
MDSGROUP
MEN
CHUEN
Sustainability Report 2013
www.mds-intl.com

CATALOG

General Manager's Message

A company's overall sustainable development and community support programs have become the main method by which the general public judges businesses. Since our establishment, Men-Chuen Fibre Industry Co., Ltd have been wholly devoted to these areas, using our GRI Sustainability Report as a means to communicate the efforts and results of our business operations and management, product quality as well as environmental protection and social accountability programs for the general public and our colleagues concerned with Men-Chuen's future. The GRI report also acts as a record of the company's growth and expansion.

In 2013, Men-Chuen has continued to strive for excellence, going well beyond average corporate endeavors. Our efforts start from the ground up and stand up to the most careful scrutiny. We insist upon small and continuous improvements that stay true to our corporate vision and our commitment towards social sustainability. We have established stringent requirements and continue to implement the necessary strategies and organizational adjustments to perfect our management system for strengthening our impetus for future growth. We have invested heavily in augmenting the company's systems and strategies which includes changing to our internal management policy and investment policies as well as reviewing and revising of our business operation plans. Our management team is actively bolstering internal controls and monitoring our investments to create a more robust corporate structure.

We at Men-Chuen have, for many years, dedicated ourselves to the research and development of green and environmental products to provide products and services of the highest quality. As our energy resources are being depleted and global warming issues are becoming more serious, energy saving and carbon reduction have become major areas of concern for various governments, companies, and ordinary families from around the world. Our development strategies have been gradually turned towards energy saving, pollution reduction, and building a green industry. Our goal is to provide products and services with excellent quality and carbon reducing properties. At the same time, we have expanded our global market and adjusted our investment structures to maximize the benefits for the general public as well as our stockholders.

As we look towards the future, Men-Chuen shall continue to dedicate itself to the achievement of new breakthroughs and transforming every lessons learned into invaluable knowledge. In order to generate the necessary power for our next conquest, we have gathered leading industrial professionals and experts coupled with a people-first management philosophy which would unleash unimaginable potentials when combined. As we strive towards greater profits and growths, we shall also fulfill our social responsibilities and satisfy our goals of sustainable business practice.


LIU. CHIZN CHUN

01 COMPANY ANIZATION REPORT

01 COMPANY REPORT

Report scope and boundaries ▸

Gross National Product (GNP) has always been regarded as an indicator for measuring economic development. However, this indicator does not take in account of social or environmental costs that may be incurred due to economic growth. New business models have divided sustainable development into three major aspects of Economic, Social, and Environment. These three aspects share the same importance and are inseparable from each other. These three goals are not competitive but mutually inclusive. Together, they share a comprehensive and synergistic relationship that contributes towards the company's overall objective. Although economic, social and environmental benefits are intangible, all these benefits would define the degree of global happiness.

This year's report would cover data from January 1st, 2013 to December 31st, 2013, with specific focus on the dyeing facilities in Taoyuan, Taiwan. All economic trends are obtained from the public domain. Environmental data have been derived according to the relevant regulations released by local government authorities. Financial figures come from signed financial reports provided by approved accounting firms. Data also includes continuous actions initiated in the 2012 Men-Chuen Fibre Industry Sustainable Management Model. Additional details shall be provided for any figures or data that differ from these formal reports.

Report Parameters ▸

Men-Chuen Fibre Industry Co., Ltd. released the first sustainable management report on September 15th, 2012, and have initiated plans for annual publishing and periodic release of relevant information. This year, Men-Chuen has released its second sustainable management report. The report is based on the third edition guidelines (G3 standards) of the Global Reporting Initiative (GRI) and would be publicly released according to Level C of the AA10000as Standard.

Although Level C reporting only requires the publication of 10 core indicators, we have released additional indicators where possible so that more of our stakeholders would be able to fully appreciate our determination and efforts in sustainable development as well as the results of our hard work in corporate social responsibility.

Contact channels

If you have any suggestions or questions, please contact us using the following methods:

Men-Chuen Fibre Industry Co., Ltd.

Taipei Main Office - Business operation group-Executive Assistant - Cairo Kan

Address: 10th Floor, No. 392, Neihu Road Section 1, Neihu District, Taipei City, Taiwan

TEL: +886 2-2799-0858 Ext. 667 FAX: +886 2-2799-0959

Website: www.mds-intl.com E-mail:cairo.kan@mctw.mds-intl.com

Company History ▸

1981/03 ····· Shin-Yji was established

1983/08 ····· Den-Lee Dyeing & Finishing Industrial was established

1985/04 ····· Den-Lee Dyeing & Finishing Industrial constructed its manufacturing facilities on purchased land

1986/12 ····· Den-Lee Dyeing & Finishing Industrial new factory completed and operational

1987/03 ····· Men-Chuen Fibre Industry Co, Ltd. weaving facility established

1991/01 ····· Merger of Men-Chuen with Men-Chuen;
the merged company shall assume the name of Men-Chuen in external dealings

1996/05 ····· Men-Chuen Fibre's new factory at Guishan Township completed and operational

1999/12 ····· Men-Chuen Fibre's new office at Neihu District, Taipei, completed and operational

2001/06 ····· The board of directors have decided to initiate production in China; establishment of Zhejiang Shin-Yji

2003/08 ····· Merger of Den-Lee with Men-Chuen;
the merged company shall assume the name of Men-Chuen in external dealings.

2004/01 ····· Men-Chuen's Taoyuan Da-Cheng Logistics Center formally established and operational

2010/07 ····· Investigation in adding production facilities in Vietnam

2011/08 ····· Men-Chuen Fibre's new weaving division facility completed and operational

2012/04 ····· The board of directors decided to shut down production lines in China

2012/08 ····· Men-Chuen's new dyeing division facility completed and operational

2013/05 ····· Construction started for Men-Chuen's Nankan final product warehouse

2013/08 ····· Men-Chuen's dyeing division Phase 1 plant expansion project completed

2013/09 ····· Men-Chuen's Vietnam office established

2013/12 ····· Men-Chuen's dyeing division Phase 2 plant expansion project completed

01 COMPANY REPORT

International certificates ▸

2011/06 ····· Passed Oeko-Tex first documentation audit

2011/07 ····· Oeko-Tex certification received

2011/08 ····· Formal audits for ISO 14001 & OHSAS 18001

2011/09 ····· GRS Control Union certification received

2011/10 ····· ISO 14001 & OHSAS 18001 certification by Lloyd's Register

2012/02 ····· Passed Bluesign first documentation audit

2012/03 ····· Oeko-Tex second audit

ISO 14001 & OHSAS 18001 first periodic surveillance audit

2012/06 ····· Passed Oeko-Tex second audit and received certification

2012/09 ····· ISO 14001 & OHSAS 18001 second periodic surveillance audit

2012/12 ····· Bluesign fabric testing audit

2013/02 ····· Bluesign certification received

2013/03 ····· ISO 14001 & OHSAS 18001 third periodic surveillance audit

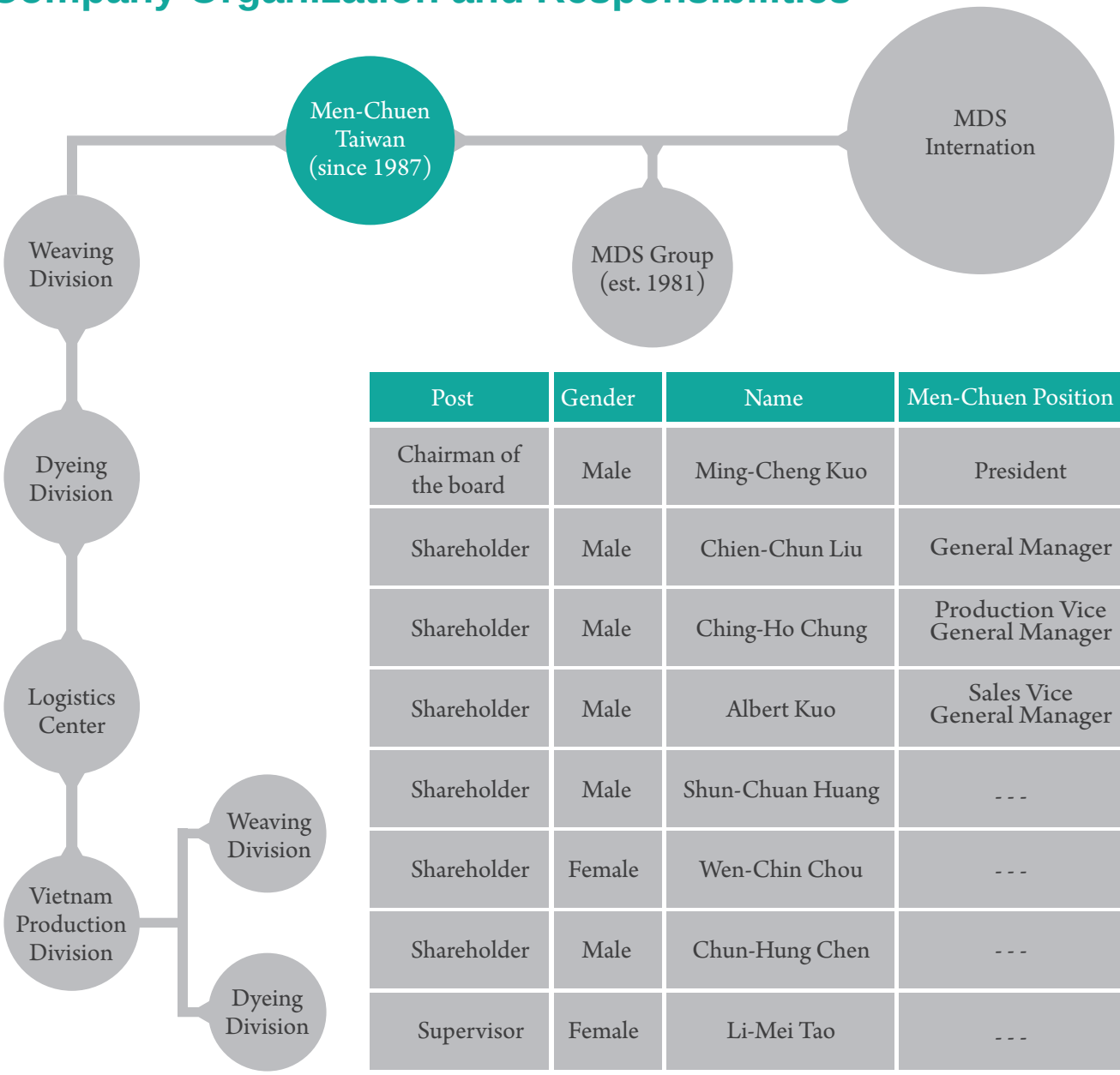
2013/05 ····· 2013/05 Participated in the C2C Conference

2013/08 ····· Passed GRS second audit and received certification

2013/09 ····· Provided ISO 14001& OHSAS 18001 certification consultation for the Guishan Facility

2013/09 ····· ISO 14001 & OHSAS 18001 fourth periodic surveillance audit

Company Organization and Responsibilities ▸

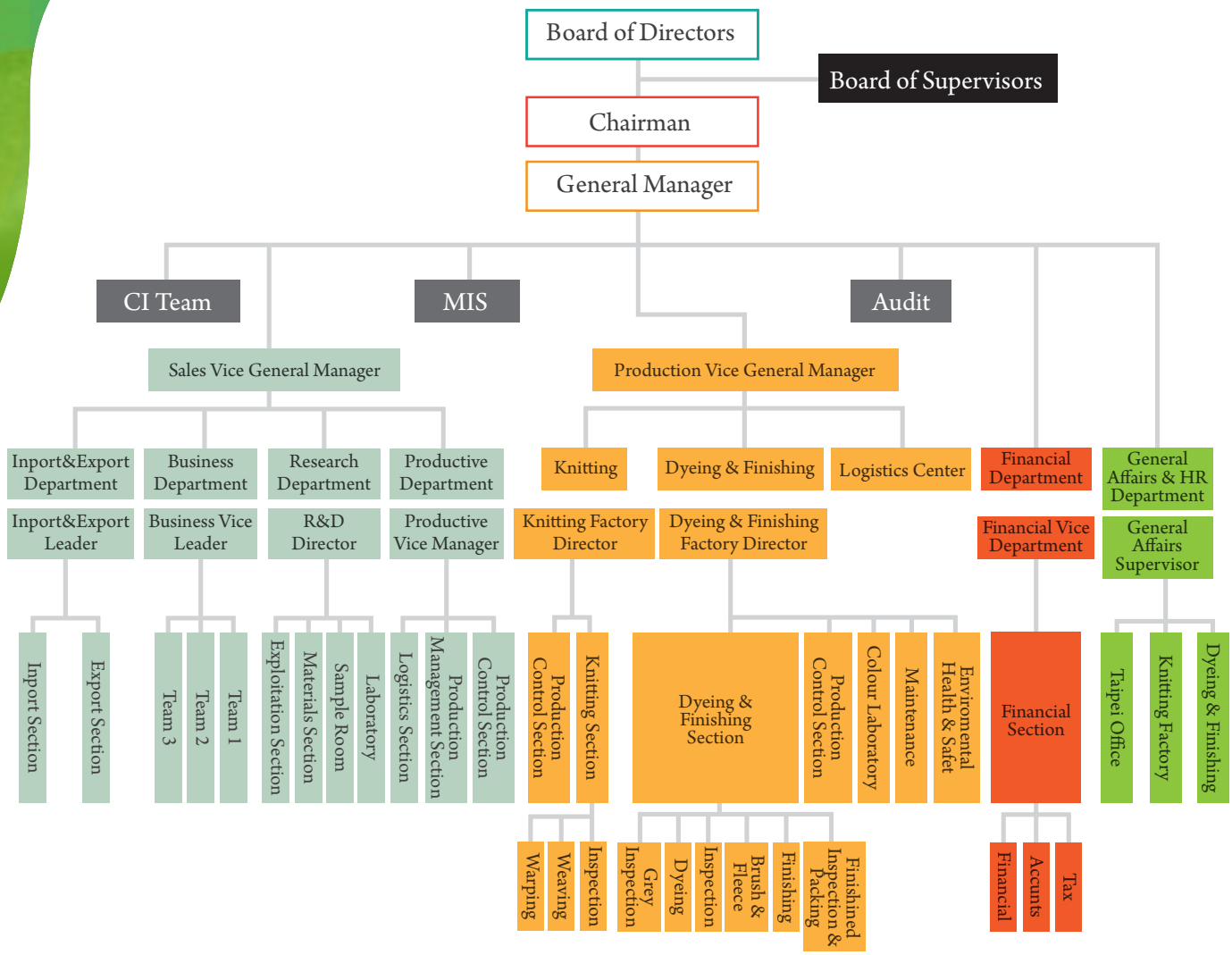


Post	Gender	Name	Men-Chuen Position
Chairman of the board	Male	Ming-Cheng Kuo	President
Shareholder	Male	Chien-Chun Liu	General Manager
Shareholder	Male	Ching-Ho Chung	Production Vice General Manager
Shareholder	Male	Albert Kuo	Sales Vice General Manager
Shareholder	Male	Shun-Chuan Huang	- - -
Shareholder	Female	Wen-Chin Chou	- - -
Shareholder	Male	Chun-Hung Chen	- - -
Supervisor	Female	Li-Mei Tao	- - -

Men-Chuen Fibre Industry Co., Ltd. was established in March 1987. Company capital increased to NT$ 466.17 million as of 2013 with a total of 372 employees. Men-Chuen is an affiliated company of MDS Group and mainly provides weaving, dyeing as well as import / export marketing and sales. The company's main office is established in Neihu District of Taipei City. Dyeing, weaving, and logistics warehouses have been established in Taoyuan Nankan and Guishan.

