

ROO HSING / J.D. UNITED

2020

CORPORATE SUSTAINABILITY
REPORT



PEOPLE | PLANET | PRODUCT





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2020 CORPORATE SUSTAINABILITY REPORT

PEOPLE | PLANET | PRODUCT

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About this Report

This is the fourth Corporate Social Responsibility report issued by Roo Hsing/J.D. United. The main purpose of this report is to disclose our current Environmental, Social, and Governance actions, performance, and future strategies to the public and our stakeholders. This report openly and transparently details our CSR achievements and strategic goals. We hope this report helps our stakeholders understand our implementations and efforts incorporate sustainable development and social responsibilities, as well as our determination toward continued progress.

Reporting Period

The disclosure period for this Report spans from January 1st 2020 to December 31st 2020, with some updated information from 2021.

Basis of Data Calculation

The data in this report was taken from publicly accessible consolidated financial statements certified by independent and credible CPAs. The reporting currency is New Taiwan Dollar. Additional data was taken from self-compiled statistical information and the results of internal and external surveys. All statistical data is expressed in metric units.



Publication

Last issue: June 2020

Current issue: June 2021

The next issue: 2022

Reporting Scope

The scope of this Report is centered around our three main operating sites in Taipei, Changzhou (China), and Cambodia. Roo Hsing/J.D. United will hereinafter be referred to as “Roo Hsing/J.D. United,” “we/us/our,” or “the Company” throughout this Report.

Contact Information

You are welcome to contact us with any feedback or suggestions regarding this report.

Roo Hsing/J.D. United

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Message from our Chairman

In the face of intense competition from the textile industry, Roo Hsing/J.D. United adheres to new 3C (Care, Communication, Creativity) mission statements and continues to proactively invest in product innovations and R&D, working with our clients and partners to enhance our competitiveness. In 2020, Roo Hsing/J.D. United launched a cross-industry collaboration with NTX™ to integrate the innovative NTX™ Cooltrans® (Cooltrans technology) printing technology with traditional textiles, greatly shortening the production cycle for denim jeans while eliminating multiple washing and chemical dyeing processes, thus resolving the three core problems of the denim industry (long lead times, high costs, and environmental pollution) and opening up unlimited opportunities for brand enterprises and consumers. Roo Hsing/J.D. United firmly believes that the only way to realize sustainable corporate operations is through the generation of economic growth that is mutually compatible with social and environmental needs.

Impacts from the 2020 pandemic severely affected the global economy and also created huge challenges for Roo Hsing/J.D. United, which is a traditional textile manufacturing company. We established an emergency response team and actively cooperated with local governments to implement comprehensive epidemic prevention measures. Following a sharp drop in orders from our clients and the garment market, Roo Hsing/J.D. United began investing in the PPE (Personal Protective Equipment) market to diversify risks, subsequently donating PPE to local governments and disadvantaged groups to realize social welfare and local contributions. Additionally, Roo Hsing/J.D. United officially obtained an AEO (Authorized Economic Operator) safety certification in 2020 and was able to take advantage of safer and more convenient custom clearance processes, thereby enhancing our competitiveness.

In terms of stakeholder communications, we regularly publish CSR reports to declare our commitment towards sustainable development and also implement the principles formulated by the Sustainability Accounting Standards Board to comprehensively review our sustainability actions. We focus on three core aspects of sustainable development: People, Environment, and Product. Readers of this CSR report will understand how Roo Hsing/J.D. United develops innovative technologies while reducing environmental impacts of production processes, establishes high-quality and safe work environments, and uses practical actions to realize our visions for sustainability.

In terms of environmental sustainability, Roo Hsing/J.D. United uses Cooltrans technology to build eco-friendly and innovative manufacturing processes while incorporating targets relating to energy efficiencies, water resources, and management of chemical substances into our production and manufacturing processes. Continued procurement of laser and ozone equipment to decrease consumption of chemical dyes, water, and energy resources allowed us to successfully achieve a major milestone, “zero toxicity during production processes”, in 2020. We are also working to establish partnerships within our supply chain: we not only spread awareness of CSR concepts to our upstream and downstream suppliers, but also actively require our partners to collaborate with us in implementing environmental reforms.

In terms of employee care, we extended our V.O.I.C.E, P.A.C.E, and J.R.H projects, and also incorporated the worker engagement and communication technology platform “WOVO App” at the Roo Hsing/J.D. United Cambodia Plant in 2020. WOVO not only serves as a bridge for our employees to provide anonymized feedback, but also provides an online learning platform for topics such as protection for women and mental health. In future, we will continue to make the app accessible for all our employees and use this as an internal management tool to enhance employee work and life quality.

Looking toward the various challenges and goals in our future, Roo Hsing/J.D. United will work to optimize innovations and R&D technologies, enhance production efficiency, and care for and nurture employees while continuing to fulfill our corporate social responsibilities and our various stakeholder commitments. We shoulder the responsibility of leading the garment industry toward sustainable operations and strive to become the driving force for promotion of sustainable developments to build an inclusive and bright future.

Sincerely,
Chairman Alex Chen



2020 Sustainability Performance Highlights

Governance

Total consolidated revenues of
NT\$ **17,077,832,000**

Invested
NT\$ **10,371,000** in R&D expenses



Passed
100%
of assessments
from major
brands



Expertise/Products

Continued to incorporate CSR issues into product life cycles

Entered PPE market



Collaborated with the NTX™ Group to promote Cooltrans technologies



Worked on the Color Stay Denim project in collaboration with Advanced Denim

Procured **96** automatic washing machines to conserve energy and water resources

16 employees obtained brand verification personnel certifications from brand enterprises



Rapidly responded to quality requirements put forward by brand enterprises due to the epidemic



Manufactured around **60%** of our products from BCI-certified cotton

Received outstanding supplier award from brand enterprises



Environment

Completed internal auditor training for

ISO 9001 and
ISO 14001

Launched renewable energy project at Hung Hsing Water Washing Plant and initiated water resource audit program in collaboration with a European consulting company



Utilized Ecoston materials for washing processes, reducing pumice stone usage by

22%
and decreasing total costs by
11%



Roo Hsing/J.D. United Washing Plant

procured **2** laser machines to conserve energy and water resources



Achieved water recovery goals for all locations in Cambodia:

55% for Nagapeace Water Washing Plant,
33% for Hung Hsing Water Washing Plant, and
11% for Roo Hsing Water Washing Plant



All production sites passed local government inspections for wastewater, ZDHC, and other emissions

Our sites in Cambodia implemented EIM applications through the Sweden Textile Water Initiative (STWI)

Achieved "2020 target of zero toxicity during production processes"



100% of chemical substances used at Cambodia sites passed Screened Chemistry (SC), ZDHC, and Bluesign certification



Employees

J.R.H.

Enhanced employee training and health promotion activities while focusing on strengthened sexual harassment prevention, gender equality, and anti-corruption training

1,535 participants

13,105 training hours



Authorized Economic Operator (AEO) training

Conducted **2** training sessions for senior executives

Conducted a minimum of **3** training sessions for logistics and customs affairs personnel

Achieved **100%** coverage rate for trade safety, supply chain, and information security training courses



P.A.C.E.

Enhanced communication skills and problem-solving capabilities in female workers to realize better work-life balance and enhance self-confidence



40 participants

1,920 training hours

Accumulated **740** participants (including 28 lecturers and 712 trainees) from 2018 to 2020

The training participation rate was
100%

The completion rate was
92.5%

(NEW) Worker Engagement and Communication Technology Platform WOVO App

Third-party operated platform which allows anonymized dual communication between workers and management

Launched project at Roo Hsing/J.D. United Cambodia Plant, where more than **896 (50%)** of employees are registered on the platform



V.O.I.C.E

Published Roo Hsing & JDU Newsletter every quarter to showcase our corporate culture and philosophies

Hosted a total of **40** training sessions at our sites in China which were attended by **1,500** participants over a total of **30,000** training hours, and delivered 15-minute broadcasts 2 times a day at our sites in Cambodia to reach all employees



Social

Donated **10,000** protective suits to Thailand



Responded to the "Masks for Patients with Rare Diseases" campaign by supporting the production of **20,000** masks made from high-tech fabrics

Donated **1** mobile clinic each to National Taiwan University Hospital and Hualien Armed Forces General Hospital



Our Nicaragua Plant donated **20,000** masks to the Nicaraguan government



Provided cash donations to the "Power of Love" initiative



About Roo Hsing / J.D. United

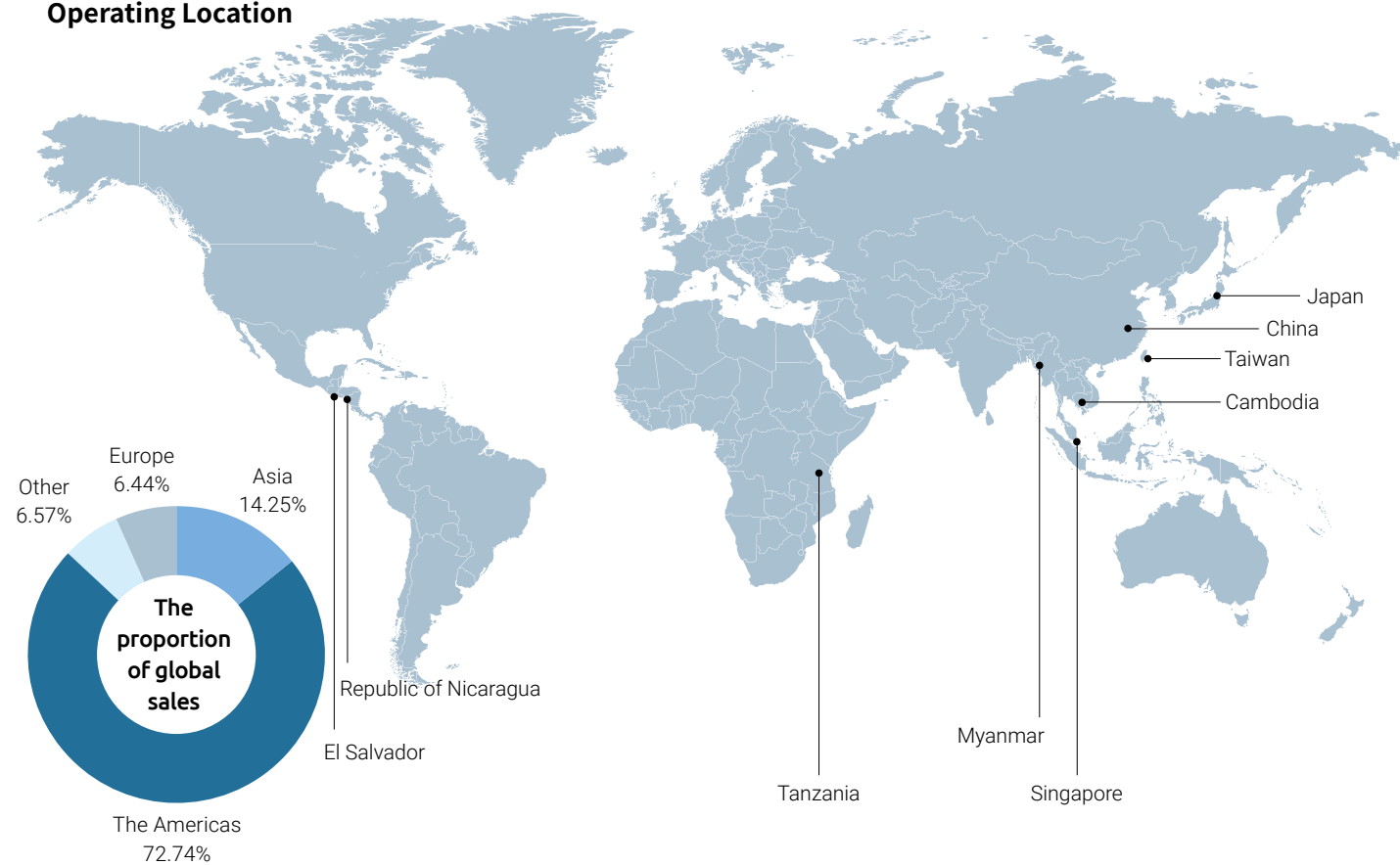
Roo Hsing/J.D. United is a global jeans manufacturer founded in 1997 which started as a company specializing in garment production, garment sales, and jeans manufacturing. We gradually implemented vertical integrations throughout our industry chains in recent years spanning from design, order processing, raw material development, production, procurement, and quality inspection to provide our clients with one-stop services. In order to expand our scope of business, optimize production efficiency, and create diversified customer management models, we facilitated our entry into America's biggest retail supply chain through foreign investments, thus establishing our global presence as we worked to build an internationally competitive ecosystem for the textile industry.

Company
Overview



Under our corporate vision of “Seeing Sustainability as Basis, Environment as Doctrine, Proactively Innovating, and Predicting the Future,” we continue to advance the textile industry and have established a “new 3C” mission statement which incorporates “Care,” “Communication,” and “Creativity” into our business operations alongside active management of five key success factors (management, scale, talent, technology, and capital) in the garment industry. Faced with intense competition from the textile industry, we continue to update our automated production systems and factory equipment as we work to build strong relations with our partners and cater for new customers and new business models to make the fashion industry more eco-friendly and sustainable starting from jeans production.

Operating Location



Products and Services

Roo Hsing/J.D. United provides clients with diversified product selections and one-stop services. Our main products include jeans, skirts, dresses, pinafore dresses, shirts, jackets, vests, pants, shorts, and tracksuits. We also began producing epidemic prevention equipment such as masks and protective suits in 2020. In order to balance environmental sustainability with product quality, we continue to develop innovations relating to our equipment and technologies; incorporate new automated equipment, laser washers, and ozone washers; reduce excess consumption during production processes; and meet the short delivery times of fast fashion. Our expertise and quality have been recognized by the market; according to statistics from the Office of Textiles and Apparel (OTEXA), the combined revenues of Roo Hsing/J.D. United and our subsidiaries in the Americas account for 12.64% of all denim imported to America.

