

ROO HSING / J.D. UNITED

S U S T A I N A B I L I T Y R E P O R T 2 0 1 7

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PEOPLE | PLANET | PRODUCT

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About Our Report

This publication is Roo Hsing / JD United's Sustainability Report, describes the most important corporate responsibility and sustainability aspects for our operations, and we would like to share our CSR activities and performances with valued stakeholders.

Reporting Period

From 1 January 2017 to 31 December 2017. Parts of report contain information from previous years.

Scope

This report covers Roo Hsing / JD United's CSR performance.

Reporting Framework

We prioritize our sustainability issues that are most important to our business and to our key stakeholder through collecting, identifying the latest sustainability trend in apparel industry and benchmark analysis. By identifying our top sustainability priorities, we can focus our resources, projects and reporting on the core topics.

Publication

Electronic copy can be accessed and downloaded from the Company's website.

Website URL: www.roohsing.com.tw/csr-report.hph
www.jdunited.com/csr-report.hph

Contact

Thank you for your interest in us. We welcome your input and look forward to hearing from you!

Contact Email: CSR@tw.roohsing.com
feedback@jdunited.com





Letter from the Chairman

2017 was another milestone year for Roo Hsing / JD United, We have expanded our global scale to 38,000 workers across Cambodia, China, Myanmar, Taiwan, Tanzania, Nicaragua and El Salvador, to reach bigger market and increase production capacity. At the same time, we will honor our commitment to provide the finest quality product, customer services, operational excellence and corporate social responsibility performances.

As a strategic partner to the world's best apparel brands, we feel obligated to take the leading role in driving the industry toward a more sustainable and responsible business. Sustainability is about the future of our society, for today's industries and businesses, also the mandate to transform business to respect environment while fulfilling social needs. In that sense, the publication of Roo Hsing/JD United's Sustainability Report signifies our first step toward greater corporate development.

With this in mind, Roo Hsing/JD United focus on the three pillars of sustainability: People, Environment and Product. We are striving to reduce our environmental footprint through equipment efficiency, energy management, water efficiency and chemical management. On the operation front, a more centralized logistic operation was built up in order to improve the efficiency in the supply chain and utilize the production process.

Our focus on promoting worker's well-being will extend beyond pilot program countries to other operation site from the beginning of 2018 to improve more workers' quality of life. In 2018, we will introduce V.O.I.C.E, our corporate value campaign. It's the underpinning of our current actions and future aspiration. It details how we are fusing our focus on growth, value creation and innovation with our steadfast commitment to lead our industry into a more sustainable future.

In this report, you will see how we realize the sustainability through reducing environmental impact, building better working place and developing technology innovation. These efforts are some examples of the work under way that we are confident will help fuel our profits for generations to come.

Going into 2018, Roo Hsing / JD United will continue to increase our efforts on corporate and social sustainable development, which promote public's well-being and create a more sustainable lifestyle!

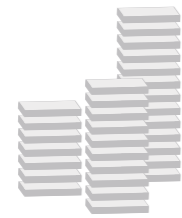
Sincerely

Chairman





2017 Highlight



USD **550** Million
value of total portfolio

35%

of our products are manufactured using BCI Cottons

Invested



USD **537,000**

in environmental management in our main plants in China



All factories have cut

2%

of electrical power usage



Engaged 1,440 attendees in the

HER program

with a total of 4,320 training hours
(implemented 180 training plans)

USD 25,000 in

P.A.C.E.

and engaged 132 participants in
this program, with a total of 5,280
training hours
(implemented 126 training plans)



USD 7,000 in

C.A.R.E program



Introduced 21 Turkish washing
machines in 2017, save up to

20~25 %

of water compared with
traditional equipment

Introduced the initiative "One-Glass-Water
Production" which is estimated to save up to

95% of water,

40% of electricity and

90% of chemicals consumption.





A total cost of 2017 Trainings and Programs estimated
USD 30,000
(including PACE, HER, CARE and annual training)



Training performance: estimated over

12,000

attendees counted in overall training programs, total training hours reached over

22,000 hours

in China, Cambodia, and Taiwan.



Leading a Sustainable Business

As a leading apparel manufacturer in the world, Roo Hsing / JD United is genuinely committed to providing a safe and fair workplace and being a leader in corporate social responsibility. We continuously develop and strengthen the core business value that enables us to provide high-quality products and build up a long-term partnership with stakeholders.



Our Core Value





About Roo Hsing / JD United

Roo Hsing / JD United specialize in garment and denim production, integrated design, development, manufacturing and supply chain services, and provided a complete package of apparel production solution. Now we are one of the largest denim producers in the world. Our products are sold in end markets all over the world, spanning the US, Europe, Japan and Asia.

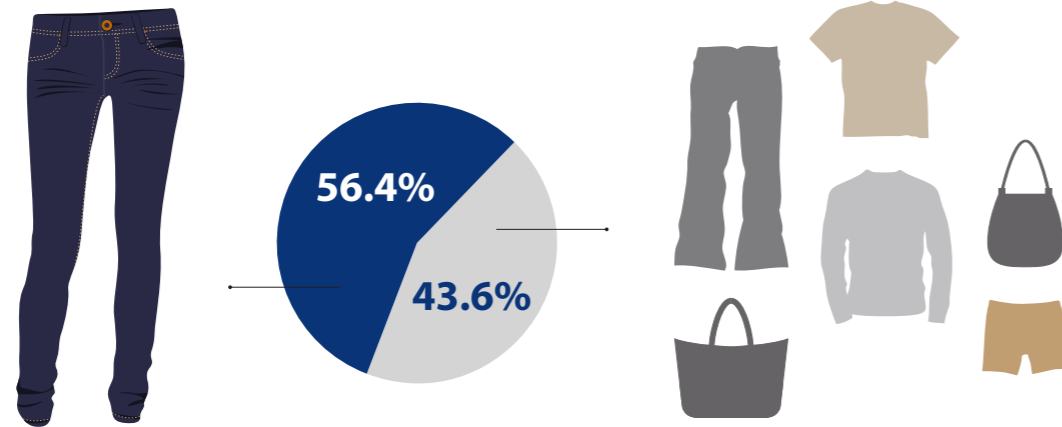
By end of 2017, we had around 38,000 workers all over the world. Our operation sites include China, Cambodia, Myanmar, Tanzania, Nicaragua and El Salvador. The research center is based in Changzhou, China, and headquarters are in Taipei, Taiwan.





Products & Services

Our main products and services include:



Affected by the global trends such as fast fashion, labor rights, eco-friendly measures, and energy efficiency, we are actively developing and investing in automation equipment, laser and ozone washing machine equipment innovation, to fulfilling the short lead time of fast fashion and utilize the production process to achieve sustainable management in the same time.

We use eco-friendly machines from Yilmak & Jeanologia that reduce the usage of water, steam, energy and produce less amount of waste. In the meantime, the efficiency also significantly increase.

We hope to satisfy consumer's demand, hence, we develop diverse denim washing styles. We collaborate with sourcing suppliers to develop quick dry fabric, and new denim fabric that's flexible and fit. Through changing the fabric and process, design and fashion had further meaningful uses.



Apparel Industry

The global apparel market is valued at USD 3,003 trillion and accounts for 2% of the world's Gross Domestic Product (GDP). According to the statistics from World Trade Organization (WTO), the four largest garment retail markets in the world were the United States, China, Japan and Europe, which accounted for 73.2% of the apparel retail sales in the global market.

Since the 1970s, the apparel producers have switched the production basis from developed countries to Asia, especially China. Thanks to cheap labor and material, the production in Asia grew rapidly. Well-known brands transferred their orders to emerging Asian production centers such as Vietnam, Cambodia, Myanmar, and Bangladesh, mainly because of the cheap labor and trade incentives. The latest global trends for the apparel industry are summarized below:

Rapid change of consumers' fashion taste

Consumers are offered numerous options for fashion and high-quality products and they can easily access the latest fashion from the online platform. Moreover, the rise of social media accelerated consumers' changes in tastes. In order to stand out from competitors, apparel brands need to act quickly to respond to changing fashion trend and consumer needs and regularly roll out new collections to attract consumers.