MDS Group is composed of the Taipei headquarters, Taoyuan Dyeing and Weaving divisions, and Vietnam Production Division. The Taipei Headquarters include the Marketing Department, R&D Department, Import and Export Department, HR and General Affairs Office, IT Department, and Finances Department. The Weaving Division includes the Weaving Section, Production Control Section, and Logistics Department. The Dyeing Division includes the Dyeing Section, Production Control Section, Chemical Analysis Lab, Security Section, and Environmental Safety Section.

01 COMPANY REPORT



Responsibilities of various departments ▸

General Manager's Office	Responsible for short-term, mid-term, and long-term strategic planning (P), implementation (D), monitoring (C), and response (A).
Business and Sales Group	Formulating annual business plans and strategic focus.
Marketing Department	Formulating, managing, and implementing sales strategies and plans.
R&D Department	Developing new sample fabrics, new products, and improve company competitiveness.
HR and General Affairs Section	Managing, and implementing the company's human resources, labor, and general affairs plans.
IT Department	Establishing the company's computerized information structure, strategic planning, and data resource utilization schemes to improve management effectiveness.
Finances Department	Establishing the company's computerized information structure, strategic planning, and data resource utilization schemes to improve management effectiveness.

Product categories ▸

FUNDAMENTAL core essentials	Feather Touch	Solid Core	Textured Croe	Classic Core (non-function)	Mesh Core
VERSATILE multi-purpose performance	After Effects	Feather Touch Deluxe	Digital Jacquard	Novelty Mesh	Premium Basic
INDY individual sports	Flip Side	Colour Fusion	Natural Touch	Thermo Regulate	Seamless Full Garment
TEAM advanced customization	Body Map Burn Out	Dual Tone Reverse Mesh	Functional Custom Graphics	Pro Stretch	Advanced Preformance Mesh

Feather Touch	Fine Gauge Warp Knit	● 32+g Warp knit with circular look, and feel ● Supreme lightness and luxury hand feel ・ Reduced snagging ● Stronger than circular knits
Open Jacquard	Warp Knit Jacquard	● Endless design and pattern options ● Open hole construction capabilities ● Single Dye color ● Extended repeat patterns
Color Fusion	Ombre dope Dying	● Micro color migration through precision dope dyeing innovation ● Visual excellence in color fusion and optimal crafted motion ● Directive color palette
Dynamic thermos	Temperature Reactive Ink	● Functional Graphics with via heat reactive inks ● Ink/print quickly responses to the body's heat by disappearing with increased body temperature
3D Jacquard	Multi Dimensional Jacquard	● Advanced Knitting technology in jacquards giving total open hole, multi patterned options for design and extensive visual effects
Custom Seamless	Seamless Full Garments	● Performance Full seamless tubular and open width knitting technology,28g*44", synthetic yarns, customized design options
Flip Side	Reversible Dual Texture	● Refined double knitting structural technology with excellent customized texture, pattern, weight and performance ● Reversible and refined

Men-Chuen Fibre Industry Co., Ltd. utilizes professional weaving and dyeing techniques and specializes in the research, development, and production of various knitted goods. Our production technologies, service, and product quality are widely recognized and far exceeds the production techniques offered by our competitors. In order to cater to a more diverse market, Men-Chuen has established an R&D Department in 1993 with specific focus on functional fabrics such as high density fabrics, spandex, waterproof breathable fabrics, coated fabrics, printed fabrics, burnout fabrics, and other adaptive designs and seamless fabrics as well as customized products. The R&D Department provides novel products and act as a professional quality assurance section exercising strict quality controls to maintain the excellence of our products.

01 COMPANY REPORT

Basic

FUNDAMENTAL
core essentials

Feather Touch	· plain knit / non texture fine · fine gauge knit 32-36g · fine gauge circular knit36-44g · fine gauce warp knit mesh
Solid Core	· plain jersey · plain interlocks · micro texture · single colour
Texture Core	· pique single knits · waffles · drop needle · mini jacquard
Classic Core (non function)	· tricot · tricotbrushed · basic tricot mesh
Mesh Core	· basic mesh · small hole mesh · large hole mesh · textur eyelet mesh

Complex

VERSATILE
multi-purpose performance

Feather Touch Deluxe	· texture. YD,stretch ,mesh,fancy knit · fine gauge warp knit 32-36g · fine gauge warp knit 32g · fine gause withspandex
After Affects	· lamination · print · embossed · sublimation
Digital Jacquard	· 3D jacquard · open hole jacquard 2D · 2X1 jacquard-1side textured / 2 tone,1side solid · engineered body map · small repeat jacq
Dimensinoal Mesh	· novelty textured
Primium Basic	· pique double jersey · textured performance YD basics · functional yarns in basic knits

Special Sports

INDY
individual sports

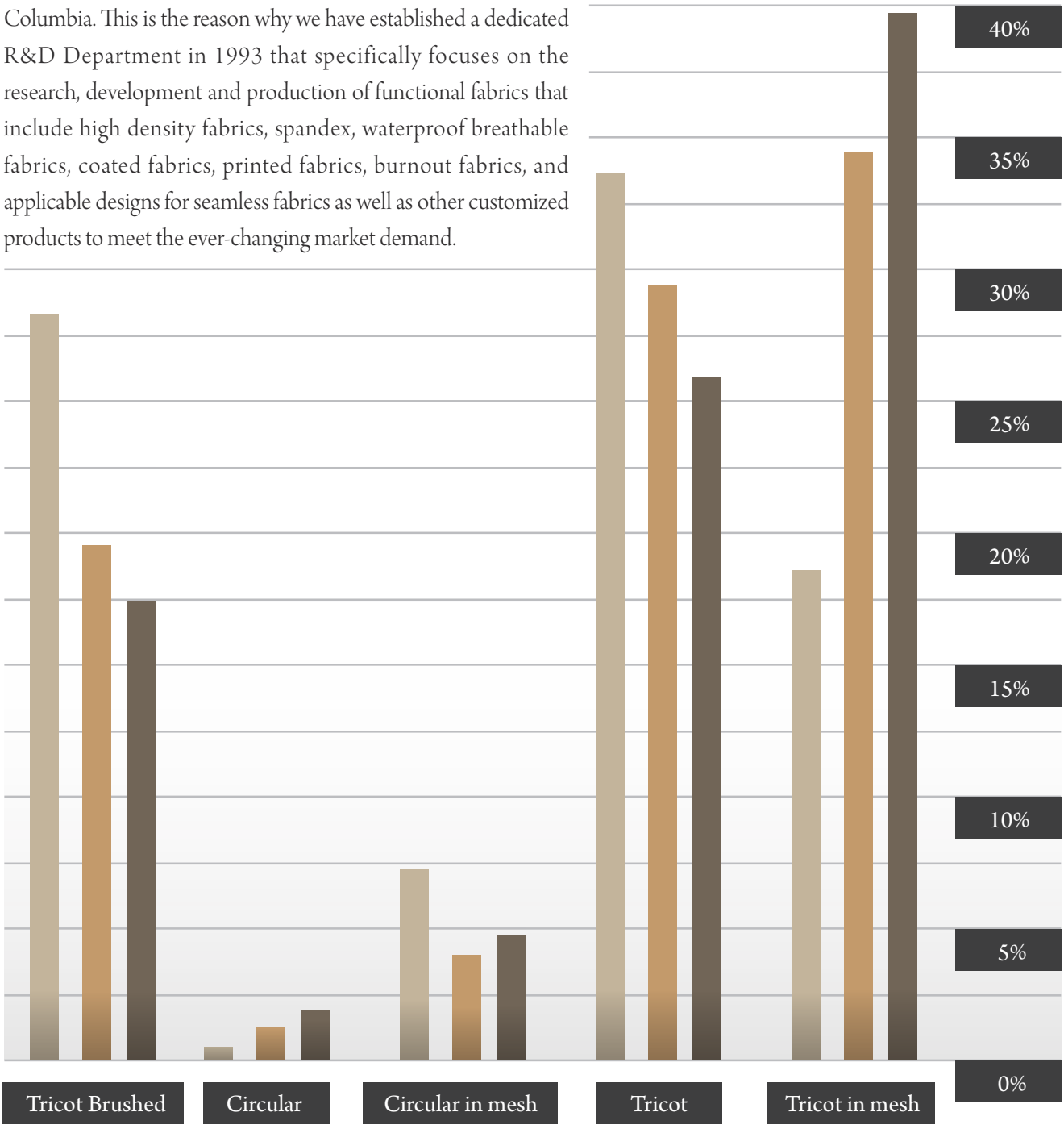
Flip Side	· double-dyed,two-toned interlock · reversible · 2 colour
Colour Fusion	· ombre · ombre jacquard · dope dye / YD
Natural Touch	· heather effects · dri-release · natural blend yarms · natural -lock blend yarms
Thermo Regulate	· performance fleece · french terry · performance brush 1 or 2 sides · bonded · thermo-finishes
Seamless Full Garment	

Group Competitions

TEAM
advanced customization

Body Map Burn Out	
Dual Tone Reverse Mesh	
Functional Custom Graphics	· 3D ink · reflective · liquid stretch · custom logo / team
Pro Stretch	· solid stretch · stretch textures · plain knit · fleese · terry · double knit
Advanced Pro Mesh	· engineered YD and solid · fancy jacq.mesh · 0-10% stretch · 10-15% stretch · 20%+stretch

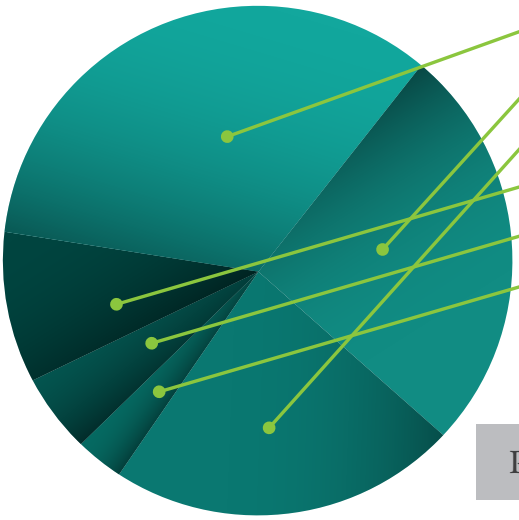
Men-Chuen Fibre has always been a major fabric supplier for renowned athletic brands such as Nike, Adidas, Puma, and Columbia. This is the reason why we have established a dedicated R&D Department in 1993 that specifically focuses on the research, development and production of functional fabrics that include high density fabrics, spandex, waterproof breathable fabrics, coated fabrics, printed fabrics, burnout fabrics, and applicable designs for seamless fabrics as well as other customized products to meet the ever-changing market demand.



2011~2013 Men-Chuen main products

Major Clients ▸

Men-Chuen Fibre has been widely recognized as a major fabric supplier by renowned athletic brands such as Nike, Adidas, Puma, and Columbia. We are committed to the research, development, and production of sport clothing. Our clear and distinct market segmentation and product positioning, customer services, and international expansion have provided our clients with comprehensive and rapid services. We have created a highly efficient business team supported by global manufacturing capabilities, allowing us to accept and process production orders from around the world, working closely with our clients to achieve mutually beneficial results. Men-Chuen shall continue our unique and innovative practices so that more will come to know about us and gain preference for our products.