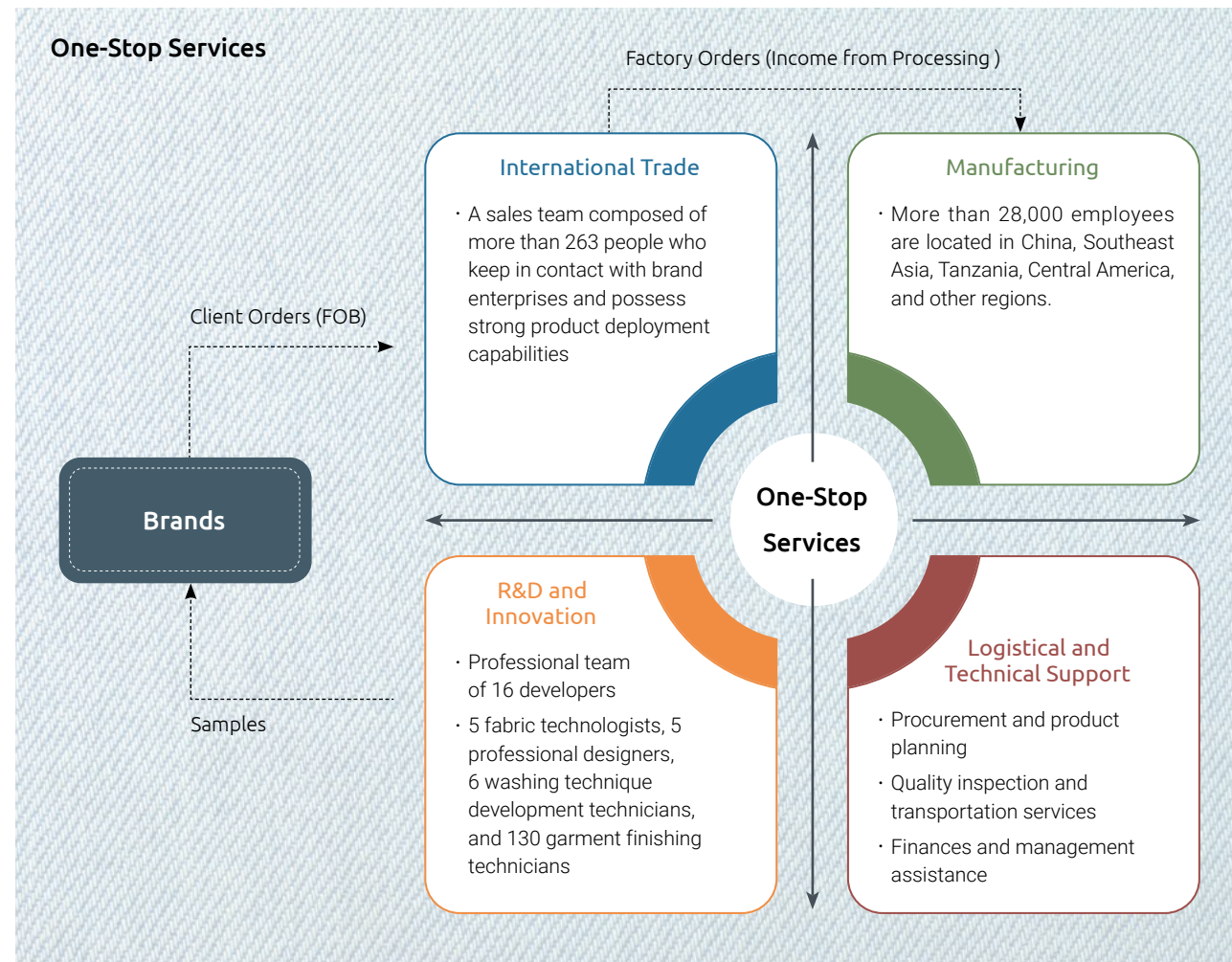
During the process of developing and producing clothes (which are indispensable daily essentials), we need to consider fashion trends, technologies, and aesthetics to meet the needs of the public. Armed with a passion for garments, Roo Hsing/J.D. United continues to introduce various denim washes to generate more selections for our clients. We also work with upstream fabric suppliers to seek out blended fabrics that bring additional innovation and change to designs and fashions through the use of different fabrics and production processes. We developed various moisture-absorbing, quick-drying, stretchy, close-fitting, cooling, and heating functional fabrics in response to the many changes in the consumer market, and have also established operating locations around the globe for flexible production and deployment of raw materials, which not only enhances our production efficiency but also helps to minimize potential risks of production processes (such as raw materials shortages or scheduling delays).

The proportion of revenues from main products

	Sales revenues	Proportion of business
Garments	17,074,397	100%
Other	3,435	0%
Total	17,077,832	100%

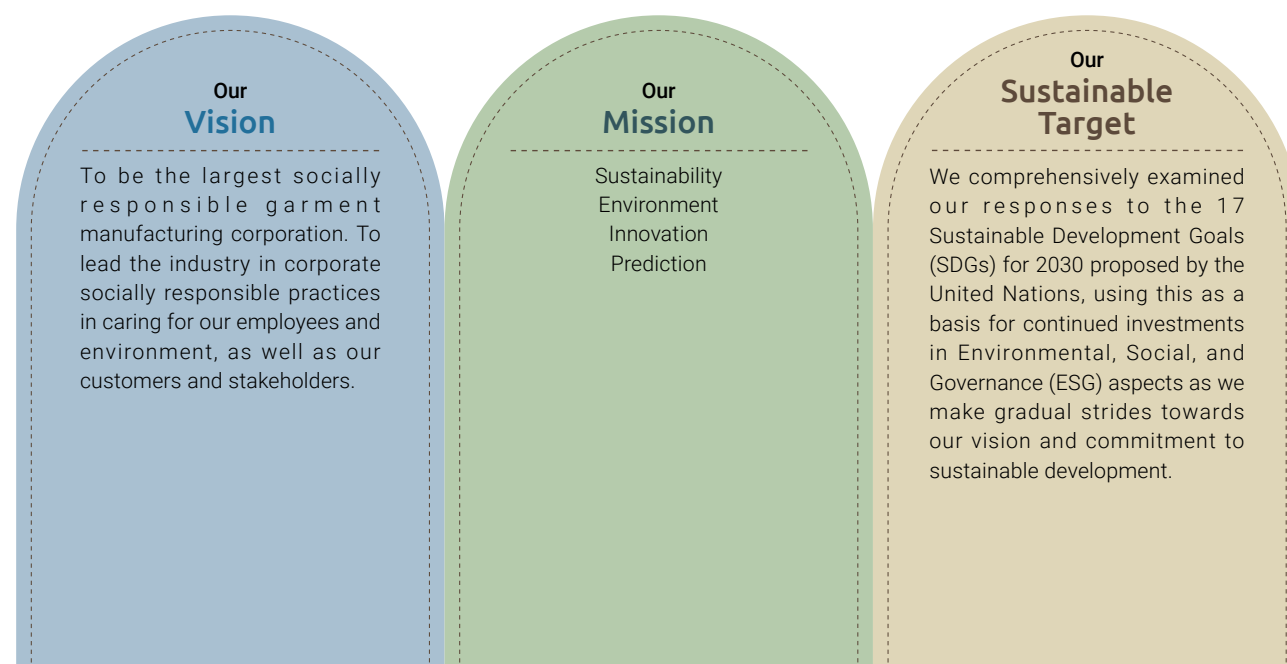
Roo Hsing/J.D. United main products and services





Sustainable Development and Vision

Corporate Vision and Strategies for Sustainable Development



Core Sustainable Developments: Seeing Sustainability as Basis, Environment as Doctrine, Proactively Innovating, and Predicting the Future

Due to impacts from the 2020 pandemic, we rigorously examined our capabilities in and quality of corporate governance and risk management, requiring our colleagues to make prudent plans while maintaining their duties. Faced with a rapidly developing and competitive market, we utilized our advantages in production efficiency to provide supplies for well-known apparel brands. Additionally, our other competitive advantages include an outstanding design team, more than 25 operating bases, one-stop services, and innovative technologies. We also continue to invest in the following aspects:

Developments	Description
Growing Sales	<ul style="list-style-type: none"> • Increased production capacity: Expanded production lines to better respond to client needs. • Mergers and acquisitions (M&As): We understand that the textile industry, like the electronics industry, needs competition and consolidation. Therefore, we continue to expand our operating scale through mergers and acquisitions, so as to meet the needs of brand enterprises for supplier integration. • Management of customer sources: Apart from maintaining orders from existing customers, we also obtained orders from new customers (mainly from the US and Europe).
Increase Production Efficiency	<ul style="list-style-type: none"> • Established SOPs for factory management: Reduced processes and delivery times. • Automated production: We began utilizing automated production equipment in 2013 to enhance production efficiency and lower reliance on manual labor. • Centralized management: <ol style="list-style-type: none"> (1) Launched computerized information systems such as SAP systems, ERP systems, electronic invoices, and supplier platforms in preparation for linking information systems with our suppliers and clients. (2) Launched online operations at our factories in various countries to combine fabric and raw materials inspections at our fabric inspections plant, which centralizes distribution to factories in various countries. (3) Computerized warehouse management to shorten preparatory process times.
Innovations in Technology and Strengthening of Cross-industry Links	<ul style="list-style-type: none"> • Technology applications: Applied technical advances to R&D for fabrics and processing technologies, revolutionizing the garment manufacturing industry and facilitating a cross-industry collaboration with the NTX™ Group to utilize NTX™ Cooltrans in the denim dyeing process. • Entered PPE market: During the epidemic in 2020, Roo Hsing/J.D. United launched a new business by expanding into PPE (personal protective equipment). • Improved process technologies: Utilized automated equipment (e.g. laser washing machine) to reduce usage of traditional chemical agents and adopt ultra-low water consumption procedures, drastically reducing usage of chemical agents while producing lower amounts of exhaust emissions and wastewater. We also utilized equipment with better energy efficiencies to increase unit production capacities while ensuring delivery times and quality. • From OEM to ODM: Roo Hsing/J.D. United provides “one-stop” services encompassing clothing design, procurement, quality inspections, and manufacturing, as well as other related supply chain services from outsourced manufacturing to outsourced design and production processes for brand enterprises. We provide real-time design services and work with our clients to develop required fabrics. We also gain procurement advantages through localized information channels and have established inspection stations to fulfill customer requirements regarding product quality.

Developments	Description
Talent Management and Friendly Workplace	<ul style="list-style-type: none">Developed domestic and overseas epidemic management measures: In response to the epidemic, we set up an emergency response team and required all domestic and overseas operating locations to implement supporting measures that protect the health and safety of our colleagues.Implemented health and safety training: We emphasize the health and occupational safety of our colleagues, and have invested large amounts of manpower and resources in health and safety training to enhance workplace safety.Established talent potential development activities: We actively promoted various projects and activities relating to talent management and potential development, and provided diversified training courses to enhance the necessary workplace and self-care skills of our employees.Disseminated CSR concepts and guidelines: We attach great importance to labor rights and human rights. We actively promote and disseminate our Roo Hsing Employee Code of Conduct and work with our supply chain partners to implement CSR concepts and guidelines, ensuring respect for and protecting the rights of our upstream suppliers and all employees.
Eco-friendly Production Processes to Reduce Environmental Footprint	<ul style="list-style-type: none">Reduced water usage: Roo Hsing/J.D. United reduced process water usage by developing innovative rinsing technologies, utilizing Turkish washing machines, and introducing “ One Glass, One Garment ” production processes.Wastewater treatment: International apparel brands have increasingly raised their standards for supplier CSR compliance; we therefore invested in wastewater treatment to meet the requirements of international brand enterprises and obtain supplier certification.Innovative rinsing technology: Jeans remain a popular clothing item to this day, though denim rinsing techniques have become more diversified due to changes in fashion trends. However, traditional rinsing processes required large amounts of water and chemical agents. We therefore invested time and effort in reducing discharge of polluted wastewater.Zero toxicity in production processes: In 2020, we achieved our target of “ zero toxicity during production processes ” by banning usage of toxic chemicals during production processes.
Implement Social Participation and Social Contribution	<ul style="list-style-type: none">Material and cash donations: We respond to social needs by continuing to be attentive of social issues and supporting the needs of charity organizations and activities through material and cash donations.Care for rural regions: Urban-rural gaps have resulted in uneven distribution of resources. We have spared no effort in caring for rural regions and helped to build a medical system in Hualien.Corporate diplomacy: As an enterprise with business locations in multiple countries, Roo Hsing/J.D. United creates employment opportunities and establishes diplomatic bridges by building factories in foreign countries, strengthening our relationships with other countries through practical actions.

Quarterly CSR publication

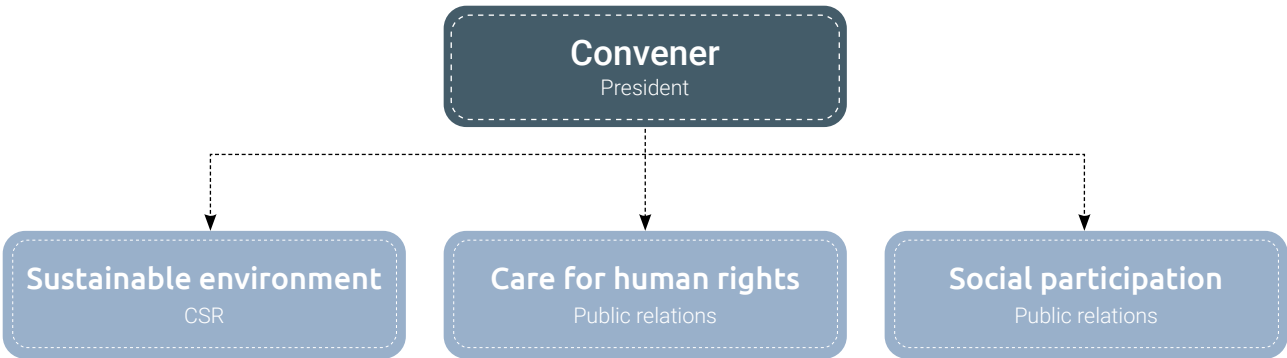


CSR video



Corporate Social Responsibility Management

Roo Hsing/J.D. United regards CSR as an important foundation for sustainable operations. We strive to generate value for society, clients, and employees through our operations and comply with current international trends. In order to incorporate CSR concepts in our corporate management and culture, we established a “ CSR Management Committee ” in 2014 and formulated our “ Corporate Social Responsibility Rule ” in 2017. A team dedicated to CSR matters was established under the president's office, and the highest authority of the CSR team is the Director of CSR, who is responsible for formulating CSR strategies and policies, establishing systems, and developing relevant management guidelines.



We have set up regional CSR and EHS departments according to differing functions and locations. CSR departments are mainly responsible for assessing and improving factory inspections in each region, while EHS departments are responsible for overseeing factory and production fire safety, occupational health, energy savings, and environmental protection. We have 17 employees who are responsible for CSR management (5 in China, 6 in Cambodia, and 6 in Tanzania). Dedicated personnel are stationed at our factories in all regions to manage local affairs and make direct reports to our headquarters.



CSR section



Response to SDGs

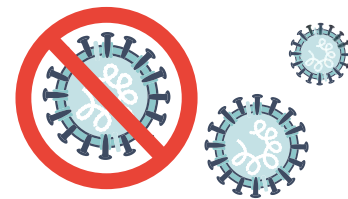
In 2015, the United Nations listed 17 Sustainable Development Goals as part of its 2030 Agenda for Sustainable Development, inviting various parties around the world to work together in improving global issues. We hope to externalize our internal environmental, social, and governance responses to the SDGs so as to make active contributions to global sustainable development targets.

