



# Sustainability Report

Medtecs International Corporation Limited



**2017** For the financial year ended  
31 December

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# About this Report

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## Our Commitment

At Medtecs, we believe in the sustainable development and management of our business for the long term. We are excited to make available our first Sustainability Report for Year 2017, which we hope will give all our stakeholders a better understanding of our commitment to fulfilling our corporate social responsibility by protecting the environment and the society at large, in line with our vision and mission. In particular, this year we have selected certain key issues with great impact on our stakeholders and growth, and we have come up with corresponding policies and procedures that we will share later in the Report. As this is our first Sustainability Report, we know there is much more to be done. We have made good progress towards identifying sustainability risks and opportunities. We are committed to improved reporting for future Reports, to be published annually, which will see the adjustment of relevant material Environmental Social and Governance (ESG) issues, inclusion of more clearly defined targets, and quantitative metrics for the issues which will be compared against previously disclosed benchmarks. We at Medtecs see ‘sustainability’ as more than just a buzzword. We are confident that our sustainability reporting and efforts, kicked off by this Report, will lead to introduction of products and services that will help shape a cleaner, safer and more sustainable world.

## Board Statement

The Board of Directors is pleased to present Medtecs’s first Sustainability Report, which confirms the Group’s commitment to sustainability. This commitment is reflected in the Group’s sustainable business strategies and objectives that the management have identified after determination and consideration of material ESG issues. The Board of Directors had approved the material ESG issues and have overseen their management and monitoring by the management.

## Scope of the Report

The main period covered in this Report is FY2017 (January 1, 2017 to December 31, 2017). The Report applies to the operations of Medtecs Corporation and its consolidated subsidiaries in Cambodia, Taiwan and the Philippines.

This Report has been prepared in accordance with the guidelines of the Global Reporting Initiative (GRI), which are well-known and credible standards for reporting on environmental, social and governance issues most important to our business and stakeholders. A list of the GRI Standard Disclosures and their location can be found at



the end of this Report.

## **Contact**

We welcome your feedback on this Report. For more information or to provide comments, please contact Kepner Su : [ksu@unet.net.tw](mailto:ksu@unet.net.tw) or call +886-2-27392222 ext.2332.



## About Medtecs

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Medtecs International Corporation Limited is a well-known healthcare products and services provider and a leading manufacturer of medical consumables. We commenced operations in the Philippines in 1989 and have since established a strong presence in the United States, Europe and Asia Pacific. Medtecs has offices and facilities spanning across Asia – in Singapore, Taiwan, the Philippines, China and Cambodia. Medtecs was listed on Singapore Dealing and Automated Quotation System (SESDAQ) of the Singapore Exchange Securities Trading Limited on 6 October 1999 and transitioned to Catalist-sponsored regime with R & T Corporate Services Pte. Ltd. on 26 February 2010. Our Taiwan Depository Receipts were listed on the Taiwan Stock Exchange (TWSE) on 13 December 2002.

Medtecs' main lines of business include manufacturing original products and providing integrated hospital services. As an original product manufacturer (OPM) of a wide range of medical consumables, and hospital and workwear apparels, Medtecs maintains manufacturing facilities located in the Philippines, China and Cambodia. As a hospital services provider, Medtecs provides hospitals in Taiwan and the Philippines with integrated services which include rental and laundry of linens, management of laundry facilities, hospital automation and other non-core hospital functions (also known as 3L (lease, laundry, logistic) services). In Taiwan, Medtecs is currently the dominant total solutions provider for such hospital services, with a customer base of 26 hospitals. Medtecs Philippines has also successfully expanded its hospital services covering 28 hospitals.

### **Vision, Mission & Values**

- **Vision**  
Providing world-class medical products, services and protective wear to ensure that every worker returns home safe.
- **Mission**  
Providing safe, comfortable and stylish protective clothing and equipment for workers; providing support services with speed and soul to hospitals.



Our values, which comprise the acronym, KUNG FU, and TARPS, are as follows:

- Values
  - \* TARPS will take our company from good to great

- Teamwork
- Accountability
- Reward & Punishment
- Solution-oriented



- \* Kung fu will transform us from ordinary to extraordinary



**K**now your customer

**F**aith

**U**nderstand the transaction

**U**p

**N**ever give up

**G**ood for everyone

## Strategies

We continue to implement new processes and invest in equipment upgrades to increase overall efficiency, while at the same time, strive to protect the environment. We will strengthen current market position by increasing our e-commerce capabilities to explore new business opportunities. Since we have 4,235 employees, costs factors, especially labor, energy and material costs remain a challenge, but we will focus on improving efficiencies and implementing measures to contain rising material and labor costs.



- **Original Product Manufacturing**  
OPM remains the dominant segment in the Group. We will continue to strengthen our sales and marketing strategies, lower costs and improve operational efficiency. We will also keep pursuing new institutional business opportunities in different markets for the sale of our protective equipment.
- **3L (Leasing, Laundry and Logistic) Business**  
We plan to gradually incorporate environment-friendly and energy-efficient equipment and materials, as well as RFID tags in our supply chain management to improve operational efficiency and service quality. We will also take steps to improve our hospital services and strengthen our market presence. In addition, we plan to expand our product offerings through existing hospital resources.

