

2016

Our Green Report On  
Corporate Social Responsibility

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# About Our Green Report on Corporate Social Responsibility



In 2017, O'right published our 4th Corporate Social Responsibility (CSR) Report to disclose information and provide an overview of our sustainability performance throughout 2016 at the O'right Green Headquarters located in Longtan District of Taoyuan City. The Report focuses on our perspectives and practices regarding importance issues as well as our current accomplishments and future plans on our sustainability journey. We developed a sustainability strategy and set sustainability goals based on the information provided in this Report.

This Report was planned jointly by our Chairman Steven Ko and CSR team and integrated and written by Sustainability Specialist from the General Manager's Office. We collected important information related to the economy, environment and society worldwide and examined 12 types of stakeholders and their material aspects through substantial analysis to establish 25 mandatory disclosures and 7 voluntary disclosures by O'right.

This Report serves as a communication channel of engagement with stakeholders in hopes of working together to meet expectations and move towards a better and brighter future.

## **Our sustainability reporting**

This Report was written in accordance with the Global Reporting Initiative (GRI) G4 guidelines and externally assured by SGS in Taiwan (see Appendix 2 Third Party Guarantee Declaration).

## **Publication:**

Our Green Report on Corporate Social Responsibility is published annually. Out of consideration for the environment, the Report is published on our official website, available for download in PDF format at

[http://www.orient.com.tw/data/csr/report/content/report\\_2015.pdf](http://www.orient.com.tw/data/csr/report/content/report_2015.pdf)

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# Letter from our Chairman



Chairman of O'right Steven Ko

## Giving Waste a New Life with 100% Renewable Plastic Bottles Take Action to Save Our Planet

October of 2016 is a month worth celebrating. India, the world's third largest greenhouse gas (GHG) emitter, ratified the Paris Agreement, bringing the climate pact closer to entering into force in November. The Paris Agreement brings together GHG emitters accounting for 64% of carbon emissions around the world to join the agreement and tackle the global challenge of pursuing this mutual goal. We have faith. We have the power to build a better tomorrow.

On our journey to green innovation, we didn't have anyone to look up to, to be inspired by; we had no choice but to learn from nature. Embarking on a journey towards our goal and dream of a greener tomorrow requires bravery; to remain on that path requires courage. Nonetheless, we took that step. We are sticking to our promise of protecting our planet from further damage. Since then, we have adhered to the 8 Free standard of not adding any chemical substances that pose a risk to environmental and human health, ensuring that our products are made with only agricultural ingredients. In addition to that, we also designed the innovative Tree in a Bottle and 100% renewable plastic bottle, launched this year, fully achieving purpose of the Cradle to Cradle Design: to restore the continuous cycles of biological and technical nutrients.

This summer, we kicked off the O'right Green Life

event, where salon hairdressers were given the opportunity to immerse themselves in the relaxing atmosphere of being surrounded by wonderful music while planting potted plants in hopes of encouraging everyone to live a greener lifestyle.

With this idea in mind, we teamed up and traveled from Taipei to Taoyuan, Hsinchu and all the way south to Kaohsiung, also stopping at Hualien and Yilan. For months, we shared the idea of incorporating green practices in our daily life to salon hairdressers all over the island. We cherish every moment we had with hairdressers who gathered together for O'right Green Life and appreciated every post and photo they shared on social media. As we watch these green seeds growing into something wonderful, we knew that change is on the horizon and on its way.

Our green spirit goes beyond our shampoo products, or Green Life, Earth Hour, Plant a Tree and Coastal Cleanup. We build our influence once step at a time. We believe, so we are filled with love; we spread seeds of green, so we have the chance to foresee a better and more wonderful tomorrow!



## Chapter 1

# A Sustainability and Responsibility-oriented Enterprise

Since the first bottle of shampoo was born, O'right has always taken into account production responsibility, social responsibility, and environmental responsibility. While we pursue the greatest possible profits, we also ask ourselves: what can we do? What can we do to influence customers? What can we do to benefit society and the environment? As a responsibility-oriented enterprise, we continue to pursue growth.