ESG	SDGs	Meaning to Roo Hsing/ J.D. United	Our Actions in 2020	Short-term plans	Mid-term and Long-term Plans
Environment	 	We emphasize the environmental responsibilities of our products and aim for sustainable and green operations with regard to environmental management in hopes of establishing smart production processes. We invest in development of energy- and water-saving equipment and technologies to enhance resource recovery efficiency and reduce the environmental impacts of our products.	<ul style="list-style-type: none"> Achieved “zero toxicity during production processes” target in 2020 Introduced power-saving measures: Renewed lighting and water curtain equipment Utilized eco-friendly materials, including recycled cotton, TENCEL, organic cotton, recycled polyester, recycled yarn, and coffee yarn Procured Turkish washing and drying machines to reduce resource consumption Formulated rigorous chemical management policies to strengthen control of hazardous substances Introduced Ecostone wash processes to reduce generation of toxic waste Improved water usage rates and enhanced utilization rates of wastewater and recovered water 	<ul style="list-style-type: none"> Implement renewable energy technologies at our Hung Hsing plant in Cambodia Renovate steam pipes and equipment at our Hung Hsing and Nagapeace water washing plants in Cambodia Implement rigorous treatment of wastewater and waste materials which adhere 100% to local regulations and standards Implement systematic management programs for energy resources and chemicals at all factories Revolutionize washing processes to include ozone and laser washing machines effectively matched to the complexities of product designs to reduce usage of traditional chemical agents, energy resources, and water Replace all lighting equipment with LED lights 	<ul style="list-style-type: none"> Procure innovative equipment to reduce environmental pollution from emissions Gradually adopt eco-friendly chemicals Implement identification and control procedures for wastewater discharge from factories, and formulate dedicated measures to ensure that wastewater and waste materials adhere to national emission and discharge standards Gradually phase-out existing technologies and utilize new technologies to ensure energy-saving and carbon-reducing achievements Utilize water-saving and power-saving machinery and equipment Optimize wastewater treatment year by year and strive to enhance reutilization rates of purified water
Society	  	We view our employees as important assets. We emphasize the human rights and occupational safety of our colleagues at all our production sites,	<ul style="list-style-type: none"> Established multiple communication channels Formulated human rights policies and strengthened gender equality among employees Diversified talent structure 	<ul style="list-style-type: none"> Implement labor safety measures and optimize employee workplace environments Establish tracking mechanisms for labor safety aspects 	<ul style="list-style-type: none"> Diversify incentives and employee welfare measures Continue to optimize risk control and prevention measures in the workplace

ESG	SDGs	Meaning to Roo Hsing/ J.D. United	Our Actions in 2020	Short-term plans	Mid-term and Long-term Plans
Society		and safeguard labor-management communication channels to ensure that the rights and interests of our employees are taken seriously. We also offer various training and development projects to inspire our employees and enhance overall workplace positivity and employee engagement.	<ul style="list-style-type: none"> Established labor safety risk management mechanisms (and implemented risk classification systems) Strengthened internal promotion of our code of conduct Implemented diminishing work hours plan Strengthened advocacy of zero tolerance and sexual harassment prevention through diversified training courses Provided occupational health and safety education, training, and promotion 	<ul style="list-style-type: none"> Strengthen internal communication among employees Avoid incidents of forced labor Continue to promote comprehensive/ complete employee training courses 	<ul style="list-style-type: none"> Ensure that all operating sites continue to work with local governments in promoting occupational health and safety measures Establish multiple communication channels
Governance	 	Roo Hsing/J.D. United has always considered ethical management to be an important operating principle. We hope to enhance the overall quality and transparency of information disclosures, protect shareholder interests, and establish sound channels for stakeholder communication. We aim to strengthen our market ties in all regions, invest in development of production technologies and materials, enhance quality management of production processes, establish an ecosystem for the jeans industry, increase customer satisfaction and loyalty, and become a core strategic supplier partner for our clients.	<ul style="list-style-type: none"> Promoted our new 3C values: Care, Communication, Creativity Automated production and management processes Continued to invest in development of innovative washing technologies Changzhou Plant obtained AEO enterprise certification Entered the PPE market and applied NTX™ Cooltrans technology to denim dyeing processes 	<ul style="list-style-type: none"> Continue to implement and renew automated equipment along production lines, optimize production and process management, and strengthen factory efficiency Implement SAP systems and AWS cloud computing technologies over several stages to achieve automated management of cloud technologies and information, thus enhancing overall operating efficiency Form a professional R&D team which works with our partners in all regions to develop innovative textile technologies Diversify products, separate customer segments, and expand new customer sources to reduce our reliance on single clients Actively expand our overseas operations and utilize cross-nation division of labor in resource allocation to widen our competitive advantages 	<ul style="list-style-type: none"> Maintain our position as a leading jeans manufacturer by enhancing operating scale, automation, efficiency, customization, industry ecosystems, and other facets of innovative business models Collaborate with brand enterprises to expand our overseas production bases and pursue better tariff concessions Actively collaborate with new governmental plans for corporate governance by continuing to build a culture of corporate governance, exert Board functions, enhance quality of information disclosures, and strengthen regulatory compliance, thereby increasing our international visibility and competitiveness Disclose public information from our official website, financial reports, annual reports, shareholder meetings, and corporate regulations in English over several stages

Special Column on Epidemic Response and Social Contributions

Epidemic Management Measures



The coronavirus epidemic spread around the world at the beginning of 2020, starting with upstream textile suppliers in Asia before spreading worldwide. Various countries across the globe implemented differing levels of work suspensions, lockdowns, and border controls. Roo Hsing/J.D. United, which owns production sites around the world, prevented the epidemic from impacting on corporate operations by establishing an emergency response team convened by the senior manager of the Taipei Administrative Office. Our epidemic prevention measures mainly adhered to the regulations of the Central Epidemic Command Center, and we adjusted related policies and supporting measures in accordance with epidemic developments.

To strengthen the epidemic response capabilities at our Changzhou and Cambodia plants for better protection of employee health, we implemented our corporate epidemic prevention responsibilities by formulating a “Special Prevention Plan and Implementation Rules for Coronavirus Outbreak Incidents” to protect against the coronavirus. We also divided epidemic risks into four levels. Our emergency response office is responsible for monitoring risks and implementing epidemic prevention measures via different teams to safeguard the health of our employees and ensure stable business operations.

Photos of epidemic management measures



Disinfection procedures before entering offices



Body temperature measurements



Contactless delivery of external packages and meals



We conducted regular disinfection procedures and supplied epidemic prevention kits to employees at our Changzhou Plant



Posters promoting epidemic prevention regulations at our Cambodia Plant



Social Contributions

The coronavirus outbreak had severe global impacts. In recognition of our social responsibilities to the garment industry, we actively expanded our business operations and produced personal hygiene products including medical masks and protective suits. Additionally, we made social contributions by actively investing in domestic and overseas charitable efforts to provide timely assistance.

Donation of protective suits to Thailand

Due to the expansion of the COVID-19 pandemic and the demands of our overseas orders, we adjusted our production schedules and assisted the Taoyuan City Government in donating 10,000 protective suits to Thailand so that medical staff in Thailand could work under safer conditions, thus fulfilling our corporate social responsibilities and helping us meet our aim of contributing to society.



Roo Hsing/J.D. United donated a mobile clinic, providing important medical resources to Hualien

National Taiwan University Hospital and Hualien Armed Forces General Hospital

Ambulances are a necessary tool for transportation in emergency medicine and hospital transfers, with each ambulance trip serving as an urgent mission to save lives. Roo Hsing/J.D. United has long cared for the disadvantaged in hopes of contributing to society. In light of the contributions National Taiwan University Hospital and Hualien Armed Forces General Hospital has made to Taiwanese society, we donated a mobile clinic to each of these hospitals to benefit patients, give back to society, and do our part for Taiwan.

Cash donations for the disadvantaged

To help disadvantaged groups and provide timely assistance, we actively participated in charity events, including the “2020 Taishin Charity Golf Tournament” and the “New Hope Charitable Trust William Wang Hole-in-One Charity Golf Event.” We also provided cash donations to the “Power of Love” initiative in hopes of supplying resources to those in need while bringing beauty to society.

Taiwan Foundation for Rare Disorders

Roo Hsing/J.D. United Chairman Alex Chen responded to the “Masks for Patients with Rare Diseases” event initiated by Chenco Holdings Chairman Derek Chen and renowned musician Paula Ma by providing support for relevant resources and producing 20,000 comfortable and breathable cloth masks made from high-tech materials, allowing patients with rare diseases to feel more comfortable when using masks.



Donated masks to families with children suffering from rare diseases to implement epidemic prevention measures
*Image source: Taiwan Foundation for Rare Disorders

Donation of epidemic prevention resources by our Nicaragua Plant

Our Nicaragua Plant expanded mask production lines within the plant and worked to obtain international orders for epidemic prevention materials while also donating 20,000 masks to frontline workers in Nicaragua to assist the country in epidemic prevention. Our Nicaragua Plant was established in 1999, creating 1,400 job opportunities, and our current donation of masks to the Nicaragua government represents our contribution toward global epidemic prevention measures.



Product

In an era where economic, environmental, and social conditions are constantly changing, Roo Hsing/J.D. United continues to uphold new 3C (Care, Communication, Creativity) mission statements. We participate in many international sustainable textile initiatives, working with our clients and supply chain partners to respond to market trends and ever-worsening impacts of climate change. In terms of self-enhancements, we continue to invest resources in strengthening R&D capabilities and optimizing production processes to increase our competitive advantages through product and service differentiations. In addition to apparel manufacturing, we also implemented a corporate vision of “Sustainability” in recent years in accordance with trends in the garment industry. We continue to apply advanced technologies in product designs and R&D, utilize innovative and environmental Cooltrans technologies, and enhance production efficiencies through large-scale projects incorporating composite materials, rapid sampling, and automated production equipment to strengthen our production advantages.

Participation in International Sustainable Textile Initiatives



We adopted the Higg Index developed by the Sustainable Apparel Coalition (SAC) to conduct sustainability evaluations of our environmental and social impacts.



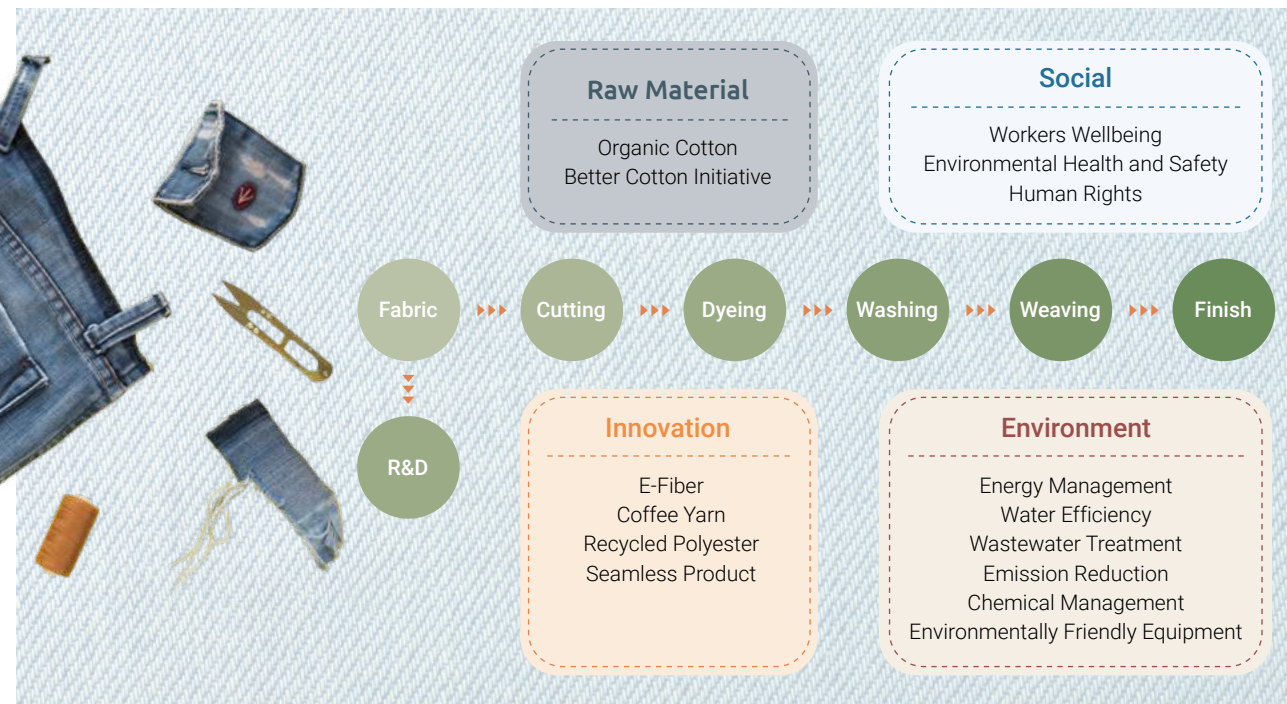
As a supplier for well-known brand enterprises, our products comply with the regulations of the Zero Discharge of Hazardous Chemicals (ZDHC) Manufacturing Restricted Substances List (MRSL).



Roo Hsing/J.D. United incorporates eco-friendly concepts into supply chain management starting from the procurement processes. We strive to procure Better Cotton Initiative (BCI) and Organic Content Standard (OCS) materials.

We regard our clients and suppliers as important partners, and continue to be attentive of the environmental sustainability issues that are increasingly emphasized by our brand clients and the garment manufacturing industry. We strive to make the manufacturing and R&D processes of our products more responsible and sustainable by seeking out new materials, technologies, and materials that reduce environmental and social burdens of production processes, as well as negative impacts on our own production processes. We hope to expand our corporate influence through comprehensive integration of our supply chains and collaborations with sustainability partners, and have incorporated CSR considerations into our product lifecycles from R&D to raw materials and production processes.





Sustainable R&D and Innovations

We consider sustainable developments and innovations to be our corporate mission and vision, as well as an important future trend. We actively collaborate with major brands and have continued to invest in lean R&D while staying abreast of new technological trends to integrate diversified production processes and utilize automated production processes, automated warehousing, centralized logistics management, and ERP systems. In 2020, we entered the PPE market and commenced a cross-industry collaboration with the NTX™ group to apply the NTX™ Cooltrans technology in our denim dyeing processes, thereby generating maximum corporate values. We hope that our efforts allow us to move the entire fashion industry toward a more sustainable and responsible business model so that we can become the most sustainable jeans manufacturer in the world.

Core R&D Team

Roo Hsing/J.D. United established a core design and R&D center in Changzhou (China) with an innovative R&D team composed of multinational professionals. We have integrated design, R&D, manufacturing, and supply chain services to build production lines for a comprehensive range of woven and knit garments. Apart from our recent proactive R&D investments in fashionable and functional materials, product designs, and technologies, we also began to provide PPE training and assessment courses for our team members in 2020 to assist them in acquiring the professional knowledge and skills required by the flourishing developments of our emerging PPE business. Our R&D team includes professionals from fields such as fabric development, professional design, washing technique development, and garment manufacturing.