## **Achievements**

The following certificates represent our efforts in environmental protection, social welfare and corporate governance:

- **Workplace Conditions Assessment (WCA)**  
The WCA certification is confirmation that our working conditions meet the human rights norms of the international community.
- **ISO 9001**  
The ISO 9001 certification process asked us to evaluate whether our Quality Management System was appropriate and effective and provided the foundation to better customer satisfaction, staff motivation and continual improvement.
- **ISO 13485 Medical devices**  
The standard confirms our ability in design, development, production, installation and delivery of medical devices and related services that consistently meet customer and applicable regulatory requirements.

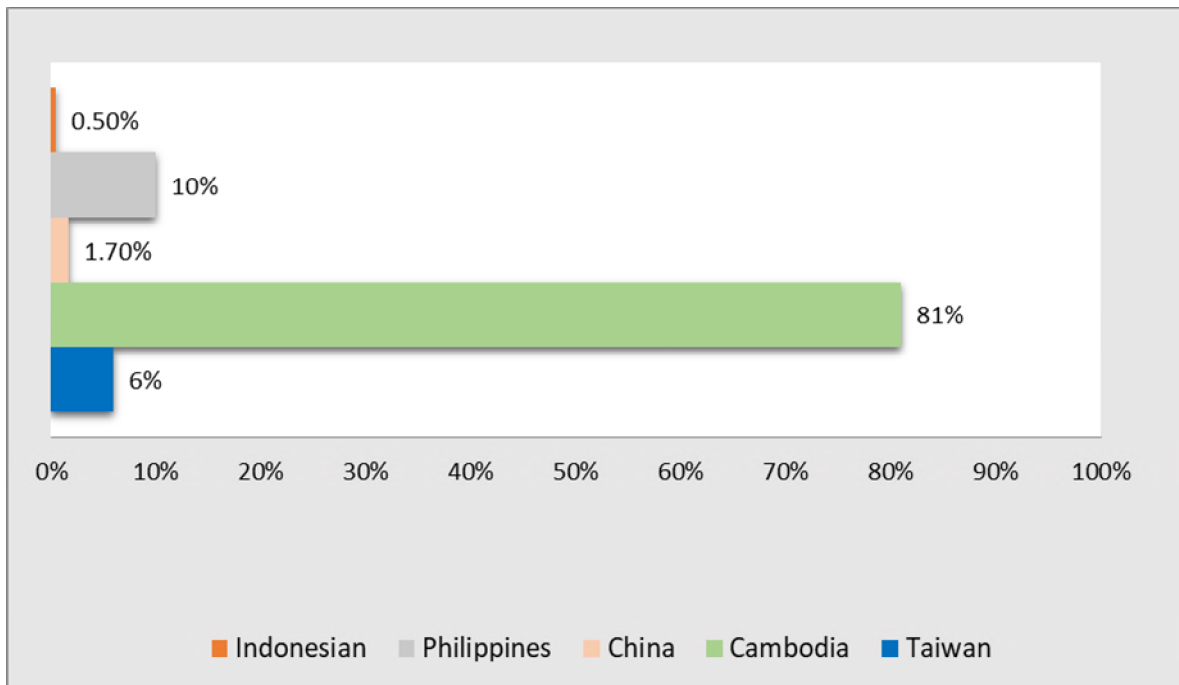


- CE Marking

The CE marking shows that our products meet the health, safety, and environmental protection standards of the European Economic Area (EEA).