Growth of sportswear and outdoor clothing

Nowadays, people are more health-conscious and pursue a lifestyle that boosts the outdoor clothing market. It has become popular for well-known brands to introduce casual and stylish elements in sportswear and outdoor clothing

Emerging market in non-physical channel

Online shopping has become a new trend in the past few years. E-commerce has been a driving force in the retail market. More and more apparel brands invested in online shopping platforms to enhance sales performance.

Awareness of sustainability

Consumers have been aware of the environmental issues and expect the clothes they buy make less impact on the environment with reduced pollution. Furthermore, they care about the labor rights issues in developing countries where the clothes were manufactured. Most of the brands have established guidelines to ensure product sustainability, which also positively impacted the entire apparel supply chain to adjust its production line toward a more sustainable model.



Success Factor

In response to the rapid changing market, Roo Hsing / JD United hopes to use our integrated production model and innovation to strengthen our competitiveness and we have received recognition from our clients. In addition to raising awareness of environmental protection and continuous focus on develop talent, we have demonstrated our global success in business operation, production capacity and inventive edge R&D development. Below are our major success factors:



Sales increase

Organic growth

Maintain existing client's sales performance and increased business from new clients has been developed (Europe and U.S.A.)

Mergers and acquisitions

We have expanded the economic scale through M&A; brand marketers have also asked for supplier's integration.



Production efficiency

Production line automation

The introduction of production line automation reduced manpower and improved the production efficiency that facilitated order management.

Centralized management

The ERP system, an online operation, has been introduced for all global operation sites where the electronic storage management system can shorten lead time.



Innovation

OEM to ODM

From Original Equipment Manufacturer (OEM) to Original Design Manufacturer (ODM), we provide full package services from fabric development, marker making, to production. We provide multiple product categories and are able to coordinate overall design for our client

Process improvement & equipment development

Through continuous process improvement to reduce production time, improve the use of the automated machines, connect machine and system, to create a one-click production schedule planning.

The garment industry is labor intensive, therefore, in order to reduce the dependence of cheap labor, Roo Hsing / JD United has introduced various automation machines such as automatic fabric cutting machine, pocket patching machine, belt loop machine and so on.

Environmental friendly production

The washing technique has set the trend for jeans to become a pop culture phenomenon in the fashion industry, however, the traditional washing technique consumed large amounts of water and chemical substances, and discharged great amount of wastewater. With an aim to reduce as much environmental impact as we can, we expect ourselves to not only to meet the demand from well-known international brands but also to achieve the higher target for orders.

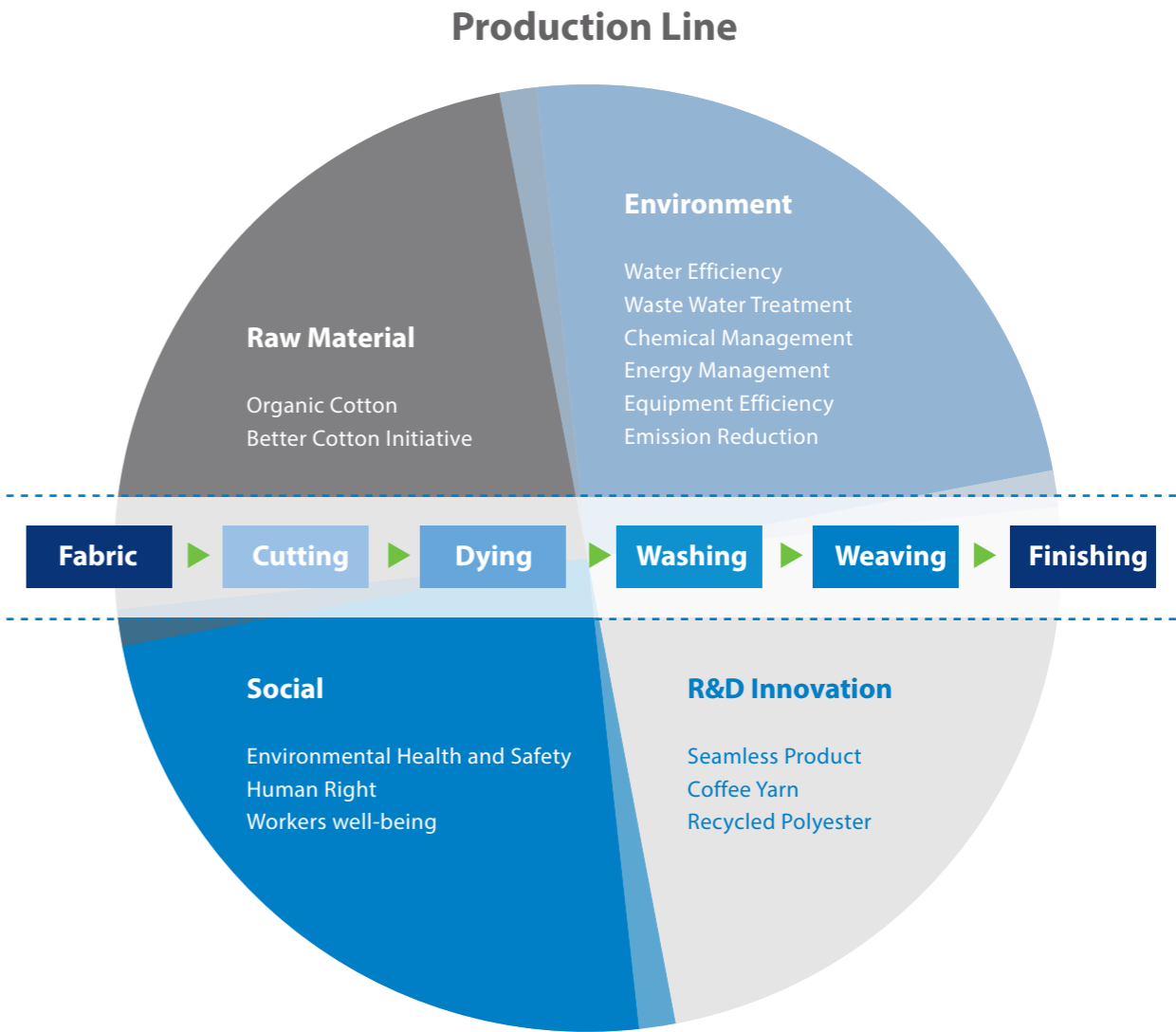




Building a Sustainable Style

Roo Hsing / JD United integrates design, development, manufacture and supply chain services and provides a complete range of apparel production solutions for various types of woven and knitwear garments, covering all aspects from concept to shelf. In addition to traditional apparel manufacturing, our services include product design and development, raw material sourcing, rapid sampling, laundry, quality control and own-lab testing, packaging, and logistics services.

We are dedicated to making our product responsibly and sustainably, and we are always looking for new material and technique to reduce the environmental and social impact on our production process.





Quality Management

LEVIS Quality Management Program
Certified QA

H&M Nominated Quality Controller
Certified NQC

Roo Hsing / JD United has effectively demonstrated its competence as a professional apparel producer that provides world-class quality products in the global market, and will follow its passion to deliver the finest quality of fashion products and values to its clients. To achieve this goal, we see communication, collaboration, and client-oriented as our core competitiveness.

From ensuring supplier quality to mass production, we follow rigorous quality management system through educational

training, preventative measures and internal control to ensure product quality. Our quality team secures the production quality in all stages with a focus to be proactive and secure the processes in the early stages.

We are proud to reveal that some esteemed colleagues had passed strict trainings and examinations, and ultimately certified by clients as quality controllers who are allowed to conduct quality check based on clients' authority.



R&D

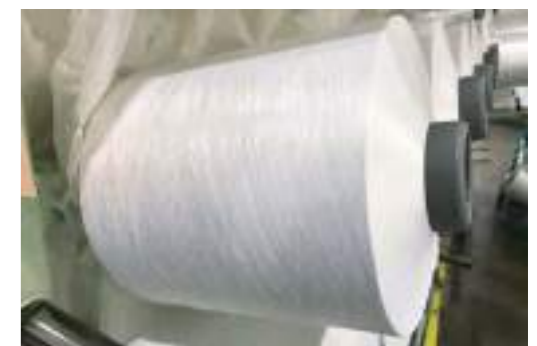
The key concept of our research and development focus mainly on whether the product is produced sustainably and responsibly in order to reduce environmental impact, and we also choose supplier that has the same vision on sustainability as we're trying to expand the usage of eco-friendly material rather than high-polluted material. As a matter of fact, we have introduced 2 eco-friendly materials and one 1 technique in our design, which is coffee yarn, recycled polyester and seamless design.