Entry into PPE Market

Following the outbreak of the pandemic in 2020, which caused huge fluctuations in the global economy and severe impacts to the garment industry, we responded to risks of suspended orders from brand enterprises by conducting internal predictions and discussions of market economies, enhancing production efficiency, and facilitating timely adjustments to our internal production schedules in accordance with client requirements. We also entered the PPE market in May 2020. Our current clients mainly include regional government institutes, large medical wholesalers, and medical systems in the US. In future, we plan to gradually procure related equipment so we can continue to grow this emerging business segment and diversify risks from suspended orders in the garment market.



Product packaging for masks



Procurement of mask manufacturing equipment

Future Challenges and Response Measures

Looking toward the future, we plan to continue our investments in innovations and R&D technologies by building close partnerships with our existing suppliers and implementing smart factory transformations to save labor costs and enhance work efficiencies. Many fashion habits and elements are changing due to the pandemic and current trends, so the question of how to develop inspirational, lightweight, and sustainable fabrics for our clients while maintaining our existing businesses is an important issue that we need to consider carefully.

To expand our PPE business and utilize the unparalleled geographical advantages held by our African plants with regard to the American markets, we plan to procure PPE manufacturing equipment for our African factories and use our existing equipment to produce simpler PPE products such as nursing uniforms or bedding to increase production ratios of our PPE products.

PPE manufactured at Cambodia site



Sustainable Products and Technological Processes

Roo Hsing/J.D. United possesses production advantages relating to production scale and vertical integration, and is thus able to form large production economies and highly flexible manufacturing schedules while leaving space for improvement through vertically integrated production models and horizontal collaboration systems between various operational units. We are able to meet the short delivery times, small volumes, and diversified orders of the garment manufacturing industry and changes in market trends. We work closely with our key suppliers and strategic partners in various countries starting from our upstream yarn manufacturers, and integrate information and technologies to develop different types of fabrics which are designed in-house. We provide our clients with design concepts, packaging, logistics, shelf displays, and other comprehensive services while also continuing to generate value in the fashion industry through more optimized and advanced methods.

In terms of product innovations, we recently invested in R&D for zonal woven fabrics, green water-free fabric products, and new-generation water-free denim in hopes of integrating key fabric functions and concepts to create innovative fabrics that comply with consumer needs while reducing the environmental and ecological impacts of our products. Key investments in 2020 include:

Project	Description	Expected Benefits	Results
Material/fabric innovations	We focused on functional, comfortable, and sustainable innovations	We hope to integrate key fabric functions with innovative materials such as waterproof, water-free, stain-resistant, and sustainable fabrics	We utilized eco-friendly materials and production processes, including recycled cotton, TENCEL, organic cotton, recycled polyester, recycled yarn, coffee yarn, and plant-based dyeing technologies
Production process/finishing process innovations	We focused on development of technologies which are more sustainable and can generate more corporate values	Through our team of professionals and collaborations with world-renowned brands, we realized innovations in our production processes by utilizing laser, ozone, and E-Flow equipment, as well as the most advanced washing machines and drying machines.	We were able to greatly reduce consumption of energy resources and chemical agents through utilization of Cooltrans technologies
Development of PPE business	We entered the PPE market in 2020	Our fabric developer and designer team jointly invested in R&D and manufacturing of PPE products including protective suits, masks, and shoe covers, as well as manufacturing of packaging and labeling materials	We operate our PPE business through our core R&D team.

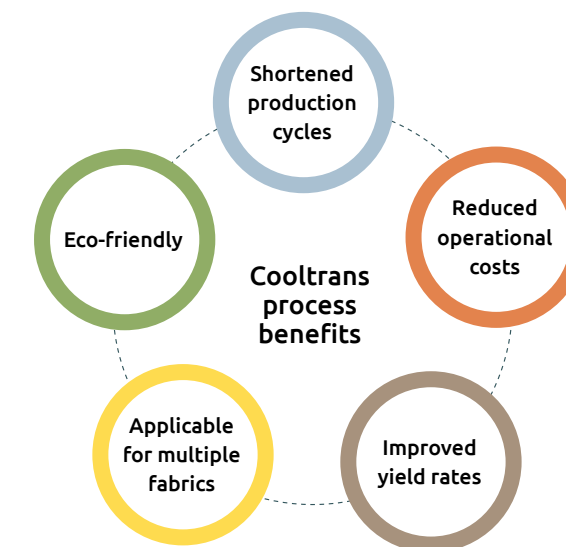
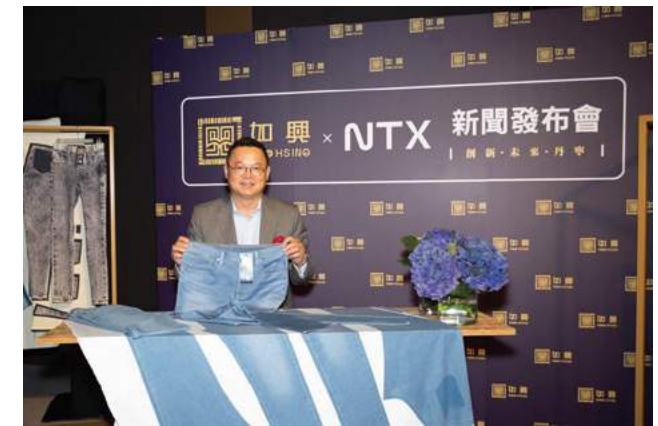
In 2020, we also established strategic collaborations with our external partners to jointly create innovations in our production processes and product services. Our main technological achievements were as follows:

Project	Description	Collaborating partners	Scheduled Period
Color stay denim	A process technology which is able to maintain denim coloring	Advanced Denim	2020-2021
!nkdigo	Application of Cooltrans technology	NTX™	2020-2021

Innovations in Cooltrans Technology: 1+1= ∞

Roo Hsing/J.D. United established a cross-industry partnership agreement with NTX™ to utilize the world's first Cooltrans, double-sided, high-speed dyeing machine developed by NTX for use on traditional textiles, thereby revolutionizing the denim jeans industry.

This breakthrough innovation in production processes greatly shortened production cycles for jeans and effectively helped our clients to lower costs, improve quality, shorten delivery times, and increase environmental efficiencies. This technology is not only expected to raise our yield rates for new products to 98%, but also reduces 93% of water usage from raw materials to finished products while shortening



production cycles from 140 to 60 days, allowing us to speed delivery times by a maximum of 80 days, which also enhances capital efficiencies for our clients. This innovative technology has been recognized by several international brands and will definitely bring change to traditional denim production processes, and lead the denim garment industry into a new era.

Denim Revolution



Continued Advancements in R&D Processes

Each year, we continue to invest in fabric development and research on manufacturing methods to enhance fabric utilization rates. We also successfully introduced computer typesetting systems and electronic information systems which can transmit updated typesetting data for production overseas. In addition to speeding overall production processes, this change has also increased fabric utilization rates and reduced production costs and wastage. Our R&D center is equipped with digital printing machines which facilitate rapid display of printing effects, following which our certified in-house labs undergo testing, inspections of finished products, and quality controls. In 2020, Roo Hsing/J.D. United invested in R&D and optimization of the following projects relating to production processes:

- Research and creation of three-dimensional sample production methods
- Research on fabric qualities, manufacturing processes, and dimensional stability
- Production of supplementary equipment: Automatic belt-loop attaching machines, automatic bag-opening machines, automatic tape punches, assistive sewing machines, elastic waistband extending machines, pneumatic clamping devices for semi-finished products, Velcro, and improved knotting machines
- Procurement of laser machines to effectively increase production



Energy-Saving and Water-Saving Washing Technologies

Several years ago, we were the first of our industry peers to utilize laser washing processes in response to eco-friendly trends, effectively increasing our production capacity while establishing an emerging manufacturing standard for many of our brand clients. Introduction and application of laser and ozone washing machines helped us to save 67% of water consumption, 90% of chemical usage, and 62% of energy consumption.

In 2020, Roo Hsing/J.D. United continued to invest in the following key projects to optimize washing processes:

- We formed dedicated teams at our water washing plants to develop and control washing processes, seek out and utilize eco-friendly chemical materials, and continue to develop innovative washing methods. These teams developed new washing techniques which reduced usage of chemical materials, optimized washing processes, and reduced water consumption. Our aim is to shorten washing time, water consumption, and chemical usage for each tank, and to make our washing processes more energy-efficient and eco-friendly.
- We procured and utilized internationally recognized advanced washing and drying machines to replace existing machines. We also eliminated outdated production processes to enhance production capacity and reduce consumption of water, power, and raw materials, thereby improving factory efficiencies while meeting environmental needs and maximizing benefits for our factories, clients, the government, and the environment.
- We expanded our storage facilities for recovered water to increase actual utilization rates of recovered water in our factories while ensuring that our washing processes continued to meet client needs and product quality.

In order to enhance our competitive advantages, we formed a dedicated team at our Cambodia Plant in 2019 to develop washing methods which were more energy-saving, water-saving, and eco-friendly. Following the establishment of this team, we appointed the plant director as the overall team leader and the denim department manager as the team supervisor and manager, while dye bath technicians were made responsible for improving and implementing washing methods. The core members of the team include personnel with expertise in different fields such as machinery, cost management, and technique development.



Automated Washing System

We implemented automated washing techniques in all management and production processes. Six months after implementing automation processes at our Cambodia plant, the number of jeans produced per worker per day rose from 17 to 21, increasing per person production capacities to 100 pieces per month.

In 2020, to strengthen automation of washing systems at our Cambodia plant, we procured 96 pieces of automation equipment which increased our production capacity by 50% and greatly reduced our energy usage and environmental burdens. Replacement of traditional washing processes with Turkish washing and drying machines helped to reduce 50% of water consumption and 15% of energy consumption. (For more information on our automation equipment and environmental benefits, please refer to the section on water-saving processes.)



Eco-Friendly and Sustainable Materials

In addition to investing in R&D for manufacturing processes, we also continued to integrate technology with sustainability trends and invested in development of innovative materials such as eco-friendly and E-Fibers:

Eco-Friendly Materials

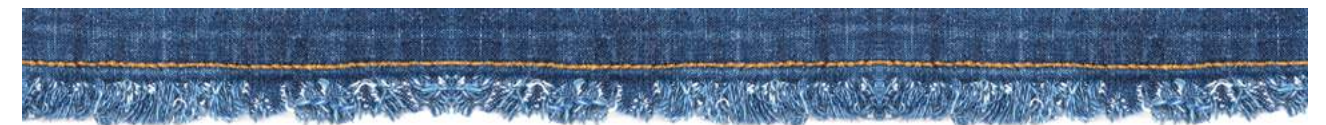
We incorporated concepts relating to responsible and sustainable production into our R&D processes in hopes of reducing our negative social and environmental impacts starting from the initial stages of product development. We not only work with suppliers who uphold the same sustainable production principles, but also work to expand usage of eco-friendly materials to replace traditional high-pollution materials.

As of 2020, we have incorporated a number of eco-friendly materials and manufacturing technologies into our product development and production processes, including recycled cotton, TENCEL, organic cotton, recycled polyester, recycled yarn, coffee yarn, and plant-based dyeing technologies, as well as two innovative technologies (seamless design and water-free fabrics).

E-Fibers

We have long invested in R&D and design of smart textiles; our smart textile technologies include basic signaling yarn and overall heating applications. We also continue to invest in R&D for woven materials which can conduct electricity, data, and possess special electronic functions, and have obtained patents for our rich innovative achievements which have gained wide recognition.

In 2020, mankind officially entered the 5G high-speed network era. With regard to e-fiber technologies, we continued development and design of our existing Smart Textile in Wearable products, and also extended our efforts to the innovative Smart Network in Wearable products, developing new and extended applications for these technologies. Over the past two years, we have worked with developers to create smart textile product designs which keep pace with developments and designs in wireless communication.



Quality Management

Roo Hsing/J.D. United has a professional quality management team which ensures production quality at all stages and focuses management capabilities on the initial stages of product manufacturing, including unified raw material inspections at our fabric inspection plant before distribution to our factories around the world to ensure that all production processes are subjected to rigorous quality inspections. Our strict quality control standards and mechanisms not only allow us to ensure quality standards and our corporate reputation, but also actively demonstrate our commitments to product safety, helping us to build customer trust over the long term and enhance our overall competitiveness. Even though the general economic and industrial outlook for 2020 was less than optimistic, we were able to obtain orders with strict requirements and rigorous standards following interdepartmental collaborations, demonstrating the trust of our clients and their recognition of our strengths.

Inspections of Raw Materials

Roo Hsing/J.D. United implements rigorous quality controls starting from raw material processes in accordance with the different requirements of each client. Our sales department delivers ordered materials to collaborating third-party institutes or commodity inspection bureaus in China for inspections and issuance of inspection reports, and we also implement quality controls on imported raw materials, including appearance inspections and sample safety inspections. We further implement unified assessment and inspection standards for brands with designated procurement lists to ensure consistency of purchased materials. Details of our inspection procedures are as follows:

- We deliver materials to commodity inspection bureaus or third-party testing institutes for testing according to client requirements
- We have established a laboratory at our China plant to check reports from material suppliers and conduct simultaneous inspections of relevant indicators on purchased materials
- Materials directly supplied by our customers are inspected in our lab or delivered to third-party institutes for testing according to client requirements
- Appearance inspections: Our factories conduct appearance inspections when receiving raw materials:
 - We use a 4-point fabric inspection system
 - Sample checks are conducted on supplementary materials in accordance with AQL ratios
- Safety inspections: Inspection personnel at our factories conduct respective product property, metal, and printing inspections on supplementary materials in accordance with AQL ratios
- For fabrics exceeding 5,000 yards, inspections are conducted on 30% of samples, and inspections are conducted on 100% of samples on fabrics below 5,000 yards regardless of fabric type

Roo Hsing/J.D. United conducts annual evaluations on fabric suppliers which are jointly implemented by our sales team, development team, and sales management centers. Evaluation criteria includes levels of cooperation and stability of bulk orders. Problematic suppliers are publicly announced and eliminated from further collaborations.

Process Quality Controls

To ensure that all our production processes adhere to consistent quality standards, we have established quality control and inspection procedures at all our factories for compliance by all personnel. We have also established standard quality control procedures at our China plant to ensure standardization of production processes.

Additionally, as part of our quality commitments, we also conduct mid and final checks as well as other evaluations to realize our requirements toward process outputs and quality training provided to our team members.

We strictly abide by the quality standards of our clients during production stages and we respond to client quality requirements in our management processes. For example, GAP increased their product inspection standards from AQL 2.5 to AQL 1.0 in 2020, and we used emails to notify and communicate standard adjustments throughout 2020 and achieved outstanding performance in meeting client quality requirements.

If defective products are found during production processes, our team immediately complies reports for quality control managers and notifies production departments, and makes detailed records of defective proportions, descriptions of problems, and other details. We work with our production departments to formulate solutions which are also recorded in our reports; specific time periods are stipulated for implementing corrections and we also supervise our production departments to ensure that corrections are implemented. We track implementation progress and report final results to management personnel

at our headquarters. If defective products are discovered during client investigations, we work with our production departments and sales departments to rapidly formulate suggestions for corrections and supervise subsequent implementations. We also provide feedback by filling out Corrective Action Plans (CAPs) according to client requirements.