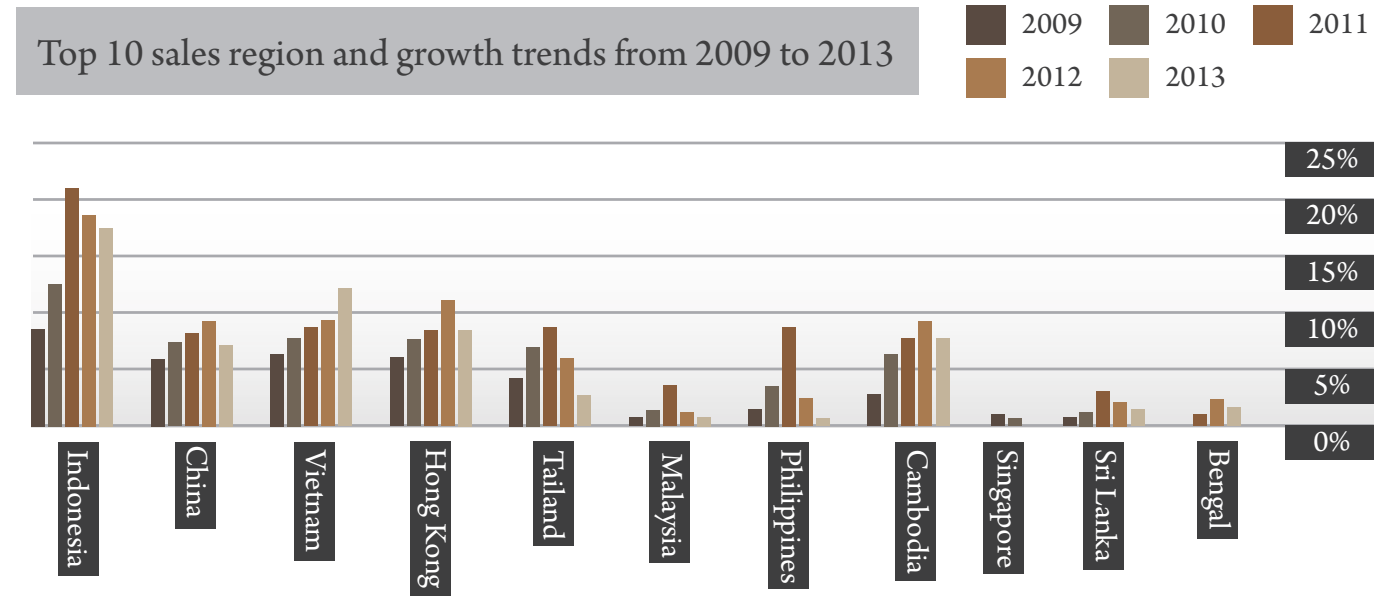


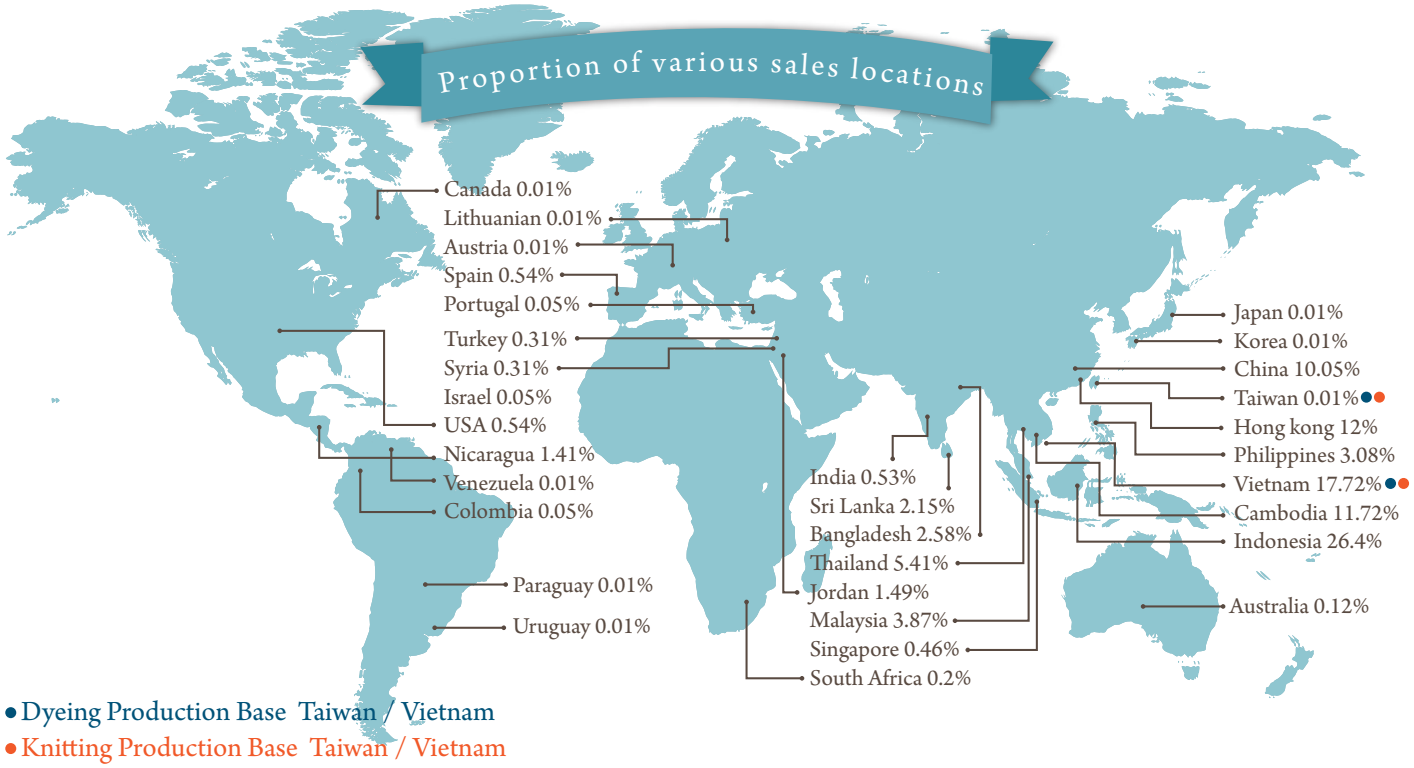
Proportion of the top 6 brands supplied by Men-Chuen in 2013

Area of sales ▸

All leading clients of Men-Chuen Fibre are world renowned sport brands. Functional athletic fabrics are our main business focus. Hence, we are required to provide warp knitted, circular knitted, and flat knitted products of excellent quality. Our knitted products would be exported to our client's clothing manufacturers. Major business areas include Asia, Southeast Asia, Middle East, Europe, the Americas, and Oceania.

Top 10 sales region and growth trends from 2009 to 2013





02.03

STAKEHOLDERS & ECONOMY

Interested parties and mutual communication ▸

The ability to listen and respond to recommendations from stakeholders and employees serve as an important indicator that determines whether a company is capable of sustainable development. Every decision made by Men-Chuen would affect the relevant stakeholders. Hence, stakeholder communication and dialog, reviewing and correction of shortcomings in internal policies as well as the assessment of business effectiveness and efficiency would ensure the continuous and effective implementation of internal control systems while providing a referential basis for revising and improving these systems. Hence, communication is regarded as an indispensable element for Men-Chuen's corporate social responsibility program. Communication helps our stakeholders understand the topics they are concerned with and also allows us to respond to their requirements. Through effective dialog, we would be able to create mutual growth and provide substantial benefits for our economy, society and environment. The following summarizes a list of Men-Chuen's stakeholders.

Stakeholders	Topic of interest	Communication channel
Employees	・Salary and welfare ・Work health ad safety ・Professional development and training ・Career development	・Employee opinion box ・Employee Satisfaction Survey ・Employee Manual, Education, and Training
Stockholder	・Status of business operations	・Publishing of sustainable development reports ・Stockholder evaluation meeting
Customers	・Product delivery date ・New product and quality R&D ・Service quality	・Local and international exhibits ・Routine customer visits ・Supplier meetings for brand customers
Supply Chain	・Status of business operations ・Company status and equipment ・Order volume ・Types of brands	・Supplier Opinion Survey ・Periodic visits
Bank	・Status of business operations ・Profit status and fluctuations ・Environment conservation status	・Publishing of sustainable development reports ・Providing relevant financial reports
Claims adjuster	・Introducing management system audits for ISO, Bluesign, OHSAS and LEAN.	・Certification, audits, recommended improvements, education and training
Academic Unit	・Training of industry professionals ・Cluster sharing and integration of the Supply Chain	・Providing academia-industrial cooperative projects ・Industrial professional training program
Government units	・Company management ・Energy consumption ・Energy saving programs	・Compliance to local laws and establishment of internal standards and government regulations within the company

Analysis of our financial status

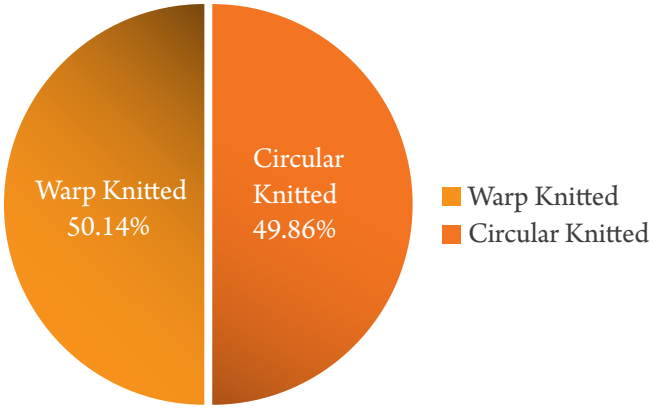
Men-Chuen's total business income in 2013 reached NT$ 2.322 billion, an 8% reduction from the 2012 income of NT$ 2.513 billion. The reason was due to Men-Chuen's restructuring of product sales channels. Business profit for 2013 totaled NT$ 82 million, which was a 1.2% increase from the 2012 profit of NT$ 81 million. The limited growth was a result of increased fuel and power costs in Taiwan. In 2013, non-business income and profits totaled NT$ 46 million, which was a 2.39 fold decrease from the NT$ 156 million earned in 2012. The earning in 2012 was acquired through the sales of old production facilities. Non-business expenses and loss totaled to NT$ 18 million in 2013, which was a 1.94 fold reduction compared to the loss of NT$ 53 million in 2012. This difference was caused by financial transaction fees that was paid in 2012 and depreciation of New Taiwanese Dollar in 2013.

Item \ Year	2012	2013
Business income	2,513	2,322
Gross profit	296	257
Business profit	81	82
Non-business income / profits	156	46
Non-business expenses / loss	53	18
Pre-tax profit (loss)	184	110
After-tax profit (loss)	168	103
Earnings per share	3.83	2.19

▪ Unit in million NT$.

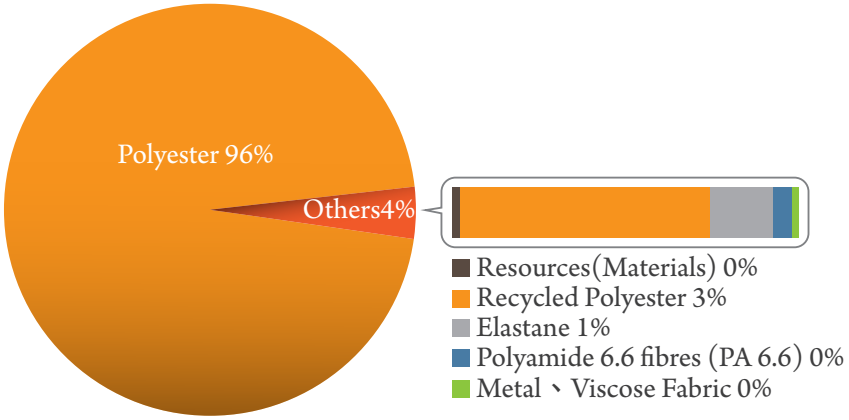
Product and raw materials analysis

The proportion of Men-Chuen's products in 2013 mainly focused on circular knitted goods and warp knitted goods that composed 49.86% and 50.14% of production respectively.



Raw material analysis

Major raw materials for Men-Chuen include 6 types of fibers, namely polyester, viscose, recycled polyester, polyamide 6.6, metal, and elastane. Of which, polyester and recycled polyester made up 96% and 3% of total raw materials respectively, with the remaining 1% divided amongst the rest.



04 SOCIAL ASPECTS

04 Social Aspects

Social aspect ▸

The driving force for corporate growth and development would be dependent on the effective utilization of human, financial, and material resources within the company. Human resources would be the most critical source of knowledge and intellect within a company. This intangible and invaluable corporate resource cannot be replicated and is extremely difficult to transfer. People first is the core of Men-Chuen's management philosophy. Creating a work environment conducive to employee satisfaction and regarding employees as the soul of the company are some of Men-Chuen's most important management principles. In order to improve corporate competitiveness, we must insist upon our People first policy and establish this corporate culture through our management activities.

Although business strategies and marketing opportunities are often flexibly adjusted to meet the changing industrial environment, Men-Chuen's corporate culture has always remained steadfast to our People First rule and vision. We strive to create a corporate culture that is supported and followed by each and every one of our employees. Thus, Men-Chuen has established a unique combination of corporate values, management principles and practice, corporate spirit, ethical rules, and development goals. We adhere to the standards of placing importance on every individual, respecting everyone, and providing excellent services. To improve employee satisfaction, Men-Chuen has adopted a three-aspect approach of providing a safe and excellent work environment, competitive paychecks and welfare as well as internal education and training

Safe working environment

The highest guiding principle for employee satisfaction would be our Zero Workplace Accident target. Men-Chuen has adhered to this goal every year and has managed to achieve zero incidents for three consecutive years of 2011 to 2013. In the future, Men-Chuen shall continue to evaluate work environments and risks in order to prevent the occurrence of workplace accidents.

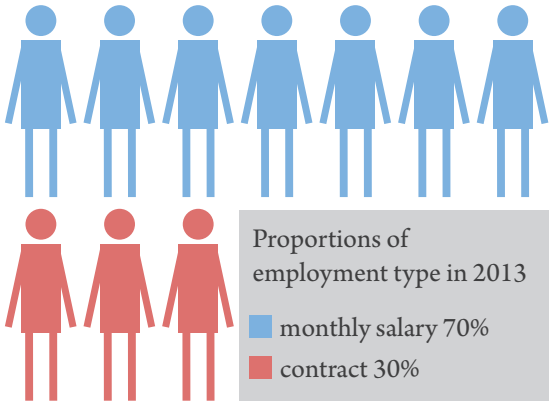
Competitive salaries and welfare

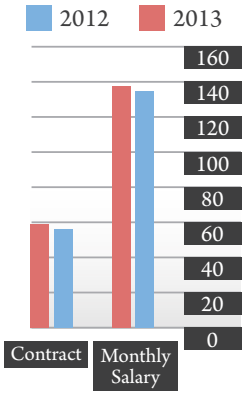
In addition to providing a good stable salary, Men-Chuen also provide annual vacations for local and foreign laborers, free health examinations, and baby bonuses as part of our employee subsidy and welfare package. We often organize meal gatherings to strengthen employee morale and strengthen corporate identity.

Internal employee education and training

Unit supervisors and managers will routinely provide internal training for our employees
In order to improve work professionalism, Men-Chuen has increased average training hours in 2013. Education and training in 2014 shall be raised to higher standards to provide a work environment that offers employees opportunities for self-improvement and acquisition of new job skills.

HR employment type and data ▶





Employment type	Number of employees	Percentage of employment type
Monthly salary	135	70.31%
Contract-based	57	29.69%
Subtotal	192	100%

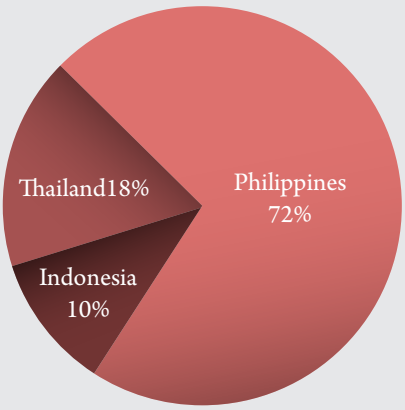
Men-Chuen's employment types can be divided into 2 major categories - those on monthly payrolls and those with temporary work contracts. Employees paid monthly tend to be local laborers, making up 70.31% of the total employees with 135 individuals. Contract laborers tend to be foreign, making up 29.69% of total employees with 57 individuals.

The number of employees for both categories has increased from the previous year due to the need for additional laborers to meet increases in production output. This would also prevent excessive workload for any individual employee. In 2014, we will be hiring foreign laborers with higher levels of technical expertise.