Coffee Yarn

Coffee yarn is a type of textile that turns coffee waste and recycled plastic bottles into fabric. The main characteristics of coffee yarn are fast drying, ice cool touch, UV protection and odor control. It has been widely applied on outdoor and sport apparel. We applied this material on new design, for a more eco-friendly product.

Recycled polyester

Polyester is made from petroleum derived from crude oil, a finite non-renewable resource, accounting for 21% of the material we use. But it is widely used in garment industry, hence, our R&D tried to use recycled polyester to reduce the impact of extraction and processing non-renewable resources.





Creating a Win-Win Partnership

Clients and suppliers are vital to Roo Hsing / JD United's business and we are aiming to achieve development, coexistence and common prosperity. We see clients and suppliers as our key stakeholders and hope to build up long-term partnership based on mutual trust and cooperation.



Client Management

In the past 40 years of growth since its foundation, Roo Hsing / JD United has been committed to providing satisfaction and quality to stakeholders through client-oriented management and transparent communications. Moreover, we earned the reputation from our credible clients by ensuring timely delivery, introducing trend-leading product designs, pursuing continuous innovation, investing in R&D for technological development, and actively responding to client needs.

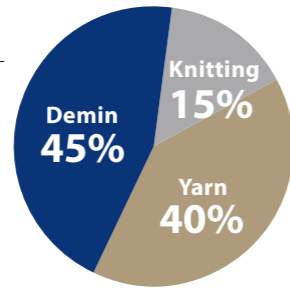
Through diverse communication channels we understand and exchange ideas with our clients, such as factory visit, participate exhibition, seminar training, and experience & technique collaboration.



Supplier Management

Roo Hsing has been focusing on creating added value through pursuing a vertical integration of the supply chain -- ranging from thread production and fabric manufacturing to apparel production.

FABRIC



ACCESSORY

- Line
- Pocket cloth
- Nylonsewing thread
- Zipper
- Sign
- Buckle

Our supplier management policy reflects our commitment to preserving natural sources, ensuring quality and protecting people and communities. We follow rigorous internal controls for our value chain partners and contractors including fabric mills, chemical suppliers and outsourced contractors such as embroidery and garment factories.

Supplier Assessment Process

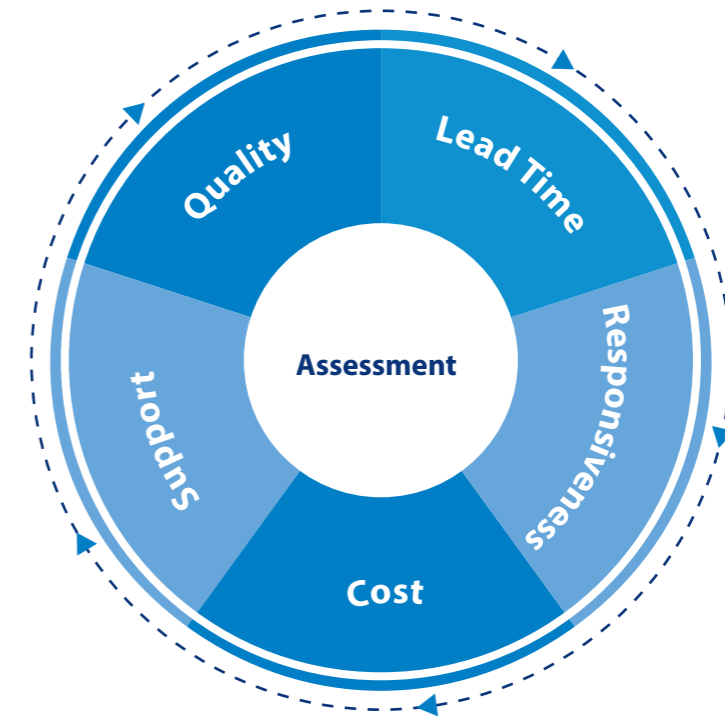
In order to build a responsible and resilient supply chain, an annual performance assessment has been conducted by the assessment team, which is formed by internal control department, R&D department, procurement department and quality supervisors. The assessment phase includes quality, lead time management, responsiveness and cost based on Roo Hsing / JD United's supplier management policy. As for new or potential suppliers, due diligence process is undertaken initially to ensure its transparency and business

integrity. The assessment result is divided by levels and suppliers must be graded at level C or above to qualify. A supplier database has been created to record suppliers' basic information and performance records.

CSR Assessment

Additionally, Roo Hsing / JD United CSR team facilitates supply chain management through undertaking CSR assessment, including environmental and human right scopes, on a monthly, quarterly, biannual or annual basis based on the nature and magnitude of findings.

To create a win-win relationship in supply chain management, we plan to launch an e-commerce platform linked with SAP system in the future to manage the purchase order in a transparent and efficient manner. Suppliers are able to manage their orders on this platform, such as confirming order status, managing quotation, inquiry, parity, and bargaining.



Responsible Sourcing

Roo Hsing / JD United's approaches to sustainability also take into account raw materials and its impact. In the apparel industry, cotton is one of the major raw material that accounts for the highest consumption, hence, it is also where the largest impact coming from. For this reason

and inspired by our customers, we increased the usage of certified organic cotton that is better for the environment and people who produce it. We also adopted Better Cotton Initiative (BCI) that grows cotton in a socially and environmentally responsible way.



Organic Content Standard

- Reduce the environmental impact of cotton production
 - Improve livelihoods and economic development in cotton producing areas
 - Improve commitment to and flow of Better Cotton throughout supply chain
- Ensure the credibility and sustainability of the Organic Content Standard



- Same high quality as conventional cotton
- Zero use of pesticides or synthetic fertilizers
- Restrictions on the use of genetically modified seed
- **2017: 35% of our products are manufactured using BCI cottons**



Greening Our Operation

Strategic Partners & Organizations



2017 Environmental Goals and Approaches		
Category	Goals	Management Approaches
Environmental Safety	100% passed for Safety & Environmental related training Zero Safety & Environmental related accidents	<ul style="list-style-type: none"> Employee training regarding safety and environmental knowledge Safety and environmental-related accident exercise Environmental emergency response team Sufficient qualified fire control facilities along with regular checks Chemicals storage management improvement
Wastewater control	100% reaching the wastewater discharging standards	<ul style="list-style-type: none"> Compliance regarding daily sewage and discharge Wastewater treatment system Filing of the records regarding wastewater treatment system Wastewater test conducted by a qualified third party
Solid waste disposal management	Solid wastes are 100% collected and well handled Hazardous waste is 100% collected and well handled	<ul style="list-style-type: none"> Solid waste collection and classification for further recycling and processing Classification inspections in production and daily operation areas Separate hazardous waste collection and storage in line with environmental regulations, Warehouse registrations documentation Contracts with qualified contractors
Emission control	100% meeting all emission standards	<ul style="list-style-type: none"> Documentation of records regarding emission treatment facilities Emission test by a qualified third party
Noise control	100% meeting all statutory standards	<ul style="list-style-type: none"> Machinery /equipment and noise control facilities management
Energy conservation and reduction	Reduce power and water consumption by 3%	<ul style="list-style-type: none"> Water and electricity management system Energy management training Elimination of lagging production facilities and purchase of energy-saving equipment Regular inspection and maintenance on all electrical equipment, water valves, pipes, and pumps to prevent water dripping Optimization of process control system



Apparel industry has been increasingly under the spotlight as it caused severe environmental and social impact. Therefore, we are striving to tackle the issue as the impact will also affect our future generations. We have institutionalized a series of mechanisms and guidelines to conserve energy and water, use more recycled water to reduce carbon emission and ultimately will apply these mechanisms and guidelines across the entire lifecycle of all our products.