Comprehensive Quality Management Mechanisms

To improve our quality management system and extend our actions from the previous year, we continued to implement the following quality control mechanisms in 2020:



In addition to our quality management system, we hired Japanese technicians to conduct irregular audits at our overseas factories and have established in-house quality control procedures for samples taken from all production lines. However, these measures were suspended in 2020 due to the pandemic.

To implement quality requirements of brand enterprises, some members of our management team have passed rigorous training and evaluations provided by brand enterprises, and have been certified as authorized quality control personnel. We implement strict product quality controls in accordance with the specific needs of our clients. In 2020, a total of 16 team members were certified as inspection personnel by brand enterprises.

Brands	Number of evaluation indicators	Proportion of factories which passed evaluations
GAP (DA)	7	100%
H&M (NQC)	4	100%
Levi's (CA)	2	100%
TESCO	2	100%
C&A (CA)	1	100%
Total	16	100%



Pandemic Impacts and Challenges

Due to volatile impacts from the pandemic in 2020, we faced many challenges in quality management, but our professional quality management team thoroughly implemented our product quality principles to reduce quality control risks brought about by the pandemic:



Sustainable Supply Chain

Our suppliers are indispensable partners for our sustainable operations. We are committed to vertical integration of supply chains for creation of products with maximum added value and focus on building steady and long-term collaborative relations, smooth communications channels, and a foundation of mutual trust with our supply chain partners so that our suppliers can continuously improve and advance their quality, costs, delivery times, and R&D capabilities to maintain their past outstanding performance while moving toward the future.

Our supply chain management policies demonstrate our commitments to environmental protection, quality assurance, labor rights, and social well-being, with regulations encompassing textile manufacturers, chemical suppliers, as well as embroidery companies, fabric suppliers, construction companies, and other outsourcing contractors. We established collaborative relations with our suppliers around the world through implementation of our supplier management strategies in hopes of realizing our procurement and production processes through management methods that respect the environment, society, and environmental resources.

Sustainable Procurement Management

In order to lower supply risks and ensure product quality, our procurement processes for raw materials adhere to a diversified market strategy. Starting from the procurement stages, we insist on placing orders with fabric suppliers that with excellent quality standards and credible reputations. Our procurement criteria encompass quality, supplier stability, and delivery times, though some of our fabrics and materials are sourced from client-designated suppliers. We hope to facilitate mutual growth and realize sustainability in our operations and management by working closely with our supply chain partners.

Procurement of Sustainable Raw Materials

International brands continue to enhance awareness of sustainability issues and emphasis supplier sustainability performance. In order to maintain our relationships with brand enterprises and implement our business ideals, we have established a material management team which strives to research and develop sustainable materials that comply with our quality and safety requirements. In future, we will continue to increase usage of recycled materials to jointly generate sustainable values alongside our supply chain partners in the garment industry.

In terms of material procurement risks, though our order volumes dropped significantly in 2020 due to market conditions, we continued to procure large amounts of organic cotton in consideration of sustainable developments and client needs, thereby reducing negative environmental and social impacts of our production processes. We have currently established multiple fabric suppliers in different countries of origin in response to the regulations of different brand clients.

In 2020, 60% of our products were made using BCI (Better Cotton Initiative) materials, an increase of 10% compared with the previous year. (Third-party institutes were commissioned to certify organic cotton and recycled cotton production.)

Organic Content Standard (OCS)

- Reduce environmental impacts of cotton production
- Improve livelihoods and economic development standards of cotton-producing regions
- Increase support and usage rates of BCI cotton in our overall supply chain
- Ensure credibility and sustainability of BCI cotton



Better Cotton Initiative (BCI)

- Same quality level as traditional cotton
- Zero usage of pesticides or synthetic fertilizers
- Restrictions on genetic modifications
- In 2020, around 60% of our products were made using BCI cotton and we became a promoter and supporter of responsible cotton production



Recycled Claim Standard (RCS)

- An international, voluntary standard that sets requirements for third-party certification of Recycled inputs and chain of custody. The goal of the RCS is to increase the use of Recycled materials
- Intended for use with any product that contains at least 5% Recycled Materials
- Each stage of production is required to be certified
- Does not involve social or environmental issues relating to processing, manufacturing, product quality, or legality



In response to trends in client requirements, we have also established standards for our fabric suppliers, requiring them to obtain RCS (Recycled Claim Standard) certification; RCS verification must be conducted by specific third-party institutes who can award RCS certification.

Local Procurement

To ensure stability of purchases and raw materials, our material and sourcing management plans include balanced supplier sources to diversify risks. Additionally, we also began expanding our manufacturing plant in Tanzania (Africa) in 2018 and expect to increase production capacity by three-to four-fold to maintain stability of supply. All our operating locations carefully plan post-procurement production schedules and implement procurements after pre-assessments of demand and consideration of fluctuations risks in international raw materials to reduce wastage of raw materials.

In terms of carbon footprints caused by transportation of internationally procured products, we continue to implement local procurement measures and strive to reduce environmental impacts of procurement processes. Our main regions for material procurement and procurement proportions in 2020 were as follows: China 99%, Vietnam 1% (our main production base is located in China); we have around 40 first-tier suppliers.

As we have only a small number of secondary material suppliers, all our suppliers are fully interchangeable, and we are able to maintain stability of raw material prices and supply quantities. The main raw materials procured by Roo Hsing/J.D. United and our subsidiaries include:

1 Primary materials:

Various types of fabrics; Roo Hsing/J.D. United mainly procures 52% of denim, 20% textile yarns, and 28% woven fabrics

2 Secondary materials:

Includes threads, zippers, linings, sewing threads, nylon sewing threads, pocket linings, belt buckles, thick cardboard boxes, and other materials

Changzhou Tooku Garments Limited Company Obtained AEO Advanced Certification

Description of AEO certification:

An Authorized Economic Operator (AEO), as promoted by the World Customs Organization (WCO), is a certification system which hopes to ensure safety of cross-border movements and realize an aim of customs safety and convenience in global supply chains by building collaborative relations with customs and corporate partners.

- External: Enterprises can enjoy green channel customs clearance procedures with low inspections rates, speedy clearance, and international recognition
- Internal: Enterprises can enjoy joint one-stop preferential services from more than 40 departments including customs and banks

Roo Hsing/J.D. United actions:

In recent years, governments around the world have worked to promote corporate credit reforms, and many multinational companies have asked their partners to obtain advanced AEO accreditation to ensure delivery times and other factors. To continuously improve customer satisfaction rates and our core competitiveness, we began implementing AEO accreditation and training systems in 2019 following vigorous promotion from senior management. In just two years, we moved from a general credit company and general authorized company to an advanced AEO authorized company after passing relevant evaluations by Nanjing Customs at the end of November in 2020. (There are currently 4,000 enterprises in China which have obtained advanced AEO certification.)

Internal staff training:

- 2 courses relating to legal knowledge associated with AEO accreditation for corporate entities and senior managers
- A minimum of 3 business knowledge training sessions for logistics and business personnel
- Trade and supply chain safety training for all employees
- Cybersecurity training for all employees



Supply Chain Risks and Evaluations

Based on our many years of accumulated manufacturing experience and commitment to quality, we compile records of environmental and social impacts when working with new suppliers, and commence immediate communications if we find any suppliers at risk of CSR violations; if suppliers are found to have incurred violations, we will immediately cease collaborations. We require our suppliers to comply with our corporate values and regulations while also implementing strict internal control systems to effectively screen and manage our supplier partners. We adopt a zero tolerance attitude towards serious problems in our supplier production departments.

We conduct due diligence during screening and assessment processes for all new or potential suppliers to ensure the transparency and business integrity of our partners. This pre-assessment mechanism is also applied to our accessory suppliers. We did not add any new designated fabric suppliers in 2020. Due to the pandemic, the Chinese government prohibited cross-regional exchanges, and we therefore suspended all on-site supplier due diligence procedures.

To maintain our high-quality supply chain while reducing and avoiding risks, our interdepartmental supplier evaluation team conducts annual general performance audits and evaluations on non-designated suppliers and supplementary material suppliers. The team is composed of members from the following departments: sales department, internal control department, R&D department, procurement department, and quality supervision personnel. Additionally, at the end of each year, our procurement department conducts individual interviews with each supplier regarding their performance over the past year. Individual interviews were not conducted in 2020 due to the pandemic.

Evaluations include criteria relating to quality, delivery management, responsiveness, and costs. For more effective supplier management, we have established a database which contains complete records of company profiles and performance. Suppliers are divided into different levels based on evaluation results, and are required to qualify as grade C and above to continue collaborations with us. In 2020, our China plant conducted evaluations on 22 frequent collaborators which included fabric suppliers and suppliers of buttons, zippers, and cardboard boxes. All suppliers were categorized as grade B and above based on evaluation results.

Supplier CSR Management

We incorporated CSR requirements into our supplier management strategies through establishment of supplier CSR regulations, which not only let our suppliers fully understand our emphasis on CSR commitments, but also provide our suppliers with a consistent set of standards for establishment of regulations relating to labor rights, human rights, health and safety, environmental protection, ethical management, and codes of conduct, thereby building a responsible supply chain as we lead our collaborators in joint creation of sustainable values within the fashion industry.

With regard to management of possible issues relating to labor rights, human rights, the environment, health and safety, and other CSR risks within our supply chain, we not only conduct evaluations of general aspects, but also evaluate supplier performance in CSR matters. Our evaluations include criteria relating to labor rights, human rights, the environment, and health and safety. Our CSR team conducts separate evaluations of CSR aspects each month, quarter, and year. We did not conduct any CSR evaluations on our suppliers (particularly overseas suppliers) in 2020 due to the pandemic, and only investigated environmental violations in the China region.



Customer Relationship Management

Smooth Communication Channels

We firmly believe that successful customer service management is achieved by maintaining good product quality, building good communication channels with our clients, and gaining an in-depth understanding of client needs. We therefore actively incorporate comprehensive customer service considerations relating to product design, production quality, price, timely delivery, rapid changes, supplier management, sustainable development, and client needs while continuing to understand client thoughts and feedback through multiple communication channels for continued enhancement of client trust.

Our operational headquarters in Changzhou has 400 colleagues who provide comprehensive services to our clients relating to price, order placement, material procurement, production scheduling, shipment delivery, and delivery confirmation. We have also established contact windows in Cambodia, Hong Kong, and the US to ensure continued provision of services.

We consider client suggestions and thoughts to be crucial for our operations. We have established a comprehensive customer relations management process facilitated through internal collaborations to ensure that the rights of our customers are fully protected. In order to strengthen our service quality, we host regular internal training sessions that cover knowledge of washing technologies, sales techniques, and handling of customer complaints.

In 2020, our production locations met client KPI indicators, achieved outstanding performance in delivery punctuality and yield rates, and were recognized as an outstanding supplier under the rating system of one of our brand clients during monthly evaluations.

Customer Privacy Management

To strengthen information security management, we established comprehensive client information confidentiality systems and information security policies containing regulations related to personnel management and protection of information assets. All of our employees have to sign confidentiality agreements when entering the company, and are required to abide by strict confidentiality regulations regarding client product designs. All products associated with client patents or confidential corporate information are protected through varied and strict procedures. We incurred no incidents relating to violations of customer privacy or information security regulations in 2020.

People

Roo Hsing/J.D. United is an organization which is constantly learning and strengthening employee competitiveness. We enable our employees to gain satisfaction from realization of their personal values while simultaneously enhancing organizational performance and building a more competitive corporate culture to attract talent and increase employee engagement. With regard to protection of human rights, we support and implement internationally recognized human rights regulations and guidelines. We have formulated the “ Human Rights Policy of Roo Hsing/J.D. United ” to protect the human rights of our employees, build a safe and healthy workplace environment, and facilitate mutual growth for our company and our employees.

We are committed to providing our employees with excellent, safe, and healthy workplace environments; talent cultivation; and employee benefits which improve employee work and living conditions. We stimulate individual potential through sound management and personnel systems while providing comprehensive training and diverse rotation opportunities for our internal staff. We also demonstrate transparency in our internal promotion systems and strive to promote management talent from within our ranks to achieve our vision of placing suitable personnel in appropriate positions, allowing the potential of our employees to be fully utilized.

Remuneration and Benefits

Roo Hsing/J.D. United has formulated fair, reasonable, and competitive remuneration systems to recruit outstanding talent. Our starting salaries for new recruits all exceed minimum wage standards stipulated by law, and we have also established complete performance appraisal, remuneration, and incentive systems. Annual bonuses and other incentives are issued based on employee performance.

Diversity, Equality, and Human Rights

We attach great importance to labor rights and human rights, which is why we formulated our Code of Conduct and Human Rights Policies for all our employees. The former is a set of basic requirements relating to various corporate operational processes which ensure our implementation of human rights, environmental policies, and business ethics policies. We strive to provide a safe and fair working environment at all our operating sites and work to ensure that all employees receive the respect and dignity that they are due. In 2020, all employees, contractors, and temporary workers were treated with dignity and respect as per the “ Human Rights Policy of Roo Hsing/J.D. United ” and we did not incur any incidents of slavery, forced labor, or violations of human rights.

We respect and support internationally recognized human rights regulations and guidelines, including the “ Universal Declaration of Human Rights, ” “ United Nations Global Compact, ” and the International Labour Organization's “ Declaration of Fundamental Principles and Rights at



Work. ” We adhered to local laws and regulations, and also formulated human rights policies in accordance with the “ UN Guiding Principles on Business and Human Rights ” for use within our corporate group and all reinvested companies. We strive to lower our human rights risks and reduce impacts of human rights incidents through remedial measures by implementing the two aspects of “ protection and respect ” when working with our employees, suppliers, partners, and the environment.

Human Rights Policies and Commitments

Our human rights commitments are clearly listed in our human rights policies, and we have carefully reviewed all operational processes to ensure that human rights issues have been taken into consideration. We also provide smooth communications channels for our stakeholders as we believe that respect and protection of human rights serves as an important foundation for sustained corporate operations. To ensure respect for human rights in the workplace, we not only comply with the Labor Standards Act and the Act of Gender Equality in Employment, but have also formulated management guidelines for major human rights issues which are subject to subsequent review and follow-up. Our human rights management principles are as follows:

- ✓ We prohibit all forms of discrimination and implement diversity in the workplace
- ✓ We prohibit use of forced labor and child labor
- ✓ We provide fair and reasonable remuneration and work conditions
- ✓ We establish safe, hygienic, and healthy work environments
- ✓ We respect employee freedom of assembly and association
- ✓ We offer diversity, inclusiveness, and equal opportunities
- ✓ We establish communication channels and regularly convene labor-management meetings
- ✓ We periodically review and assess relevant human rights systems and actions

Three Basic Requirements: Equality in Employment, Health Care, and Open Communication Principles

Most of our employees are concentrated at our China, Cambodia, and Myanmar plants. In order to provide equal employment opportunities for people in all countries, we do not base our employment decisions on race, gender, age, marital status, and language factors, and we treasure all talented individuals who are willing to join our ranks. For our existing employees, we ensure appropriate allocation of employee duties based on the results of annual health checks, promote employee work-life balance through various activities and programs, and establish and maintain sound and diverse communication channels for compilation of employee suggestions and needs which are proactively handled. We also track subsequent improvements to eliminate workplace issues so that our employees can devote themselves to their work, better manage their time, and cultivate skills and potential capabilities that are beneficial for their individual career paths. This helps to provide us with an endless supply of innovative energies and facilitates mutual growth for us and our employees.