According to the foreign employee application standards released by the Directorate-General of Budget, Accounting and Statistics of the Executive Yuan, Republic of China, foreign employees can be classified into A+, A, B, C, and D levels. Men-Chuen's foreign employees can be classified as A+. Since we are a dyeing and finishing industry, the upper limit of foreign employees shall be 35% of total employee population. Hence, Men-Chuen is compliant to the laws of Republic of China.

Foreign laborers employed by Men-Chuen mainly come from the Philippines, Thailand and Indonesia. Men-Chuen has a total of 57 foreign employees, of which 41 are Filipino, 10 are Thai, and 6 are Indonesian. Foreign laborers are provided with accommodation and meals, and are regarded as equals to our local laborers.

The number of Filipino laborers decreased slightly during 2013 in response to our national policy calling for a reduction in the employment of Filipino workers. Hiring of foreign laborers will focus on Indonesians who will gradually replace our Filipino employees.



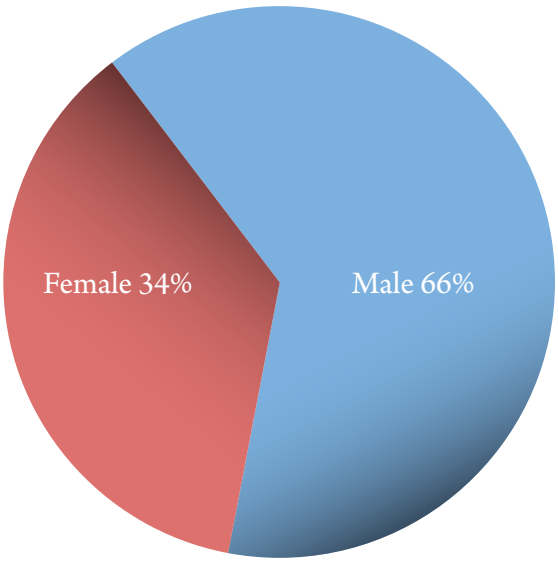
	2012	2013
Thailand	6	10
Indonesia	0	6
Philippines	51	41

Proportion of nationalities of foreign laborers in 2013

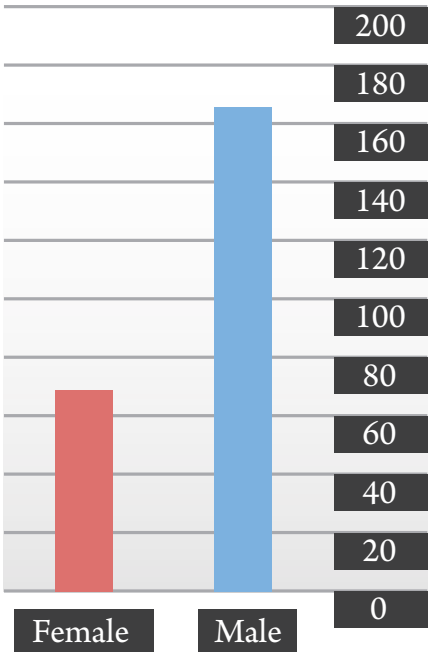
04 Social Aspects

Employee gender ▸

Given that weaving, dyeing, and finishing industries involve strenuous labor, most laborers would therefore be male, giving our company a male to female ration of 1.8:1.



Gender proportion of our employees



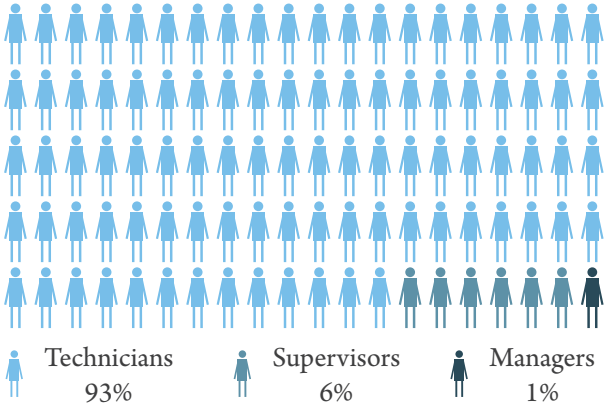
Number of employees of each gender

Proportion of employee level ▸

Manager : Supervisor : Technician ratio in Men-Chuen is 1:4:58.

The number of managers and supervisors in 2013 remained the same as in 2012 as our production processes and work specialization have already been well defined and established.

Proportion of employee levels

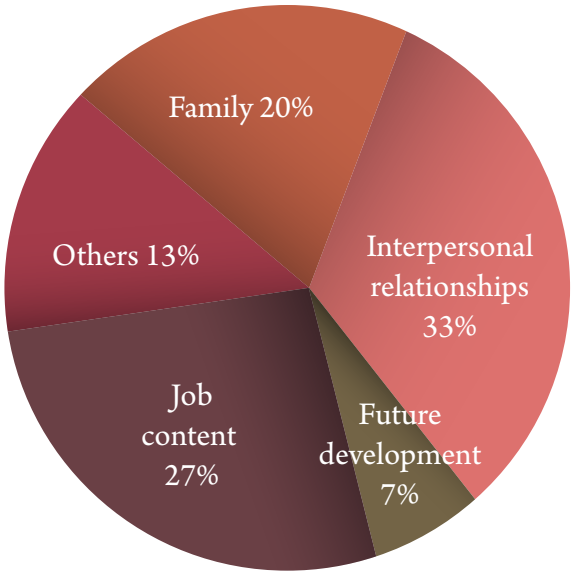


Level category	Number of employees	Proportion
Managers	3	1.58%
Supervisors	11	5.79%
Technicians	176	92.63%
Subtotal	190	100%

Employee resignation data ▸

Men-Chuen would compile and analyze the reasons for employee resignation. We would periodically implement questionnaires to assess employee attitude and ideas towards work in order to diagnose and discover problems and to identify suitable improvements.

Job contents make up 27% of the causes in resignation, with excessive physical demand and lack of interest in the work being the two sub-reasons. The leading cause would be excessive physical demand. Thus, we have acquired new moving tools and have completed an automated packing line in order to minimize strenuous labor activities. This would help reduce employee workload and improve production efficiency.



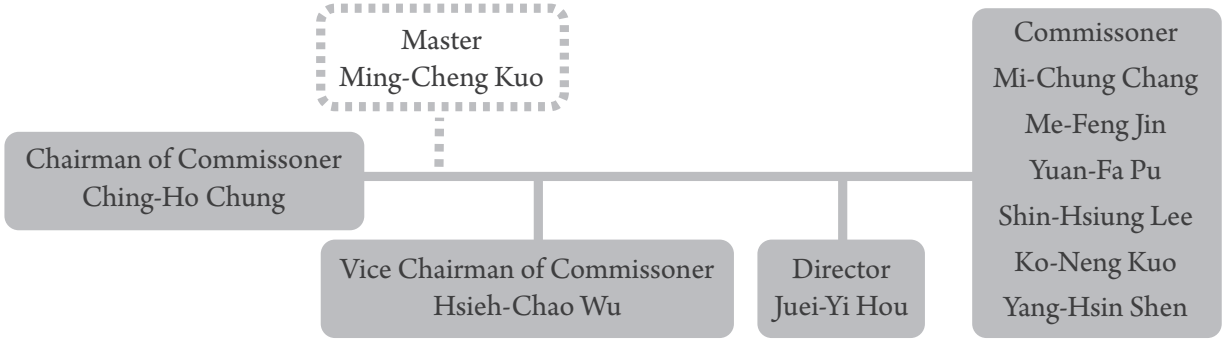
Family	Moving or taking care of family	20%
Interpersonal relationships	Unable to adapt to work demands	33%
Future development	Personal career planning	7%
Job content	Excessive physical demand or does not meet personal interest	27%
Others	Poor performance	17%

Employee and employer relationship ▸

Men-Chuen places great importance in maintaining a harmonious employee-employer relationship. Men-Chuen adheres to merit-based principles for hiring and promotion and does not discriminate by age, gender, or race. We promote the best in terms of performance and suitability. In order to ensure that there is an open communication channel between our employees and their supervisors, Men-Chuen has followed our development policies and established a welfare committee and employee suggestion box. HR personnel would collect data from the employee suggestion box on a weekly basis, and would respond to issues highlighted by the employees within 7 days.

Members of the welfare committee serve for 4 years. A committee meeting is held every season to discuss and respond to various employee recommendations. Before the end of the year, the committee would formulate welfare items and budget for the following year. (Employee welfare organization chart)

Year	Number of suggestions	Source of suggestions	Suggestion contents	Response	Employee feedback
2012	1	Factory employee	Improve the diversity of food items sold by the automatic vending machines	1. Communicate with the vendor by phone 2. Improve diversity of food items sold through the vending machine, and replace unpopular items with others 3. Increase re-stocking frequency of the vending machine to once per day	Original request has been satisfied
2013	2	Factory employee	Wants the company to provide safekeeping of the passport and bank deposit book.	1. A foreign employee, by his own volition, wants the company to provide safekeeping of his belongings 2. Safekeeping is not mandatory and only provided upon request	Original request has been satisfied
			Replace and upgrade personal protective gear	1. Expired or broken protective gear have been replaced 2. Improve investment for this area	



Men-Chuen also utilizes Employee Satisfaction Surveys to collect opinions and feedback from our workers and submit them to corporate and departmental supervisors for reference, evaluation, and improvement. The surveys provide an unobstructed channel for communication between our employees and the company. (Employee Suggestion Box)

Workplace accidents - definition and legal regulations ▸

Men-Chuen believes that the health and safety of our employees are intangible resources to our company. We understand that inadequate knowledge or improper protective measures against dangerous or hazardous substances would lead to workplace accidents that would not only threaten the safety of our employees, but that of the general public and the surrounding environments as well. Workplace accidents are defined according to Article 2 Paragraph 4 of the Labor Safety and Health Act of the Republic of China, which would include any employee illness, injury, disability, or death caused by buildings, facilities, raw materials, products, chemicals, gases, steam, dust, work activities or other work-related causes.

We have achieved zero workplace accidents in 2011, 2012, and 2013. This proves that Men-Chuen's People First management guidelines have achieved significant results and successfully prevented work accidents.

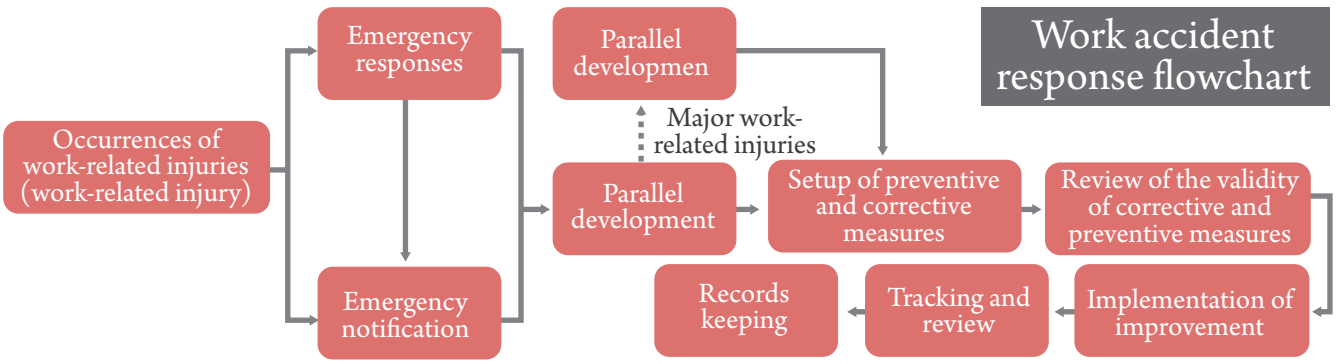
Year	2011	2012	2013
Workplace accidents	0	0	0

Annual audits for employee safety can be divided into internal audits and external audits. Internal audits are carried out to assess the safety of internal processes and are conducted once every 2 months. External audits are carried out by third party auditors and are conducted once every 6 months. We also require our employees to fully check their work areas on a daily basis. Unit supervisors would also check employee personal protective gear before operation in order to fully prevent any potential risks of workplace accidents.

Zero workplace accidents remain the main annual objective for 2014. In addition to auditing and improving our work environment, we also give our employees relevant work accident insurance coverage during work hours as well in the event that workplace accidents do happen.

Procedure for responding to work accidents ▸

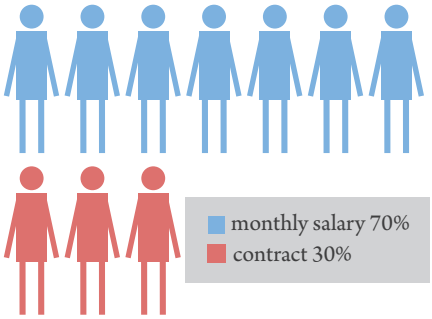
The table above shows the work accident response procedure that would be enacted to implement emergency notification and response in the event of workplace accidents. The procedure would ensure that our employee would be taken care of properly without delay if an accident has occurred.



04 Social Aspects

Employment type ▸

Employees in Men-Chuen can be divided into those receiving monthly salaries and contract laborers, numbering 135 (70.31%) and 57 (29.96%) individuals respectively. To provide professional improvement of our employees, Men-Chuen has organized training courses taught by both external and internal experts. Our objective is to ensure that employees would better achieve their potential in their respective jobs, receive adequate training support, and become more competent in their job responsibilities.

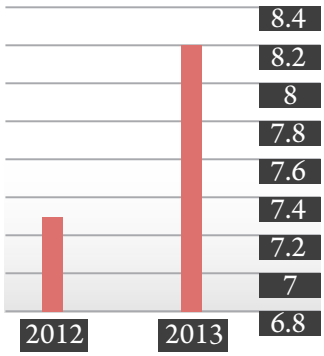


Proportions of employment type in 2013

Since employees receiving monthly salary make p 70.31% of our total employees, training courses taught by external instructors will therefore focus on these employees. Contract laborers would be given internal training courses taught by employees receiving monthly paychecks. To ensure training effectiveness, employees are required to write training reports. These reports would be compiled and archived.

Average employee training hours ▸

Employees are Men-Chuen's biggest asset. Hence, employee job and safety training would be the most important topic to our management.



