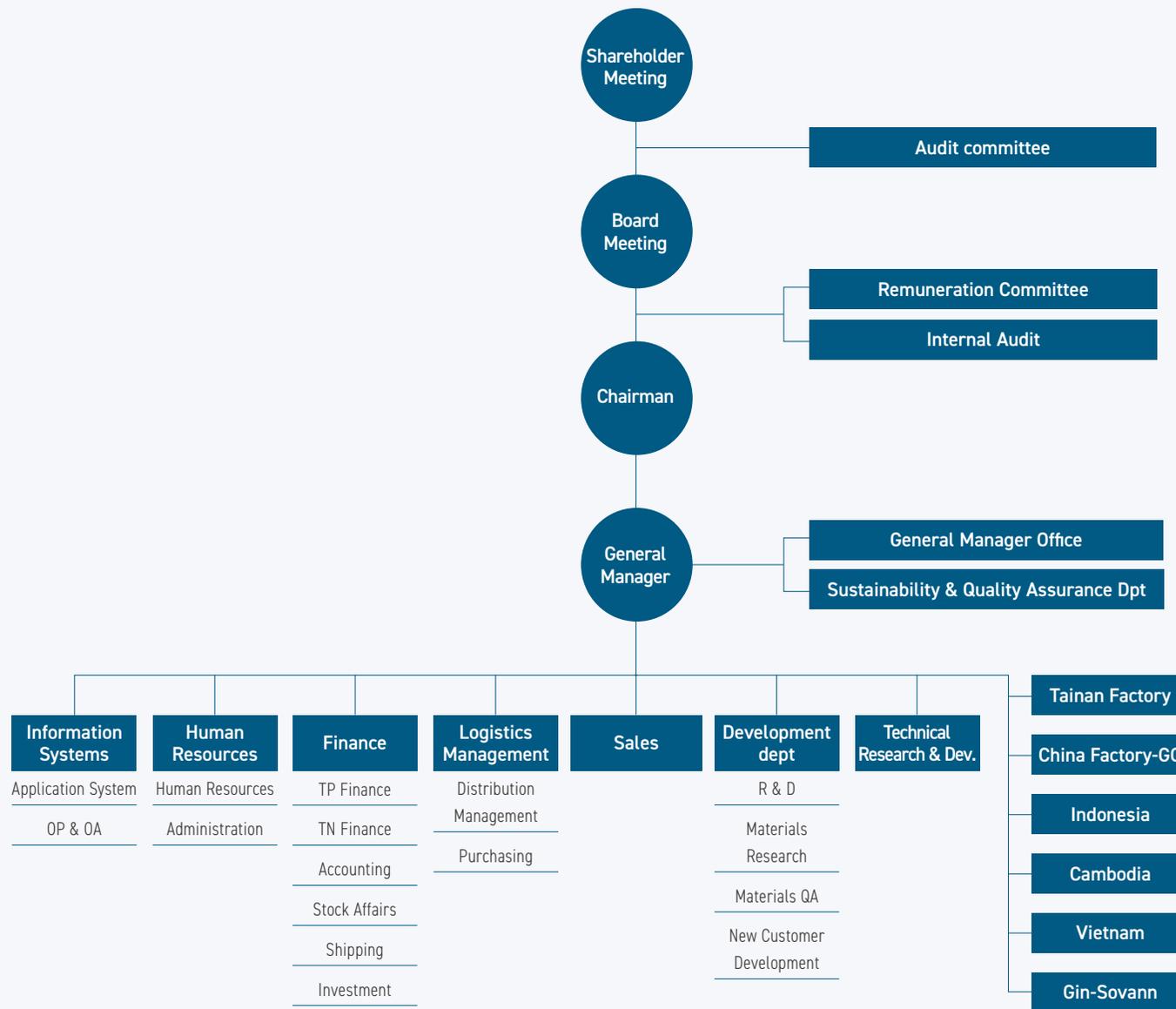
### Diversified Product Strategy

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 Enterprise Arts & Culture 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 university departments 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.

### > Organizational Structure



> Operations by principal departments/divisions

By departments/divisions		Functions and operations
Internal Audit Office		Establishment of, and follow-up and check on, the internal audit system
		Establishment and implementation of the internal audit system
General Manager Office		Collection, analysis and integration of internal and external information, and communication, coordination and integration of the implementation of organizational business projects
		Establishment of the annual development target, and review, evaluation and suggestion on the organizational development
Sustainability & Quality Assurance Department		Implementation and performance of the corporate sustainability and social responsibility, and assurance on each department's/division's compliance with the Company's internal SOPs for production and stabilization of the quality control to satisfy customers' needs.
Information System Division	Application System Dept.	Development and maintenance of the information software system
	OP & OA Dept.	Corporate information security, anti-virus system and network construction, and maintenance of computer hardware equipment
Human Resources Division	Human Resources Dept.	HR planning, education & training, appointment/dismissal, promotion, attendance, performance valuation and retirement
	Administration Dept.	Employee benefits Safety, repairing, vehicle management regulations, and routine business

By departments/divisions		Functions and operations
Finance Division	TP Finance	Responsible for fund allocation and utilization, and credit management
	TN Finance	Responsible for fund allocation and utilization, and credit management
	Accounting Dept.	Preparation of financial statements and budget
	Stock Affairs Dept.	Responsible for processing stocks and shareholder services
	Shipping Dept.	Shipping and customs affairs for import/export
	Investment Dept.	Responsible for the long-term and short-term capital investment
Logistics Management Division	Distribution Management Dept.	Follow-up on raw materials & supplies, export arrangement, and coordination of production and marketing
	Purchasing Dept.	Procurement and shipping of raw materials and supplies
Sales Division		Services for customer, and processing and follow-up of POs by departments
Development Department	R & D Dept.	Design and R&D of new apparel products for men and women
	Materials Research Analyst Dept.	Development of materials
	Materials QA Dept.	Stabilize the quality and control over materials
	New Customer Development Dept.	Development of markets and expansion of customer base

By departments/divisions	Functions and operations
Technical Research & Development Department	Responsible for mock-up sample, mark marking, and platemaking
	Responsible for analysis and creation of I.E. working hours, work improvement and counseling service to vendors Development of suspension systems and molds
Tainan Factory & foreign factories	Responsible for analysis and creation of I.E. working hours, work improvement and counseling service to vendors Development of suspension systems and molds Ready-made clothes production matters



## 1.1.2 Business Performance

### > Financial performance over the past three years

Unit: Thousands TWD

Financial Performance	2020	2021	2022
Total Assets	5,038,874	5,213,244	5,176,890
Total liabilities	1,758,875	2,159,490	1,638,820
Shareholder equity	3,279,999	3,053,754	3,538,070
Operating revenue	5,970,540	5,761,476	7,529,845
Operating costs	(5,299,588)	(4,985,268)	(6,310,580)
Gross operating profit	670,952	776,208	1,219,265
Operating expenses	(998,945)	(932,838)	(983,539)
Non-operating revenue and expense	(52,752)	29,972	111,574
Net profit before tax	(380,745)	(126,658)	347,300
Income tax	25,547	(8,446)	(46,268)
Net profit after tax	(355,198)	(135,104)	301,032

### > Direct economic value generated and distributed for the past three years

Unit: Thousands TWD

Economic value distributed to stakeholders	2020	2021	2022
Operating costs	9,662	0	0
Employee compensation and benefits	1,919,881	1,818,409	2,124,586
Investment from stakeholders	73,102	41,468	34,603
Payments to government	(25,547)	8,446	46,268
Community investment	3,500	3,500	3,500

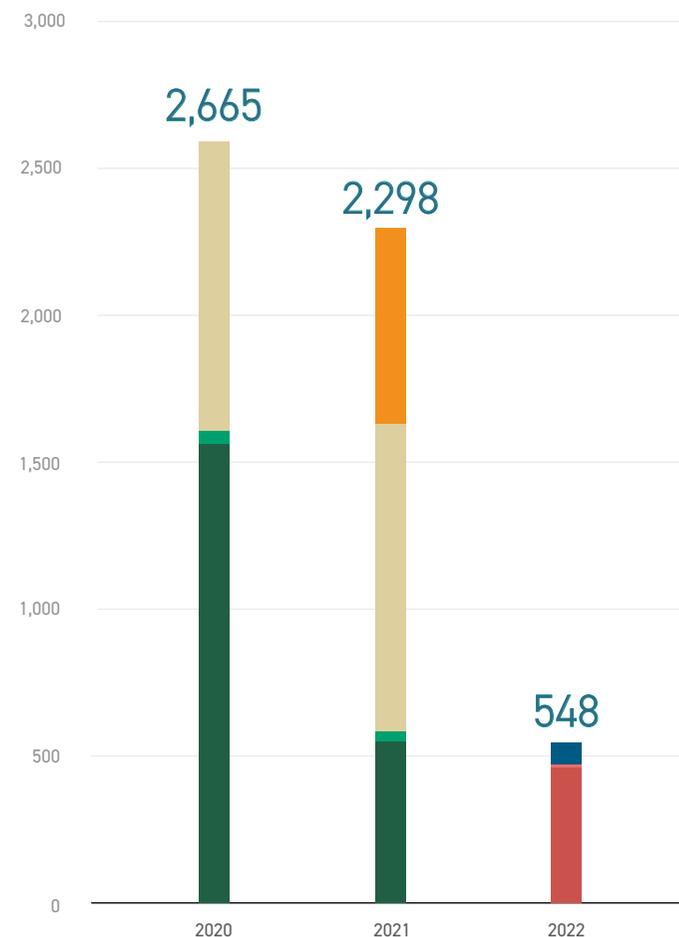
### > Total monetary value of financial assistance from any government in 2021

Unit: Thousands TWD

Type of financial assistance from any government:

Investment grants, research and development grants, and other relevant types of grant

■ Yixing Human Resources ■ Handicapped subsidies ■ Innovative R&D  
■ Agricultural development ■ Human Resources Empowerment Program  
■ Bureau of Labor Insurance ■ Occupational Safety and Health Administration



> Operating locations



### 1.1.3 Membership of domestic and foreign organizations

Country	Industry Associations
Taiwan	<ul style="list-style-type: none"> <li>• Taiwan Garment Industry Association</li> <li>• Taiwan Textile Federation</li> <li>• Taiwan Textile Research Institute</li> <li>• Better Cotton Initiative</li> <li>• Tainan Industry Association</li> </ul>
Cambodia	<ul style="list-style-type: none"> <li>• Garment Manufacturers Association in Cambodia (GMAC)</li> <li>• Better Factories Cambodia (International Labor Organization)</li> </ul>
Indonesia	<ul style="list-style-type: none"> <li>• Better Work (International Labor Organization)</li> </ul>

## 1.2 Corporate Governance

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 Board of Directors of Tainan Enterprises Co., Ltd. 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 64 and they included 5 female directors, accounting for 45.5%. The background, professional knowledge and remuneration for each Board member can be found in the 2022 Annual Report. The Annual Report can be downloaded from the Market Observation Post System website, or from the Shareholders section of our corporate website.