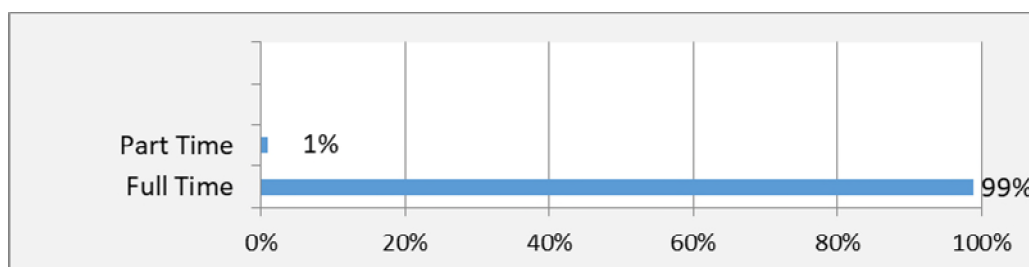


## Employee Breakdown By Nationality

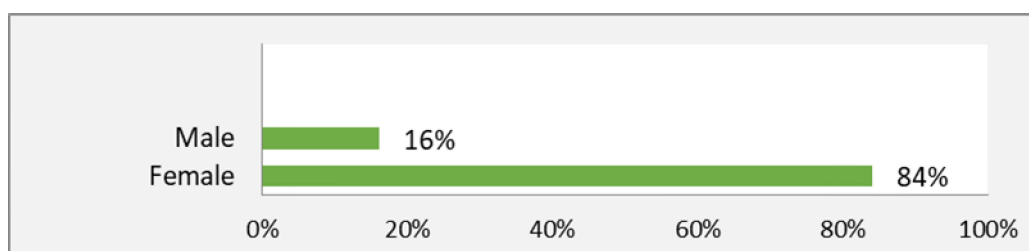




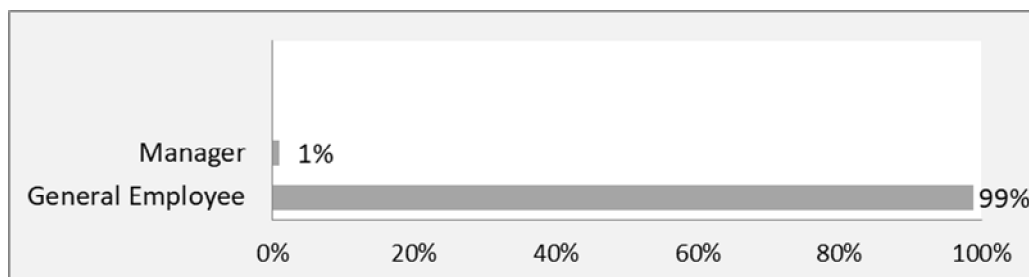
### By Job type



### By Gender



### By Position



## Highlights in 2017

- **Financial Results**  
In 2017, we continued to focus on original product manufacturing and 3L business in face of fierce competition. The Group's sales improved from higher demands from existing customers in 2017. Higher material and labor cost, primarily, have led to a slight decline in profitability in 2017. Specifically, Group revenues increased by 7.3% to US\$61.8 million in 2017. Gross profit increased by 4.6% to US\$9.7 million in 2017 due to higher revenues. We expect to have another profitable year for the Group.
- **Sustainable Action**  
Improved energy efficiency in light of the global trend towards energy and



carbon reduction to protect the environment.

- \* Coal-fired boilers in Xiang Shang Factory had been shut down and repaired in Aug 2017 and the boilers have shown improved operation efficiency.
  - \* To speed up production by 20%, we are using new bar trackers to trim off all the loose threads automatically in the Kampong Cham factory.
  - \* 30% of fluorescent light sources had been replaced by LED lighting in Cambodian factory.
  - \* Printing facility had been shut down in 2017.
- 
- Talent Development  
We want to build a team that shares the same vision and goals through various trainings and education. The localization of our management team has been implemented to create synergy.
    - \* We have developed friendlier and healthier work environment via policy setting and procedure implementation.
    - \* Hire more employees with disabilities ( The percentage of employees with disabilities in Taiwan is 7% as of Dec 2017) .



## Message from the Chairman

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It gives me great pleasure to share with you Medtecs' first Sustainability Report. The reporting period for this Report is 1 January 2017 to 31 December 2018, Medtecs's financial year.



As a provider of premier protective workwear, medical supplies and hospital support services, Medtecs deeply appreciates the potential risks and challenges faced by the healthcare professionals on a daily basis. We are committed to protecting their safety as well as the patients', and at the same time, we aspire to do greater good by extending our positive contribution towards all the stakeholders and the communities we operate in. In the following pages, we will share details of our business strategies, sustainability priorities and efforts in this regard.

We fully understand that the importance of the Sustainability Report lies not in the thoroughness of its content, but in the many steps taken in preparation of the Report, which have required us to examine both internal and external environmental challenges faced by the Group, identify possible risks, potential growth opportunities for the operation, and our existing business expertise and human resources so that, through systemic strategic planning and implementation of action plans, we are able to mitigate risks on the one hand and, on the other hand, to seize potential opportunities to create value for our employees, shareholders, customers, suppliers, financial institutions, communities, as well as law enforcement agencies and non-government organizations.

Therefore, the preparation of the Report asks for participation and follow-up action from all our employees so that the Report generates more than just hot air and publicity. To that end, we have set up a Sustainability Reporting Council composed of officers of the highest rank from each of our offices located in Taiwan, the Philippines and Cambodia, the Planning Department of the Group, as well as the Chief Executive Officer, to facilitate and coordinate our sustainability reporting efforts. The supervision, support, and assistance by the Board of Directors are also indispensable, and engagement with all stakeholders is crucial.

Through continuous dialogue and exchange of relevant information, the Council has



thoroughly examined various sustainability topics from three aspects: environmental protection, social welfare, and corporate governance and, depending on the current situation and possible future development, will focus on other key ESG issues, set priorities and implement relevant policies and procedures accordingly.

The preparation and production of the Sustainability Report was a process of trial and error because we had decided not to engage an external party, but instead to tap into our internal resources and manpower. As a result, cross-functional communication between different departments, as well as vertical communication among our subsidiary companies, have increased in both frequency and depth, creating a positive impact on our team spirit. In particular, we hope the cross-cultural training provided as part of our staff training program will instill a sense of corporate identity and allow our staff members from diverse cultural backgrounds such as Taiwan, China, the Philippines, Cambodia and Singapore to better appreciate, respect one another and work together. Such derivative benefits can not only lead to the cultivation of different talents, but also contribute meaningfully to the improvement of the Group's competitiveness.

This Sustainability Report has helped generate a dynamic state of constant adjustment of the Group's operations to reduce risks and seize growth opportunities to better meet the needs of all our stakeholders. In this regard, we have fully committed to leading our employees to spare no efforts in implementing initiatives to achieve the sustainability development goals. We will continue to improve in terms of its environmental, social welfare and corporate governance, so that all our stakeholders can feel our determination and see our contribution to the welfare of the society as a whole.