Average Education and training hours (Hr)

Item	Total training hours	Average training hours
Internal training in 2013	1015	5.34
External training in 2013	510	2.86
2013	1525	8.2
2012	1384	7.32

In 2013, the overall average training hours was 8.2 hours, a 10% increase from the 7.32 hours of training provided in 2012. We hope that training courses would be further improved in 2014 so that employees would not only receive additional training hours, their professional skills and proficiency would enjoy substantial improvements as well.
We have planned to increase training hours by another 10% to 9 hours (from the original 8.2). To improve the results of the training, we would provide post-training tests and require our employees to submit post-training reports. Test results and reports would be recorded and archived to analyze employee learning effectiveness. We also encourage employees to obtain relevant technical certifications and provide investments for those attending seminars and on-job training. Those who acquire technical certificates would receive a bonus for encouragement.

Comparison between gender and base salary ▸

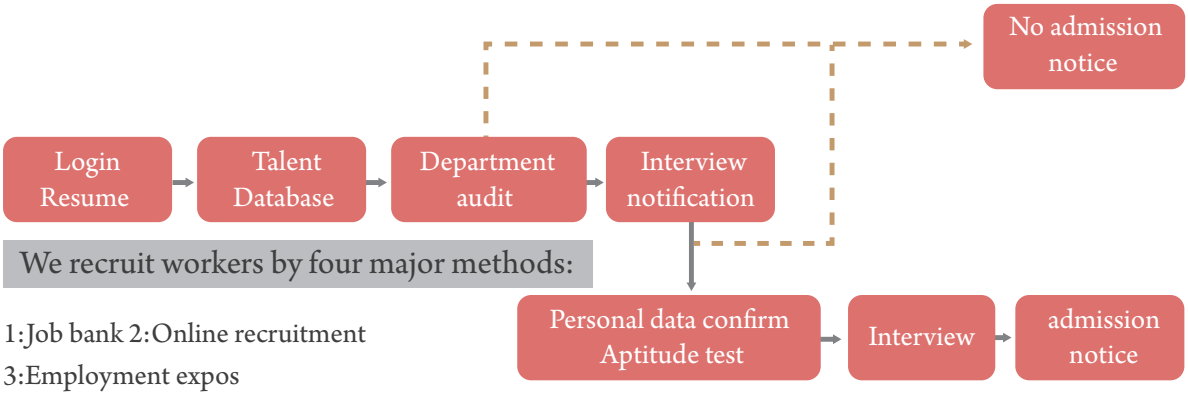
Gender is not a factor of consideration when deciding the base salary in Men-Chuen. Most male employees would receive a salary that exceeds the national average of NT$ 36000 as calculated by government accounting agencies. Female employees, on the other hand, would receive a salary that is slightly lower than the national average of NT$ 36000.

Differences in monthly salaries would be based on education level, years on the job, attendance, job experience, performance, and daily activities. This shows that Men-Chuen offers better gender to salary ratios compared to our competitors. We will continue to propose ideas to further reduce existing differences.
We are completely compliant to government regulations for the number of holidays offered to our employees. Employees will also benefit from additional leaves provided according to their length of service. Every employee is entitled to arriving late for 3 days every month.

Salary paid to our foreign laborers are higher than the minimum wage stipulated by our government in 201319047 and are compliant to other relevant job compensation requirements. Accommodations and holidays are also provided. A monthly fee of NT$ 4000 is deductible from the salary for meals according to the legal regulation. Men-Chuen, however, only deducts a competitive NT$ 2000. Foreign laborers are also provided with a fixed deposit account to provide financial security.

HR recruitment procedure in Men-Chuen ▸

The recruitment procedure follows the flowchart shown above. We would review and verify the personal information of the interviewees and carry out job compatibility tests to validate the employee.



1:Job bank 2:Online recruitment
3:Employment expos
4:Academic and corporate partnerships (Ex. Ming Chi University of Technology and Oriental Institute of Technology)

Employing unit review: The supervisor of the employing unit will verify the personal information provided by the interviewee
Personal information verification and job compatibility tests: The HR personnel will verify the personal information with the interviewee and initiate job compatibility tests. The interviewee must provide a Republic of China ID card or other forms of identification for validating the information on the CV provided by the job candidate. The most suitable individual will be selected for the job.
According to Men-Chuen's stringent HR recruitment procedure, the interviewee must pass review processes by both the HR personnel and meet the requirements of the employing unit.

Details and regulations on youth labor ▸

1. Youth laborers are those between the age of 15 and 16 (not yet fully 16) who are employed.
2. Youth laborers are prohibited from being engaged in physically intensive or dangerous work.
3. Employers are prohibited from employing any individual under 15 years of age. However, exceptions are provided for graduates of Junior High School employed in job descriptions and work environment that have been verified by the relevant authority to be harmless to their physical and mental development.
4. Employers are required to obtain a letter of agreement from the legal guardian as well as documented proof of age for employees under the age of 16.
5. Youth laborers may not work more than 8 hours a day or during weekends and public holidays.

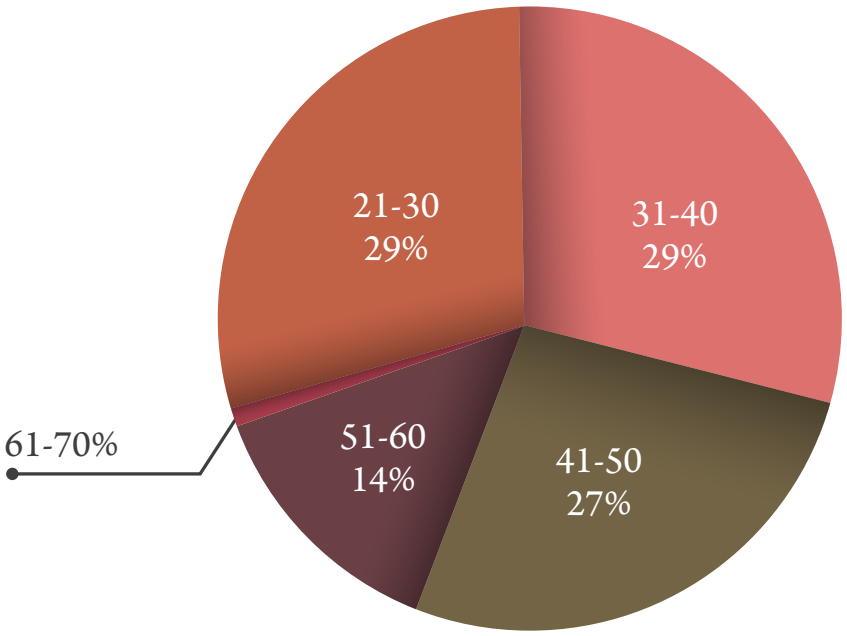


Chart of employee age ranges

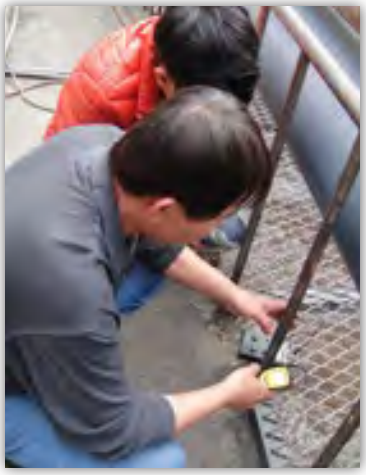
Currently, the oldest employee in Men-Chuen is 63 years of age, while the youngest is 21 years of age.

Men-Chuen is a weaving, dyeing and finishing factory. The weaving process would involve large amounts of strenuous physical labor. In compliance with Article 44 of Taiwan's Labor Standards Act, Men-Chuen does not employ youth laborers between the age of 15 to 16.

Men-Chuen has not hired youth or child laborers since 1981 (for a total of 33 years), demonstrating our compliance to the relevant Labor Laws.

Academic and corporate partnerships ▸

Traditional industries in Taiwan are experiencing the aging of experienced employees with a growing generation gap between young and senior employees. Men-Chuen thus begun promoting academic and corporate partnerships three to four years ago with the basic guiding principle of providing training for skills required by the industry. We have proposed comprehensive plans for follow-up industrial services after internships that include corporate headquarter internship positions and short-term training in multiple departments. These measures provide students with a complete industrial experience during their internships. Performance assessments are jointly determined by the academic institution and the industry, and students who pass would be awarded with academic units. Men-Chuen gives paid internships and we make sure that students work in a safe and excellent environment and could learn about business structures and techniques involved in the industry so that they would attain leading positions and international opportunities for the job market in the future.



Men-Chuen invests both time and money in the academic and corporate partnerships. Mid- and long-term basic development programs as well as management and technical training plans have been established with the hopes of providing a comprehensive and all-aspect cooperative package. An annual cooperative model gives students a full-time internship opportunity to kickstart their careers and formally integrate their education and practical experiences. In addition to corporate internships and factory positions for students to gain practical experiences, Men-Chuen has also jointly established an academic and corporate partnership platform that includes areas such as product development, technical cooperation, manufacturing quality control, management strategies, and business innovations. We offer opportunities of 1-2 year industrial service programs for the students, improvement of practical and R&D potentials for the instructors as well as increase in overall competitiveness for the academic institutions while the industry benefits from academic research results. The platform would thus create a win-win scenario for all participants.

Men-Chuen has integrated both internal and external training resources for the core factories as well as overseas branches in order to augment career development for all our supervisors and colleagues, create an organizational culture conducive to learning, and generate sustainable competitive advantages. We are currently involved in a joint academic and corporate partnership with Ming Chi University of Technology and are looking for additional partners. In 2014, we will begin to work with other tertiary educational institutions such as Oriental Institute of Technology and Fu Jen Catholic University to provide their students with diverse choices of industrial work experiences. Men-Chuen focuses on providing the most comprehensive and robust learning packages to achieve growth in both our industries and education.

04 Social Aspects

Various competitions ▸

The purpose is to bolster health, competitiveness and identity of our colleagues. Our colleagues of Neihu, Guishan, and Nankan have been invited to participate in team sports. Sports and games would help incite passion outside work and help preserve our youth and vigor. Competitive sports could also develop the spirit of athleticism and teach participants important lessons in perseverance and self improvement, both of which could be applied to daily work. These activities could also improve corporate value. In 2013, we held a badminton tournament.

Men-Chuen provides ample time for health and recreation for our foreign laborers and promote equality and freedom of belief. We also encourage our laborers to live harmoniously with the residents of Tongyi Community and thus participated in the fall and winter season basketball tournaments organized by a religious organization of Taoyuan County, winning a trophy in the process.

Men-Chuen Cup Badminton Tournament

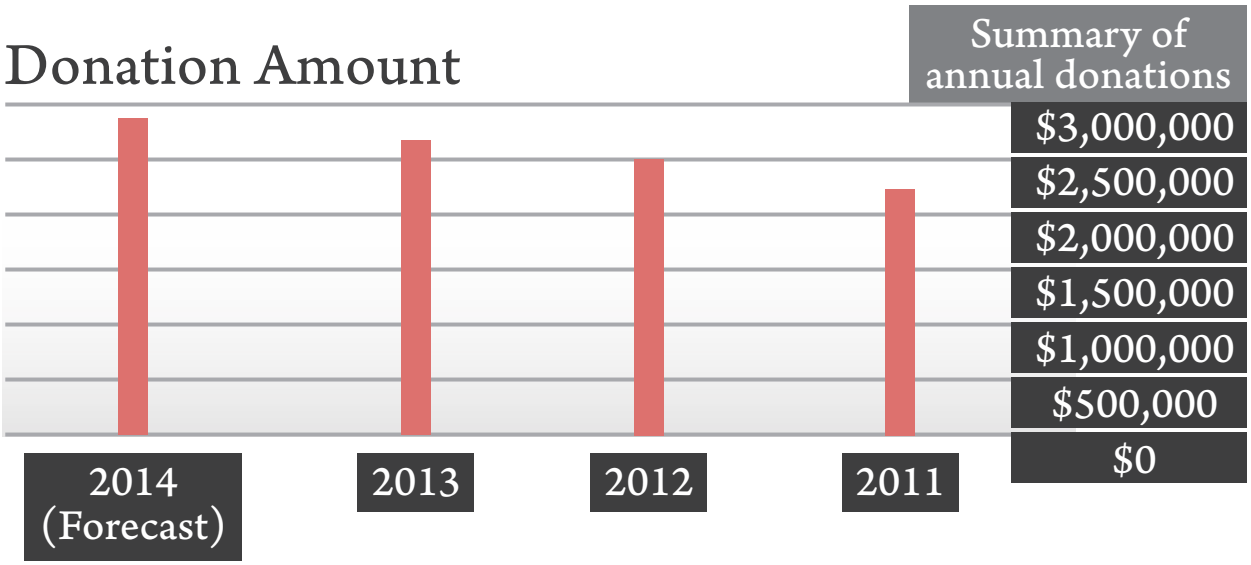
Men-Chuen Cup Badminton Tournament

Vice President Chung rewarding the winning team with the 6S Competition Reward

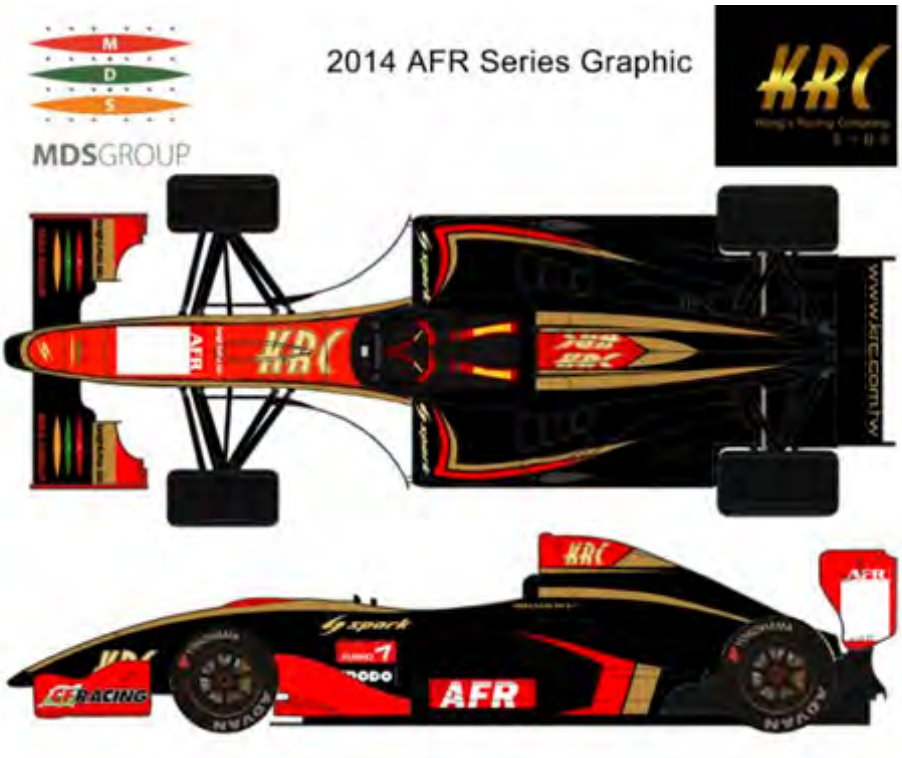
In addition to athletic competitions, we also held 6S competitions for our manufacturing floor. CI personnel and shift employees would be evaluated on a weekly basis. Results are announced every month. Every process team is given a single target to achieve and those that succeed were awarded. These reward systems demonstrate the emphasis placed upon safety by our top management. Additionally, various process teams are encouraged to independently come up with improvement plans to demonstrate effective self-discipline and management.