- 1.1 From selling to creating
- 1.2 Mission statement and policies
- 1.3 Corporate governance and organizational structure
- 1.4 Business operating conditions and economic performance
- 1.5 Products and markets
- 1.6 Our green team
- 1.7 Employee benefits and training
- 1.8 Legal compliance and code of conduct





## 1.1 From selling to creating

Hair O'right International Corporation was registered on August 28, 2001 and began operations the following year on March 8, International Women's Day. As a distributor of international brands at first, O'right realized that the hair care products manufactured by most companies are no different from chemical products in general. In 2002, the same year in which O'right was established, Chairman of O'right, Steven Ko, grief-stricken over the death of his parents from kidney disease and cancer, and having grown up with allergies, vowed to take protective measures against exposure to chemical substances. His personal experience fueled his determination to transform O'right into a green company dedicated to developing hair care products containing natural plants and no harmful chemicals. Since then, O'right began developing rapidly, and by the end of 2016, the innovative brand had grown into a green enterprise with a staff of 232 employees. Steven's excellent entrepreneurial leadership has earned him numerous awards and recognition such as the Model of Youth Entrepreneurs Award in 2012 and Ernst & Young's Green Innovation Entrepreneur of the Year in 2015. In 2016 alone, O'right proudly brought home seven awards including the 10th Excellent Enterprise Award in Taoyuan City for Environmental Protection, Taiwan Excellence Silver Award, ISO 14001 Plus Award, Common Wealth Magazine's Excellence in Corporate Social Responsibility Little Giant Award, Taoyuan City's Environmental Protection Education Award in the Private Enterprise group, AREA Green Leadership Award and Shopping Design 2016 Best 100 Award. This long and growing list of achievements is further proof of O'right's innovative potential and relentless pursuit of excellence.

### 1.1.1 Corporate and organizational involvement

O'right is also fully aware of the importance of inter-industry collaborations in order to achieve sustainability. To adhere to our corporate philosophy of Natural, Pure and Eco-friendly, O'right plays an active role in various groups and organizations, incorporating corporate sustainability and earth's resources into associations in Taiwan to thoroughly achieve environmental protection practices.

Chairman Steven Ko is a founding member of Taiwan Cradle to Cradle Strategic Alliance, Director of

Taiwan Excellence Brand Association, Environmentally Biodegradable Polymer Association Director, Taiwan Cosmetics Industry Association Director, Cosmetic GMP Director, Taiwan Association for Superior Service Brands Managing Supervisor, TCCBA Director, Green E-Commerce Alliance President, Industrial Technology Research Institute's Biomedical Technology and Device Research Laboratories member, the Society of Wilderness member, Outstanding Overseas Taiwanese SMEs Award Association member, Importers and Exporters Association of Taiwan member, National Association of Small & Medium Enterprises R.O.C. member and National Association of Young Entrepreneurs R.O.C. member.



### Taiwan Cradle to Cradle Strategic Alliance

Founded in April of 2012, the Taiwan Cradle to Cradle Strategic Alliance is formed by enterprises and governmental agencies with the mission to promote Cradle to Cradle product design concepts and healthy and safe products. O'right is one of the founding members of the alliance. In 2013, O'right Goji Berry Volumizing Shampoo became the first product in Taiwan to be Cradle to Cradle Certified. For more information about Taiwan Cradle to Cradle Strategic Alliance, please visit <http://www.c2cplatform.tw/>



中華民國環保生物分解材料協會

### Environmentally Biodegradable Polymer Association

The Environmentally Biodegradable Polymer Association was established in 2000 with the aim to promote the development of environmentally friendly materials in Taiwan through green manufacturing technologies and improve Taiwan's international competitiveness, leading the country towards becoming the research and development center of eco-friendly materials in the Asia-Pacific region. In April of 2011, O'right became a member of the Association and Steven Ko went on to be named Director in 2015.



### 1.1.2 Information disclosure and stakeholder engagement

In March 2014, Chairman Steven Ko constituted a CSR committee. Two meetings were convened, bringing together stakeholders consisting of shareholders, consumers, distribution channel clients, distributors, employees, suppliers, subcontractors, government, communities, non-government organizations, banks and media to discuss material aspects, which will be elaborated in various chapters as shown in the following table (Table 1). Engagement and communication with the former six types of stakeholders will be elaborated in Chapter Four, among which shareholders, consumers, distributors, employees and suppliers will be found in Chapter 4.3. Distribution channel clients (i.e., hair salon partners) have a more direct relationship with O'right, and also play an important role in affecting consumers. Therefore, engagement and communication with salon clients are more complex, and will thus be explained in detail in Chapter 4.4.