Clement KC Yang

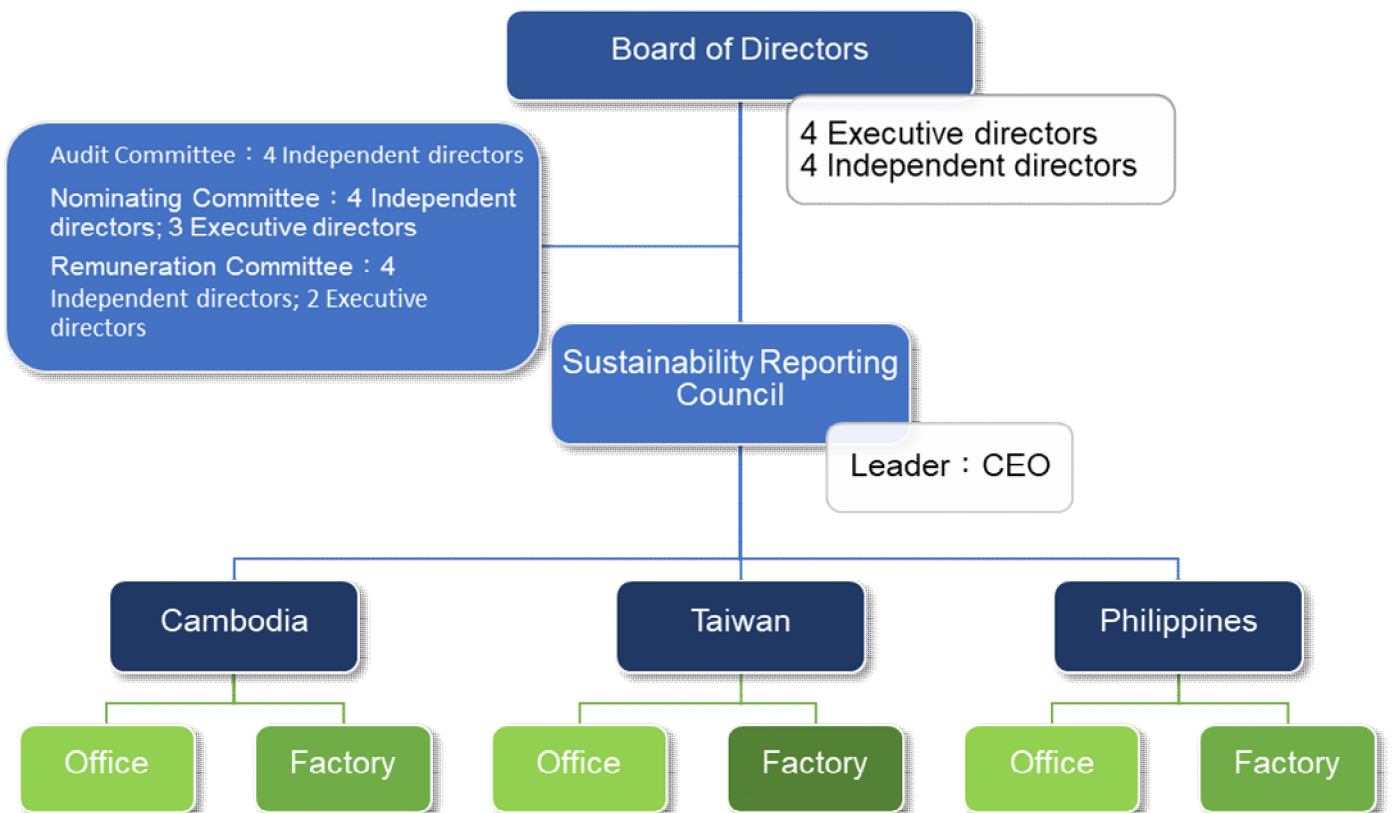
Chairman of Medtecs International Corporation Ltd.



# Governance Structure

The Board of the Group oversees the Group’s sustainability reporting framework by monitoring the environment, social and governance issues that impact the Group’s sustainable development. The Group has established sub-committees of the Board, namely the Audit Committee, the Nominating Committee and the Remuneration Committee to assist the Board in the execution of its responsibilities for the protection and enhancement of long-term value and returns for the shareholders and stakeholders.

In 2017, we set up the Sustainability Reporting Council made up of the Planning Department of the Group and senior executives, led by the Group’s Chief Executive Officer, which coordinates our sustainability reporting efforts and ensures the Board and the Group’s senior management are informed and engaged on ESG matters that influence our business planning, strategy and operations.



## Reporting Framework and Line of Reporting

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The working plans for the material ESG issues will first be reviewed and approved by Chairman. The performance of the working plans will be reviewed twice per year, with due recognition and rewards for great performance given out by Chairman at the end of the year.

Working plans, policies and procedures, target setting, performance and progress will be reported to the Board periodically by the Chief Executive Officer.



## Stakeholder Engagement

Every day due to the nature of our work and our presence in multiple countries, we engage with a large number of stakeholders. We take these interactions seriously because understanding the concerns and priorities of our stakeholders helps us respond effectively to sustainability challenges and opportunities.

Major Stakeholder Groups	Issues	Engagement Channels
<b>Shareholders institutional and individual investors</b>	Financial Performance Risk Management Sustainable Strategy Energy Efficiency Automation	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Market observatory post system</li> <li>• Investor Relations section on Medtecs.com</li> <li>• Regular corporate publications including financial statements and annual reports</li> </ul>
<b>Customers and clients</b>	Product Management Innovation Energy efficiency Environmental protection	<ul style="list-style-type: none"> <li>• Environmental and social audits commissioned by customers</li> <li>• Customer feedback and surveys</li> <li>• Trade shows and exhibitions</li> <li>• Medtecs.com website</li> <li>• Regular updates by account managers</li> </ul>
<b>Employees</b>	Labor relations Training and Education Occupational Safety Workforce Diversity Automation	<ul style="list-style-type: none"> <li>• Annual Parties</li> <li>• Bi-weekly Town Hall meetings</li> <li>• Performance reviews</li> <li>• Monthly staff birthday parties</li> </ul>