Donations and Sponsorships ▸

In addition to placing great importance on our employees' career development, Men-Chuen is also extremely dedicated to the philosophy of giving back to society. We are more than happy to support our neighboring communities and organized events such as cultural activities and athletic competitions.



Men Chun is a proud sponsor of KRC F3 Team. KRC and Men-Chuen shall jointly participate in the races for 2014. The KRC Team has formally established a collaborative relationship with Men-Chuen Fibre Industry Co., Ltd. We are a proud sponsor of the KRC Team for 2014.



04 Social Aspects

The uniform of the KRC Team shall be provided by MDS Group, Men-Chuen Fibre Industry Co., Ltd. The professional racing events shall help validate the exceptional material and design of Men-Chuen's products.

Community Mutual Assistance Team

Contributing as a consultant to a volunteer fire-fighting team

Donating to a local Temple to Tu Di Gong


KRC
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05

MAINTENANCE AND IMPROVEMENT OF THE ENVIRONMENT

05 Maintenance and improvement of the environment

Environment protection and improvements▸

Despite our finite resources, we humans have constantly laid waste to our environment to satisfy our desires for better living standards. Energy reserves are being depleted, global warming have worsened, and our natural habitats and ecologies are being subject to irreversible damage caused by intensive industrial activities. All these may directly and indirectly affect our lives. Such actions have deviated from the core principles of corporate sustainable development. Men-Chuen has incorporated sustainable environmental protection into its corporate management philosophy. This allows Men-Chuen to become a truly sustainable company capable of catering to both corporate development and environmental protection at the same time. Of which, protection of our natural environment and maintaining human welfare have been established as our most important objectives.

As the world becomes increasingly concerned with environmental protection, Men-Chuen has taken the initiatve in implementing self-monitoring of our entire production process and applied strict regulations in reducing major pollutants we produce. We have also included innovative designs such as green construction materials, green planning, and alternative energy projects to improve existing processes and management operations to eliminate sources of pollution. We have also improved the quality our incoming materials and strengthened our waste recycling, reuse and exchange programs and initiated developments in new production processes with zero or low pollution. Our main focus would be energy saving and carbon reduction policies as well as the use of non-toxic alternatives for our materials in order to support positive developments for both our environment and company.

Corporate development and environmental improvements can be divided into the three aspects listed below:

1 Choosing chemicals and new machine or manufacturing processes that meet statutory requirements

In order to ensure the safety of our production processes and finished products, improvements have been made to existing processes and management operations to achieve our goal of zero discharge of hazardous chemicals (ZDHC).

2 Water saving policies

We implemented programs for reducing water consumption as well as water recycling. All data are digitally monitored and stored in compliance to our water saving policy.

3 Addition of resource conservation equipment

These equipment include water saving faucets to large centralized water recycling systems. We would not overlook any single opportunity for water conservation. We have continued to improve facility management and improve energy use efficiency as we play our part in saving our planet.

Since August 2012, Men-Chuen has begun to rebuild our facilities to improve space layout and usage efficiency. The rebuilding was completed in December 2013. During the rebuilding process, we have also established a 3-year energy saving program (ending on August 2015). The project includes three major aspects of energy (electricity and fuel) conservation, water conservation, and waste reduction. The following describes our project

Project implemented	Details	Status & progress	Implementation time	Expected efficiency by 2015
Energy Conservation	Switch off the lights at each process station during down-time (completed)	Completed	Gradual implementation from 2012	-10%
	Replace all lights with T5 energy-saving tubes (completed)	Completed		
	Replace AC to independent air conditioning	Ongoing		
	Improve heat exchanger usage efficiency	Under planning		
	Dye vat heat preservation	Completed		
Water conservation	Reduce the frequency of dye vat washing during production	Under planning	Rescheduling since 2012 Additional equipment to be installed in 2014	-30%
	Add waste water recycling and treatment facilities to reduce water consumption.	Ongoing		
	Install frequency transformer and controller for the pump and setting machine motors.	Ongoing		
Waste Reduction	Reduce the production of waste fabrics	Ongoing	Planning implemented since 2012 Additional equipment to be installed in 2014	-20%
	Convert waste fabrics into garbage bags for internal use.	Completed		
	Add waste water recycling and processing facilities to reduce sludge production.	Under planning		

Environmental impacts can be largely into five major categories: energy consumption, production waste, air pollution, chemicals, and solid wastes. The category of energy consumption can be further sub-divided into direct and indirect usage.

Direct energy: Petrol and diesel fuel use
Indirect energy: Electricity

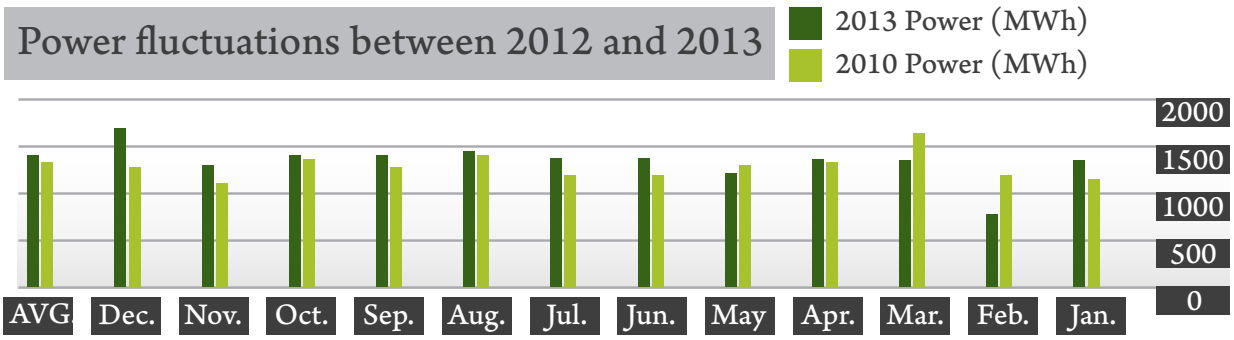
05 Maintenance and improvement of the environment

Direct and indirect energy ►

・Energy consumption in 2013

Electricity and fuel oils are the major energy sources currently used by our factories. As boilers and production equipment are difficult to adjust or replace, our improvements shall focus on electricity usage. For power conservation, all production departments have begun practicing lights-off policies during lunches and dinners when the machines are turned off. This policy has been implemented in the 3 departments of in-process inspection, raising, and packaging. The next phase expand the policy to the chemical analysis lab and inspection office as well as replacing motors with higher efficiency models.

The office will turn off all lights during noon recess to save electricity. The new office was completed in April 2013. All the old model T8 fluorescent tubes have been replaced with the energy saving T5 models. Motors have also been replaced with more efficient models. We have also evaluated the resulting energy cost savings.



The Chinese New Year Holiday is the most important and longest holiday in the Chinese community, and production volumes tend to be very high after this holiday. Chinese New Year Holidays in 2013 and 2012 were February 9th to 14th and January 21st to 27th respectively, which would explain the difference in power usage in February between these two years.

Other Chinese and Western holidays as well as the change between summer and winter season would all directly influence production capacity and hence power usage.

Although total energy consumption in 2013 has increased somewhat, equipment replacement and upgrades using energy efficient parts meant that overall energy usage in relations to total production volumes has decreased. Further explanations will be provided below.

・Power Use Efficiency (PUE) of 2013 and 2012

Definition of Power to Fabric Ratio: Amount of electrical power consumed to produce 1 kg of fabric (unit: kWh / kg)

2012	2013
494.28	447.52

※494.28÷447.52=1.104 (overall power consumption)

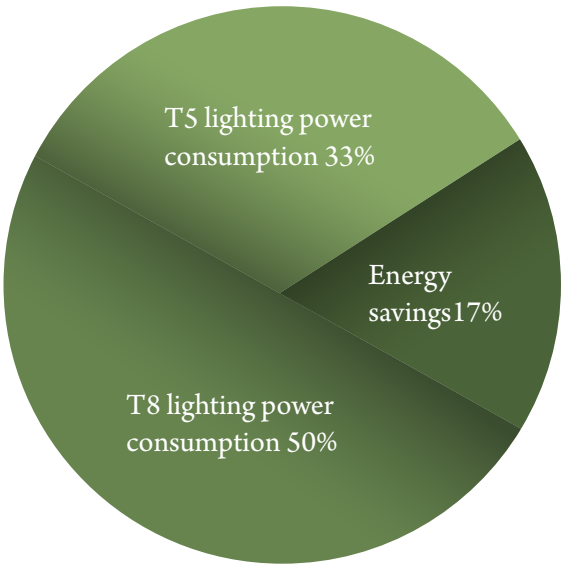
Power to Fabric Ratio has increased by over 10%, which is equivalent to an extremely significant achievement of 10% savings in energy.

Calculating power to production ratios can help Men-Chuen establish relevant performance indicators.Its usefulness does not stop at environmental or economic aspects. We can also evaluate and analyze existing objectives with previously established databases so that we may devote our efforts to stabilize energy use fluctuations and establish meaningful performance indicators.

‧ Complete replacement with T5 fluorescent tubes

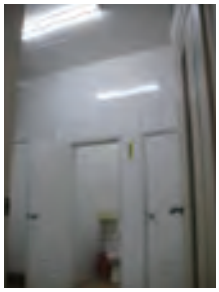
Traditional T8 tubes are 40W. Men-Chuen has selected 28W T5 tubes to cut energy consumption by 1/3. All lighting in production offices, restrooms, conference rooms, and manufacturing floor will be replaced with T5 tubes. Estimated energy savings will approach NT$ 500,000 every year.

In addition replacing our lighting, restrooms would also be provided with improved ventilation to create a better-lit and cleaner environment.



Comparing energy consumption of T8 and T5 tubes

Before improvement



After improvement

‧ Ensaver heat exchanger

A heat exchanger system has been installed and connected to a computerized platform for the digitalization of energy recycling data.

Circulating fluids in some machine systems must be heated or cooled in order to meet operation requirements. Heat exchangers are equipment that transfer heat from one fluid to another. The objective is to exchange heat between the two fluids and achieve the required heating or cooling effects. The most commonly seen heat exchangers are those that indirectly conduct heat between two objects via fluid or gaseous media.

05 Maintenance and improvement of the environment

· Adding external heat insulation coating to the dye vats

We are dedicated to energy conservation programs and have applied heat preservation coating to places on the dye vats where heat preservation layers cannot be installed in order to keep the heat within the vats.

The main function is to reduce vat surface temperature and prevent accidental burns. Heat insulation would also prevent heating of the manufacturing floor and improve the comfort of the work environment. Reducing heat loss would also shorten pre-heating time required. This would also indirectly influence fuel oil or power consumption.

Dye vat	Before (no heat preservation coating applied)	After (heat preservation coating applied)	Temperature difference
Temperature ℃	89℃	80℃	9℃

Although measurements reveal significant differences in temperature, the difference have yet to be converted into energy savings due to the large number of external variables. The project is expected to be implemented in 2014 to convert temperature reductions into units that are more easily measured.

· Usage of various types of fuels

Three major types of fuels are used in the manufacturing floor, namely kerosene, diesel, and 92 lead-free petroleum.

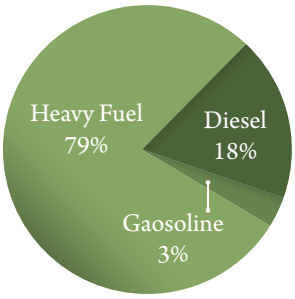

Kerosene boilers

Fossil fuel consumption Status

Fuel type	Kerosene	Diesel	92 lead-free petroleum
Machine	BoilersX3	Large trucks and forklifts	Large trucks and forklifts

Fuel type	Kerosene	Diesel	92 lead-free petroleum
2013(%)	79%	18%	3%

2013 Fossil fuel energy consumption



Most of our mobile equipment are powered using diesel fuel. Currently, our facility has 11 forklifts, 1 large truck and 2 small trucks. Only the small trucks utilize lead-free petroleum. Of the 11 forklifts, 6 are powered using diesel fuel while the remaining 5 are electrically powered. As our facility contains large amounts of flammable materials, we would be gradually replacing our forklifts with electric-powered models for the safety of our employees as well as environmental conservation.


Electric-powered forklift

Water resources ►

Water is the most valuable resource of this planet. All life on earth is dependent on it for survival. Before the Industrial Revolution, water used to be an infinite natural resource thanks to the natural water cycle. The cycle also serves to purify water as well. However, industrialization has resulted in excessive accumulation of pollutants within a very short time. The self-purifying capacities of water resources have been greatly reduced. Only active remediation programs could help restore life to these polluted water bodies.

Water resources that we utilize can largely be divided into two major categories - surface water and underground aquifers. Both of these water sources can be processed to provide public water or converted to steam for industrial use. Most industrial water in Taiwan would be derived from aquifers, but it regenerates at a far slower rate compared to surface waters. Over-utilization of aquifers could easily cause disasters such as land subsidence and soil alkalinization. Hence, improving water use efficiency and reducing production wastage have now become major considerations for various manufacturing plants.

Men-Chuen did not implement water resource usage evaluation or records in the past. However, we have begun to make detailed records of water consumption starting in 2012. In 2010, we have installed heat exchange systems to reduce fuel consumption when heating our boilers. All water resource consumed would be recorded digitally. We have also begun to monitor and record data from the hot water recycling system installed on our roof, and made plans to introduce intermediate water recycling systems in 2014 to reduce aquifer water usage and sludge production.

‧ Water consumption in production

Dyeing and finishing industries implement processes that may include all or part of the following: singeing, desizing, scouring, bleaching, mercerizing, dyeing, printing, and finishing. Of which, the dyeing process requires large amounts of water and steam.

Most local dyeing industries draw water from aquifers. Recently, the dyeing and finishing industry is devoting efforts to develop water saving technologies and reduce water consumption of bleaching vats.

Men-Chuen's three-year water saving program focuses on re-structuring dyeing and bleaching vat processes with an expected target of 10% reduction in water usage by 2015.