Zero Tolerance Policy

In terms of localized management for different regions, we not only adhered to international human rights and labor regulations, but also complied with client requirements when formulating our policies and plant regulations. We not only prohibit forced labor and various forms of harassment, but have also established emergency notification mechanisms at our human resources and management departments in various regions. Incident identification and subsequent handling for reports must be completed within 30 days. We do not condone or allow any form of sexual harassment between colleagues, supervisors, clients, or non-employees who conduct business with us. We organize regular training sessions at all factories to eradicate behaviors that may be construed as sexual harassment, and we also encourage reporting of relevant incidents.

Prohibition of Child Labor

Recruitment of Roo Hsing/J.D. United employees comply with age restrictions for child labor in all regions where we operate, and we control relevant risks through auditing measures. The minimum age limit is 16 years old in China and 15 years old in Cambodia. We strictly control our recruitment processes and work with local civil affairs institutes to prevent accidental use of child labor. Additionally, in compliance with client requirements, our minimum age of recruitment is set at 18 years old in principle. However, in consideration of the different cultural conditions in various regions, we also employ younger workers (aged 15 to 18 years old) in accordance with law, and comply with local regulations relating to job positions and working hours. All underage workers received especial care and are prevented from working in hazardous work environments. Furthermore, these young workers also undergo annual health checks provided by Roo Hsing/J.D. United, and are assigned work based on their health conditions. No incidents relating to accidental use of child labor or violations of labor management guidelines for young workers occurred in 2020.

Gender Friendly Environment

We updated our “Sexual Harassment Policies and Procedures” in 2020 and launched sexual harassment prevention training courses at our Cambodia plant. These courses covered definitions of sexual harassment, common sexual harassment behaviors in the workplace, response measures, and corporate procedures for handling sexual harassment issues. Prevention of sexual harassment is one of the most important components of our J.R.H. (JDU & ROO HSING HEALTH) project, which aims to clarify our zero tolerance attitude toward sexual harassment and create a safe and healthy workplace environment for our employees.

In order to implement the specific items under the J.R.H. project, we provided training for employees and managers at our Cambodia, Changzhou, and Henan plants which covered definitions of sexual harassment in the workplace, 10 common sexual harassment behaviors in the workplace, handling procedures for relevant issues, and corporate response mechanisms. We also simultaneously published articles to our public WeChat account to reach more employees as we worked to build a healthy corporate culture.



Sexual harassment prevention training courses for employees at Cambodia plant: Hosted once a week and attended by a total of 116 employees.



Sexual harassment prevention training courses at China plants: Hosted a total of 42 sessions attended by more than 1,300 employees.



Advocated gender equality in the workplace and introduced concepts of gender equality in the workplace through our public WeChat account, publishing a total of 5 articles which helped our colleagues understand ways to promote gender equality and response measures for gender discrimination incidents.

C.A.R.E. (Connecting, Appreciating, Responding, Encouraging) - SBF (Sewing for Brighter Future) Project



Sponsored by the Levi Strauss Foundation of leading jeans manufacturer Levi Strauss & Co., this project focuses on five core themes: “Sexual Reproductive Health, Nutrition and Hygiene, Maternal Health and Newborn, Prevention of Sexual Harassment, and Financial Literacy.” We launched this project as many of the female production line employees at our Cambodia plants migrated to the city from rural areas to seek employment and lacked the necessary knowledge and skills to protect themselves. This project was implemented at four of our factories in Cambodia to protect these workers from suffering health risks, exploitation, sexual coercion, and rights violations. We also helped most of our garment manufacturing workers build sound savings systems through promotion of financial knowledge.

P.A.C.E. (Personal Advancement Career Enhancement) Project



The proportion of female workers in the garment manufacturing industry is around 70-80%. These workers tend to have lower education levels and bear multiple stresses from work and daily living. In order to facilitate personal advancements and career development opportunities for female workers on our production lines, thereby generating positive impacts on their careers and daily lives, we initiated the P.A.C.E. project in 2016 in collaboration with GAP, and taught our employees self-management, effective communication, workplace, and daily skills using a variety of different methods, building a scalable and sustainable project model that was beneficial for both participants and all collaborating parties.

We were unable to conduct physical training courses in 2020 due to the pandemic; training was instead conducted using recorded online videos. Lecturers from GAP helped to coordinate factories by suppliers to complete recording procedures for these teaching videos. These teaching videos not only recorded actual lecture conditions, but also used a variety of interactive teaching methods such as short films, online games, animations, and other effects to present rich and interesting content.

GAP helps to coordinate training for our internal lecturers each year to ensure continuous and effective project operations. We organized physical training sessions in previous years, but adopted an online format in 2020, achieving unexpected but equally impressive results.

We implemented this project through a variety of methods. Female employees were able to participate in this project through the following channels:

- Cultivate necessary capabilities and awareness through lecturers, seed personnel, and online applications
- Participate in the program through interactive recruitment systems and mechanisms
- This project helps female employees to move towards their future career goals



Talent Cultivation and Growth

Employee Training

Due to our rapid growth and expansion of operational scope in recent years, we provided multiple internal and external training channels and opportunities in an effort to promote and enhance the learning, working, and management skills of our personnel. As we are a highly labor-intensive industry, we have invested a large amount of resources and funds in talent development and cultivation to enhance the capabilities and work efficiency of our employees.



V.O.I.C.E Project

Roo Hsing/J.D. United launched the V.O.I.C.E project in 2018 for all employees across 12 factories, using continuous case studies and practical activities to enrich our culture, engage employees, and facilitate sustainable and healthy corporate developments. We hope to spread our values and ideals while promoting our corporate spirit of sustainable development, value creation, and innovation through a variety of promotional channels. The main aim of the project was to promote our four core values: "Openness, Integrity, Courage, Empathy." We put up posters of our four core values, regularly broadcasted employee stories, and delivered internal publications via email and continued to spread our four core values to all participants so as to internalize these into our corporate culture.

In 2020, we expanded our training on sexual harassment prevention and anti-corruption while also implementing various epidemic prevention measures and promoting epidemic prevention knowledge in accordance with government initiatives. For example, we reduced social gatherings, promoted mask wearing, and encouraged frequent hand washing. We continue to maintain a transparent, bright, and healthy corporate culture to build a safe workplace for our employees and to assume our social responsibilities.



Performance Results in 2020

- 1 Published 3 issues of our quarterly publication “Roo Hsing & JDU Newsletter” which focused on core V.O.I.C.E. values and reported on our internal corporate activities, developmental changes, and cultural constructs.
- 2 Provided monthly factory broadcasts of our core values through audio storytelling and popularization of corporate culture.
- 3 Introduced project details to new employees during orientation training.
- 4 Used our public WeChat account to promote project values and concepts.
- 5 The courses hosted at our sites in China were attended by 1,500 participants over a total of 30,000 training hours.
- 6 Broadcasts delivered 2 times a day for 15 minutes at our sites in Cambodia reached 100% of employees.



Investments in Talent Cultivation

Our internal training procedures were affected by the pandemic in 2020; in order to protect the health and safety of our employees, we suspended all training for the first half of the year. Fortunately, epidemic conditions improved in the second half of 2020, and we were able to immediately resume our training procedures. The results of a 5-point survey showed that average overall satisfaction scores were 4.66.



Training Highlights and Results for 2020

Course Category	Course Theme	Total Number Of Trainees	Number of Courses	Total Training Hours
Training for new employees	Pre-employment training courses (orientation, organizational culture, employee welfare systems, and various regulations)	5	5	0.25
Comprehensive enhancements and training	Instructions for remote working	20	1	1
	Management of information security and protection of personal information	23	1	1
	Sustainable corporate management	30	1	1
	Acupressure and healthcare concepts	24	1	2
	Indispensable Word skills	20	1	2
	Earthquake and disaster risk management	20	1	2
Training for specific personnel	How directors review financial reports and prevention of insider trading	6	1	3
	Corporate social responsibilities and sustainable management	5	1	3
	Risk management and continued monitoring of operational risks for the new era	5	1	3
	Precautions and discussions on continued management of corporate operations	5	1	3
J.R.H.	<ul style="list-style-type: none"> Methods for preventing sexual harassment Gender equality training Anti-corruption training 	1,535	1	13,105
V.O.I.C.E.	Four core values: “Openness, Integrity, Courage, Empathy”	1,500	40	30,000
P.A.C.E.	Training in three major modules: “Communication skills, problem solving and decision making, time and stress management”	40	32	1,920
C.A.R.E.	Training in five major core competencies	3,014	1	3,014

Stable and Harmonious Labor-Management Relations

We consider harmonious labor-management relations to be indispensable as we believe that one can progress quickly alone, but it takes a group to maintain long-term progress as we work together to achieve sustainable operations. Employers should treat workers kindly in terms of salaries, benefits, and career development and help all employees to move forward. We believe that smooth two-way communications are essential for facilitating labor-management collaborations, and have established relevant systems and opportunities to promote mutual cooperation, as well as labor-management advisory systems to prevent future issues from arising. We encourage two-way communication to reduce confrontations and conflicts, thereby lowering turnover rates, building consensus, and strengthening employee loyalty and engagement.

Freedom of Association

We respect employee freedoms of assembly and association, encourage our employees to express their opinions, and have built harmonious labor-management relations. Labor unions have been established at our Cambodia and Changzhou plants for regular labor-management exchanges, continued optimization of employee well-being, and progress toward a happy enterprise.

Smooth Communication Channels

Our human resources departments at each operating site regularly compile employee feedback which are delivered to relevant departments and management teams, following which relevant units provide immediate responses to these questions and suggestions, as well as improvement measures and plans which are jointly investigated and supervised by labor unions and human resources departments in accordance with their responsibilities. Labor-management communications in all regions are facilitated through labor-management meetings and labor unions for resolution on important issues. No specific major labor-management disputes occurred in 2020.



Worker Engagement and Communication Technology Platform WOVO App

The WOVO app is a third-party platform directly operated and implemented at factories. The app is used to assist and solve issues relating to worker engagement and well-being. Factory workers can anonymously and directly voice their suggestions to management representatives. The platform not only allows our workers to privately ask questions and report issues, but also has a function which provides managers with a way to respond while maintaining worker anonymity, ensuring complete confidentiality for both parties and allowing management to understand worker needs and build better workplace atmospheres for workers, improving production efficiency by building an intelligent bridge for communication. Apart from providing an opportunity to exchange opinions, the WOVO app also serves as an online learning platform to track worker learning progress and scores. Through WOVO, workers can gain professional knowledge and individual training opportunities on topics such as women's health and fertility, mental health, smoking cessation, and economic and family issues.



This project was launched as a pilot scheme at our Cambodia plant and was successfully downloaded by 896 workers within the first 6 days of implementation, achieving a coverage rate of 50%. We conducted a survey on worker well-being through the app and hope to achieve a coverage rate of 100% in 2021 so that the platform can be used as an internal management mechanism. At present, our factories are still incorporating daily worker work schedules and salary details into the app. Factory workers can check their personal leave days and salary amounts on the app, facilitating more convenient management and review by both labor and management personnel, as well as optimization of operational processes.

Employee Care

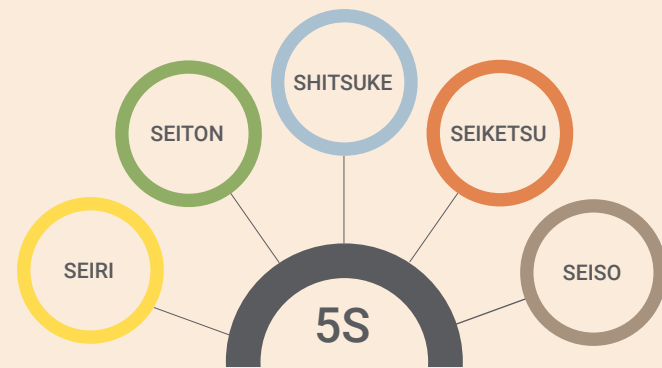
In recent years, we actively promoted various projects and activities relating to talent management and potential development for leadership talent. We obtained multiple resources and channels through collaboration with our clients, governments at operating site locations, and non-government organizations, and have invested large amounts of internal manpower and funds to fully support continued operations of related projects. Key projects in recent years included: P.A.C.E., WOVO, C.A.R.E, V.O.I.C.E, and VOW which are expected to incorporate our core corporate culture and enhance employee well-being.

Occupational Safety and Health

Implement Health and Safety Controls to Build the Best and Healthiest Workplace

5S Workplace Management

In order to reduce work-related injuries and accidents, Roo Hsing/J.D. United adopts Japanese 5S management principles and methodologies, including SEIRI, SEITON, SEISO, SEIKETSU, and SHITSUKE to ensure that all departments and employees are well-organized and adhere to factory health and safety regulations. Our 5S Committee evaluates the 5S performance of each department to provide further guidance and suggestions. To encourage all employees to apply 5S procedures in their daily work, departments and employees with outstanding performance are rewarded.



All Roo Hsing/J.D. United factories implement workplace health and safety management systems through the Labor Health and Safety Committee and 5S management principles, as well as through application of the PDCA model (Plan-Do-Check-Act quality management cycle) in regulatory compliance assessments, health and safety awareness training, and supervision of improvements and preventive measures. All of our operating sites actively cooperate with local governmental routine workplace inspections and work closely with local governments to jointly promote implementation of multiple health and safety measures. We are most concerned with employee work safety, physical health, and mental health, and strive to maintain the basic rights of each employee. We understand that we are responsible for the occupational health and safety of our employees, and therefore require our production line workers to undergo strict training and management procedures before commencing work to reduce potential work-related injuries.

Occupational Safety Training

Highlights of Occupational Safety Training

In order to maintain zero-accident workplace environments, we ensure that all employees have safe and healthy workplace environments through comprehensive training. Our four main training categories are as follows:

Training Category	Content of Training
Basic occupational health and safety training	<ul style="list-style-type: none"> Environmental health and safety risk awareness training Risk prevention measures Health and safety regulations Improvement strategies
Chemical storage and management	<ul style="list-style-type: none"> Awareness training Storage regulations Health and safety principles for operational personnel Usage and management of PPE Safety checklist for MSDS materials
PPE training	<ul style="list-style-type: none"> Awareness training and practical applications
Environmental hygiene management	<ul style="list-style-type: none"> Hygiene enhancements for workplace environments Management of personal environments Production safety management



Occupational safety projects and results for 2020 were as follows:

Type of Occupational Safety Training*	Focus of Training and Implementations in 2020	Total Number of Trainees	Total Training Hours
Basic occupational health and safety training	Monthly	12	72
Chemical storage and management	Quarterly	430	1,720
PPE training	Quarterly	430	1,720
Environmental hygiene management	Quarterly	26	104
BFC PICC training**	Once every 1.5 months on average	149	4,023

*Note: Encompasses China Changzhou plant, Cambodia plant, and Africa Tanzania plant.