We hope our actions on minimizing the environmental impacts of our products can contribute to climate change mitigation and ultimately benefit our business and the society as a whole. In 2017 Roo Hsing / JD United invested RMB 3,387,964 in environmental management (including facility repair, wastewater inspections, and noise tests) in our main plants in China. We are on a journey which begins with addressing the environmental impacts of our products and focuses on the key dimensions that may impose most threats on our planet. We pledge to establish a firm environmental management system policy and encourage full participation based on three key dimensions:

Energy Saving	<ul style="list-style-type: none"> • Implement energy and resource management procedures in all factories • Replace lights with LED lamps • Purchase energy efficient machines
Scientific Management	<ul style="list-style-type: none"> • Implement chemicals control procedures in all factories • Build wastewater treatment system • Build leakage protection facilities
Environment Protection	<ul style="list-style-type: none"> • Comply with environmental regulations and external audit rules • Monitor and reduce GHG emissions and water consumption • Implement hazardous substances discharge management

ISO 14001 Training

Roo Hsing / JD United has attended the environmental management system (EMS) ISO 14001 training supported by ASEAN Product Organization (APO) and in collaboration with National Productivity Center of Cambodia (NPCC). The training course specialized trainee of Quality Engineering, Management of Quality/ Organizational Excellence, Auditing, and EMS, etc.



Energy Conservation

We set our goal to reduce the electricity use by 3% and will keep our commitment of monitoring energy use and maintain proper process control. The overall energy consumption of our Chinese plants in 2017 was 202,353,935.2 GJ.

primary source of energy is electricity, followed by steam and small amounts of natural gas.

In 2017, all our factories have implemented the above mentioned energy conservation measures and have cut 2% of electrical power usage.

According to the results of Roo Hsing / JD United's energy inventory, the company's

Lighting Replacement

With a solid awareness regarding climate change mitigation, Roo Hsing / JD United has worked on energy conservation by replacing our factory lighting with LED light bulbs and promoting awareness to our employees, such as turning off lights when leaving the workplace. To further reduce our energy consumption, our lamp models are changed from T8 to T5 and the total number of lamps is reduced.

Water Curtain

We use water curtain for cooling down the laundry workshop temperature by approximately 3 to 12 degrees, which can save up to 50% of the power and air circulation within the workplace can be boosted.

Prevent energy waste

We hung the wet garments out for drying followed by the use of tumblers as finishing touches instead of leaving the tumblers on for the entire process.



Our China's operation site reduced GHG Emission through facilities replacement and recycled heat. Our production plant in Changzhou, China has received the certification from World Wildlife Fund (WWF) for implementing "Low Carbon Manufacturing Program".



**2017
CO2 Emission
31,995
tons**

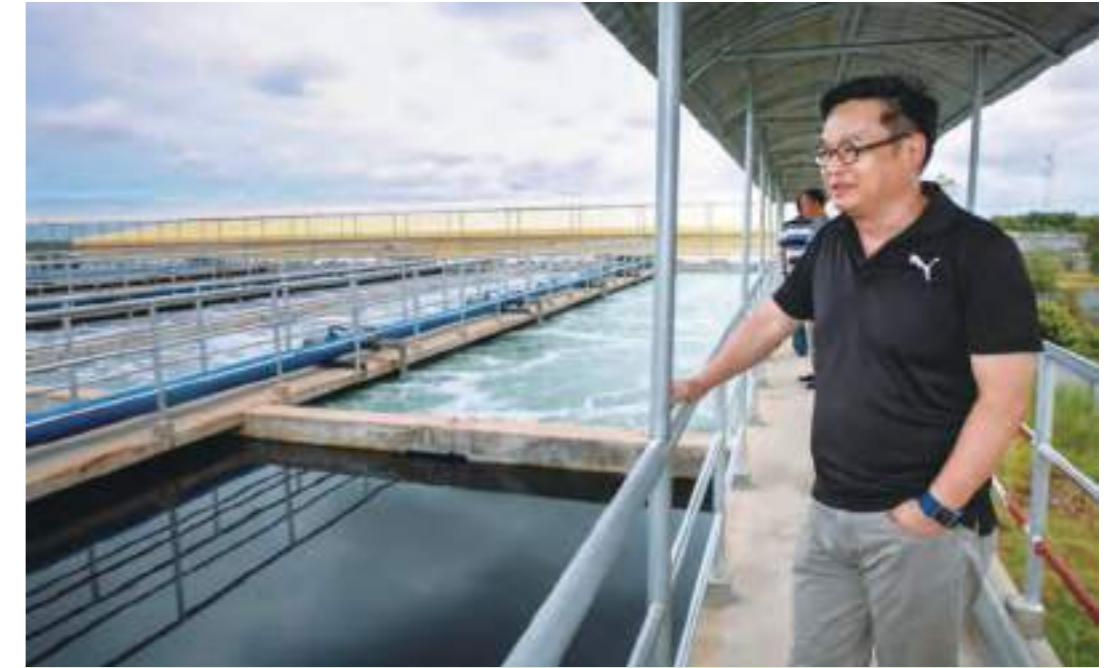
Biomass and gas boilers are used to replace conventional coal boilers in order to reduce carbon emission during operation. Heat generated from the machines are recycled to warm up the cool water for bleaching and dyeing process, so that we can reduce emission by recycling hot water steam generated from the drying machines.

Water Management

Textile producers are big consumers of water. Most of the water used in denim production (>95%) occurs during cotton growing and after purchase by the consumer for washing. Therefore it is necessary to take this issue seriously and focus on how to reduce water during manufacturing process.

Total water consumption in 2017 from our main manufacturing plants in China was 552,139m³.

One pair of denim jeans is estimated to consume on average 70 liters of water for the dyeing and washing during production. Actions on reducing water consumption include producing through our Turkish washing machines, which can save 20 to 25 % of water compared with traditional equipment.



**2018 Wastewater Feature Plan:
Rebuild our sewage treatment tank and establish a recycling system.**

We are planning to reuse the processed wastewater for dyeing by constructing a water recycling system, **which is estimated to recycle around 300 to 400 tons of wastewater every day.** This system can dilute the recycled water with running water as well as filtering and decolorizing the water with active charcoal. It is estimated that 800 tons of running water can be mixed with 400 tons of running water every day and **we can ultimately recycle 10,000 tons of wastewater per month.**

Roo Hsing / JD United has implemented STWI Project in combination with strict policies and brand standards, by communicating with other members about the methods, results and cases and enhance our capacity for sustainable water use. This initiative is moving to a new phase which the coverage is expanded to Cambodia in 2018, where our production plants are located.



Our key principle is to prevent excessive use of water and chemicals early in the production process and build our capacity to continue improve the resource

STWI is an initiative launched by Swedish textile leather brands and Stockholm International Water Institute. The idea behind the initiative was to gain a better understanding of the water challenges faced by the industry and finding the right mechanisms to address them.



Waste Management

An effective waste management mechanism has been applied to control the disposal and handling of any waste generated during our daily operations. Our solid wastes and the corresponding treatment can be categorized as follows:

General solid waste

classified collection, recycling or centralized treatment

Hazardous waste

All kinds of toxic and hazardous chemical waste and other pollutants such as containers for hazardous chemicals and oily glove cloths, etc. are uniformly and centrally stored in isolated areas or specified warehouses and were only commissioned to specialized firms. We prohibit any collection, storage, and disposal of such waste that violates the safety requirements in our factories.

Recyclable waste

We only enter into contracts with qualified vendors and comply with environmental regulations and external audit rules. We track the flow of recycled production wastes such as scraps, wrapping paper, fiber, and fabrics.

Chemical Management

We are aiming to achieve "Zero Toxicity" by 2020 in our production process, hence, we are dedicated to enhance hazardous waste control and select chemical suppliers only if they use eco-friendly additives.

Chemical substances such as hypochlorite and potassium permanganate (PP) are used in bleaching and washing process to remove indigo dye from the denim. The chlorine in bleach and manganese in PP can cause water pollution or can be harmful to workers if not properly used. Therefore, the potential effect on the environment, workers and consumers must be considered since chemicals are constantly used during the bleaching process of denim jeans.

How we handle chemicals substance:

1. Daily chemical substance are handled by our chemical management procedures.
2. All technical representatives need to be well trained and qualified before officially being in charge of the chemical management job.
3. We conducted worksite-specific chemical safety trainings in all our factories on topics such as first aid measures, proper chemical labeling, personal protective equipment (PPE) instructions and chemical safety data sheets and chemical spill practices, etc.