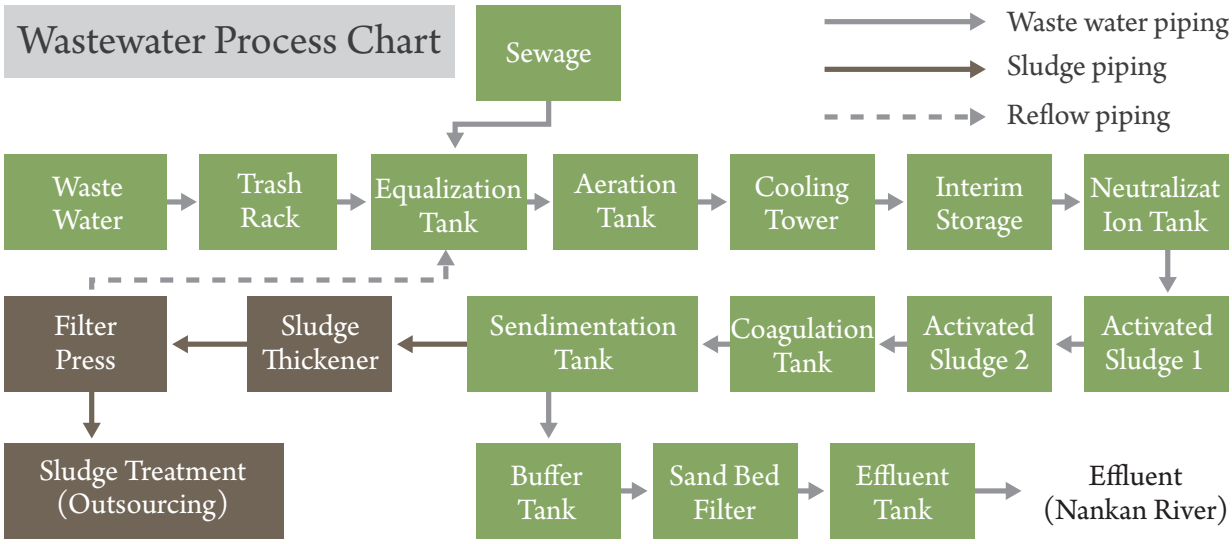
In 2013, total water consumption in Men-Chuen reached to about 740,000 tons. We have recently started a facility expansion project with an expected completion date by the middle of 2015, The expansion project would include wastewater treatment equipment which is expected to 50% more efficiency, more environmentally-friendly and reduce pollution.

05 Maintenance and improvement of the environment

· Waste water treatment

Men-Chuen has a two-stage wastewater treatment system. COD and BOD in the water would first undergo biological digestion. The treated water is then released to Nankan Creek next to the factory. Men-Chuen not only carries out tight monitoring of wastewater treatment results, we also visit official government websites to see if there are any changes to the water quality of Nankan Creek.

According to the Article 2 on the Effluent Standards Law, an extension law from Article 7 Paragraph 2 of Water Pollution Prevention Act, effluent from the printing, dyeing and finishing of knitted fabrics would be held to class 2 effluent standards. with a BOD < 30 mg/L, COD < 140 mg/L, SS < 30 mg/L, and ADMI < 550.



We have purchased water quality inspection and monitoring instruments to conduct long-term and routine internal analysis of waste water effluent from our production processes and raw incoming water. Monitored items include COD, colorimeter reading, SS, pH, softness / hardness, and heavy metals.

Although Men-Chuen's waste effluent satisfies statutory requirements and standards, the COD is still slightly above that of the receiving water body. We will continue to focus on COD control with a short-term objective of 5% reduction every year. For our long-term goal, we shall strive to reduce effluent COD to below that of the receiving water body.

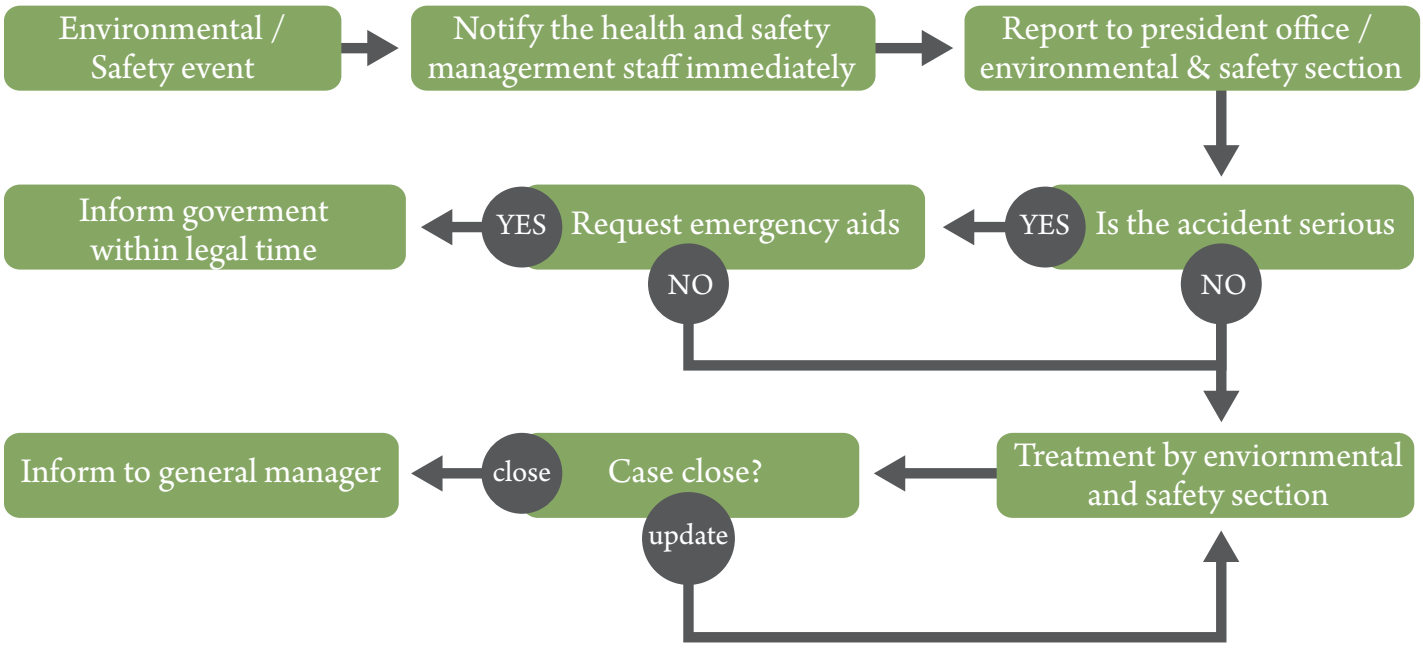
‧ Hot water recycling system

The factory's bleaching and dyeing processes generates a lot of hot water. Hot water used to be directly released to the wastewater treatment facilities. However, this is neither cost effective nor environmentally friendly. Hence, Men-Chuen has installed a high capacity water recycling and storage tank in the factory. We first use a water pump to move clean water to be recycled into a storage tank. If necessary, we would first release and reuse some of the recycled water from the storage tank.

Simply put, this is akin to large scale re-use of washing water and provides the most direct and effective means of energy conservation. Water reuse not only reduces the amount of water consumed for fabric production, it also helps our company achieve internal expectations and improvements for corporate social responsibility.

‧ Emergency response measures

Men-Chuen would initiate standard emergency response procedures in the event of environment safety abnormalities in order to minimize environmental damage and personnel injuries. The following figure illustrates the procedure:



05 Maintenance and improvement of the environment

Chemicals ▸

Our surroundings are filled with various chemical products. The same applies for dyeing and finishing industries. Raw materials, dyes, auxiliaries and wastes of dyeing and finishing processes are almost completely composed of chemicals. Chemicals are largely divided into two major categories based on the severity of impact they have on human health: hazardous and non-hazardous. Every company would publish a Restricted Substances List (RSL) every year. Since August 2009, Men-Chuen has began to initiate inspection and controls over its use of dyestuffs and auxiliaries.

Consumer demand for non-toxic products have increased in recent years. In order to provide safe products to our consumers, we have worked hard to achieve Oeko Tex® certification for our goods since June 2011. In September 2011, we obtained the Global Recycle Standard (GRS) certification and applied for bluesign® certification in February 2012. These certificates provide Men-Chuen with two-layered safety and quality assurance for the choices of our raw materials, dyestuffs, and auxiliaries.

In 2013 and 2014, we have continued to undergo surveillance and recertification audits for Oeko Tex®, bluesign®, Global Recycle Standard (GRS), ISO14001, and OHSAS18001.

Men-Chuen has stipulated a documented procedure for chemical management (MCFIQP-004-V4) and defined hazardous risk levels according to a hazard identification and risk evaluation process. We have also asked our suppliers to provide Material Safety Data Sheet for improving the awareness of chemical properties of raw materials provided. We have also established an emergency testing preparation and response procedure (MCFIQP-008-V6) as well as hazards and danger awareness management procedure (MCFIQP-0017-V2) to provide a reference for response processes for disasters and accidents. Finally, we also carry out disaster drills so that our employees would be able to execute timely and effective responses during emergencies.

‧ Storage of chemicals and improvements

We have improved the chemical and dyestuff storage area by installing flood gates, pallets, rolling shutters for segregation, storage racks, etc. Safety awareness posters have been posted on every entrance and exit of manufacturing process stations. We also provide health and safety courses on the utilization of chemicals and carry out inventory audits for their proper storage. Material Safety Data Sheet (MSDS) are placed on the chemicals as well. Men-Chuen also promotes the use of personal protective equipment and organizes work accident and disaster prevention drills.




‧ Education, training, and emergency response drills

Men-Chuen has stipulated general training on work place hazards for all employees who would be using or may be potentially exposed to hazardous substances in their work. Emergency response training are provided so that workers and departments are familiar with the risks of exposure to hazardous substances.

Emergency fire drills are held once every 6 (six) months so that our workers are familiar with emergency response processes, procedures, steps, techniques, and the utilization of fire-fighting equipment. Any deficiencies and improvements would also be evaluated and recorded after the drill.

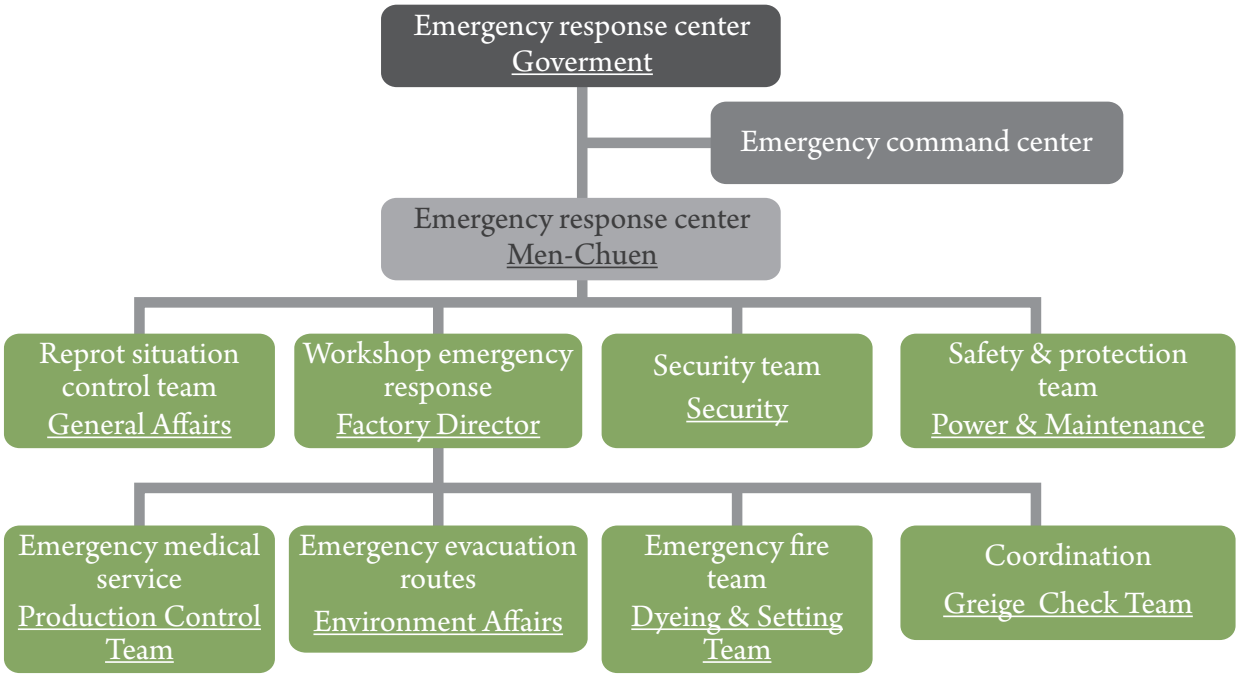



‧ Process flowchart for hazard identification and risk evaluation

Procedures	Responsible	Ddocument / Form
Identify the production area, process or activities range	Leader	ESH equipment area operation classification form
↓		
Implementation of hazard indentification and risk assessment	Leader	Enviromental,haszard indentification and risk assessment form
↓		
Review the document of haszard identification and risk assessment	Supervisor	Enviromental,haszard indentification and risk assessment form
↓		
Resolutions of intolerable risk and high-risk	Safety management committee / management review board	Safety management committee / management review board
↓		
Planning and approval the management of intolerable risk and high-risk	Supervisor and assessor of department / management representative	Intolerable risk and high-risk form

05 Maintenance and improvement of the environment

‧ Emergency response and organization chart



Solid wastes ►

Solid wastes produced by Men-Chuen mainly includes fibers, plastics, metals, and papers. Although recyclable materials make up more than 50% of our total wastes, there are still plenty of room for improvement for our non-recyclable wastes.