**Table 1 Stakeholder concerns and issues and subsequent responses**

Type of stakeholders	Concerns and issues
Shareholders	Economic performance, legal compliance, customer health and safety, environmental protection expenditure and investment
Consumers	Legal compliance, product and service labeling, customer privacy
Distribution channel customers	Marketing communication, legal compliance, customer health and safety, customer privacy, product and service labeling
Distributors	Economic performance, marketing communication, customer health and safety, product and service labeling
Employees	Exhaust emissions, employment, products and services, effluents and waste
Suppliers	Customer health and safety, training and education, product and service labeling, occupational health and safety
Subcontractors	Customer health and safety, Employment, labor/management relations, child labor, non-discrimination
Government	Customer privacy, legal compliance, child labor
Communities	Products and services, exhaust emissions, effluent waste, legal compliance
Non-government organizations	Employment, labor/management relations, occupational health and safety, training and education
Banks	Employment, exhaust emissions, labor/management relations, energy, customer privacy, diversity and opportunity
Media	Energy, products and services, indirect economic impacts, environmental protection expenditure and investment

	Responses
Customer Loyalty	Chapter(s) 1.1; 1.4; 1.8 Chapter(s) 3.4; 3.6 Chapter(s) 4.2
Marketing, Sales and Distribution	Chapter(s) 1.8 Chapter(s) 3.6.1; 3.6.2
Customer Engagement and Retention	Chapter(s) 1.2; 1.8 Chapter(s) 2.1; 2.4 Chapter(s) 3.1; 3.2; 3.4; 3.6; 3.7 Chapter(s) 4.2; 4.3; 4.4
Operations, Service Quality and Customer Satisfaction	Chapter(s) 1.1; 1.2; 1.4; 1.8 Chapter(s) 2.1; 2.4 Chapter(s) 3.1; 3.2; 3.4; 3.6; 3.7
Logistics, Supply Chain Management, Procurement and Inventory Management	Chapter(s) 1.6; 1.7; 1.8 Chapter(s) 2.4 Chapter(s) 3.4; 3.6
Human Resources Management and Organizational Behavior	Chapter(s) 1.7; 1.8 Chapter(s) 3.4; 3.6
Finance, Accounting and Taxation	Chapter(s) 1.6; 1.7; 1.8 Chapter(s) 3.4; 3.6
Information Systems and Technology	Chapter(s) 1.6; 1.8 Chapter(s) 3.6.2
Business Law and Ethics	Chapter(s) 1.8 Chapter(s) 2.4 Chapter(s) 3.4; 3.6; 3.7
International Business	Chapter(s) 1.6; 1.7
Management Information Systems and Decision Support Systems	Chapter(s) 1.6; 1.7 Chapter(s) 2.4.2; 3.4 Chapter(s) 3.6; 3.7
Economic Environment and Global Business	Chapter(s) 1.6 Chapter(s) 2.4.2; 3.4 Chapter(s) 3.4; 3.6 Chapter(s) 4.2





Material aspects were obtained through questionnaire surveys, which were distributed to the twelve types of stakeholders. Among the 330 questionnaires returned, 25 issues were categorized as mandatory disclosures while 7 issues fell into the voluntary disclosure category. In addition, "percentage of suppliers who source organic ingredients" was added under the aspect "customer health and safety," and "communication of sustainability with stakeholders" and "education for sustainability" are also newly added aspects. Please refer to the following Table 2 for further information. This Report is written in accordance with the Global Reporting Initiative (GRI) G4 Guidelines (Appendix 1).

**Table 2 O'right intra- and inter-organizational evaluation overview**

Dimensions	Material aspects and boundaries	Intraorganizational		
		O'right	Consumers	Distributors
Economic	Economic performance	<input type="checkbox"/>		
	Market presence	<input type="checkbox"/>		
	Indirect economic impacts	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental	Materials (production)	<input type="checkbox"/>	△	
	Energy	<input type="checkbox"/>		
	Water	<input type="checkbox"/>		
	Biodiversity	<input type="checkbox"/>		
	Emissions	<input type="checkbox"/>		
	Effluents and waste	<input type="checkbox"/>		
	Products and services	<input type="checkbox"/>	<input type="checkbox"/>	
	Legal compliance	<input type="checkbox"/>		
	Transport	<input type="checkbox"/>		
	Overall	<input type="checkbox"/>		
	Supplier environmental assessment	<input type="checkbox"/>		
	Environmental grievance mechanisms	<input type="checkbox"/>		
	Social	Labor practices and decent work	Employment	<input type="checkbox"/>
Labor/management relations			<input type="checkbox"/>	
Occupational health and safety			<input type="checkbox"/>	
Training and education			<input type="checkbox"/>	
Diversity and equal opportunity			<input type="checkbox"/>	
Labor practices grievance mechanisms			<input type="checkbox"/>	
Non-discrimination			<input type="checkbox"/>	
Child labor			<input type="checkbox"/>	
Forced or compulsory labor			<input type="checkbox"/>	
Society		Anti-corruption	<input type="checkbox"/>	
		Anti-competitive behavior	<input type="checkbox"/>	
		Legal compliance	<input type="checkbox"/>	
		Customer health and safety	<input type="checkbox"/>	<input type="checkbox"/>
Product responsibility		Product and service labeling	<input type="checkbox"/>	<input type="checkbox"/>
		Marketing communications	<input type="checkbox"/>	<input type="checkbox"/>
		Customer privacy	<input type="checkbox"/>	<input type="checkbox"/>
		Legal compliance	<input type="checkbox"/>	<input type="checkbox"/>
Aspects defined by O'right	Communication of sustainability with stakeholders	<input type="checkbox"/>	△	
	Education for sustainability	<input type="checkbox"/>	<input type="checkbox"/>	