The scope of evaluation includes the performance evaluation of the Board Meeting, individual Board members and functional committees. The evaluation method mainly includes internal self-assessment, director self-assessment, and peer evaluation. The 2022 performance evaluations were all conducted normally and showed good results.

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 of Directors' meeting 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 7 Board of Directors' meetings in 2022 and the average attendance rate of directors was 96.10%.

All significant internal information processing and disclosure are carried out in accordance with the regulations of the competent authority, with a total of 22 important information disclosures in 2022.

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 2022 expect for new director Hsieh Yiu-Chin, who undertook 12 hours of continuing education.

Date	Continuing Education Topic	Participants	Hours of continuing education
2022 05.10	Trends and Challenges in Information Security Governance	Wu Tao-Chang, Yang Yin-Ying, Yang Fu-Ching, Wang Fang-Chung, Su Chiung-Chung, Fang Yen-Ling, Hsieh Yiu-Chin, Lien King-Biau, Pai Chung-Lian, Li Chih-Kuang	3
2022 08.09	From CSR to ESG: The Mindset of Corporate Management	Wu Tao-Chang, Yang Yin-Ying, Yang Fu-Ching, Wang Fang-Chung, Su Chiung-Chung, Fang Yen-Ling, Hsieh Yiu-Chin, Lien King-Biau, Pai Chung-Lian, Li Chih-Kuang	3
2022 08.19	Case Analysis of Corporate Ownership Disputes	Hsieh Yiu-Chin	3
2022 08.23	How Companies Can Achieve Rapid Double-Digit Profit Improvement and Sustainable Growth.	Yang Ching-Hon	3
2022 11.01	Company Brand Development from the Perspective of Directors and Supervisors	Yang Ching-Hon	3
2022 11.04	Corporate Mergers and Acquisitions Practice and Case Analysis	Hsieh Yiu-Chin	3



### 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 Co., Ltd. in pursuit of sustainability. The Remuneration Committee was convened 2 times in 2022. Actual attendance rate of the convener and Committee members was 100%.

#### > Annual Total Compensation Ratio

The ratio of the total annual compensation of the highest-paid individual in the organization to the median total annual compensation of other employees (excluding the highest-paid individual) is 13.604.

The ratio of the percentage increase in the total annual compensation of the highest-paid individual in the organization to the median percentage increase in the total annual compensation of other employees (excluding the highest-paid individual) is 0.935.

### 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 5 times during 2022. Actual attendance of Audit Committee members was 100%.

### 1.2.4 Sustainable Implementation Units

The Company established the unit dedicated to corporate social responsibility, "Sustainability & Quality Assurance Dept," in 2004, which is responsible for promoting and implementing the ESG issues, such as environmental protection, energy conservation and carbon reduction, human rights, working environment safety and health, etc.. Meanwhile, it helps enactment of policies and management guidelines to manage overseas subsidiaries' compliance and responsible performance in the terms of environment and society.

## 1.3 Ethical Management

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" or "Supplier Social Responsibility Commitment Letter" on labor rights, anti-terrorism and security. A total of 160 suppliers signed and returned the Code of Conduct in 2022. 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: For detailed disclosure on supplier management, please refer to section [2.2 Sustainability Partnerships](#).



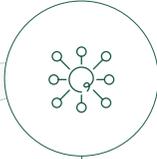
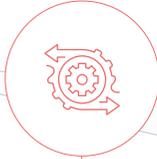
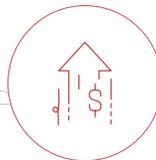
### > Compliance

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 confirmed incidents of corruption at Tainan Enterprises in 2022.

There were no sanctions against Tainan Enterprises for significant environmental non-compliance by the government authorities in 2022.

# 1.4 Risk Warning and Assessment

	 <b>Human Resource Risk</b>	 <b>External Environments</b>	 <b>Product Operations</b>	 <b>Finance and Accounting</b>	 <b>Information Security</b>
<b>Risk Description</b>	Employee Turnover	Political environment, social environment, technical environment, economic environment	Customers are increasingly making use of high-stretch fabrics. Care must therefore be taken before mass production to calculate the amount of fabric loosening, steaming, and contraction required, as well as precise management of cutting and sewing. Failure to do so will have a serious impact on the quality and dimensions of the end product, and may ultimately lead to customer complaints and compensation claims.	Financing, investment, liquidity management, share dividend, exchange rates, interest rate hedging	Virus Attack
<b>Management Response</b>	<p>"People are the leading indicators and the key indicator." In keeping with our core values of ethics and integrity, professionalism and accountability. Tainan Enterprises hopes that instead of money, the company and employees are linked together by common life values. These values should be aligned with the personal development goals and ideals of the employee. Design thinking workshops were therefore organized for managers and employees to brainstorm together and come up with projects that support the company and the employee's personal development. This will in turn imbue their work with a greater sense of mission and value.</p>	<p>The COVID-19 pandemic outbreak in early 2020 spread rapidly across the world and put a freeze on consumer demand for textiles and apparel. A surge in the pandemic in Asia during 2021 dealt another blow to the apparel industry due to the textile supply chain being disrupted by national lockdowns. The pandemic situation in Asia gradually ease and restrictions were lifted as a model of co-existence with COVID-19 was adopted. The overall economic environment started returning to normal.</p>	<p>When a potential order is under discussion, a preliminary risk assessment is conducted by the R&amp;D Department based on the customer's sample fabric/clothing.</p> <p>Once the bulk fabric arrives at the factory, a piece is sent for third-party analysis to verify its quality.</p> <p>QC/QA in the workshops not only follow the existing SOP but also check that ball point needles are regularly replaced to reduce the risk of breaks in the stretch yarn during sewing.</p> <p>Samples are sent for third-party testing three weeks before shipping to check that seam strength, color fastness, appearance and dimensions after washing all match customer requirements.</p>	<p>Investment was affected by the Russo-Ukrainian War, resulting in defaults on Russian bank bonds and recognition of investment losses. In terms of significant capital expenditures, investment evaluations for the new Indonesian factory were conducted to achieve increased efficiency and possible benefits, and countermeasures were set in financing to cope with significant increases in USD interest rates to avoid negative impacts.</p>	<p>In 2022, we established the Audit Office that oversees the Information System Division. Responsibilities include planning of information security, development and implementation of protective policies, and risk management. Annual investments are also on information security including upgrading of information security protection equipment, improvements to information security management system, as well as education and training. Information security capabilities are enhanced across the board from the management side to the technical side.</p> <p>To prevent information security incidents, in addition to conducting information-level business continuity exercises at the Taipei and Tainan backup data centers each year, daily and weekly off-site backup of important system data are also carried out. Vulnerability scanning is conducted by external contractors each year as well. All of these form part of routine information security operations. In terms of boosting information security awareness, employees undergo enhanced education, training and instruction on information security incidents that took place outside. Random sampling is also conducted. In addition, we regularly arrange for system management personnel in Information System to receive training and certification in information security-related courses.</p>



# 1.5 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.

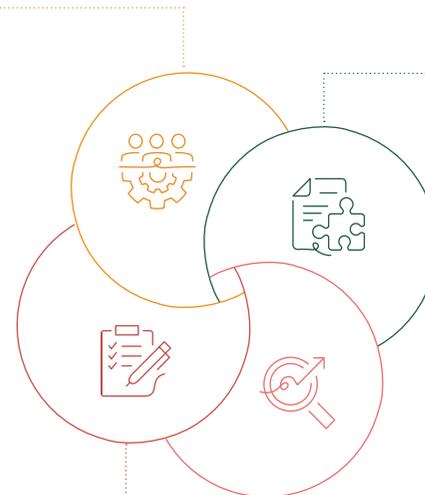
The Task Force on Climate-Related Financial Disclosures (TCFD) framework was applied to evaluate the impact on cost and revenue, take inventory of company resources, and develop a risk management approach that would mitigate the impact of climate change on company operations, strengthen the company's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

## Corporate Governance

The Sustainability & Quality Assurance Department under the General Management Office serves as the integrated unit for managing TCFD climate change risks and opportunities. It is responsible for coordinating, planning, and executing climate change-related matters and reports the results of climate risk identification from each unit to the Board of Directors annually to understand potential climate-related risks and opportunities.

## Strategy

Considering the potential impact of climate change on business, Tainan Enterprises has integrated climate-related factors into its strategic planning and decision-making processes. We are committed to implementing various environmental protection measures, enhancing energy efficiency, and reducing greenhouse gas emissions to mitigate and adapt to the business impact of climate change.



## Risk Management

To proactively address actual risks and potential opportunities related to climate change in business processes, Tainan Enterprises conducts regular climate change risk and opportunity identification, reassessing impact implications. We will examine opportunities for corporate operations and discuss corresponding strategies and response actions, integrating a systematic approach into the annual execution plan.

## Metric and Goal Setting

By 2030, the greenhouse gas emission intensity per million units of economic performance is planned to decrease by 30% from the base year of 2018.