**Note: BFC is the abbreviation for the Better Factory Cambodia project; PICC is the abbreviation for the Performance Improvement Consultative Committee.

Promotion of Physical and Mental Health

J.R.H. (JDU & Roo Hsing Health) Project

This project aimed to strengthen corporate culture and values, enhance physical and mental health of employees, and support employees in implementing business ethics. We emphasized strengthened awareness of women's self-protection measures in the workplace and advocated concepts relating to gender

equality. Additionally, we fully understand that corruption and bribery can seriously affect sustainable corporate management, and therefore continue to strengthen promotion and training to cultivate relevant professional knowledge in our employees.

Theme	Photo	Project Content and Measures	Implementation Results in 2020
Anti-corruption		We invited the head of the Changzhou City Procuratorate to our Changzhou office to conduct face-to-face training. Trainees included senior managers and other important personnel. The course covered the main types of crimes committed by non-government officials, applicable laws, on-site case analyses, and discussions.	Training hours: 3 hours Total number of participants: 35
Sexual Harassment Prevention		We conducted several indoor training courses at our Changzhou and Henan plants, using PowerPoint presentations to explain sexual harassment in the workplace, types of sexual harassment in the workplace, specific actions, and response measures to our production line employees, production line managers, and plant managers.	Training hours: 13,000 hours Total number of participants: 1,300
		We found that sexual harassment not only occurs between production line workers, but also between production line managers and workers. We therefore used bilingual Chinese and English slides to conduct comprehensive training for management personnel at our seven factories in Cambodia. In future, we will conduct related training courses in accordance with the conditions of each operating site.	Training hours: 1,218 hours Total number of participants: 116
Anti-bullying		We used audio broadcasts to explain workplace bullying, workplace bullying behaviors, and response measures to our production line employees.	Total number of participants: 200

Co-hosted Employee Tournaments with Chashan Subdistrict Union



This activity provided our employees with a stage to showcase their talents; the contests encouraged outstanding employees to demonstrate their talents.

Care for General Eye Health



We worked with professional third-party institutes to offer eye care services for our employees, including eye tests and eye disorder checks, and provided explanations and suggestions to our employees based on eye check results.

First-aid Training



We invited the head of the local Red Cross Association to provide first-aid training for employees.

Chinese Pastry Chef Training



In 2020, we trained a total of 42 people, 35 of whom obtained relevant licenses, achieving a pass rate of 83%. This activity provided our colleagues with training in skills outside the workplace.

Tea Arts Training



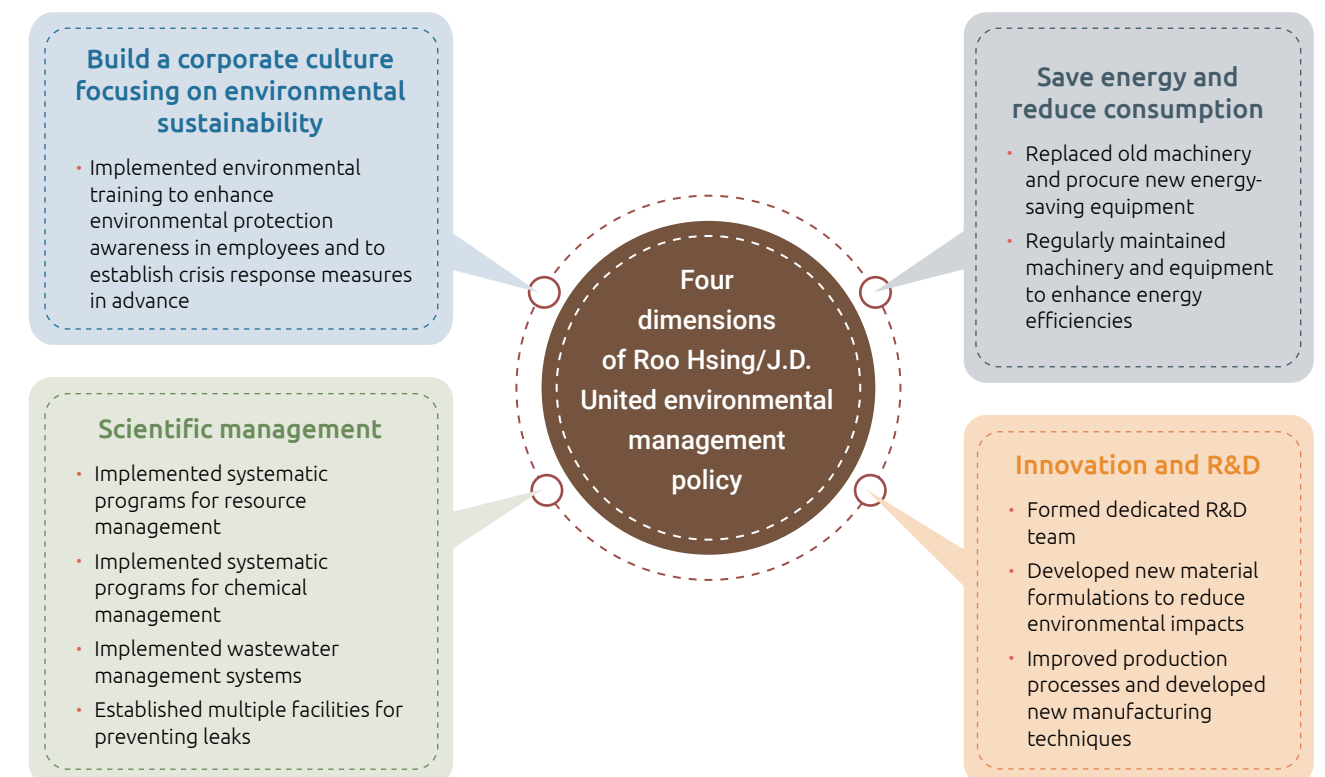
In 2020, we training a total of 50 people, 42 of whom obtained relevant licenses, achieving a pass rate of 84%. This tea arts activity helped our employees to build cultural literacies, and we hoped to increase their interest in tea arts through this course.

Environment

In consideration of the environmental impacts of the fast fashion industry, we continue to maintain our commitment to the environment, and stay constantly attentive to issues relating to natural environments and resources to mitigate our environmental impacts and disruptions during corporate operations. We take advantage of our globally distributed operating sites and vertically integrated supply chains to establish environmental management targets and actions. We utilize our R&D and innovative capabilities to develop new materials and techniques that reduce wastewater discharge, waste materials, and usage of hazardous substances to expand our influence on sustainability practices as we balance environmental and fashion demands so that consumers can dress in Green Jeans which are fashionable, eye-catching, and environmentally sustainable.

Environmental Management Policy

Implementation of ISO 14001 Environmental Management Systems in combination with our corporate vision of “Seeing Sustainability as Basis, Environment as Doctrine, Proactively Innovating, and Predicting the Future” helped us formulate an environmental policy based around four main dimensions. We built a corporate culture of sustainability by implementing measures to save energy and reduce consumption, utilizing scientific management procedures, and constantly innovating R&D and innovative technologies to maintain our corporate sustainability and competitiveness while protecting the environment.



Roo Hsing/J.D. United establishes management objective and policies for various environmental management categories each year, then uses these objective as a basis for formulating management processes and measures which are incorporated into our organizational operation plans. Dedicated units are responsible for overseeing these management procedures through regular review, tracking, and continued improvement to ensure that we meet our policy goals for environmental management. We are working with our upstream suppliers to reduce 40% of carbon emissions by 2025 (using 2016 as our reference year) so we can meet carbon reduction requirements.

2020 Roo Hsing/J.D. United Environmental Management Objective and Action

Category	Goals	Management Procedures
Energy Management and Conservation	Reduce 3% water and electricity expenses	<ul style="list-style-type: none">Water/electricity management systemsImplement energy management training to enhance energy conservation and environmental protection awareness in employeesGradual replacement of energy-consuming equipment with energy-saving equipmentRegular inspections and maintenance for electrical equipment, water valves, and pipelinesStrengthen supervision of production processes
Environmental Safety	Zero environmental and safety incidents	<ul style="list-style-type: none">Establish comprehensive corporate energy-saving and carbon-reducing environmental policiesProvide employees with comprehensive environmental safety trainingConduct incident drills for safety and environment associated accidentsInvite regular guidance from EIA companiesPrepare sufficient fire safety equipment and undergo periodic inspectionsImprove chemical management systems
Wastewater Management	Fully (100%) achieve effluent standard	<ul style="list-style-type: none">Strictly comply with sewage discharge regulationsImprove wastewater and sewage treatment systemsRegular inspections of discharged waterRecording and filing of wastewater and sewage management system dataThird-party inspections of wastewater and sewage
Waste Management	100% of waste recycled according to regulations	<ul style="list-style-type: none">Collect and classify solid waste, and undergo subsequent categorization, recycling, and handlingImplement routine waste classification inspections in production and operation areas
	100% hazardous waste recycled according to regulations	<ul style="list-style-type: none">Implement independent handling, storage, and disposal of hazardous waste in accordance with laws and regulationsStrict implementation of storage warehouse registration, recording, and filingOnly cooperate with qualified service providers
Emissions Management	Fully achieve emissions standard	<ul style="list-style-type: none">Ensure normal operations of emissions equipment and record and archive associated dataUndergo regular third-party emissions testing
Noise Management	Fully achieve local regulations	<ul style="list-style-type: none">Invest in and install equipment for controlling and adsorbing noise



In November 2020, we completed internal ISO 9001 and ISO 14001 auditor training provided by the Beijing Daluhangxing Quality Certification Center at our Changzhou plant and obtained relevant certifications as part of our continued quest to enhance overall corporate competitiveness.

Energy Management

To improve our energy efficiencies, we regularly analyze and review energy consumption at all production sites, and continue to reduce energy consumption and carbon emissions during our manufacturing processes.

We reduced GHG (Greenhouse Gas) emissions at our production sites in China by replacing equipment and recovering heat. Our plants have replaced all traditional coal-fired boilers with purchased steam to reduce the use of non-renewable resources. Additionally, we effectively reduced carbon emissions in our production processes by using heat energies recovered from mechanical equipment to heat bleach and cold water used during dyeing processes, and by recycling hot water steam from drying machines.

In 2021, we expect to renovate and repair the steam pipelines and equipment at our Hung Hsing Water Washing Plant and Nagapeace Water Washing Plant in Cambodia to enhance steam utilization, gradually reduce energy intensities, and mitigate the impacts of global climate change.

Energy Management Practice

1 Water curtain

To effectively increase energy utilization rate during production processes, we used water curtain cooling walls to lower temperatures in washing production lines by around 3-12 degrees. The water curtains not only reduce up to 50% of electricity usage, but also increase air circulation to improve stifling conditions in plant environments and provide our colleagues with comfortable and safe working environments. Usage of water curtains were adopted at all Roo Hsing/J.D. United plants in 2020.

2 Optimization of energy-saving lights and processes

To prevent energy wastage, we not only replaced traditional light fixtures with energy-saving LED lightbulbs, but also adopted natural air-drying procedures during manufacturing processes. We air-dried wet garments before drying them in tumble drying machines, greatly reduce energy consumption from the operation of drying machines.

3 Gradual introduction of renewable energies

To mitigate global warming and increased climate change risks from GHG generation triggered by combustion of fossil fuels, and to increase environmental sustainability of production processes, our Hung Hsing Water Washing Plant in Cambodia initiated a solar power generation project in 2020, and renewable energy projects are currently under negotiation at our other production sites to improve the environmental sustainability of production processes.

In the future, we plan to adopt proactive energy management measures. In addition to setting up a dedicated energy management team composed of personnel from various production sites, we will also formulate specific energy targets and regularly review energy data at our plants to enhance our energy efficiency performance and make strides in managing and monitoring our energy usage targets and ideals.

Water Resource Management

The dyeing and washing processes to produce one pair of jeans consume almost 7,500 liters of water, equivalent to the average amount of water a human consumes over seven years. As a garment manufacturer, we are especially attentive of issues relating to water resource management. In 2019, we established professional washing development and management teams at our water washing plants to emphasize and proactively implement water resource control systems, new machinery and equipment, and water-saving measures during production processes, as well as develop new techniques and chemical materials. We strengthened our influence on environmental sustainability through vertical integration of our supply chains and strive to achieve green targets simultaneously with operational developments.

We are attentive to our water usage impacts and continue to collect data on water resources for regular review of our water usage efficiencies and water-saving performance. Our production sites in Cambodia and Changzhou (China) mainly use water taken from local water plants.

Additionally, we expect to establish new water consumption indicators for individual garments starting in 2021:



Water Intake Statistics at China and Cambodia Plants in 2020

Unit: Cubic meters

Water Source	China	Cambodia		
		Nagapeace Water Washing Plant	Hung Hsing Water Washing Plant	Roo Hsing Water Washing Plant
Tap water intake	50,029	2,143,436 (Total)		
Ground water intake	1,635	0		
Total water intake	51,664	2,143,436 (Total)		
Total amount of recycled water	0	580,910	148,533	70,230
Proportion of recycled water to total water intake	0%	55%	22%	11%

Notes: Our Changzhou plant in China is small and conditions are not ideal for installation of water recovery equipment, so no water was recovered for reuse.

Process Water Reuse

In order to respond to stakeholder expectations, comply with government regulations, and implement our sustainable business philosophies to achieve our goal of “ reducing water resource usage by 3%, ” we installed water treatment and recycling equipment at our three water washing plants in Cambodia to reuse treated wastewater in our dyeing processes. We estimate that we recover 300 to 400 tons of water each day. Our system uses tap water to dilute circulating water, and activated carbon to filter and decolorize water. We estimate that we recover 10,000 tons of wastewater each day by mixing 800 tons of tap water with 400 tons of recycled water, thereby achieving our sustainable development targets.

In the future, we plan to further expand our storage facilities for recovered water and increase actual production volumes of recovered water in our factories to achieve our mid-term goal of recovering 60% of the water used at our water washing plants and our long-term goal of recovering 65% of the water used at our water washing plants. Additionally, we also optimize our water washing techniques and processes to reduce water consumption for each garment while ensuring that our washing effects meet client requirements as we seek to find the optimal balance between product quality and environmental needs.