Interorganizational				
Distribution channel clients	Distributors	Suppliers	Subcontractors	Local communities
□ △	□ △	□ □	◎	□
		◎ ◎	△	□ △ △
□	△ △	□ △ □ △ △	□	□ △
◎				
		◎ ◎		
□	□ □	◎ □		
□	△	□		
□	□			
△	△			
□	□	◎		
△	△	□	△	△
□	□	□	□	□

Note 1: □ Practical, disclosed herein; ◎ Practical, to be disclosed in three years; △ Person(s) impacted

Note 2: Orange highlighted: Material aspects; Blue: Not identified as material but are voluntarily disclosed; Green: Aspects defined by O'right



## 1.2 Mission statement and policies

### 1.2.1 Green innovative planning

As the leading green hair care brand in Taiwan, Hair O'right International Corporation is the home to Asia's first GMP certified green cosmetics plant, which is certified to ISO 9001, ISO 22716, ISO 50001, ISO 14001, ISO 14064, OHSAS 18001 and Product Footprint Label, equipped with a research and development center accredited by the Taiwan Accreditation Foundation (TAF). Our product manufacturing relies on renewable clean energies of solar and wind power, along with water recycling systems. O'right is one of the very few hair care manufacturers established in Taiwan that engages in green research and development, green design, green processing and creative marketing.

From the procurement, raw materials, design, production, delivery, usage and recycling of green products, we strive to create an eco-friendly environment for everyone and future generations to enjoy. We are fully against the use of harmful substances, and therefore our products do not contain endocrine disrupting chemicals, colorants and plasticizers. As a green advocator, we insist on using formulas that benefits human but also benefits the environment. Since 2006, we began initiating a green innovative plan to fully promote green practices and concepts and become a social enterprise that is focused on creating green value.