All our chemical procurement and warehousing are managed by assigned personnel. In addition, we have instituted rigorous policies and installed anti-explosive fans to ensure ventilation. A variety of additional activities are planned in 2017 for education on handling chemical substances.

Chemical Safety Training

Awareness Building:

- Employee responsibilities of handling chemicals
- The available chemical information and how to use it.
- Effects of chemical exposure and their symptoms
- Chemical Safety Fire diamond symbols
- National Fire Protection Association
- Proper Labelling of chemicals
- Hazardous chemical substances

Actions:

- First Aid measure in case of accidents
- Use of Safety Data Sheets
- Chemical spill practices



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



Enhancing Equipment Efficiency

Equipment Efficiency

Roo Hsing / JD United has introduced the initiative "One-Glass-Water Production". It is estimated to save up to **95%** of water, **40%** of electricity and **90%** of chemicals consumption.

We have made an investment in our eco-friendly equipment, including E-Flow nanobubbles washing machines, Laser denim pattern machines and Ozone G2 machines. The main appeal of the "One Glass Water Production" is ecological technology, worker safety, and higher productivity. The combination of the above-mentioned equipment requires merely one glass of water to achieve the authentic vintage finishing effect, dark look soft type rinse, worn and aged effects of our jeans instead of consuming the average 70 liters that are needed with the traditional process.

One Glass, One Garment



E-Flow Washing Machines

The E-Flow dyeing machines mix the chemical additives and raw materials, and the mixture will then be processed into a nanometer state. The nanobubbles consume minimum amount of water. The "One Glass, One Garment" technology can achieve the washed-out finishing on denim with less than 1 kg of water when using nanobubbling technique.

This revolutionary sustainable process allows us to spray dye and softener resin in order to create a washed-out effect on denim.

Laser Equipment

Our laser machines can reduce water and energy consumption by 60% along with 85% chemicals reduction.

The use of laser equipment can replace the traditional use of sandpaper, which is designed to brush the surface of the garment and make the white base of the yarn visible. It is effective for creating localized bleached areas or custom designs on denim. On the other hand, the conventional process requires chemical



additives to make the white surface more apparent. The newly introduced laser machines not only eliminate the use of harmful chemical substance but also reduce the cost of manual labor.

Ozone Technology

Our Ozone(O3) technology is applied to the zero toxic production process as well as energy and water consumption reduction. We use ozone as a bleaching agent in the fabric finishing process which is effective for whole garment bleaching and removing back-staining.

Ozone generators use an electrical current to charge oxygen molecules and convert

the air to ozone gas. The ozone gas washes the garment fabric before transforming back to oxygen and being released into the air. Our ozone machines can apply the ozone gas to our products during washing and produce an achromatic bleaching effect. The white worn effect created by the laser machines can then become more apparent after applying ozone to our products.

Therefore, there is no need for any chemicals and the entire process time can be shortened and we can ultimately reduce the overall energy consumption. By combining the use of laser technique with the application of ozone, the impact on the environment can be dramatically mitigated.



Turkish washing machine

*New Turkish washing machine can save up to **20~25%** water usage.*

We had introduced 21 Turkish washing machines in 2017 and plan to further invest in 11 more in 2018. We continued to develop innovative washing technology with the Turkish R&D team in Changzhou and set the goal to reduce water consumption by 3 % with our specific focus on conserving and protecting the earth's priceless fresh water supply.



Empowering People

Acknowledging the fact that employees lay the foundation for its competence, Roo Hsing / JD United supports various measures in terms of workplace health and safety, training and education, and employee welfare in order to enhance both their work and living conditions.

Moreover, Roo Hsing / JD United cooperates with local governments, clients and other interested parties to conduct various campaigns and programs which bring positive impacts to employees on a career pathway and life plan. We further fortify our competence and embed a sense of belonging to each employee by respecting their diversity, fostering youthful talents and leaders, and providing them with rational rewards, regardless of their race, nationality, or gender.

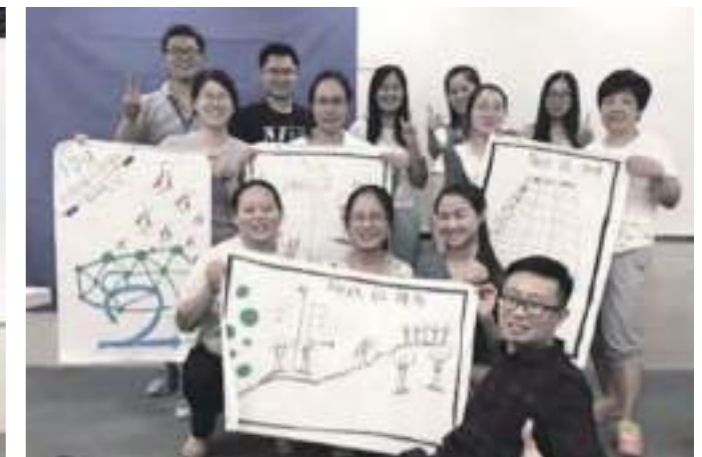
To ensure continual improvement and human resource risk mitigation, we establish Human Resource Management System, meanwhile, regular human resources management training are conducted annually.



Human Resource Risk Management

Keenly aware of global human resource risk, we implement various strategies to mitigate potential risks, from monitoring local policy, establishing solid competence and training system, to expanding recruitment channels and improving internal communication mechanism.

Human Resource Risk	Mitigation Strategy
Compliance risk (Changes of local law/ social security policy)	<ul style="list-style-type: none"> ● Monitor and update local law & social security policy ● Use multiple communication channels with local government
Continuous growing trend of legal salary rate	<ul style="list-style-type: none"> ● Establish competence system and training course based on level and work requirements
Manpower	<ul style="list-style-type: none"> ● Cooperate with local schools through facilitating talent programs, trainings and other methods to expand recruitment channels
Talent	<ul style="list-style-type: none"> ● Provide diverse internal communication channels





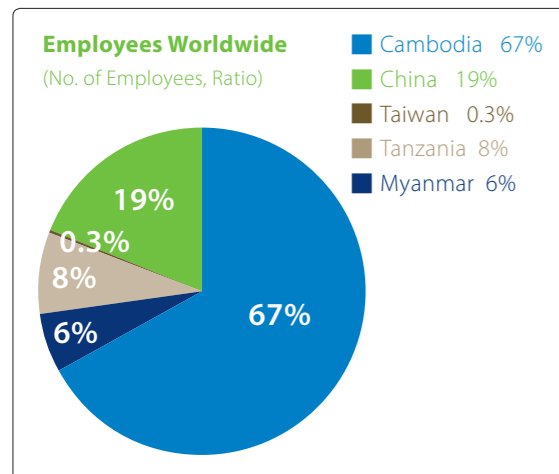
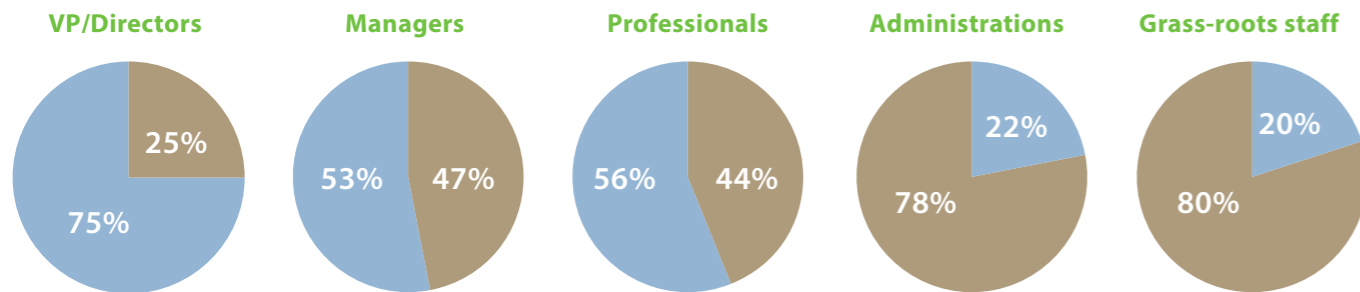
Workforce: Diversity and Inclusiveness

We strive to reinforce our competitiveness by securing the inclusiveness and diversity of our workforce and to provide equal opportunity for all employee. With all nationalities among our staffs and a multinational management, we expect ourselves to embrace the similarities and differences of people and enhance our human capital development.