	Risk	Description	Financial effect	Administration
Physical risk	Flooding, storms / Rise in sea level	<ol style="list-style-type: none"> <li>1. Storms can increase humidity in the factory so raw materials and products are more likely to become moldy or spoiled.</li> <li>2. More frequent flooding can lead to factory stoppages</li> </ol>	<ol style="list-style-type: none"> <li>1. Increase in the cost of storage for raw materials and products</li> <li>2. Factory stoppages lead to reduced income and higher cost of shipping</li> </ol>	<ol style="list-style-type: none"> <li>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.</li> <li>2. Raise the foundations of the factory or relocate factory to higher ground</li> <li>3. Transfer production to alternate factories in other regions</li> <li>4. Set up a backup transportation plan with multiple channels</li> </ol>
	Shortages or uncertainty in water and electricity supply	Impact on production process from uncertain water and electricity supply	Higher production costs	<ol style="list-style-type: none"> <li>1. Introduction of wastewater/rainwater recovery system in the factory</li> <li>2. Purchase of energy-saving and water-saving machinery</li> <li>3. Build green factories and obtain green building certification</li> <li>4. Switch to diesel generators during power outages</li> </ol>
	Higher temperature	Increased electricity consumption and risk of power restrictions	Impact on production process leads to higher product costs and reduced operating income	<ol style="list-style-type: none"> <li>1. Introduction of renewable energy at the factory</li> <li>2. Build green factories and obtain green building certification</li> </ol>
	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	<ol style="list-style-type: none"> <li>1. RCS certification for factories and the use of fabrics containing recycled materials to reduce dependence on raw materials</li> <li>2. Use of packaging materials containing recycled materials for product packaging</li> </ol>
Transformation 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	<ol style="list-style-type: none"> <li>1. Introduction of renewable energy at the factory</li> <li>2. Periodic internal GHG emission inventoryz</li> <li>3. Set up green production processes in the factory and purchase low-carbon machines</li> </ol>
	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	<ol style="list-style-type: none"> <li>1. Higher R&amp;D costs</li> <li>2. Higher operating costs</li> </ol>	<ol style="list-style-type: none"> <li>1. Purchase low-carbon and water-saving machinery</li> <li>2. Development of low-carbon products based on green design and obtaining related low-carbon/recycling certifications</li> </ol>
	Growing environmental awareness among customers and in the market	<ol style="list-style-type: none"> <li>1. Drastic changes in the climate is spurring growing consumer awareness on environmental protection</li> <li>2. Customer requirements on environmental protection at the factory now exceed local regulations and also promoting the use of environmentally friendly products</li> </ol>	Higher R&D costs	<ol style="list-style-type: none"> <li>1. Purchase of energy-saving and water-saving machinery to reduce impact on the environment</li> <li>2. Develop environmentally friendly products based on green design and obtaining of related environmental and product certifications</li> </ol>
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	<ol style="list-style-type: none"> <li>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.</li> <li>2. Introduction of wastewater recovery system by water-intensive factories and active promotion of zero wastewater discharge</li> </ol>	
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.	

CHAPTER

# 2 Value Chain Reform

2.1 Innovation and circular economy

2.2 Sustainability Partnerships

2.3 Product Safety



Highlights

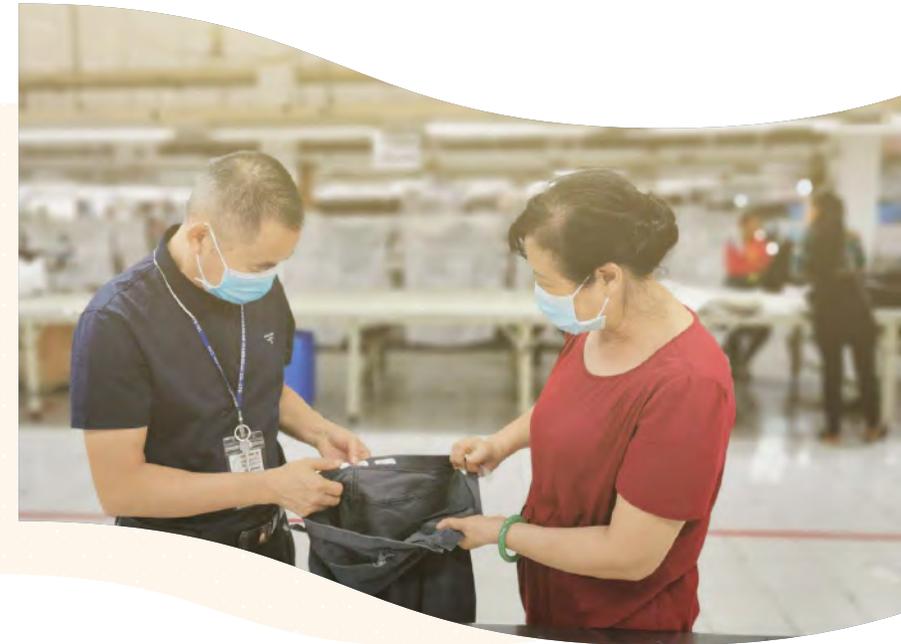
- All factories are capable of producing RCS-certified products.
- 1 factory obtained Global Organic Textile Standard (GOTS) certification
- Oeko-Tex Standard 100 Product Safety



## 2.1 Innovation and Circular economy

### 2.1.1 Sustainable Raw Material 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. Tainan Enterprises prioritizes environmentally-friendly raw materials with minimal environmental impact and no harm to human health. Emphasis is placed on traceability using Transaction Certificates, covering recycled materials, organic cotton, sustainable cotton, and African cotton.



#### > Recycled and Eco-friendly Fabrics

All Tainan Enterprises production sites are now capable of producing Recycled Claim Standard (RCS) certification 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 Recycled Claim Standard (RCS). Such products must also be produced separately from standard fabrics to ensure that they are made from 100% recycled fabrics.

The Gin-Sovann factory obtained the GRS (Global Recycle Standard) certification, requiring products to contain at least 20% recycled materials and meet the standards for production, social, and environmental aspects. Recycled fabrics reduces the damage to the environment and the reliance on general fabrics, thus achieving the corporate goal of green and sustainable production.



#### > Sustainable Cotton

Tainan Enterprises sources sustainable cotton from three certifications: Good Cotton Platform, Organic Cotton Certification, and African Cotton Certification. These organizations prioritize sustainability in promoting cotton cultivation with less environmental impact and transparent supply chain tracking.

#### > 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. OCS standard requires a minimum of 5% organic cotton content. 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 Solo factory in Cambodia passed the Organic Cotton Content Standard (OCS) certification. The Jakarta factory obtained GOTS certification to provide customers with safety, transparent, organic and dependable products.





> Better Cotton Initiative

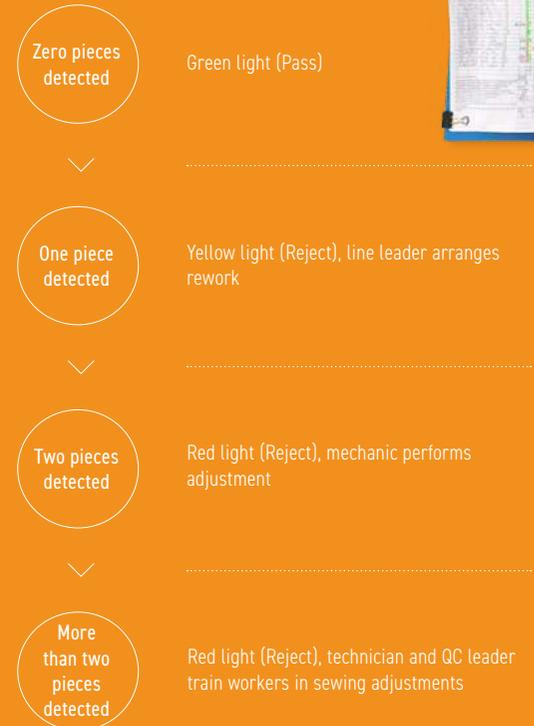
BCI cotton is used by Tainan Enterprises due to their lower environmental impact and sound ethics. The BCI platform tracks the production of cotton to improve transparency between the Company, suppliers and upstream material suppliers.

> Cotton made in Africa (CmiA)

Cotton made in Africa focuses on three areas - social, environmental, and economic sustainability. It supports small farmers, protects local soil, water, and biodiversity, reduces environmental impact, and provides technology and equipment to improve productivity and overall living conditions. Moreover, production processes should clearly indicate the separation of different cotton fabrics, and all supply chains are required to complete an online tracking system to enhance transparency.

## 2.1.2 Innovative Technologies

Improving the quality of semi-finished products in production workshops to reduce the burden of Endline bundle inspection for 100% external appearance inspection of non-sewing technical surfaces. Through a traffic light system for audits, critical processes are checked four times a day with five pieces each time (other processes are checked twice a day with three pieces each time). Defects are classified based on severity, and immediate corrective actions are taken accordingly:



> Semi-automatic auxiliary machines in the workshop



**Automatic String Threading Machine**

The Solo factory improved the waistband threading process, increasing production efficiency by 1.25 times, and even non-skilled workers can operate the machine.



**Automatic Bag Pasting Machine**

The Cambodia factory improved the ironing and sewing process, increasing efficiency by 2 times, and it does not require skilled workers as regular workers can operate the machine.



**Automatic Waistband Machine**

The Cambodia factory improved the waistband attachment process, increasing efficiency by 2 times, and it does not require skilled workers as regular workers can operate the machine.



**Automatic Elastic Band Machine**

The Cambodia factory improved the elastic band cutting and attachment process, increasing efficiency by 2 times, and it does not require skilled workers as regular workers can operate the machine.



**Small Induction Boilers**

Multiple small cooking areas are set up in the factory, and the overall demand for steam is high. Traditional boilers with long pipelines and wide ranges result in high energy loss.

Moreover, during the combustion process, boilers release a large amount of carbon dioxide and other greenhouse gases, causing significant environmental impact. On the contrary, electromagnetic boilers do not require fuel combustion and do not emit any harmful gases. Therefore, introducing electromagnetic boilers can reduce the overall carbon emissions of the plant and is a more environmentally friendly option.

Additionally, induction boilers offer precise temperature and pressure control, enhancing product quality and consistency, and reducing operating costs and energy wastage.

## 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 and categorize them into A, B, C, or D grades. If a supplier receives a D grade, their supply qualification will be canceled. 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. 160 suppliers signed agreements in 2022.

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.

### > Content of 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**

**Environment**

- Compliance with local environmental regulations

**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

**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
2020	Green Fashion Washing Factory	Passed Disney FAMA Audit Gap Inc Water Quality Programme
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.



#### — 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.



#### — 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.

## Conflict Minerals

### — Conflict Minerals —

The Conflict Minerals sourcing standards were drawn up by Tainan Enterprises to periodically trace the source of the metals used in auxiliary materials (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.



12 PRINCIPLES

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 —

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.

## 2.3 Product Safety

Starting from the end of 2022, the Vietnam, Cambodia, and Gaoqing factories plan to conduct Oeko-Tex Standard 100 (with RSL) product safety clothing tests, requiring both main and auxiliary material supply chains and finished garment terminal shipment to be certified.