Major Stakeholder Groups	Issues	Engagement Channels
<b>Government and Policy-Makers</b>	Risk Management Corporate Governance Regulation Compliance Human Rights	<ul style="list-style-type: none"> <li>● Compliance filings, disclosures and annual reports</li> <li>● Verbal and written communications on a need base</li> </ul>
<b>Communities</b>	Environmental Protection Waste Water Treatment	<ul style="list-style-type: none"> <li>● Charities and donations</li> <li>● Ongoing dialogue</li> <li>● Volunteer programs</li> </ul>
<b>Business Partners and Suppliers</b>	Procurement Practice Industry Conditions	<ul style="list-style-type: none"> <li>● Through relationship managers and our procurement team</li> <li>● Ongoing dialogue</li> </ul>





# Materiality Assessment

A materiality analysis enables us to define our reporting priorities, identify sustainability challenges and opportunities so that we can better shape our sustainability strategy and set goals. We have captured the resulting material issues in the matrix below.



\* To be covered in subsequent Sustainability Report.



# Material ESG Topics

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After considering the list of sustainability topics covered by the GRI Standards, conducting the materiality analysis and taking into account the industry we operate in, we have decided to focus on the following 3 material ESG topics: energy and automation issues under the environmental topic as well as employee training and education, diversity and equal opportunity under the social topic.

## **Energy**

One of our core competencies is our network of dispersed production bases. Our customers can hedge against residual risks through our diversification of locations, while enjoying tax breaks and low production costs. Our energy costs incurred by the Group's main production bases in Cambodia, the Philippines and Taiwan make up for about 4% of the total operational cost. Given that energy consumption and global warming are key issues which have prompted multilateral environmental agreements like the Paris Climate Accord and various policies and laws being put in place to regulate carbon emissions, to do our share to protect the environment and in compliance with relevant legal requirements, we must treat the management of our energy consumption and carbon footprint as a top priority.

## **Automation**

The impact of automation is two-fold. The Group operates in a labor-intensive industry. As wages in our major production bases such as Cambodia and the Philippines have risen year after year, our labor costs have continued to climb, the solution to which is to increase our productivity by systematically automate our manufacturing processes. On the other hand, the automation process will minimize the negative impact our manufacturing processes have on the environment through plant performance improvement and reduction of energy used and resources consumed, which will lead to increased overall equipment effectiveness and reduction in operational and maintenance costs.

## **Employee training & education and workplace diversity**

Our labor costs account for 30% of the total operational costs. Our strength has always been our production capacity that is based in various low-cost countries. However, increasing labor costs in emerging markets such as Cambodia and the Philippines, coupled with an ageing population in Taiwan, which has seen declining rate of birth, are leading to a shortage of labor, which in turn is eroding this competitive edge. To stay competitive and profitable, we must enhance the quality of our



workforce and increase productivity. To that end, we plan to provide more staff training in order to grow our skilled workforce and to have a culture that's inclusive and respectful of the different cultural backgrounds of our employees. At the same time, our plan to implement the automation process of our production lines will help reduce labor costs.

## **Others**

Our raw material expenses make up of over 40% of our total operational costs. In theory we should identify materials and procurement practice as materials topics we should focus on. However, given that most of our suppliers have worked well with us for a long time and there's mutual trust established, we do not find responsible and dependable sourcing for raw materials a pressing issue. We will focus on our supply chain management in future Reports.



## Policies and Procedures

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Our policies and procedures for the material ESG Topics are set out below:

### Energy – Policy

- 1) We are committed to improving our energy efficiency and reducing our carbon footprint to help address the threat of climate change and to protect the environment.
- 2) The Group's major production bases are located in Taiwan, Cambodia, the Philippines and on Mainland China. The environmental laws and regulations of these countries have come into effect one after another, putting in place increasingly stricter compliance obligations and related penalties. Protecting the Earth has become such a shared, universal value so that we must implement system-wide measures to improve our energy efficiency.
- 3) Out of respect for local energy laws and regulations, conditions, equipment, and the production flow, Medtecs (Taiwan), Medtecs (Cambodia) and Medtecs (Philippines), which are the Group's top revenue generators and energy users, have come up with their own specific plans to improve energy efficiency after assessing each plan's cost-effectiveness.
- 4) The above plan will be prepared and presented annually by the end of January by the most senior local officer in charge, reviewed by the CEO and approved by Chairman before implementation.
- 5) The approved plan will then be implemented. During the Implementation stage, the plan will be amended from time to time to cater for internal and external factors and be reviewed and approved per the procedures laid out in step 4) above. Failure to implement the approved plan without reasonable excuse will lead to negative performance review of the most senior local officer in charge of that particular office.
- 6) This policy and procedures are reviewed annually by the Group Management Office.

### Automation – Policy

- 1) We are committed to enhancing and expanding the automation process of our production lines in response to increased labor costs in our production sites.
- 2) The Group operates in a labor-intensive industry. As wages in our major production bases such as Cambodia and the Philippines have risen annually, our labor costs have continued to climb, increasing the cost burden of our operations. In response, we have found it necessary to increase our productivity by systematically automate our manufacturing processes.