At the end of 2017, Roo Hsing / JD United had 35,143 employees including 920 (around 3%) management roles and 34,223 professionals, assistants and grass-roots staffs.

Note: All 2017 HR data scope calculated covered all plants except for factories in Nicaragua.

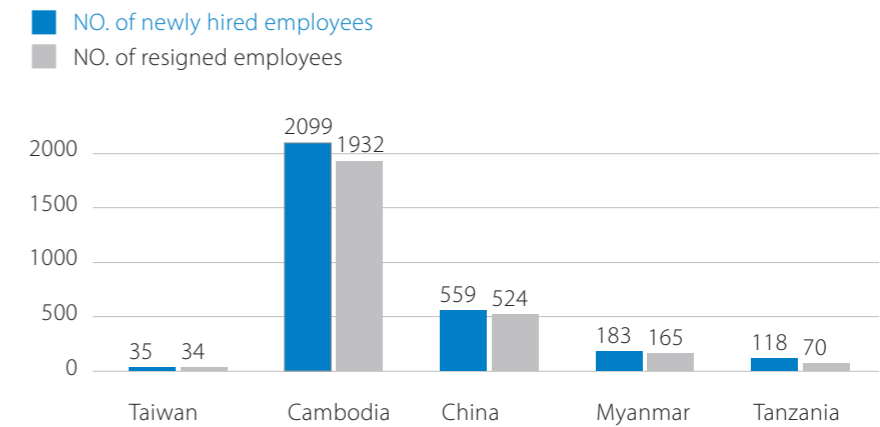
● Male ● Female



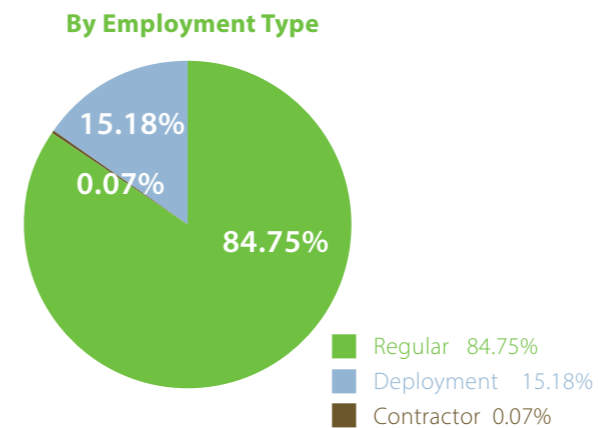
2017 Roo Hsing/ JD United employee education and age distribution			
Item	Category	No. of employees	%
Age	Under 30	9,709	28%
	31~50	21,607	61%
	Over 50	3,827	11%
Educational Level	High school and below	34,254	97.5%
	University and College	856	2.4%
	Master's	33	0.1%

Roo Hsing / JD United's new hire ratio in 2017 was 8% among all our plants around the world with a turnover ratio of 7%. The distribution of our newly recruited talents and the turnover data are illustrated below:

Distribution of new hires and resigned staff by location in 2017



We guarantee equal opportunities in the workplace through the human capital management. All staff will go through annual health checks and be allocated to suitable positions based on their health conditions. We also promote a work-life balance within our female workforce with an effort of bridging the gender gap through our diversified employee programs and practices. Roo Hsing / JD United wishes to create opportunities in unity with the society. With our varied staff, we hope more talents can bring their potential into full play and improve the overall competitiveness as the company continues to grow.



Opportunities for locals
Roo Hsing / JD United constantly strives to expand production capacity in underdeveloped areas, not only to reach corporate sustainable development goals, but to improve local development and living standards in underdeveloped areas and to provide more job opportunities and a safe and fair working environment for locals.

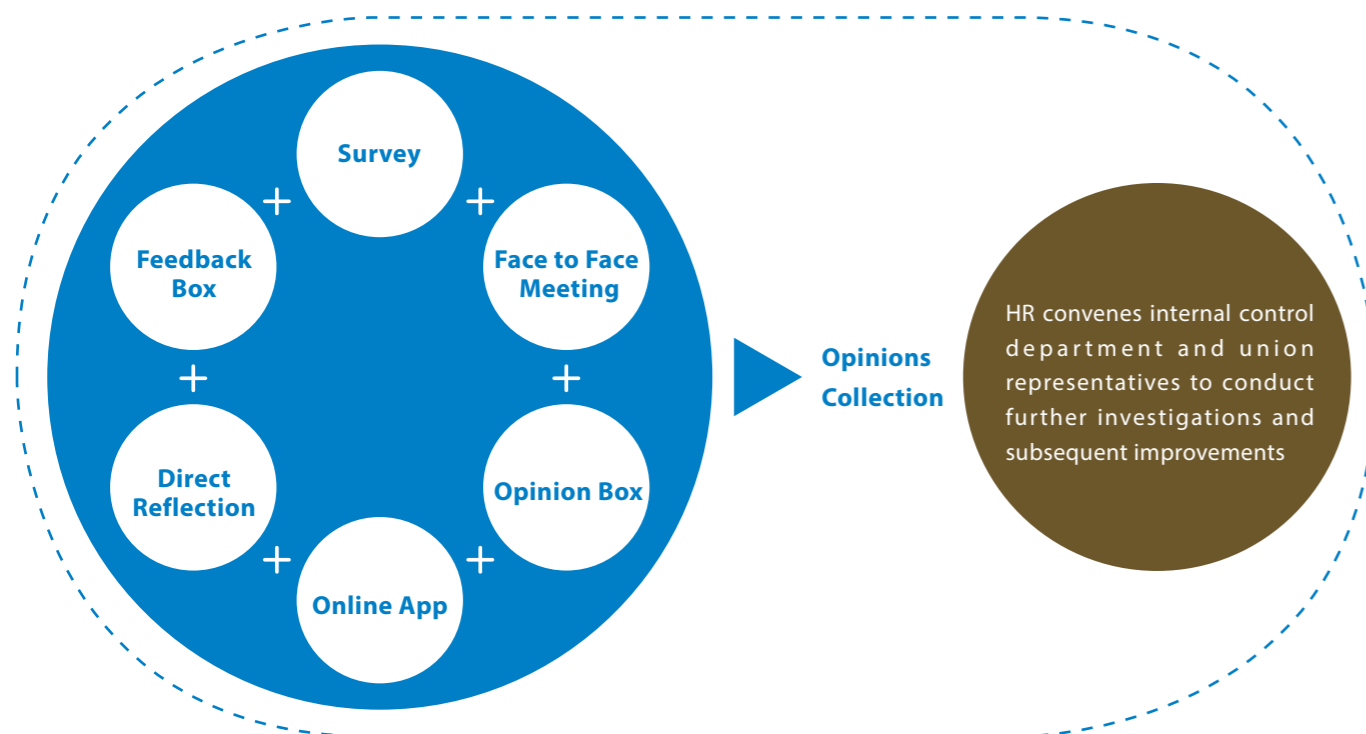


Internal Communication

People-oriented culture and empathy are the main principles of Roo Hsing / JD United's human resource management. The Employee Relationship team of HR department is responsible for employee communication and problem-solving, cooperating with the CSR team to deal with employee injury cases, company policy communication, local social insurance and welfare regulations and labor issues investigation.

Roo Hsing / JD United strives to provide our employees with legitimate rights to express their opinions and communicate with management. Our staff is given multiple communication channels to ensure harmonious employee-employer relations.

Employee Communication channel



Roo Hsing / JD United has also set up an Employee Feedback Committee to handle complaints and supervise the implementation of the Labor union's general assembly's resolutions. Any potential workforce-related risks are regularly monitored and the corresponding control measures are developed based on the level of detected risks in a timely manner. There has been no serious labor disputes nor any losses resulting from the complaints in 2017.



Labor Union

Roo Hsing / JD United is making concentrated efforts to support the workforce without any human right violation issues. We encourage and respect employees' right to set up labor unions and to exercise their rights of negotiation. All our factories have set up local unions in compliance with national legislation. The related documents and meeting records will also be filed after the negotiation contract period.