### 2.3.1 Oeko-Tex Standard 100 Clothing Test (28 items)

Testing Item		Content
pH value		Based on ISO 3071 (KCl solution)
Formaldehyde		Qualitative: Chromotrope acid reaction Quantitative: Free and partially releasable content (JIS L 1041 -2011)
Heavy Metals	Extraction with Artificial acid sweat solution	(artificial acid sweat solution - ISO 105-04)
	Total Digestion of the Samples	Acid digestion (acid digestion - ICP-OES, ICP-MS or AAS)
	Chromium (VI)	Artificial acid sweat solution (artificial acid sweat solution - ISO 105-04; UV/VIS spectroscopy or IC.)
Pesticides		purification extraction (GC-MS & LC-MS)
Chlorinated Phenols & Ortho-Phenylphenol (OPP)		Alkaline water solution (DIN 50009), extraction and acetylation of free phenols and hydrolyzed phenol esters (GC-MS)
Phthalates/ Siloxanes		Tetrahydrofuran; precipitation of polymers with n-hexane (GC-MS)
Organic Tin Compounds		Ethanol/ acetic acid solution & tropolone; derivatisation with sodium tetraethylborate (GC-MS)
Short & Medium Chained Chlorinated Paraffins (SCCP & MCCP)		Method for short and medium-chained chlorinated hydroxybenzoic acid - EI (GC-MS; EI mode) Quantification of congeners of SCCC & MCCC-Cl

Testing Item		Content
Per-and Polyfluorinated Compounds (PFCs)/ Per-and Polyfluoroalkyl Substances (PFAS)		methanol(methanol; LC-MS & GC-MS)
Dimethylfumarate (DMFu)		acetone; preconcentration (GC-MS)
Humanecological Critical Colorants	Cleavable Arylamines and Aniline	azo dyes (ISO 14362-1 & 14362-3) cleavable & residual in free manner
	Dyestuff & Pigments with Human Ecologically Critical Properties (Allergenic, Carcinogenic)	Dyes & Colorants Overheated with chlorobenzene extraction; LD-DAD or LC-MS
Chlorinated Benzenes and Toluenes		Ultrasonic bath extraction with dichloromethane (GC-MS)
Polycyclic Aromatic Hydrocarbons (PAH)		Extraction with toluene (GC-MS)
Solvent Residues		Extraction with methanol (GC-MS)
UV Stabilisers		Extraction with tetrahydrofuran (LC-DAD, LC-MS, GC-MS).
Banned Flame Retardants		Extraction with toluene (GC-MS)
Volatile Organic Compounds, Glycols Cresols and Chlorinated Solvents		Thermodesorption Trapping material (GC-MS)
Quinoline		Hot extraction (LC-MS or GC-MS)

Testing Item	Content
N-nitrosamines and N-nitrosatable Substances	migrate to saliva solution acidification to N-nitrosamines (LC-MS)
Surfactants and Wetting Agent Residues (Alkyphenols, Alkyphenol Ethoxylates)	extraction with methanol (LC-MS, GC-MS)
Azodicarboxamide (ADCA)	extraction with ethylacetate/ DMSO (LC-DAD)
Genetically Modified Organisms (GMO)	optimize probability of unknown genetically modified cotton events
Emission	emission chamber (ISO 16000-3, 16000-6, 16000-9)
Phenol	extraction with methanol (HPCL-FLD)
Bisphenols	extraction with THF, precipitation (HPLC-MS)
Color Fastness	Basic (ISO 105-A01, ISO 105-A03); Water and sweat fastness (ISO 105-E01); Acid and alkali perspiration fastness (ISO 105-E04) Abrasion and friction fastness (ISO 105-X12) Saliva and sweat fastness (64 LFGB, BVL B 82.92-3 (DIN 53160-1), B 82.02-13 (DIN 53160-2)
Odour	desicator of set humidity
Asbestos Fibres	polarizing microscope, at least 250-fold magnification

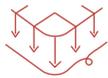
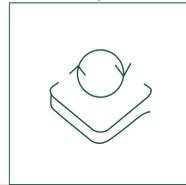
### 2.3.2 Basic Product Testing

#### Durability

Shrinkage, Warpage, Appearance after Washing

#### Color Fastness

Color fastness for water washing, color fastness for dry cleaning, color fastness to friction, color fastness to light, color fastness to sweat, color fastness to water stain, color fastness to chlorine bleaching, color fastness to non-chlorine bleaching, color fastness to hot pressing



#### Physical Properties

Yarn count, density, gram-weight, tensile strength, tearing strength, seam slippage, seam strength, bursting strength, fabric twist rate, abrasion resistance, resistance to pilling

#### Safety (Toxin-free)

Formaldehyde testing, pH testing, hydrophobicity testing, oil repellency testing, stain resistance testing, flame retardance testing, fiber composition analysis, banned azo dye 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 2022.



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 2022 by 8.2% overall compared to last year
- Cambodia factory became a zero-wastewater discharge factory
- No penalties for violation of local environmental laws and regulations in 2022

# 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 2022.

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.

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 2022, total Scope 1 GHG emissions was 7,562 CO<sub>2</sub>e, 6,373 tonnes CO<sub>2</sub>e while total Scope 2 GHG emissions was 13,935 tonnes CO<sub>2</sub>e. Total energy usage in 2022 amounted to 166,467 MJ.

Tainan Enterprises has decided to adopt a progressive carbon reduction regime that will reduce carbon emissions per unit of clothing by **30%** by 2030.

#### > Energy Usage at each Tainan Enterprises Factory (Unit: Gigajoule)

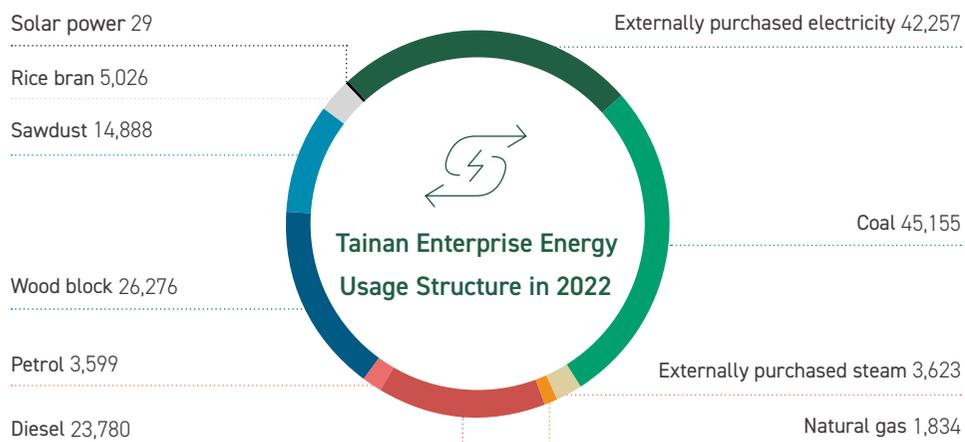
Unit: Gigajoule

Year	Energy	Tainan Factory	Jakarta Factory (Indonesia)	Solo Factory (Indonesia)	Cambodia Factory	Gin-Sovann Factory	Gaoqing Factory	Vietnam Factory
2020	Externally purchased electricity	2,916	8,425	5,742	15,141	2,360	2,409	4,597
	Coal		47,060					
	Externally purchased steam						3,286	
	Natural gas	1,088						
	Diesel	237	335	16,220	1,753	309		67
	Petrol	192	429	861	1,808	88	281	155
	Wood block				14,018	3,827		
	Sawdust				37,569	622		
	Rice bran							11,650
	Solar power							29
	TOTAL GJ		4,433	56,250	22,824	70,289	7,206	5,977

Year	Energy	Tainan Factory	Jakarta Factory (Indonesia)	Solo Factory (Indonesia)	Cambodia Factory	Gin-Sovann Factory	Gaoqing Factory	Vietnam Factory
2021	Externally purchased electricity	3,114	6,941	5,649	16,712	3,046	2,847	4,651
	Coal		40,152					
	Externally purchased steam						3,302	
	Natural gas	1,414						
	Diesel	206	4,759	18,302	420	850		67
	Petrol	224	473	713	1,007	255	643	
	Wood block				14,783	3,940		
	Sawdust				48,922			
	Rice bran							9,008
	Solar power				395			29
	TOTAL GJ	4,959	52,325	24,664	82,239	8,091	6,791	13,755
2022	Externally purchased electricity	2,811	7,153	7,083	14,441	2,814	2,670	5,286
	Coal		43,340		1,815			
	Externally purchased steam						3,622	
	Natural gas	1,834						
	Diesel	125	2,331	19,622	432	1,165		104
	Petrol	321	501	902	1,216	383	277	
	Wood block				19,522	1,864		4,890
	Sawdust		1,195		10,158	3,535		
	Rice bran							5,026
	Solar power							29
	TOTAL GJ	5,091	54,520	27,607	47,584	9,761	6,569	15,335

> Tainan Enterprise Total Energy Usage

	2020	2021	2022
Externally purchased electricity	41,591	42,959	42,257
Coal	47,060	40,152	45,155
Externally purchased steam	3,286	3,302	3,623
Natural gas	1,088	1,414	1,834
Diesel	18,921	24,604	23,780
Petrol	3,814	3,315	3,599
Wood block	17,845	18,723	26,276
Sawdust	38,192	48,922	14,888
Rice bran	11,650	9,008	5,026
Solar power	29	424	29
TOTAL GJ	183,477	192,824	166,467



\* Only counted energy usage by production processes

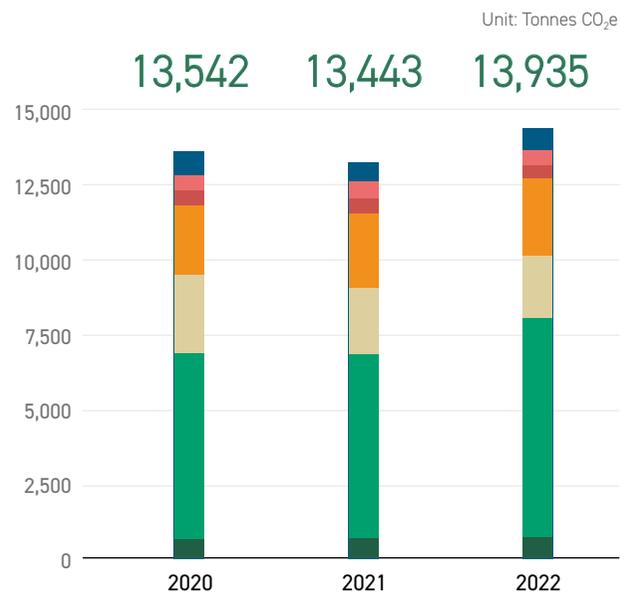
\* Conversion based on heating value in the GHG Emission Factor Table (6.0.4) issued by the Environmental Protection Administration, Executive Yuan