- 3) Out of respect for each company's autonomy and in consideration of the employee salary, productivity and varying production characteristics, Medtecs (Taiwan), Medtecs (Cambodia) and Medtecs (Philippines), which are the Group's top revenue generators, have come up with their own specific plans to accelerate the Group's automation of production lines.
- 4) The aforementioned plan will be prepared and presented annually by the end of January by the most senior local officer in charge, reviewed by the CEO and approved by Chairman before implementation.
- 5) The approved plan will then be implemented. During the Implementation stage, the plan will be amended from time to time to cater for internal and external factors and be reviewed and approved per the procedures laid out in step 4) above. Failure to implement the approved plan without reasonable excuse will lead to negative performance review of the most senior local officer in charge of that particular office.
- 6) This policy and procedures are to be reviewed annually by the Group Management Office.

### **Employee Training & Education and Workplace Diversity - Policy**

- 1) We work to improve our employees' physical and mental health, enhance their professional competence and promote cultural diversity.
- 2) Employees are our most important assets and their quality is key to our success. Since we run a multi-national operation, in order to leverage local talent to create synergy, we must integrate our human resources and aim to build a team that shares the same vision and goals through various training and education. The localization of our management team has been implemented to create synergy.
- 3) Out of respect for each company's autonomy and location, and in consideration of local regulations and characteristics of the employees and businesses, Medtecs (Taiwan), Medtecs (Cambodia) and Medtecs (Philippines), which are the Group's top revenue generators, must come up with their own specific plans for staff training and cultural integration.
- 4) The above plan will be prepared and presented annually by the end of January by the most senior local officer in charge, reviewed by the CEO and approved by Chairman before implementation. The target group, method, frequency, expense, and expected outcomes of the plan are to be determined by the most senior local officer who will review the cost-benefit analysis, actual needs, and the local conditions of each company.
- 5) The approved plan will then be implemented. During the Implementation stage, the plan will be amended from time to time to cater for internal and external factors and be reviewed and approved per the procedures laid out in step 4) above.



Failure to implement the approved plan without reasonable excuse will lead to

negative performance review of the most senior local officer in charge of that particular office.

- 6) This policy and procedures are to be reviewed annually by the Group Management Office.

## **Procedures**

- 1) Working Plan - On or before the end of January every year, each subsidiary will submit its action plan to the Planning Department of the Group Management Office. The plan will be reviewed by the CEO and then submitted for approval by Chairman.
- 2) Approval Process - On or before the end of July every year, each subsidiary will submit its half-year implementation results to the Planning Department of the Group Management Office for reference and review.
- 3) Half-year Performance Review - The whole-year implementation results submitted to the Planning Department of the Group Management Office by the end of January of the following year will be reviewed by the CEO and Chairman.
- 4) Whole-year Performance Review & Public Commendation - Those who have achieved outstanding results for the year will receive public commendation and be rewarded according by the CEO and Chairman.
- 5) Performance Assessment - The Group Management Office is in charge of the assessment of the performance.



## 2017 Performance

### Energy

Location	Action	Performance
<b>Xiang Shang</b>	Reduction of coal consumption	Coal-fired boilers in Xiang Shan factory did not achieve full operational efficiency due to incomplete combustion. Shut down and repaired in August, 2017, the boilers have visibly improved its operation efficiency. Consumption of coals has been reduced.
<b>Kampong Cham</b>	Installation of LED in place of all fluorescent lighting inside the factory	LED is 70% more energy-efficient than fluorescent lights.
	Shutting down the printing facility	The printing facility requires woods to burn, which is neither cost-effective nor environmentally friendly. We have shut down the printing facility and instead are purchasing from a supplier.

### Automation

Location	Action	Performance
<b>Taiwan</b>	Acquisition of news washing equipment	Purchased and installed an automatic washing spin dryer in Longde plant for more efficient production
<b>Cambodia</b>	Purchased 4-line overlock machine 40 sets	Improved garment factory capacity



Location	Action	Performance
<b>Cambodia</b>	Purchased 2 sets of mark buttonhole & button position	Improved our efficiency of production
	Purchased cutting bed marking machine	Reduced manual marking
	Purchased computer-aided pattern making system	Improved efficiency of production
<b>Philippines</b>	Purchased a new set of Eyelet machine	Improved efficiency of production
	Purchased 4 Bar tackers	Loose threads are now trimmed off automatically, leading to 20% increase in production capacity.
	Purchased a set of automatic infrared drying device	Improved efficiency of production

### Employee Training & Education and Workplace Diversity

Country	Participants	Frequency	Type	Performance
<b>Taiwan</b>	Ground level (145 people)	Depending on contract	Physical exams	To ensure the physical and mental well-being of our workforce
	Middle level (40 people)	Four times a year	Occupational health and safety workshops	To increase workplace safety awareness
	Ground level Middle level (30 people)	Three times a year	Management training programs	To enhance management knowledge and skills





Country	Participants	Frequency	Type	Performance
Taiwan	Ground level Middle level (30 people)	Three times a year	Roundtables for workers and management	Regular roundtables are hosted and attended by both the workers and the management to facilitate open dialogue and promote harmonious relationship development.
	All Staff	Monthly & Once a year	1 birthday party per month; 1 Kick Off Party at the start of the year and 1 Annual Year-End Dinner Party	Hosts monthly staff birthday parties. At the end of the year, we hold an annual party at each of our local offices and factories for employee recognition and team-building.
	Ground level Middle level Senior level (30 people)	Once a year	Lecture on Preventive Medicine in the Taipei office	To establish the correct protection and safety concepts for employees and ensure the quality and safety of the Group's logistics services



Country	Participants	Frequency	Type	Performance
Taiwan	Ground level (609 people)	Weekly	Lecture on infection control of distribution in hospital	To promote correct understanding of prevention and minimize incidence of infections, we will explain the proper and effective way to wear preventive face masks and isolation gowns.
	Ground level (394 people)	Three times a year	Training sessions on the proper use of medical masks and quality infection control management are jointly organized by hospitals and our Taiwan office	To assist the Government in strengthening hospital containment measures, we co-hosted three lectures in 2017 with the Government on the use of medical face masks and quality of infection control, which introduced the medical protective product offerings of the Group as well as our professional logistics service.