In China and Cambodia, 100% of our employees are protected by the local unions and 15% of union members are elected as union representatives, who then vote for the committee members, one of which will be elected as the union chairman.

We wish to ensure our solid communication channels between the management and our staffs with an aim to build a harmonious employer-employee relationship, enhance the level of employee satisfaction and ultimately boost their enthusiasm at work.

Labor/Human Rights

Roo Hsing / JD United is committed to ensuring that workers in our factories are all treated with respects and dignity and aims to provide them with a safe

and fair workplace. There are a number of interventions necessary to create and maintain a stable work environment which is built on high standards. We wish to influence and advance initiatives that contribute to positive results. Roo Hsing / JD United's corporate culture promotes a stimulating work environment supported by a clear Code of Conduct and Human Rights and Employees' policies, which provide guidelines to face our challenges in our operations and supply chain.

Human Rights Policy

Roo Hsing / JD United has designed our Code of Conduct (CoC) as a set of guidelines and basic requirements for all employees to follow from a human rights, compliance and business ethics standpoint. We also conduct regular training and developed a series of campaigns to promote human rights and ultimately realize a sustainable society.

Non-discrimination

Our people make up who we are. We strive to prevent any unlawful discrimination or harassment at workplace and develop our own "Non-discrimination and no-retaliation Policy" to secure the rights of our staff. Roo Hsing / JD United does not tolerate any discrimination in the recruitment, selection, employment, assignment, allocation, performance assessment or promotion of job applicants.



We view the elimination of any unlawful discrimination seriously. The hiring and performance evaluation process, subsidies and bonuses are only examined and calculated on the basis of personal performance and skills.

Not only do we retain and develop the right people with shared vision and values but we treat them without regard to gender, races, religion, age, nationality, physically challenged, or political affiliation.



Better Factories Cambodia (BFC)

- From 2015 to 2018, under the regulation of International Labor Organization (ILO) and with the help from Better Factories Cambodia, we organized a Performance Improvement Consultative Committee to support our factories to complying with national labor legislations. Our Human Rights Policy also refers to the ILO and BFC regulations to ensure the hiring and training processes are compliant with the laws and to prevent potential human rights risks.
- Monthly meetings are held to review the assessment report produced by BFC and we will discuss the corrective action plans for future improvements

Prohibition Of Forced Labor and Sexual Harassment / Abuse Behavior

Zero Forced Labor

Roo Hsing / JD United operates our business with strict prohibitions of corporal punishment, threats of violence or mental, physical coercion or any other forms of physical, sexual, psychological or verbal harassment and abuse against our workers, but to treat them with firm respect. In a reflection of this commitment, we operate our business ethically and refer to documents such as the Universal Declaration of Human Rights and Labor Law of the PRC, etc.

Monitor and eliminate involuntary labor

All our employees are paid with reasonable overtime wage and we have never forced involuntary labor from any person with menace of any forms of punishment. Our staff has the right to move about the factories or to leave at will. If work necessary, the workers can sign a voluntary overtime work form, and the management should all follow the fixed definition of overtime meanwhile complying with overtime standard and policy.

Anti-Sexual Harassment

Our policy covers all employees and we will not tolerate, condone or allow any forms of sexual harassment, whether engaged with fellow employees, supervisors, clients, or other non-employees who conduct business with us. Any behavior considered as harassment should be denounced and a thorough investigation will be conducted, followed by a report issued by



the investigation team comprising of the Corporate Communications Officer, Internal Control Lead, HR Director and CSR Director within 30 days of the reporting time.

Roo Hsing / JD United holds regular training in all our factories to ensure no behavior which may be considered sexual harassment occur and encourages reporting of all incidents.

Anti-Child Labor

Roo Hsing / JD United also strictly prohibits the hire of child labor (workers age under 16 years old in China and 15 years old in Cambodia) and comply with all related laws and regulations set by our clients.

We implement our interview process in compliance with our Human Rights Policy, all resumes are examined thoroughly to confirm that all applicants are over the age of 18. In addition, we review all identification documents of the selected candidates to ensure that they all meet the minimum wage requirement before hiring.

Regular on-site audits

Our CSR team conducts regular on-site inspections of each facility to scrutinize the potential risk of child labor related issues and arranges one-on-one interviews if necessary in order to make sure our Child Labor Policy was implemented. If any person below the minimum age standard working in any of our factories is discovered, we will follow our clear policy and act in the best interests of the child.

Underage workers

For the underage workers (age between 16 and 18 in China and from 15 to 18 in Cambodia), we conduct a prudent procedure and do not accept any documents other than national ID to verify their identifications before hiring. The underage staffs will receive special care after orientation and are exempted from works during washing and other processes that are potentially hazardous. They will go through annual health checks and be allocated to suitable positions based on their health conditions.



Health & Safety

EHS Committee plays a crucial role in maintaining health and safety in workplace, from conducting regular health and safety check, raise awareness on potential risk or concern, to monitor corrective and

preventative action. We also keep up with local laws and international EHS trend to perform better practice on workplace health and safety.



5S Workplace Organization Methodology Application

Originally adopted from Japanese 5S workplace methodology: Seiri (Sort), Seiton (Strengthen), Seiso (Shine), Seiketsu (Standardize) and Shitsuke (Sustain). The methodology is aiming to ensure each department and employ is well-organized and follow factory health and safety regulations, process rules to reduce workplace injury and accident. Meanwhile, the 5S Committee reviews each department's 5S performance to provide further guidance and suggestion. To have all employees accustomed to the 5S application, any department or individual with outstanding performance will be rewarded.



Occupational Safety and Health Training

Safety has emerged as a critical issue in our society. In response to this, Roo Hsing / JD United conducts education on safety accident prevention and first aid on a regular basis in order to raise employees' awareness of safety and to prevent occupational accidents.

Occupational Safety and Health Training	
Training Program	Training Focus
Occupational Safety & Health general training	Awareness of EHS issues Prevention of work-related injury & death Healthy & safe working condition What corrective actions are needed
Chemical Storage & Handling Safety training	Awareness training Storage incompatibilities Personal safety for minimizing exposure Use of Personal Protective Equipment MSDS knowledge
Personal Protective Equipment Training	Awareness training Proper PPE wearing demonstration
Environmental Hygiene Training	Improving workplace sanitation Protecting workers' health Ensuring the safety of productions



Our workspaces are designed in ways that are spacious for day to day work, and we give due consideration to small details such as tidy uniforms for our operators or the availability of fresh air and ventilation through large fans. We also have stringent hygiene standards in all our work spaces across offices and manufacturing operations. Beyond healthy diet, we have also started several physical fitness programs to motivate our employees to organize, participate, and compete with each other in activities such as sports, yoga and dance.

Promote Health Awareness

To encourage physical fitness, we have organized a gym with modern facilities available in Roo Hsing / JD United China compound since 2014. The majority of employees have responded with active participation. In addition, we take participation rate into part of the performance review to encourage management level to participate in sport activities.

During 2017, we organized events and sports games for employees to pursue physically and mentally healthy life, meanwhile, employees' participation helps to create a harmonious work atmosphere.





Training & Employee Benefits

Development and Cultivation of Human Resources

Roo Hsing / JD United offers all of employees the opportunity to grow and develop in their roles, and we emphasize leadership training towards this. We enable development through business growth, internal recruitment and training opportunities.

Our internal human resource system provides a solid foundation for Roo Hsing /

JD United's competence as it strives to rise as a global leading company. Clearly aware of this fact, we facilitate human resource education programs aiming at strengthening employees' job related capabilities. Given the nature of the industry with a greater number of female employees, Roo Hsing / JD United has actively invested in programs tailored for employees' capability development and social status enhancement. Roo Hsing / JD United will continue to invest in human resource development programs to improve employees' work and productivity.

Program Category	Program focus	Participants	Frequency	Total hours
Orientation	Orientation training EHS training Factory regulation Employee manual	1222	48	1526h
Technical program	IT software Shipping knowledge Manufacturing Process knowledge	165	12	26h
Leadership training program	Levis' testing application and standard requirement training Junior management training and meeting Benchmark factory research and sharing meeting etc.	109	3	6.5h
Trainee program	Lean project Communication skills Mentor & trainee interaction Reflection & feedback	120	12	20h
L.E.A.D. program	Effective communication skills	42	2	14h
P.A.C.E. program	6 core competence training	132	126	5280h
HER program	5 core competence training	1440	180	4320h

Management Trainee program conducted in China

We cooperate with Changzhou Textile University to conduct Management Trainee (MT) Program. In 2017, a total of **ten students** were selected to participate in the training program of Washing Technology Development. Meanwhile, 2017 MT Program received a total government subsidy of **RMB 116,000**.