\* Bio-fuel conversion based on EUBIA

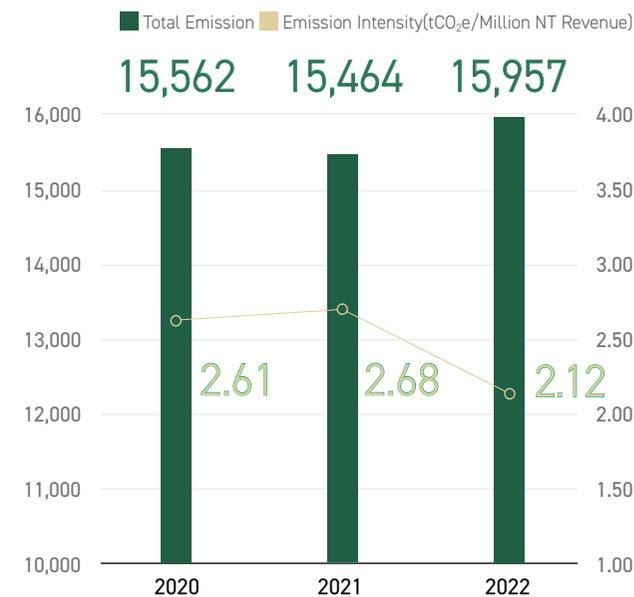


> Tainan Enterprises GHG emissions (Unit: Tonnes CO<sub>2</sub>e)

	2020	2021	2022
Tainan Factory	525	570	551
Jakarta Factory (Indonesia)	6,979	6,263	6,492
Solo Factory (Indonesia)	2,009	2,300	2,626
Cambodia Factory	2,490	2,545	2,448
Gin-Sovann Factory	376	529	530
Gaoqing Factory	467	552	509
Vietnam Factory	696	684	779



> Tainan Enterprise GHG Emission Intensity



> GHG Emission at each Tainan Enterprises Factory

Unit: Tonnes CO<sub>2</sub>e

	Tainan Factory	Jakarta Factory (Indonesia)	Solo Factory (Indonesia)	Cambodia Factory	Gin-Sovann Factory	Gaoqing Factory (China)	Vietnam Factory
Scope 1	33	5,448	1,593	341	119	20	8
Scope 2	518	1,044	1,033	2,107	411	489	771
Scope 1 + 2	551	6,492	2,626	2,448	530	509	779
<b>Total GHG emissions by Tainan Enterprises in 2022</b>							<b>13,935</b>

\* 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 externally 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)"

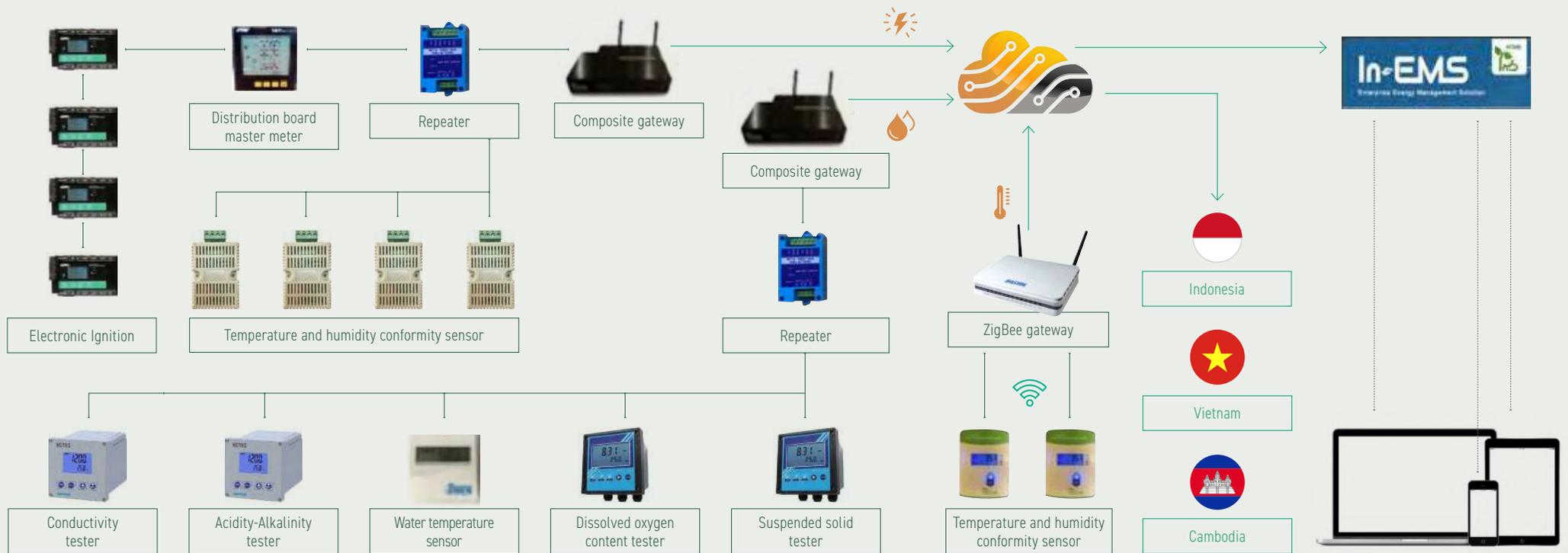
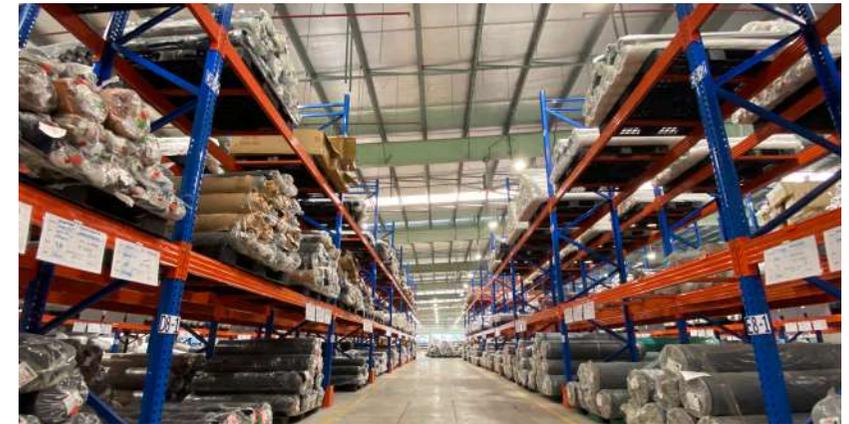
\* Heat capacity of steam at Gaoqing Factory was based on the Steam Enthalpy Reference Table published by the U.S. National Institute of Standards and Technology

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

> 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. 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. In 2022, the Cambodia factory installed 63 solar streetlights to use natural resources for nighttime lighting.

## 3. 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. 100KW of rooftop solar power was installed at the Cambodia water washing factory in 2021 with an estimated annual power output of 115MWh.



## 4. Low-carbon fuel boiler

In response to energy transformation in 2022, the Jakarta Factory in Indonesia planned to reduce coal usage by arranging fuel use and gradually replacing it with clean energy. The Vietnam, Cambodia and Gin-Sovann factories use biomass energy to fuel their boilers. The biomass energy made from rice bran and wood chips significantly reduces the use of coal and diesel. The Company's 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.



### 5. Renewable Energy Certificates

To achieve energy transformation, renewable energy certificates are indispensable. Until the end of 2022, Tainan Enterprises purchased Indonesian geothermal power renewable energy certificates for the Jakarta and Solo factories, further promoting carbon reduction goals and supporting local renewable energy development. By March 2023, a total of 423 certificates have been purchased, equivalent to 423,000 kWh of electricity, gradually progressing towards the set targets.

### 6. Higg FEM Environmental Assessment Template

The Higg Facility Environmental Module (Higg FEM) published by the Sustainable Apparel Coalition (SAC) 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 2022 environmental management system self-assessment. All partner washing factories were asked to take part and reach out to their partners as well.

### 7. Patented Washing method - using bamboo roots instead of stones

In water washing techniques, stone washing is often used to create a faded and vintage feel. The use of floating stones in this process requires labor-intensive mining and subsequent cleaning procedures. Furthermore, this process may lead to heavy metal residues. To address this, the water washing team developed a technique using bamboo roots as a substitute for floating stones, achieving the same effect. Bamboo roots are biodegradable, causing less pollution to water washing wastewater.



### 3.1.2 Wastewater and Waste Management

#### > 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 was 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 washing factories 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.

#### > Zero Discharge Water Washing Factory

Tainan Enterprises has built a washing factory 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.

Unit: Megaliters (ML)

Water Supply		2020	2021	2022
Cambodia Factory (incl. washing and apparel)	Tap Water	9,203	9,478	2,137
	Surface Water (incl. recycled water)	396,183	91,759	62,732
	Total Water Consumption	405,386	101,237	64,869
	Wastewater Discharge	39,715	100% Recycled Process and Domestic Sewage	

#### > 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.

#### > Waste Generated by each Tainan Enterprises Factory

Unit: Tonnes

	2020	2021	2022
General business waste	1,003.87	1,019.37	1,149.15
Hazardous business waste	363.07	651.27	685.53

There were no sanctions any Tainan Enterprises factories by the government authorities for violation of water discharge regulations as of 2022.

There have been no sanctions against Tainan Enterprises for violations of waste disposal laws by the government authorities as of 2022.



### 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 washing factory)

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 washing factory 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 respond to water shortages or restrictions. A detailed analysis of water risks is provided in the table below.

Item	Content	Risk Level
 <p>Water Shortage</p>	<p>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.</p>	Low Risk
 <p>Wastewater Discharge</p>	<p>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.</p>	Low Risk
 <p>Drinking Water Quality</p>	<p>Drinking water in the Cambodia factory are treated with filtration equipment and undergoes periodic statutory testing to ensure the safety of its water quality.</p>	Low Risk
 <p>Flooding</p>	<p>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.</p>	Low Risk

## 3.3 Management of Chemicals

The UN Strategic Approach to International Chemical 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 chemical 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 chemical management. These include compliance with the relevant chemical management regulations, ZDHC Manufacturing Restricted Substances List (ZDHC MRSL), and the Restricted Substances List (RSL) of brand customers. A chemical products registry was set up with periodic tracking of chemical 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), chemical hazard symbols, 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 chemical substances. The management structure and chemical management are being gradually refined. Capacity and system building in accordance with the chemical management strategy is being progressively implemented over multiple years. It is the national policy of Taiwan to fulfill our responsibility as global citizens through the implementation of UN international action plans. Proactive action is now being taken on SAICM indicators to improve our chemical management system and promote eco-friendly products.

Before introduction of chemical	After introduction of chemical	Final discharge
<ul style="list-style-type: none"> <li>Confirm compliance with ZDHC MRSL and brand RSL</li> </ul>	<ul style="list-style-type: none"> <li>Devise Chemical Management Approach</li> <li>Chemical inventory management is practice with BVE3 platform used to share monthly data on chemical usage with brand customers. INCHECK reports are also provided to show how MRSL is applied to factory chemicals to reduce their environmental impact.</li> <li>Training on safe use of chemicals (Introduction to MSDS, Use of personal protection equipment (PPE))</li> </ul>	<ul style="list-style-type: none"> <li>Wastewater: Wastewater from the washing factory is regularly tested in accordance with ZDHC Wastewater Guidelines and the data uploaded to ZDHC Gateway</li> <li>Products: Periodic testing of RSL compliance</li> </ul>



### > Devise Chemical 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.



### > Chemical Inventory Management

A record of chemical 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 chemical list is regularly audited.