An external subcontractor is engaged for waste removal. Waste material treatment can be divided into two major categories based on potential utility. After removal, recyclable wastes would be transferred to disposal companies for reuse and recycling. Non-recyclable wastes would first undergo tests to see if it contains toxic pollutants. Wastes that do not contain toxic pollutants would be incinerated, while toxic wastes would be processed according to government regulations. (sludge would be processed separately by external subcontractors)

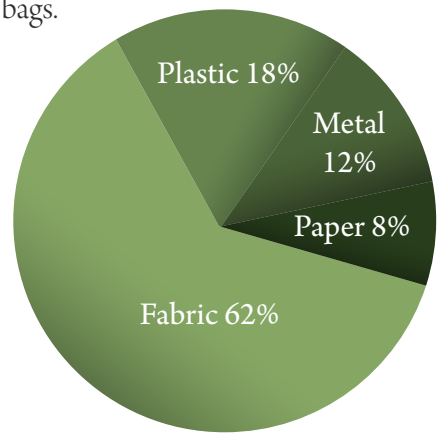
Categories of solid wastes in 2013

Solid waste produced in 2013	
Item	2013(kg)
Recyclable waste	246,000
Non-recyclable waste	196,400

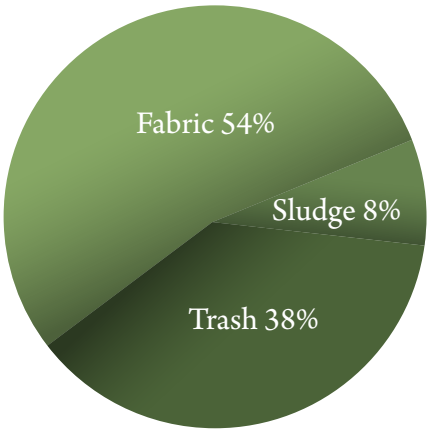
Factory wastes would be recycled or disposed of according to the waste material disposal law. Our waste management system includes:

1. A waste disposal plan that includes the waste management, waste categories, and waste generation compliance report procedures.
2. Management procedures for online reporting to ensure that the subcontracted firm responsible for waste disposal would complete the online reporting process.
3. Establish a list of information on waste disposal subcontractors.
4. Verify waste flow and identify qualified waste disposal firms to remove wastes from the site. Track waste flow via the online reporting system.

Among the four types of recyclable wastes, fabrics make up the largest proportion. Waste reduction programs would thus focus on this area. We first attempted to reduce production wastes and recycle waste fabrics. We revised our production plan to reduce the generation of waste fabrics. Non-recyclable fabrics are sewn together to form garbage bags to reduce our use of plastic bags.



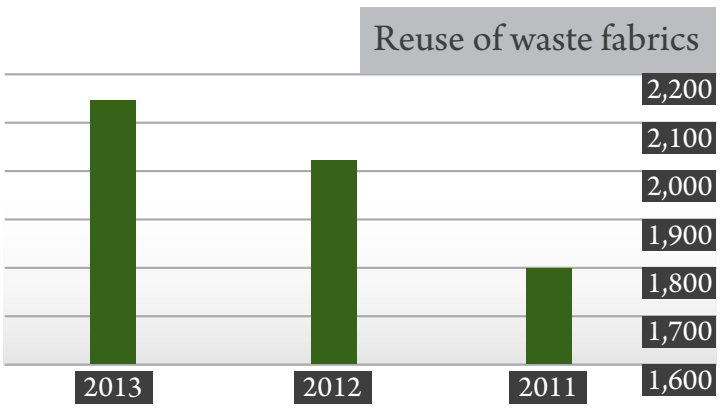
Proportion of recyclable wastes



Proportion of non-recyclable wastes

‧ Reuse and production of fabric garbage bags

Since 2011, our factory has begun to monitor and calculate the usage status of self-made garbage bags. In the first year of our program, 1800 kg of waste fabrics have been converted into garbage bags. This figure increased to 2025 kg in 2012 and 2150 kg in 2013.



05 Maintenance and improvement of the environment

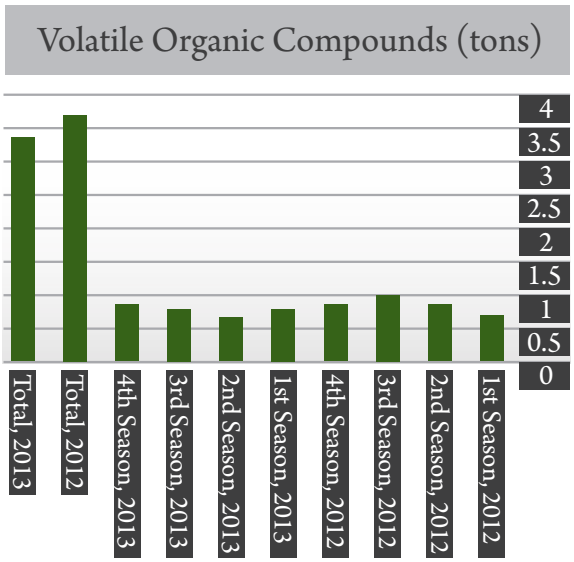
Greenhouse gases ►

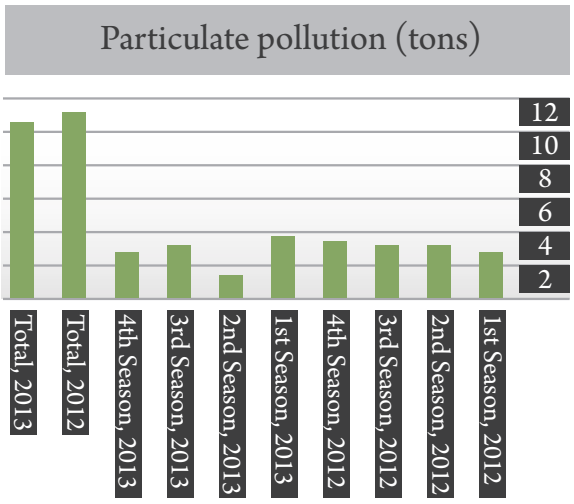
In the past, Taiwan's air pollution monitoring was only focused on 6 major substances of PM10, PM2.5, SOx, CO, O3 and NOx. Secondary indicators were based upon the human health impacts caused by these pollutants. The largest value of these various secondary indicators would thus become the Pollutant Standards Index (PSI) at that monitoring station. Since January 20th, 2010, Taiwan has begun to stipulate relevant legal standards for greenhouse gases. In September 28th, 2012, a draft requiring fixed sources of pollution to periodically report greenhouse gas emissions volume was released. At the same time, an online platform for estimating greenhouse gas emissions was made available for public trials.

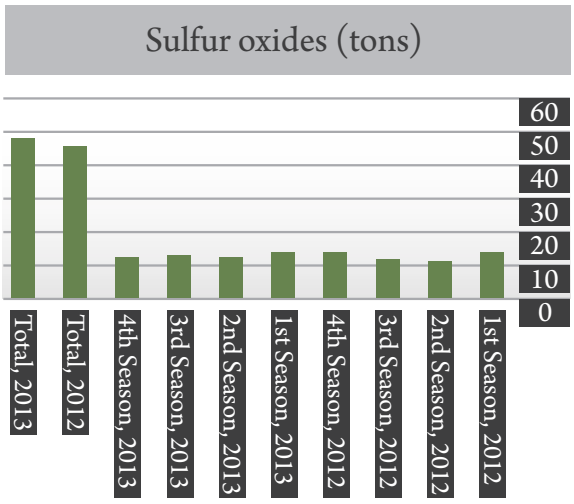
Men-Chuen did notestiate its greenhouse gas emissions before. However, once the law was formally released, we began to calculate our emissions caused by fossil fuel and energy consumption in 2012 to obtain reference data for future energy saving and carbon reduction programs.

Sources of greenhouse gases considered in the calculations can be divided into direct production and indirect production. Direct production could be further subdivided according to the source which includes fixed, mobile, manufacturing, and dispersed. Indirect production is derived from power purchased from outside sources (such as electricity). We used the carbon dioxide emissions calculation tool on the National Greenhouse Gas Registration platform of the Environmental Protection Administration, Executive Yuan, to calculate CO2 emissions according to our fossil fuel consumption.

Reporting period	Volatile organic compounds (tons)	Particulate pollution (tons)	Sulfur oxides (tons)
1st Season, 2012	0.756	2.522	12.613
2nd Season, 2012	0.939	2.808	10.756
3rd Season, 2012	0.991	2.829	10.937
4th Season, 2012	0.914	3.196	12.521
1st Season, 2013	0.811	3.51	12.816
2nd Season, 2013	0.765	1.212	12.128
3rd Season, 2013	0.883	3.107	12.393
4th Season, 2013	0.914	2.714	11.571
Total, 2012	3.6	11.355	46.827
Total, 2013	3.373	10.543	48.908







According to the volumes above, we could see that we have reduced our volatile organic compounds and particulate pollution production in 2013. However, sulfur oxides production has increased somewhat. In the future, we will commit ourselves to the use of low-sulfur fuels to eliminate SO2 from our exhausts.

Exhaust	Source of pollutant	Raw materials and fuels	Greenhouse gas produced						Activity data		Tons emitted (CO2 eTons / year)
		Name	CO2	CH4	N2O	HFCS	PFCS	SF6	Figure	Units	
Fixed	Boilers	Kerosene	✓	✓	✓				6,060	KL	17,877
Mobile	Forklift	Diesel	✓	✓	✓				54.83	KL	71,115
Mobile	Trucks	Petroleum	✓	✓	✓				0.25	KL	553.0

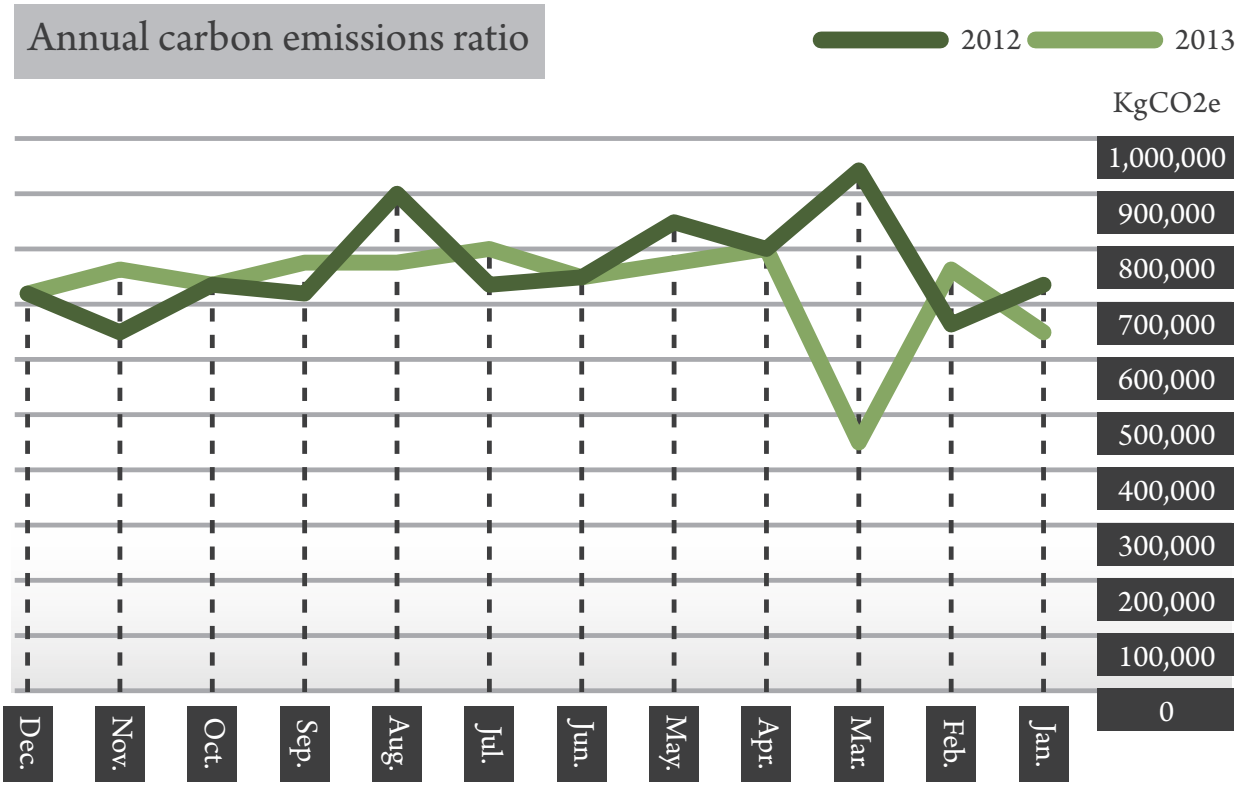
05 Maintenance and improvement of the environment

Carry out assessment and planning for the Best Available Control Technology (BACT)

1. Use low-polluting raw materials and fuels
2. Use low-polluting manufacturing processes
3. Install air pollution control facilities
4. Implement other forms of air pollution reduction technologies approved by the relevant authorities


Scrubber

CO2 emissions are calculated according to monthly electricity bills provided by the Taiwan Power Company.



From this figure, we could see that carbon emissions have reduced somewhat in 2013 compared to 2012 and have become more stable. This demonstrates the effectiveness of our energy conservation efforts.

Relevant Certification Documents ▸

· GRS

CERTIFICATE OF COMPLIANCE

Mei Chaun Fibre Industry Co., Ltd.
18F, No. 392, Sec. 1, Nei-Hu Road,
Taipei,
TAIWAN

Global Recycle Standard (GRS)
Version 2.1

Fabrics

Dyeing, Exporting, Importing, Knitting, Trading

This certificate is Valid until: 23 August 2014

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· BLUESIGN

· OHSAS 18001

· Oeko-Tex Standard 100


CERTIFICATE

Men-Chuen Fibre Industry Co., Ltd.

TW - 114 Taipei

CONFIDENCE IN TEXTILES

Tested for harmful substances

according to Oeko-Tex® Standard 100

TPKO.068474 TESTEX

This authorization is valid until 30.06.2015

· ISO 14001


LRQA

合格証書

ISO 14001:2004


LRQA

CERTIFICATE OF APPROVAL

This is to certify that the Environmental Management System of:

Men-Chuen Fiber Industry Co., Ltd. (Lu-Chu Plant)
No.31, Hsin-Lung St., Chang-Hsin Village,
Lu-Chu Hsiang, Taoyuan County, Taiwan, R.O.C.

has been approved by Lloyd's Register Quality Assurance to the following Environmental Management System Standard:

ISO 14001:2004

The Environmental Management System is applicable to:

Dyeing and post-processing for knitted fabrics

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Economic Performance Indicators

Economic Performance

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HEADQUARTERS
10 F., NO.392, Sec.1,Neihu Rd.,
Taipei City 114, Taiwan (R.O.C.)
TEL+886 2-2799-0858 FAX +886 2-2799-0959

KNITTING MANUFACTURING
No.8, Dacheng Rd., Taoyuan City,
Taoyuan County 330, Taiwan (R.O.C.)
TEL+886 3-218-8688 FAX +886 3-218-1517

DYEING & FINISHING MANUFACTURING
No.31, Xinglong St.,Changxing Vil,Luzhu Township,
Taoyuan County 338, Taiwan (R.O.C.)
TEL +886 3-322-2668 FAX +886 3-322-2446