Simindustry Training conducted in Roo Hsing / JD United China

In order to enhance employees' leadership and management capacity, We facilitate Simindustry Training that focus on participants' decision-making quality. Participants are instructed to review the company performance in the past years, to analyze the gains and losses of the strategy, to combine the management ideas and exposing their own errors, and to practically improve the quality of comprehensive management through repeated exercises of adjustment and improvement.





Campaigns

Roo Hsing / JD United has launched several major programs with an aim not only to broaden employees' career development but to enhance their life qualities, including H.E.R, P.A.C.E, SCORE, CARE programs and so on. We constantly share our success with all employees through goal setting to provide them better opportunities for personal and career development. Our employees are the most important asset, therefore, we want to facilitate a series of human capital development programs and to integrate these campaigns with our staff's daily work life. We are planning to launch two programs in 2018, namely V.O.I.C.E & VOW, to continuously escalate corporate culture communications and implementation, as well as to improve line workers' wellbeing.



H.E.R (Health Enable Return)

Since 2013, Roo Hsing / JD United has adopted the HER project with a goal to provide better care for our female employees. By providing training courses regarding basic knowledge of self-care and hygiene, we hope our female workers can build up self-conscious.

We have incorporated the following topics in HER training:

- Nutrition
- Family Planning
- Waterborne diseases
- HIV/AIDS & STIs
- Maternal and Child Health
- Hepatitis B,C and Breast Cancer



Other than the norms of giving lectures and performing employee health checks, the main characteristic of HER project is the "Companion Education" for promoting health awareness. We hope that companion

education can accelerate the campaign promotion and the workers can receive timely treatments without any privacy concerns or other communication barriers.



We aim to engage with our factory management to establish their roles and responsibilities on assessing female workers' health needs, holding and participating peer educator training sessions, and developing factory outreach activities.



During our adoption of HER program, not only were the female workers' awareness of reproductive health issues improved but also more access to health services were provided. Our goal is to achieve 100% of coverage of female employees with three categories of training sessions, including HERhealth, HERfinance and HERrespect. In 2017, we have engaged 1,440 attendees and we hope that by 2020, our influence can extend to more than 4,000 female employees in our operating plants.



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

We have been planning our P.A.C.E program since 2015 and it was officially launched in September 2016 in partnership with Gap Inc. with an aim to help women in our production communities gain skills and confidence in life. This global initiative has committed to reaching one million women and girls in the communities around the world by 2020.

We hope by implementing the program, employees can

1. Build their awareness through i) Lectures/Graduated Testimonial ii) Companywide Wechat/Microbenefits Campaign
2. Taking Actions through i) Interactive Recruitment Program ii) Referral System iii) Selection Mechanism

Every participant will spend 1.5 hours per week (around 65-80 hours per year) on the training course. In 2017, we have conducted our year-round P.A.C.E training courses focusing on six topics:

- Communication
- Problem-Solving and Decision-making
- Time Management
- Women's Health Awareness
- Excellence in Execution
- Environment and Sanitary.

Results

In total, we have 140 workers participated in the first session of our program and among them, 72 have successfully graduated. In 2017, Roo Hsing / JD United has invested RMB 234,542 in P.A.C.E. In addition to the training courses, we have held three events as well as two interest-oriented classes (computer skills/dancing).



Goals

We plan to expand our P.A.C.E program to 3 plants (Changzhou, Henan, and Cambodia) in 2 countries, with 250 participants in 2018. For our 2020 targets, we plan to expand the influence to 8 factories in 3 countries.



PACE leads me to the top

Chen, a lady living in the countryside of China, just the same as the others in the same factory, is unlikely to compete with those of high education in big cities. Therefore, they have no choice but to adapt themselves to daily hard working for maintaining basic living standard until some of them participated in P.A.C.E. Program.

Chen was once frontline worker used to daily routine operation. The term "career path" has no meaning to her as her hard working is only making a living. Things changed after she joined P.A.C.E. Program and acquired lots of new knowledge which enlightened her on her career path planning. Under the instructor's coaching, Chen has planned her career path and became the P.A.C.E. Program's TA responsible for new employees' orientation. In the graduation ceremony, Chen, the future instructor, took the certification flag and handed it over to new blood will start a new page in her life.

Not only did the P.A.C.E. program boost women's career potential but also enabled their economic empowerment. They are taught with tangible skills and have improved their abilities in communication, time management, and health condition monitoring. We hope through the implementation of this program, more

female managers will be cultivated. With their leadership, more staff can be motivated and ultimately increase their overall work efficiency. Roo Hsing / JD United aim to build a harmonious work environment and to create shared value and vision with our female employees.



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

Roo Hsing / JD United wants to share our success with our employees and it is our responsibility to provide them with opportunities for development and empowerment. In a view of driving our efforts in incorporating the core spirit of the program into our daily operation, CARE SBF was officially introduced to JDU in 2010 partnering with CARE Cambodia, Cambodia Women for Peace and Development (CWPD), and Phnom Penh Municipal Health Department (MHD). We have implemented the program across our office spaces and factories and engaged the community as much as we could.

Not only did we provide wage meet or exceed the industry's average in our geographies but we also provide facilities and materials to improve work environment such as installing larger fans and supplying nutritious food in our staff canteens. With regard to awareness enhancement, we helped our workers to develop accurate knowledge in healthcare and financial management through the help of the trainers. In 2017, Roo Hsing / JD United has invested 784,560 CNY on C.A.R.E and a total of 1,057 workers in JDU's factories participated in the training. The training topics include:



Topics	Frequency / Time frame
Reproductive health	1 hour/week, 2 months
Financial literacy	1 hour/work, 3 months
Nutrition awareness	lunch time, 2 months
Maternal and newborn health	2 hours/week, 2 months
Sexual harassment	1 hour/week, 7 months



SCORE (Sustaining Competitive and Responsible Enterprises)

Roo Hsing / JD United shares the same value with the SCORE program on the vision of the Sustainable Development Goals (SDGs) for 2030 of a better and more inclusive world, particularly in relation to the world of work.

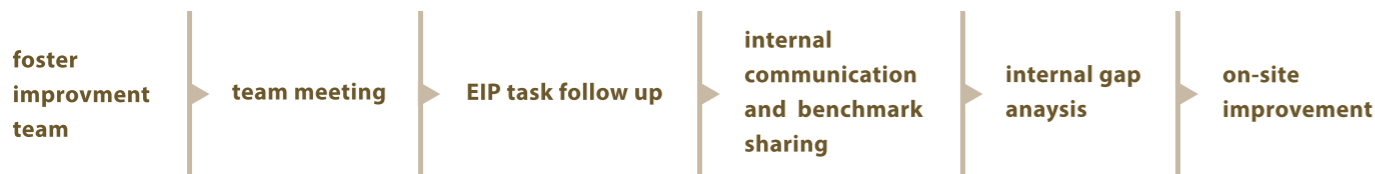
The SCORE program supports practical training and in-factory counselling that improves productivity and working conditions. This program focus on several scopes, including employee welfare, development activities, EHS improvement, fostering internal safety team on electrical-fire prevention issues and management EHS training

Scope of SCORE



In terms of SCORE facilitation, we have fostered an improvement team to enhance better practice based on P-D-C-A methodology. Team leaders and members were fully authorized to participate in this program. Our final results will be evaluated and certified by the International Labor Organization each year to review the current status and measure the impacts.

Improvement team working process



Score certificate



Micro benefits in Changzhou

Micro benefits APP is a customized platform to play a supportive role to convey factory offline training and policy declaration. Moreover, employees can use this app to check their employment information, such as years of working, social insurance information, colleague contact information and so on. We are looking forward to further developing this app with extensive knowledge sharing and mutual interaction function for the employees. Until September, 2017, Palm Knoledge APP's prevelant rate has reached approximately 58%, with 522 staffs have been using this.



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