### > Training on Safe Use of Chemicals

Employee education and training is regularly conducted on topics such as chemical 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 chemical 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.

CHAPTER

# 4 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

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.

### Highlights

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



# 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%	
Total Employees in 2022										13,549



## > Regional Distribution of Employees in 2022

"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 was also organized to enhance employee professionalism and management skills.



> Number of New Hires, Turnovers, and Gender Ratio

Age Group		Tai-wan Office		Tainan Factory		Gaoqing Factory (China)		Jakarta Factory (Indo-nesia)		Solo Factory (Indo-nesia)		Vietnam Factory		Cambodia Factory		Gin-Sovann Factory		
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%
		Fe-male	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%
		Fe-male	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%
		Fe-male	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%
		Fe-male	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%
		Fe-male	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%
		Fe-male	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". 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.



> 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.

> Health Checkups

The physical health of employees has always been of utmost importance to Tainan Enterprises and is fundamental to our sound development. Tainan Enterprises provided 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.

Pension System

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.

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.

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.

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.

> Factory Celebrations and other Company Functions

Solo Factory in Indonesia

COVID-19 vaccination



Solo Factory in Indonesia

Graduation ceremony for employees that completed PACE education and training



Gin-Sovann Factory in Cambodia

Education and training on HIV prevention and hygiene for employees to improve their health and welfare



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.



**Solo factory in Indonesia**

Workplace Cooperation Program (WCP) employee education and training



## 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

In the Vietnam and Cambodia factories, MicroBenefits and WOVO APP are used to announce operational news and promote hygiene awareness. Employees are periodically asked to fill out questionnaires to enhance information 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.

### > 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	As stated in the Indonesian Labor Law, 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 of from discrimination and harassment. To truly understand employee needs, multiple channels for bi-directional 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.



#### Complaints are classified as follows

**Grade A:** Major issues related to violations of company behavior (e.g., ESG human rights violations, such as discrimination, forced labor, child labor, harassment, or abuse). Such cases should be reported immediately to the headquarters' HR and CSR departments, with the headquarters handling the case and providing timely updates.

**Grade B:** Issues related to subsidiary rules and regulations (e.g., suggestions from individuals and unions regarding employee welfare improvement, safety, and health conditions). Decisions and resolutions are made through meetings convened by the subsidiary's HR department.

**Grade C:** Opinions or suggestions within departments and units of the subsidiary. Local HR will file and coordinate related department heads for resolution.

**Grade D:** Complaints or issues verified and immediately resolvable. Cases are filed by the subsidiary's HR personnel and coordinated for resolution.

### 4.3.2 Human Rights Assessment

#### > Human Rights Education and Training

Region	Course Name	Duration	Trainees
Taiwan	New Hire Training	1	107
Gaoqing Factory (China)	Position Training	7.5	106
	Sexual Harassment Prevention	1	421
Jakarta Factory (Indonesia)	Employee Code of Conduct	0.5	2,351
	Employee Complaints Mechanism	0.25	2,034
	Sexual Harassment Prevention	3	2,290
	Anti-Discrimination	0.25	1,885
	HIV Prevention and Treatment	0.25	2,351
Solo Factory (Indonesia)	Anti-Discrimination	0.5	43
	HIV Prevention and Treatment	0.5	37
	Sexual Harassment Prevention	2	45
Cambodia Factory	New Hire Training	1	1,452
	Sexual Harassment Prevention	2	320
Vietnam Factory	New Hire Training	2	428
Gin-Sovann Factory	New Hire Training	2	808
	Supervisor training	1	160
	Sexual Harassment Prevention	1	808
	HIV Prevention and Treatment Plan	2	52

> Human Rights Audit

Guided by the philosophy of social responsibility and sustainability, Tainan Enterprises is committed to providing customers with well 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.

There no incidents of human rights violations, discrimination, forced labor or harassment at Tainan Enterprises in 2022.

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%



## > 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 are 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 Organisation (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

Employees are important company assets and we value the mental and physical well-being of all employees. Tainan Enterprises provides employees with comprehensive care including regular health checkups each year with more items than required by law to actively protect employee health. Tiered management is provided by nursing personnel to track and support employees with potential health risks. The "Management Procedure for Prevention of Ergonomic Injuries" and "Management Procedure for Workplace Violence Prevention and Complaints" were also formulated to protect employees against excessive strain and workloads in order to establish a safe working environment.

### > 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

Country	Factory	Number of Employee Representatives	Size of Committee	Meeting Frequency
China	Gaoqing Factory	13	18	12
Taiwan	Tainan Factory	7	12	4
Cambodia	Cambodia Factory	5	20	4
	Gin-Sovann Factory	1	11	12
Vietnam	Vietnam Factory	4	30	6
Indonesia	Jakarta Factory	6	6	12
	Solo Factory	22	37	24

## &gt; Work-related Injury Ratios

		Tainan Factory	Jakarta Factory	Solo Factory	Cambodia Factory	Gin-Sovann Factory	Vietnam Factory	Gaoqing Factory	
2020	Industrial accidents (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	
	Absen-tee Rate (AR)	Male	13.93	0.21	0.34	0.67	2.54	6.69	3.15
		Fe-male	6.17	1.16	0.94	3.12	4.79	9.35	2.98
	Work-related Fatalities	0	0	0	0	0	0	0	
2021	Industrial accidents (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	
	Absen-tee Rate (AR)	Male	0.17	0.009	0.003	3.99	0.00016	0.0594	0.036
		Fe-male	0.05	0.017	0.008	5.17	0.00019	0.1058	0.06
	Work-related Fatalities	0	0	0	0	0	0	0	
2022	Industrial accidents (number of cases)	1	19	31	6	0	0	2	
	Injury Rate (IR)	6.783	4.31	5.237	5.787	0	0	1.364	
	Lost Days Rate (LDR)	88.19	19.02	0	34,728	0	0	60.05	
	Absen-tee Rate (AR)	Male	10.28	1.28	1.04	1.96	0.33	7.06	0.122
		Fe-male	3.23	1.33	1.88	1.25	0.11	9.12	0.007
	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

4.31 = 1000000x/5919360

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

Region	Course Name	Course Duration	Trainees
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
Gin-Sovann Factory	First-aid	16 hours	30
	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 2022, the total number of training hours for the Taipei and Tainan offices were **167** hours, with **761** participants.





### 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.

#### > Internal Education and Training

In this day and age, "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 2022, and sends personnel to participate in sustainability-related education and training every month for a total of 21 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.

#### 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 BSR, 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 success of the project has attracted the UN Foundation to visit the factories for shooting and interviews. For detailed interviews, please refer to 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.



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

CHAPTER

# 5 Social Inclusion Little Nans

## Project

5.1 Resonating Structure to Establish Circular Design

5.2 "Tainan Re-Action" Little Nans Sustainable Collaborative Learning Action Plan

5.3 Continued Follow-up Plan: Establishment of the Good Nan Collaborative Learning Group



### Highlights

- To promote circular economy through resonating structures and reach 20,000 people.
- The community has invested a total of 2,074 hours in feedback and service.



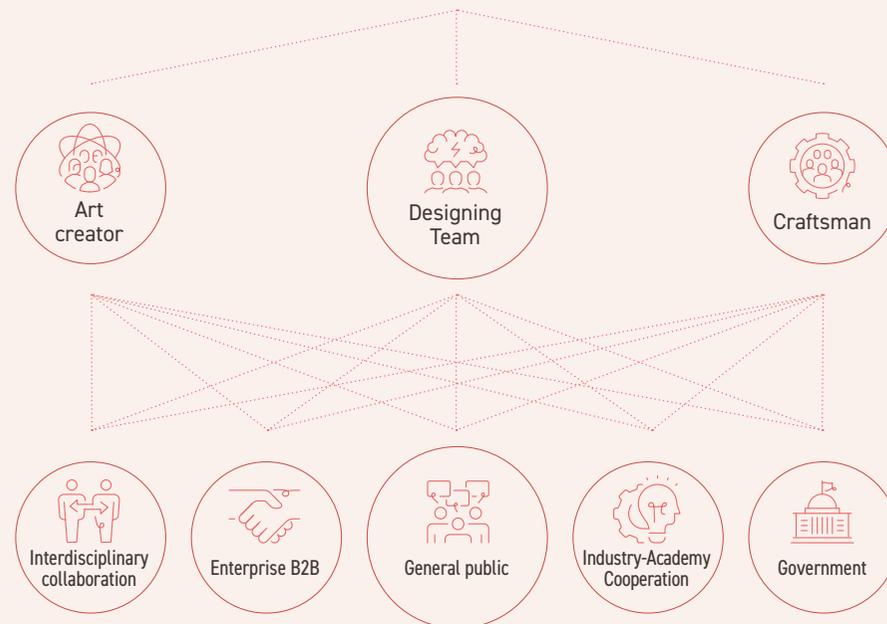
## 5.1 Resonating Structure to Establish Circular Design

As an essential part of the fashion industry chain, Tainan Enterprises is deeply aware that its impact extends beyond the external society. Besides actively promoting sustainable governance and participating in climate actions on an operational level, Tainan Enterprise Arts & Culture Foundation integrates the expertise of enterprise and design to create greater sustainable value. In addition to including volunteer service hours in the annual performance appraisal, we also hold quarterly work visits to empower and enable employees. Starting from Tainan Enterprises as the central node, we aim to establish a resonating structure for circular design, connecting and disseminating various design nodes, reaching out to more people.

Since 2018, we have begun to utilize our corporate expertise to invest in the circular economy of textiles, promoting the "Recycling Old Materials for New Creation" project. Starting in 2020, we initiated the "Tainan ReDesign" campaign and established the "Tainan Circular Economy School" in the Confucius Temple Business District, becoming the starting point for promoting urban sustainability. Building upon the Tainan Circular Economy School, we link a group of "Good Nans" and focus on innovative designs using recycled waste materials such as old clothes, inventory fabrics, and discarded cement packaging, conducting prototype tests for a circular and regenerative business model, co-creating stories with the business district.

Starting in 2021, in response to the 400th anniversary of Tainan's founding in 2024, we have been driven by this emotional call to connect local groups, enterprises, and citizens in Tainan. We continue to implement the "Tainan ReDesign" project, focusing on three aspects: urban sustainability, plastic-free business district, and relationship renewal. We aim to convey the attitude of zero waste fashion and ignite a spark of rebirth with gentle force.