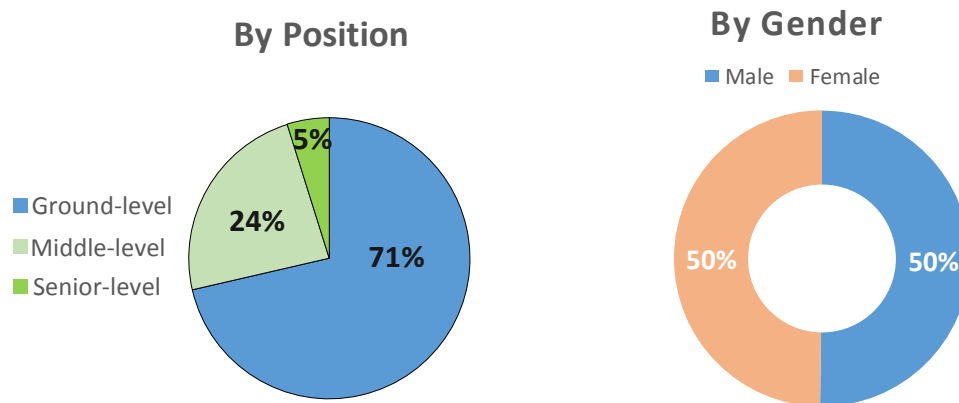
Country	Participants	Frequency	Type	Performance
<b>Cambodia</b>	Ground level (128 people)	Twice a year	New joiner orientation	New joiners will be given training courses on plant operation and the general factory environment.
	Ground level Middle level (62 people)	Twice a year	Disaster prevention workshops	Employees receive basic workplace safety training and learn how to take precautionary measures to prevent a fire.
	Ground level (478 people)	Twice a year	Physical exam	Regular health checkups scheduled for staff to ensure their physical and mental health

Country	Participants	Frequency	Type	Performance
<b>Philippines</b>	Ground level Middle level Senior level (12 people)	Once a month	Occupational health and safety seminar	To bring awareness to occupational health and safety issues through regular solution-oriented meetings
	Ground level (2 people)	Once a year	ISO Internal Auditors training	The trained employees will become familiarized with the certification process of ISO.
	All staff	Twice a year	Disaster prevention drill	The objective is that everyone working onsite knows how to use a fire extinguisher.



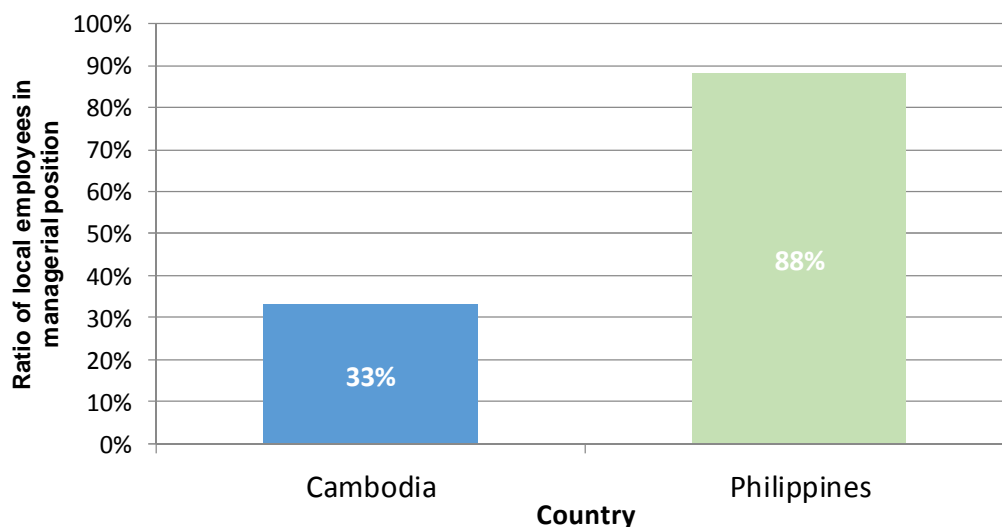
## Employee Training and Development

Our employ training program asks for participation by all employees, regardless of their gender, position or location. However, our general and blue-collar workers in Cambodia make up for more than 80% of our workforce. To avoid skewed representation of our efforts, we have decided to focus on data from our offices in Taiwan and the Philippines only. As shown in the figures below, our ground-level employees received 71% out of the total training hours; the middle management received 24% and the senior management, 5%. Our male and female employees received an equal amount of training time.



## Diversity of Workforce

Medtecs (Cambodia) and Medtecs (Philippines) follow the practice of hiring local managers to set the standard for workforce diversity and to create synergy. Our policy is to hire suitable local talents and groom them for managerial position. The percentages of local hires occupying management positions in Cambodia and the Philippines are shown below. In Cambodia, locals make up for 33% of the management team. In the Philippines, 88% of the management team are Filipinos, 8% are from Taiwan, with the remaining 4% from Mainland China.