Water-Saving Process

We established our water washing team in 2019, appointed the plant director as the overall team leader, the manager of the denim production line as the team supervisor and manager, and dye bath technicians as those responsible for improving and implementing washing methods. We also continued to introduce various water-saving measures at our production sites in 2020, including procurement of new Turkish washing machines to reduce process water usage, optimization of washing techniques and processes,

and implementation of automated washing systems to enhance production capacity. We also developed processes that decreased chemical material usage to reduce washing time, water consumption, and chemical usage for each tank, and to make our washing processes more energy-efficient and eco-friendly.

Additionally, our Hung Hsing Water Washing Plant launched a water resource audit project in collaboration with a European consulting company in 2020. In future, we will promote water-saving measures in accordance with the recommendations of these professional consultants.

Replaced Old Machinery to Increase Equipment Utilization

We procured Turkish energy-saving and eco-friendly washing machines to replace our old energy-consuming washing machines, saving around 50% of water consumption. We also developed new washing formulas suited for energy-saving and eco-friendly washing machines and adjusted our material ratios, water consumption, and washing times to increase liquor ratios, reduce washing costs per tank, and increase washing efficiency. We will continue to develop green and eco-friendly chemical materials that meet our production needs and the quality requirements of our clients.

We replaced and renewed machinery and equipment at our Changzhou plant in 2020, procuring new washing machines, ozone washing machines, laser equipment, and drying machines to further expand our water-saving benefits.

Automation of Washing Systems

In 2020, our Cambodia plant increased production capacities by 50% through procurement of new Turkish washing machines which maximized the benefits from every drop of water.



Ecostone Washing

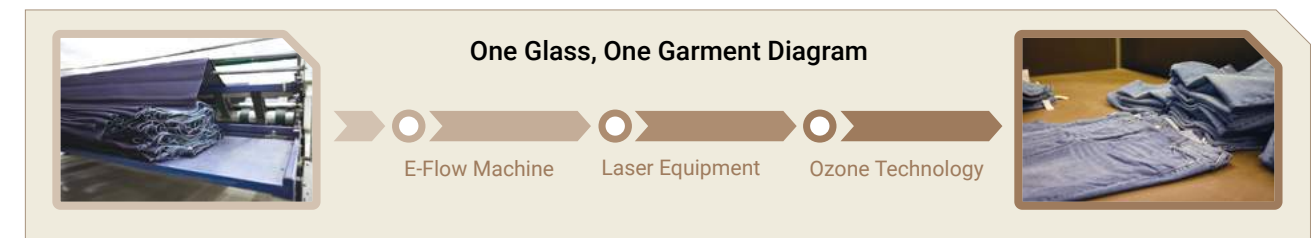
Traditional pumice stones used in washing processes produce problematic toxic waste. Therefore, our Cambodia plant replaced traditional pumice stones with “Ecostones” in our E-Flow technologies and washing processes starting in 2018. In terms of recycling benefits, we estimate that we reduced usage of traditional pumice stones by 70% through our adoption of Ecostones while also reducing 40% of total costs during our entire stone-washing processes. In 2020, our Hung Hsing Water Washing Plant in Cambodia reduced pumice stone usage by up to 22% and total costs by 11% through usage of Ecostones during washing processes.



One Glass, One Garment

We reduced water usage by 95%, electricity usage by 40%, and chemical usage by 90% through our One Glass, One Garment manufacturing processes. We continue to improve our advantages in production efficiency by procuring eco-friendly and energy-saving equipment and technologies, including E-Flow nanobubble washing machines, laser denim pattern machines, and G2 ozone machines, replacing traditional manufacturing processes which required 70 liters of water with a process that only required one glass of water to achieve old-style brushing, wear, and washing effects.

In 2020, we installed 2 laser machines at our Roo Hsing Water Washing Plant in Cambodia to reduce labor costs and increase production volumes, achieving significant water savings of up to 95%.



The Secret of “One Glass, One Garment”

Through our washing processes, we reduced water usage by 95%, electricity usage by 40%, and chemical usage by 90%. The secret of Roo Hsing/J.D. United's “One Glass, One Garment” process lies in the combined use of three machines:

E-Flow Machines

The E-Flow washing machines mix chemical additives with raw materials; a major feature of these machines is that they can form nanobubbles from mixed materials and reduce water consumption. “One Glass, One Garment” processes combine multiple technologies. Our E-Flow machines utilize nanobubbling technology and use less than 1 liter of water to complete the entire washing process for denim fabrics. These innovative green production processes allow workers to create a washed-out effect by spraying dyes and softener resins on fabrics.



Laser Equipment

Traditionally, the white yarn within denim fabrics are revealed through manual scrubbing of fabric surfaces. We used laser equipment to replace traditional sandpaper, making it possible for our clients to designate partially whitened areas and produce special denim fabrics. However, this technique required chemical additives to highlight surface whitening effects. Procurement of new laser equipment eliminated the need for hazardous chemicals and also greatly reduced labor costs. We completely stopped using hazardous chemicals (spray-on PP potassium permanganate) in 2018.



Ozone Technology

We incorporated ozone (O₃) technology into our zero-toxic production processes as part of our mission to balance product quality and environmental protection while reducing water and energy consumption. Ozone serves as a bleaching agent for fabric finishing processes and produces optimal bleaching and stain removal effects. Ozone generators use electric currents to charge oxygen molecules and convert them into ozone gas. These ozone molecules can then be used for fabric washing before they are converted and released into the air. Our new ozone equipment sprays ozone gas on products during washing processes to create a bleaching effect and eliminate color differences. Combining laser equipment greatly shortens processing times and reduces energy consumption while producing prominent whitening and abrasion effects.



Wastewater Management

We implemented a wastewater treatment and recycling mechanism which strictly abides by local wastewater discharge standards; only plants that have received permits issued by local governments can discharge wastewater. To facilitate real-time monitoring of sewage treatment conditions, we not only commission third-party institutes to conduct comprehensive sewage inspections every April and October, but also conduct daily tests in our factory laboratories while also requiring our upstream wet treatment fabric suppliers to conduct regular sewage inspections. We conducted routine self-inspections on 19 collaborating fabric companies in 2020; 7 of these companies adopted external Zero Discharge of Hazardous Chemicals (ZDHC) sewage monitoring procedures. ZDHC sewage monitoring procedures include a list of 11 key hazardous chemicals. Roo Hsing/J.D. United prohibited use of the first 3 items on the list (phthalates, Aps/APEOs, and perfluorinated chemicals) and communicates with clients on washing procedures to ensure compliance with client controls and requirements; we request our upstream suppliers to comply with the same requirements.

In 2020, sewage discharge at all our production sites underwent inspections by environmental departments of local governments. Our sewage treatment facilities and equipment operations all adhered to local discharge standards.



Hung Hsing Water Washing Plant sewage treatment system



Roo Hsing Water Washing Plant sewage treatment system



We advocate avoidance of excessive water and chemical usage during production of fabrics and garments, and strive to improve resource utilization.

STWI is an initiative jointly initiated by Swedish textile and leather brands in tandem with the Stockholm International Water Research Institute. The initiative aims to solve the arduous water resources problems faced by the garment and fabric industries, and to assist companies in finding appropriate mechanisms to cope with water shortage challenges while pursuing development and environmental goals.

We implemented STWI projects in combination with rigorous policies and brand standards, and learned about relevant cases, methods, and results through participation in these projects for continued improvement of corporate water recycling measures. We gradually expanded the scope of implementation to our China plant in 2018, and commenced implementation of this project at our Cambodia plant in 2018.

Key implementation projects in 2020:

- Environmental Impact Measuring (EIM) system applications: We obtained certification for various washing formulas through EIM environmental systems.
- Promotion of green chemical screening: The chemical material suppliers for our various plants undergo proactive certification processes. All the chemical substances used at our Cambodia sites passed Screened Chemistry (SC), ZDHC, and Bluesign certification in early 2020.



Sewage Treatment Plan for Africa Plant

We established a sewage treatment plant at our production site in Africa to treat an estimated 1,500 tons of sewage a day using chemical and biological treatment techniques, achieving recycled water utilization rates of 26%.

We originally planned to establish a second sewage treatment plant from 2021 to 2023 to enhance sewage treatment capabilities. However, following adjustments in production schedules by our management team, wastewater discharge was reduced to 650 tons and washing volumes increased to 30,000 garments a day from 1,500 tons of discharge and washing volumes of 20,000 garments a day, reducing the need to construct a new sewage treatment plant.



Waste Management

We continue to promote the internal implementation of waste management mechanisms by designing green processes, and reduced waste production in recent years by conducting training courses for relevant personnel, requiring all production sites to implement waste classification systems, and strictly controlling all waste generated through routine operations and production processes. All waste rubber sheets and waste chemical packaging materials are processed by qualified manufacturers. We actively reduced waste volumes in recent years and will continue to expand our scope of waste management in the future.

Chemical Management

In the dyeing process of jeans, sodium hypochlorite, potassium permanganate (PP), and other chemicals are used to remove the indigo dye from tannins to create a variety of product styles. Apart from continuing to develop new technologies such as Cooltrans technology, we have also implemented chemical management systems in all factories, formulated rigorous chemical management and usage procedures, established leakage prevention facilities, and organized chemical material and storage training for relevant personnel to strengthen emergency responses and crisis awareness, preventing these chemicals from negatively impacting on human health and natural environments.

We successfully achieved our target of “zero toxicity during production processes” in 2020 and have gradually obtained third-party SC and ZDHC certifications as required by Levi's and our other clients. In future, we plan to ensure that all chemicals used at our sites are 100% certified.

Roo Hsing/J.D.

United Chemical Management Measures

Scientific management

Management of all routinely used chemical substances adhere to chemical management systems.

Environmental safety

Installed anti-leakage fans to ensure ventilation conditions in work environments.

Personnel training

- All technicians are required to undergo comprehensive training and pass qualification exams before they can be made officially responsible for management of chemical substances.
- Hosted chemical safety training courses covering emergency measures, appropriate and adequate chemical labeling, PPE instructions, chemical safety checklists, and responses for chemical spillages.



Regular inspections

Technical representatives keep records of chemical management and inspect warehouses every week. Any regulatory violations are immediately corrected and adjusted by relevant personnel.

Strict Inspection and Assessment

To effectively manage chemical products and minimize potential risks from hazardous chemical substances, we established internal self-assessment questionnaires for inventory and review of chemical management procedures, storage environments, labeling, personnel safety, and training courses. We also inspect the washing formulas of different product styles each quarter, with inspection items differing according to differences in washing procedures. Our products are delivered only after verification by third-party inspections, thereby ensuring that the chemicals used in our production processes all adhere to client standards.

In response to client requirements relating to raw material suppliers, we require our suppliers to send all bulk chemical products (apart from some highly dangerous bulk chemicals which cannot be delivered or products which are restricted by local transportation regulations in Cambodia) to NimkarTek in India for analysis and inspection of hazardous substances. In 2020, our Changzhou plant sent four bulk chemical products to India for inspection, namely sodium thiosulfate, sodium carbonate, sodium sulfate, and sodium metabisulfite.

Additionally, our procurement departments require suppliers to provide MSDS information and ZDHC MRSL declarations for approval by responsible units before undergoing purchasing procedures. We also conduct rigorous compliance audits on chemical suppliers each year and proactively seek out suppliers who offer better quality chemical materials.

Chemical Management Procedure

We have established comprehensive chemical management procedures which adhere to local laws and regulations, and strictly control chemical storage and personnel usage amounts. We not only require our suppliers to provide relevant chemical information, declarations, and client-approved certifications, but also organize regular organizational training relating to chemical hazards, safety precautions, emergency response measures for leakages, and emergency equipment.

Established RSL/MRSL Substances Management List

We adhere to the regulations and requirements of Levi's Restricted Substances List (RSL) and ZDHC's Manufacturing Restricted Substances List (MRSL), and have established chemical management lists, Material Safety Data Sheets (MSDS), and Technical Data Sheets which adhere to local laws and regulations. These lists are updated at least once a year based on risk assessment results.

Responsible units not only file and control MSDS information according to ZDHC MRSL Chemical Abstracts Service (CAS) and Color Index (CI) numbers, but also design corresponding labels based on MSDS information and ensure that these are placed conspicuously on chemical containers.

Levi's RSL



ZDHC MRSL



Chemical Manufacturing Processes and Storage

Our water washing plants in Cambodia all use green and eco-friendly chemical materials, and we strictly control chemical usage during production processes to ensure that the proportion of chemicals in each washing tank falls below 12%. We do not utilize any washing formulas which exceed these standards, and we also impose reasonable controls on chemical material costs.

We adopt a rigorous attitude in the management of production areas and place chemical substances in designated areas. Responsible units implement strict controls in our factories according to MSDS management requirements. Procurement and storage of all chemicals are managed by designated personnel, and corrosive and highly hazardous chemicals are stored separately to prevent chemical reactions. Additionally, we have installed exhaust fans, smoke sensors, fire extinguishers, eye washers, and explosion-proof fans to ensure ventilation conditions in the chemical storage facilities of all factories.

Employee Safety Training and Protection

To ensure the safety and response capabilities of our employees when handling chemicals, we provide PPE and regular training courses, and stipulate that only employees who have passed chemical safety training can handle chemical substances. We strengthen chemical management knowledge and safety awareness in our colleagues through online video training for factory technician representatives, and also simulate complete chemical management processes through on-site drills to help technician representatives better understand operational procedures and respond to critical situations.

Chemical Safety Training

Awareness Building:

- ◆ Employee responsibilities of handling chemicals
- ◆ Relevant chemical information and usage guidelines
- ◆ Chemical leakages and possible symptoms
- ◆ Chemical safety labels
- ◆ National Fire Protection Association information
- ◆ Hazardous chemical substances

Action and Procedures:

- ◆ Emergency first-aid measures
- ◆ Usage of safety checklists
- ◆ Response measures for chemical spillages

Health Hazard <ul style="list-style-type: none"> • Carcinogen • Mutagenicity • Reproductive Toxicity • Respiratory Sensitizer • Target Organ Toxicity • Aspiration Toxicity 	Flame <ul style="list-style-type: none"> • Flammables • Pyrophorics • Self-Heating • Emits Flammable Gas • Self-Reactives • Organic Peroxides 	Exclamation Mark <ul style="list-style-type: none"> • Irritant (skin and eye) • Skin Sensitizer • Acute Toxicity (Harmful) • Narcotic Effects • Respiratory Tract Irritant • Hazardous to Ozone Layer (Non-Mandatory)
Gas Cylinder <ul style="list-style-type: none"> • Gases Under Pressure 	Corrosive <ul style="list-style-type: none"> • Skin Corrosion/Burns • Eye Damage • Corrosive to Metals 	Exploding Bomb <ul style="list-style-type: none"> • Explosives • Self-Reactives • Organic Peroxides
Flame Over Circle <ul style="list-style-type: none"> • Oxidizers 	Environment (Non-Mandatory) <ul style="list-style-type: none"> • Aquatic Toxicity 	Skull and Crossbones <ul style="list-style-type: none"> • Acute Toxicity (Fatal or Toxic)



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2020 CORPORATE SUSTAINABILITY REPORT

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