In 2022, we expanded the "Tainan ReDesign" project into the "Tainan Re-Action" Little Nans Sustainable Collaborative Learning Action Plan. We invited 24 representative professionals to serve as mentors for 50 third and fourth-grade elementary students, allowing children to start learning from understanding their land, developing the spirit of craftsmanship, and exploring themselves and participating in society in a sustainable way.



### Resonating Structure of Circular Design Dialogue

Through this project, we hope to use a resonating structure of social dialogue and circular design to expand and connect different design nodes, resonating to create greater social value.

- Central Node: Tainan Enterprises
- First Layer Nodes: Sustainable Design Team, Craftsmen, Art Creators
- Second Layer Nodes: General Public, Government, Industry-Academia Collaboration, Other Industries

## 5.2 “Tainan Re-Action” Little Nans Sustainable Collaborative Learning Action Plan

### > Project Background

In 2024, Tainan will celebrate its 400th founding anniversary. As a local corporate citizen, Tainan Enterprises has been contemplating what we can do for Tainan. We hope to ignite the city's sense of glory and plant the seeds of sustainable design to drive and demonstrate the collective will of Tainan people. Thus, the “Tainan Re-Action” Little Nans Sustainable Collaborative Learning Action Plan was born.

Sustainable education cannot be done in isolation. On the occasion of Tainan's 400th anniversary, we aim to connect the city's sense of glory with Tainan Enterprises' own sustainable value chain to co-create with like-minded “Good Nan People” who share the consensus of circularity in the local community. We want to form a supportive system with schools and parents to contribute to the next generation's sustainable literacy.

### > Project Goals

1. Cultivate the sustainable literacy of the next generation to become the “Resilient Generation” capable of embracing a zero-carbon future.
2. Redefine learning and design a sustainable education model for tomorrow.
3. Create a support system for sustainable education with the call of “Tainan Re-Action.”

> **Project Duration:** April 1, 2022, to October 31, 2022

> **Guidance Unit:** Cultural Affairs Bureau, Tainan City Government

> **Organizer:** Tainan Enterprise Arts & Culture Foundation

### > Collaborating Partners



#### 24 Sustainable Craftsmen “Good Nans”+ 50 “Little Nans”

Creating an “Ideal Market in the Heart” with Sustainable Design

Participate Good Nan Collaborative Learning Group → Learning about SDGs sustainable living and jointly creating the 2024 TAINAN Re-Action Sustainable Exhibition



Carrefour Cultural and Educational Foundation



Happy Food



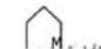
Tainan Art Museum



cofishland



Dishan Design Studio



Mo Mom's Country Style Grocery Store



Old Toast



FLOMO Stationery/ Tourism Factory



Sino-American Veterinary Hospital



Da7 art grower



Talk Human Serigraphy



Cheese Duke



TECHOME LOTOS



Fucheng Ceramics Studio



Le BallonRouge



Dad Xu's FUN 4 Kids Board Game



MIKY Ice Cream



Island Ice Shop



SHENG GALLERY



HMTM Tourism Factory



zero zero carfactory



LOHAS OCEAN maritime academy



Chenmei Development



Guantian Black Gold

### > Cooperation unit:

Tainan City West Central District Office, 5% Design Action, DFC Taiwan, Taiwan Toy Library Association, CHYUNN ENVIRONMENT, National University of Tainan, Tainan City West Central District Office, Tainan Zhongyi Elementary School, Tainan Hushan Experimental Elementary School, National University of Tainan Affiliated Experimental Elementary School.

> **Sponsor:** Tainan Enterprises Co., Ltd. , Chenmei Real Estate Development Co., Ltd.

> Action Plan

We call upon 24 professionals with deep expertise in SDG sustainable practices to serve as guides for 50 third to fourth-grade elementary school "Little Nans". Through practical guidance, we help children think about how they can change the world through consumption and restore the old with the environment in mind. Starting from 2022, we will spend two years building a sustainable design collaborative community with the children and their parents, accomplishing one thing for Tainan's 400th anniversary.

6 Steps in "Tainan Re-Action" Little Nans Sustainable Collaborative Learning Action Plan:



1.

April to May

Visit 24 Sustainable Good Nans and successfully find like-minded partners to serve as sustainable guides.





2.

July 29

### Craftsman Training and Exchange Workshop

**Execution Date:** July 29

**Location:** HMTM Textile Tourist Factory

With the assistance of DFC Taiwan, we will hold a craftsman's sustainable education workshop, guiding craftsmen in using the DFC method and FIDS methodology to accompany and guide children. Through Feel, Imagine, Do, and Share activities, we will start from understanding the land, learning the spirit of craftsmanship, and embarking on a journey of sustainability enlightenment.

3.

June

### Elementary School Recruitment Orientation

**Recruitment Targets:** Tainan Hushan Experimental Elementary School, Tainan Zhongyi Elementary School, National University of Tainan Affiliated Experimental Elementary School.

**Recruitment Orientation:** Online and offline recruitment orientations

Successfully complete the registration of 50 third to fourth-grade elementary school students and establish communication groups with their parents.

## 4. August

## Assistant Training Workshop and Little Nans Market Workshop Training

The workshop consists of two stages:

**Stage One:** Assistant Training Workshop

**Execution Date:** August 15 to 16, 2022, two days in total

**Location:** Tainan Enterprise Arts & Culture Foundation (No. 299, Section 2, Dongmen Road, Tainan City, B1)

**Participants:** Tainan University's Drama Department, Business and Management Department, Special Education Department, Counseling and Guidance Department, Education Department

**Participants/Number:** Tainan University recruits university students and workshop volunteers, totaling 25 people

Through the two-day assistant workshop training, assistants will become familiar with the workshop curriculum and understand the exercises that require assistance and guidance for the children through the learning materials. Additionally, they will quickly get to know each other and establish teamwork through drama training. They will assist in the preparation of the three-day event and jointly create the visual image of the Little Nans Market.

**Stage Two:** Little Nans Market Workshop Training

**Execution Date:** August 17 to 19, 2022

**Location:** Jhongyi Elementary School Wude Hall

**Participants/Number:** Various sustainable craftsmen, primary school students and parents, workshop volunteers, photography and documentation personnel, Tainan University students as assistants, totaling 400 people

During the three-day Little Nans Market design workshop, we will begin with ice-breaking games to help children get to know each other and get to know this growing city through their eyes. We will let them see Tainan through different perspectives, teaching them to cherish all the toys they usually play with by disassembling them to understand their complexity and the time and effort required to complete them. We will conduct courses in Mandarin, English, and Taiwanese, as well as courses on body language, cost calculation, script rehearsals, to train the children to become responsible entrepreneurs during the market. We will guide them throughout the sustainable craftsmen's knowledge and in action, teaching them how to be sustainable.





5.

Little Nans Shop Internship Program

From knowledge implantation to behavioral presentation, the children leave their comfort zones, discovering problems and solving them on their own. They learn about sustainable design and ways of thinking, balancing and grasping environmental friendliness, and starting to make real changes for Tainan with sustainability. These curious explorations and the helplessness in the face of setbacks are the most precious sunshine and rain in their growth. In the Little Nans Market, the children show sustainable power beyond our imagination, together with 24 stories of their own. We accompany the stories and intentions of the children and gradually instill a sustainable Tainan spirit in their hearts.

6.

October

Little Nans Market

Execution Date: October 29 and 30

Location: Yeh Shih-Tao Non-smoking Square

Corresponding to different SDGs, the boys will sell sustainable products they have learned to make under the guidance of 24 sustainable craftsmen to promote transformative action. Each booth in the market will be run by the children as bosses, divided into five main themes: sustainable dining, sustainable design, space management, brand management, and material experience. With the guidance of sustainable craftsmen, the Little Nans will use the knowledge of SDGs they have learned to become ambassadors for sustainable translation, interpreting various perspectives of SDGs into sustainable practices.

> Social Impact



Key Performance Indicators

- Total cumulative community service hours of **2,074** hours (including **520** hours of urban community manpower service and **1,554** hours of service in the second department).
- Conducting **five** community building courses
- Number of participants: **400** (boys: 103; girls: 297)
- Other Performance Indicators:
  - 15** media exposures (print, internet, radio, TV, blogs, etc.)
  - 2** self-media operations (e.g., community site/channel management), **2,950** channel views.



Other Resources

- Inventory fabrics
- heat transfer technology
- cutting technology
- sewing technology
- transfer machine
- sewing machine
- venue provided by HMTM Textile Cultural Museum
- Yuti Ecological Fish Farm/Jhongyi Elementary School Wude Hall
- Taiwan Tobacco and Liquor Corporation's beer plastic baskets
- National Taiwan Literature Museum venue
- resources and venues from the West Central District Office and Library/KSS belt sponsorship
- Chenmei Real Estate's wood and woodworking class sponsorship
- Prism Productions assistance
- Little Nans internship venue
- lecturer sponsorship



Manpower investment

- 9** people (Tainan Foundation)
- 48** people (Tainan Enterprises colleagues)
- 24** sustainable craftsmen



Beneficiaries recipients

**20,000** people



Investment

**800,000**



Funds raised

**400,000**

## 5.3 Continued Follow-up Plan: Good Nan Collaborative Learning Group

Through "Tainan Re-Action," accompanied and guided by the foundation, we find 50 families willing to accompany their children's growth and establish the Good Nan People community. This community is a self-organized organization for knowledge sharing and action, with the agility of a social movement organization, the educational mechanism of sustainable design, and the public character of urban participation.

**Participants:**

Parents of children participating in the Little Nans Market

**Establishment time:** September 2022

**Execution method:**

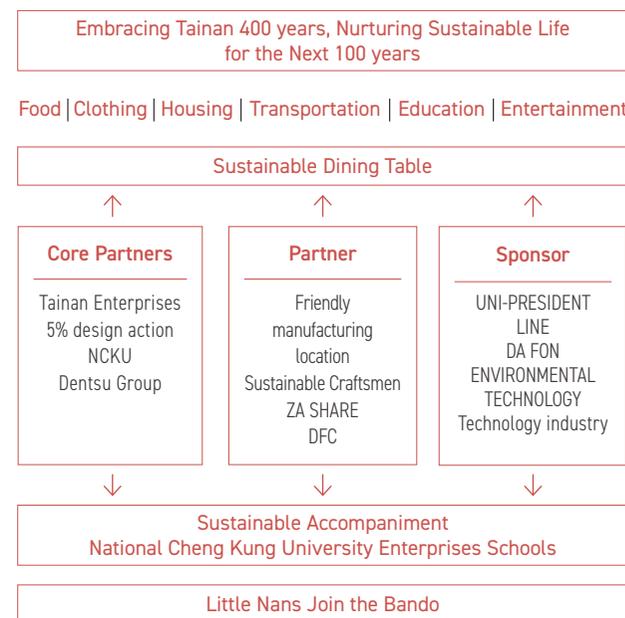
Each month, focusing on one SDG sustainable development goal as the theme, different professional craftsmen are arranged to invest in the design activities at each gathering. By fostering more dialogues and inspiration, and providing parent-child education from understanding to practicing SDGs sustainable living, more acts of goodness will continue to occur.