## Sustainability Targets for FY2018 onwards

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As this is our first Sustainability Report, our focus is on setting the right targets and timetable as well as identifying the right action to achieve these targets. We will report on progress of these targets, as well as any new targets that have been identified, in our next Report.

### **Energy**

We plan to reduce the coal consumption and continue to invest in LED lighting conversion. Specifically we pledge to continue with phased replacement of all current fluorescent light tubes in the Kampong Cham factory with energy-efficient LED lightings by 2020.

### **Automation**

By 2020 we plan to upgrade 1050 sets of textile equipment and install 8 sets of suspension system, which will help minimize downtime, increase production, reduce energy consumption and bring down the overall operating costs. In 2018 we will complete 49% of the equipment upgrade and optimization. We have now installed one set of suspension system. By 2020, we plan to finish installation of 8 sets of suspension system, reaching 100% of equipment optimization.

### **Education and Training**

To ensure and increase effectiveness of the training program, we plan to administer tests to participating employees following each training session, workshop or seminar held in all of our facilities by the end of 2020. This practice will first be rolled out in 2018 in our Taiwan and Philippines offices, and then in our Cambodia office and factories in 2019. By 2020, this practice will be followed and applied in all of our locations.



## APPENDIX

Item	Indicator	References	Pages
G4-1	Provide a statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability	Message from the Chairman	10-11
G4-2	Provide a description of key impacts, risks, and opportunities	Material ESG Topics	17
G4-3	Report the name of the organization	About Medtecs	4-9
G4-4	Report the primary brands, products, and services	About Medtecs	4-9
G4-5	Report the location of the organization's headquarters	About Medtecs	4-9
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report	About Medtecs	4-9
G4-7	Report the nature of ownership and legal form	N/A	N/A
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	About Medtecs	4-9
G4-9	Report the scale of the organization	About Medtecs	4-9



Item	Indicator	References	Pages
G4-10	<ul style="list-style-type: none"> <li>a. Report the total number of employees by employment contract and gender</li> <li>b. Report the total number of permanent employees by employment type and gender</li> <li>c. Report the total workforce by employees and supervised workers and by gender</li> <li>d. Report the total workforce by region and gender</li> <li>e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors</li> <li>f. Report any significant variations in employment numbers</li> </ul>	About Medtecs	4-9
G4-11	Report the percentage of total employees covered by collective bargaining agreements	N/A	N/A



Item	Indicator	References	Pages
G4-12	Describe the organization's supply chain	N/A	N/A
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	N/A	N/A
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	Sustainability Report	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	N/A	N/A
G4-16	List memberships of associations and national or international advocacy organizations in which the organization	N/A	N/A
G4-17	<p>a. List all entities included in the organization's consolidated financial statements or equivalent documents</p> <p>b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report</p>	About this Report	<p>2-3</p> <p>Please also refer to our Annual Report.</p>





Item	Indicator	References	Pages
G4-18	<p>a. Explain the process for defining the report content and the Aspect Boundaries</p> <p>b. Explain how the organization has implemented the Reporting Principles for Defining Report Content</p>	<p>Message from the Chiarmman</p> <p>Governance Structure, Materiality Assessment</p>	10-11, 12, 16
G4-19	List all the material Aspects identified in the process for defining report content	Material ESG Topics	17
G4-20	For each material Aspect, report the Aspect Boundary within the organization, as follows	Material ESG Topics	17
G4-21	For each material Aspect, report the Aspect Boundary outside the organization, as follows	Material ESG Topics	17
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements	N/A	N/A
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries	N/A	N/A
G4-24	Provide a list of stakeholder groups engaged by the organization	Stakeholder Engagement	14
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	Stakeholder Engagement	14



Item	Indicator	References	Pages
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	Stakeholder Engagement	14
G4-27	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns	Stakeholder Engagement	14
G4-28	Reporting period (such as fiscal or calendar year) for information provided	About this Report	2-3
G4-29	Date of most recent previous report (if any)	N/A	N/A
G4-30	Reporting cycle (such as annual, biennial)	About this Report	2-3
G4-31	Provide the contact point for questions regarding the report or its contents	About this Report	2-3



Item	Indicator	References	Pages
G4-32	<ul style="list-style-type: none"> <li>a. Report the ‘in accordance’ option the organization has chosen</li> <li>b. Report the GRI Content Index for the chosen option (see tables below)</li> <li>c. Report the reference to the External Assurance Report, if the report has been externally assured (GRI recommends the use of external assurance but it is not a requirement to be ‘in accordance’ with the Guidelines.)</li> </ul>	Appendix	29-35
G4-33	<ul style="list-style-type: none"> <li>a. Report the organization’s policy and current practice with regard to seeking external assurance for the report</li> <li>b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided</li> <li>c. Report the relationship between the organization and the assurance providers</li> <li>d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization’s sustainability report</li> </ul>	N/A	We have not sought external assurances for this Report, and will consider it for future reporting periods.



Item	Indicator	References	Pages
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts	Governance Structure	12
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Vision, Mission & Values	5-6

### Specific Standard Disclosures

Item	Indicator	References	Pages
G4-EN6	Proportion of senior management hired from the local community at significant locations of operation	2017 Performance	22-27
G4-LA9	Average hours of training per year per employee by gender, and by employee category	2017 Performance	22-27