Little Nans Sustainable Collaborative Learning Action is a long-term project spanning three years, with 2022 as the starting year. Over the course of three years, it aims to connect local industries in Tainan, linking schools and

enterprises to jointly create a sustainable life for the next 100 years. The project focuses on integrating sustainable practices into daily life, encompassing food, clothing, housing, transportation, education, and entertainment, sowing the seeds of sustainability in everyone's hearts, and nurturing individuals with sustainable thinking. Starting from sustainable education, the project aims to "accompany and nurture" third and fourth-grade elementary school students. Under the guidance of sustainable craftsmen, they learn about the SDGs indicators and apply them to their daily lives.

In 2023, we will continue to deepen our efforts, using the concept of "Sustainable Dining Table," integrating food, clothing, housing, transportation, education, and entertainment into the dining table. This year, we will add green origin and environmentally friendly food materials to educate the children through workshop models, deepening their actions, and completing the sustainable actions from the source to the dining table. Finally, we will present it through table settings. The Little Nans will invite family and friends to introduce each dish, experiencing the meaning and stories behind the sustainable dining table together.

> Tainan Re-Action Little Nans Join the Bando



February to March	April to May	June to July	August to September	October	December
<b>Core Partners, Sustainable Craftsmen</b>	<b>Recruitment Craftsmen Exchange</b>	<b>Workshop</b>	<b>Sustainable Bando Marketing</b>	<b>Little Nans Join the Bando</b>	<b>Bando and Year-end party</b>
Core	Recruitment Targets	College Students	Confirmation of Sustainable Dining Table Execution Plan	Tentative Date	Corporate Green Procurement
Tainan Enterprises, 5% design action, National Cheng Kung University, Dentsu Group, Sustainable Craftsmen	3-4th grade elementary students, college students (interns)	Table Design, Environmental Design	Publicize Sustainable Dining Table and Pre-orders	10/7-8	Sustainable Bando Dishes
Sustainable Craftsmen	Craftsmen Exchange Meeting (Workshop + Exchange)	Little Nans		Venue	
French 1982, Carrefour Cultural and Educational Foundation		Design Sustainable Menu		NA	

## Appendix I GRI Standards Disclosure Item Comparison Table

Statement of Use	Tainan Enterprises Co., Ltd. has reported its activities in accordance with the GRI guidelines for the period from January 1 to December 31, 2022.
Used GRI 1	GRI 1: Foundation 2021
Applicable GRI Sector Standards	None

### > GRI 2 General Disclosures 2021

Corresponding GRI and Disclosure Item	Related Chapter	Page	Omit Description
Organizational and Reporting Practices			
2-1 Organizational details	1.1.1 About Tainan Enterprises	17	
2-2 Entities included in the organization's sustainability reporting	About this Report	1	
2-3 Reporting period, frequency and contact point	About this Report	1	
2-4 Restatements of information	About this Report	1	
2-5 External assurance			No external assurance
Activities and Workers			
2-6 Events, Value Chain, and Other Business Relationships	1.1.1 About Tainan Enterprises	17	
2-7 Employees	4.1 Employee Profile	53	
2-8 Workers who are not employees	4.1 Employee Profile		
Governance			
2-9 Governance structure and composition	1.1.1 Corporate Governance	18	
2-10 Nomination and selection of the highest governance body	1.2.1 Corporate Governance	22	
2-11 Chair of the highest governance body	1.2.1 Corporate Governance	22	

Corresponding GRI and Disclosure Item	Related Chapter	Page	Omit Description
2-12 Role of the highest governance body in overseeing the management of impacts	1.2 Corporate Governance	23	
2-13 Delegation of responsibility for managing impacts	1.2 Corporate Governance	22	
2-14 Role of the highest governance body in sustainability reporting	1.2 Corporate Governance	23	
2-15 Conflicts of interest	1.2 Corporate Governance	22	
2-16 Communication of critical concerns	1.2 Corporate Governance	22	
2-17 Collective knowledge of the highest governance body	1.2 Corporate Governance	22	
2-18 Evaluation of the performance of the highest governance body	1.2 Corporate Governance	22	
2-19 Remuneration policies	1.2 Corporate Governance	23	
2-20 Process to determine remuneration	1.2 Corporate Governance	23	
2-21 Annual total compensation ratio	1.2 Corporate Governance		
Strategies, Policies, and Practices			
2-22 Statement on sustainable development strategy	From the Chairman	2	
2-23 Policy commitments	1.3 Ethical Management	24	
	2.2 Sustainability Partnerships	32	
2-24 Embedding policy commitments	4.3 Promotion of Employee Rights	60	
	1.3 Ethical Management	24	
	2.2 Sustainability Partnerships	32	
	4.3 Promotion of Employee Rights	60	
2-25 Processes to remediate negative impacts	4.4 Occupational Health and Safety	64	
	4.3 Promotion of Employee Rights	62	
2-26 Mechanisms for seeking advice and raising concerns	4.3 Promotion of Employee Rights	61	
2-27 Compliance with laws and regulations	1.3 Ethical Management	24	
2-28 Membership associations	1.1 About Tainan Enterprises	21	

Corresponding GRI and Disclosure Item	Related Chapter	Page	Omit Description
Stakeholder Engagement			
2-29 Approach to stakeholder engagement	Stakeholder Engagement	9	
2-30 Collective bargaining agreements	4.3 Promotion of Employee Rights	60	

### > GRI 3: Material Topics 2021

Corresponding GRI and Disclosure Item	Related Chapter	Page	Omit Description
3-1 Process to determine material topics	Stakeholder Engagement	11	
	Identifying and Responding to Material	Topics	
3-2 List of material topics	Impact Boundaries of ESG Material Topics	12	

### > Material Topics GRI Index

Self-defined Material Topics				
Material Topics	Corresponding GRI Standards and Disclosure Content	Section Topic	Page	Omit Description
Compliance	3-3 Management of material topics	Management Approach for Material Topics	13	
Corporate Governance	3-3 Management of material topics	Management Approach for Material Topics	15	
Circular Economy	3-3 Management of material topics	Management Approach for Material Topics	13	

	Corresponding GRI and Disclosure Content	Related Chapter	Page	Omit Description
<b>Economic Performance</b>				
GRI 3 Material Topics	3-3 Management of material topics	Management Approach for Material Topics	13	
201 Economic Performance	201-1 Direct economic value generated and distributed	1.1.2 Business Performance	20	
	201-2 Financial implications and other risks and opportunities due to climate change	1.5 TCFD Climate Change Risks and Opportunities	26	
	201-3 Defined benefit plan obligations and other retirement plans	4.2.2 Diversified Benefits Scheme	57	
	201-4 Financial assistance received from government	1.1.2 Business Performance	20	
<b>Greenhouse Gas Emissions</b>				
GRI 3 Material Topics	3-3 Management of material topics	Management Approach for Material Topics	13	
305 Emissions	305-1 Direct (Scope 1) GHG emissions	3.1.1 Energy and GHG Management	41	
	305-2 Energy indirect (Scope 2) GHG emissions	3.1.1 Energy and GHG Management	41	
	305-3 Other indirect (Scope 3) GHG emission		Scope 3 Not yet counted	
	305-4 GHG emissions intensity	3.1.1 Energy and GHG Management	41	
	305-5 Reduction of GHG emission	3.1.1 Energy and GHG Management	41	
<b>Effluents and Waste</b>				
GRI 3 Material Topics	3-3 Management of material topics	Management Approach for Material Topics	13	
303 Water and Effluents 2018	303-3 Water withdrawal	3.2 Water Resource Management	49	
	303-4 Water discharge	3.2 Water Resource Management	49	
	303-5 Water consumption	3.2 Water Resource Management	49	
306 Waste 2020	306-1 Waste generation and significant waste-related impacts	3.1.2 Wastewater and Waste Management	48	
	306-2 Management of significant waste-related impacts	3.1.2 Wastewater and Waste Management	48	
	306-3 Waste generated	3.1.2 Wastewater and Waste Management	48	

	Corresponding GRI and Disclosure Content	Related Chapter	Page	Omit Description
<b>Labor/Management Relations</b>				
GRI 3 Material Topics	3-3 Management of material topics	Management Approach for Material Topics	13	
401 Employment	401-1 New employee hires and employee turnover	4.1 Employee Profile	53	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.2.2 Diversified Benefits Scheme	56	
	401-3 Parental leave	4.2.2 Diversified Benefits Scheme	56	
402 Labor/Management Relations	402-1 Minimum notice periods regarding operational changes	4.3 Promotion of Employee Rights	60	
404 Training and Education	404-1 Average hours of training per year per employee	4.5 Career Management and Learning	67	
	404-2 Programs for upgrading employee skills and transition assistance programs	4.5 Career Management and Learning	68	
	404-3 Percentage of employees receiving regular performance and career development reviews	4.5 Career Management and Learning	69	
405 Diversity and Equal Opportunity	405-1 Diversity of governance bodies and employees	4.1 Employee Profile	53	
	405-2 Ratio of basic salary and remuneration of women to men	4.2.1 Fair Compensation System	56	
<b>Child Labor</b>				
GRI 3 Material Topics	3-3 Management of material topics	Management Approach for Material Topics	13	
408 Child Labor	408-1 Operations and suppliers at significant risk for incidents of child labor	4.3.2 Human Rights Assessment	62	
<b>Forced or Compulsory Labor</b>				
GRI 3 Material Topics	3-3 Management of material topics	Management Approach for Material Topics	13	
409 Forced or Compulsory Labor	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	4.3.2 Human Rights Assessment	62	

## Appendix 2: Sustainability Accounting Standards Board comparison table

Metric	Metric Description	SASB 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 washing factories that Tainan Enterprises collaborates with have passed international labor audits 2.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 washing factories 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 Reform - Sustainability Partnerships
Raw Materials Sourcing	Description of environmental and social risks associated with sourcing priority raw materials	CG-AA-440a.1	Value Chain Reform - 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 "Washing Factories" based on the nature of the Company's business. Suppliers beyond Tier 1 were raw material suppliers such as fabric factories and auxiliaries factories.



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