Figure 1 Operation of the supercritical fluid extraction system



Figure 2 Analysis of active ingredients

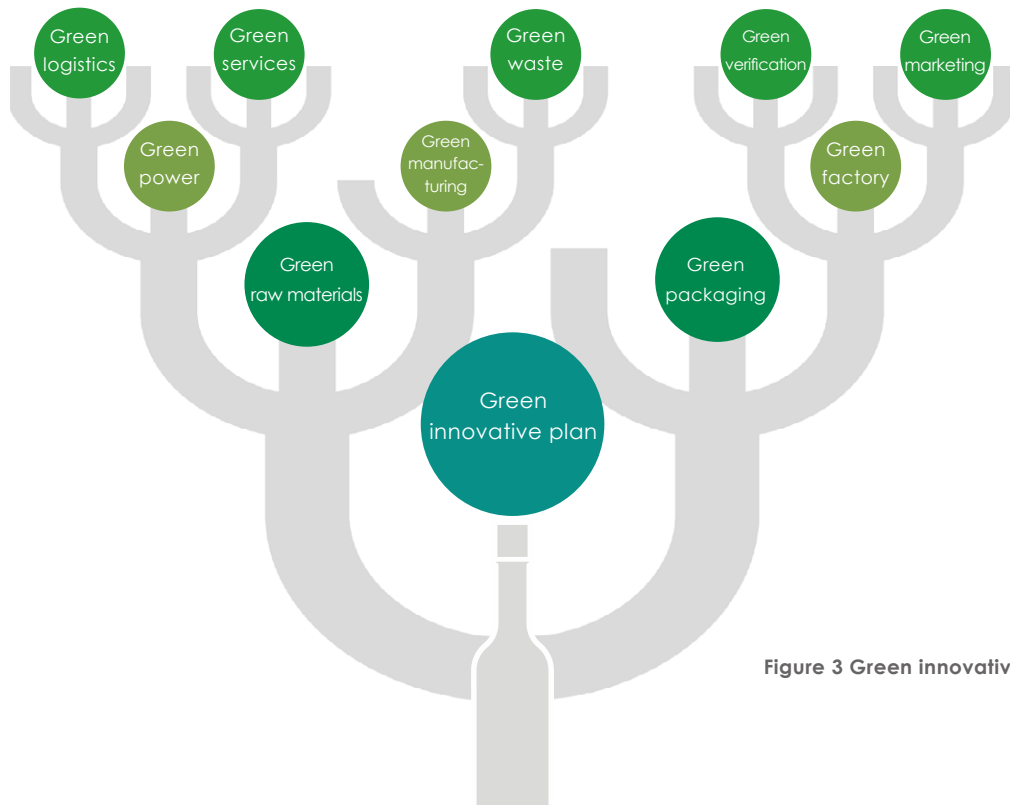


Figure 3 Green innovative plan

### 1.2.2 Sustainable policies

O'right's green policies include the following: "employee engagement, involvement and participation" means that each and every employee takes an active part and engages in environmentally friendly practices; "energy saving and carbon reduction" refers to the use of renewable resources to reduce waste and carbon emissions caused by product and marketing activities; "green innovation" refers to our commitment to constant innovation by using the world's most eco-friendly materials and developing low-carbon products and services; "environmental protection" refers to the promotion of eco-concepts through employee participation in activities related to environmental protection; "sustainability" refers to creating green value together.

A Green Council for Sustainable Development was established, with meetings held once every two months to propose and keep track of environmental protection policies in order to effectively integrate the green supply chain logistics management system.

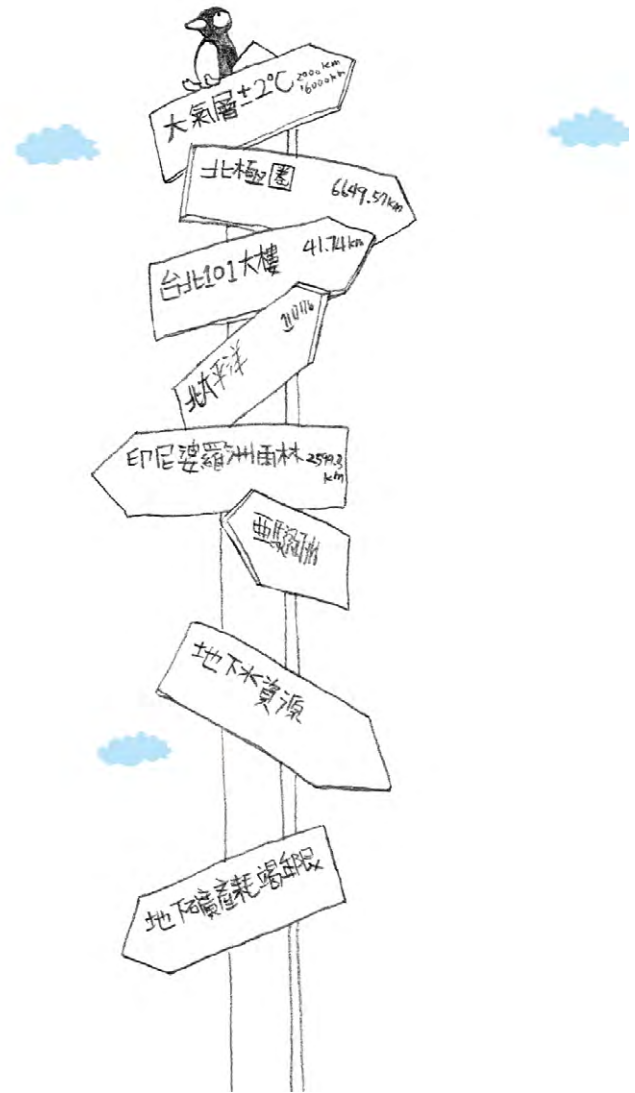
In short, O'right is governed by a green mission, a vision and core values that guide our organization. We are committed to upholding the most rigorous eco-standards and concepts, from the design and facilities of our green building, eco-friendly policies to our green supply chain.

#### Green building

Built without any gates, fences or walls surrounding, O'right Green Headquarters is located 300m above sea level, where the temperature is 2°C cooler than low land areas. Abundant sunshine and wind make the Green Headquarters ideal for harnessing solar and wind energy for power generation. In 2012, our headquarters was certified with the EEWL Gold-level Green Building Label, meeting 7 green building indicators. The design and facilities of our green building were all created and installed with the aim of co-existing in harmony with nature. We are committed to lessening the impact on the environment and restore natural resources. For more information on the design of O'right Green Headquarters, please refer to Chapter Two.

#### Green policies

In addition to promoting environmental activities such as the adoption and planting of trees, we also encourage employees to bring their own cups and tableware and to carpool to work to lower carbon emissions. We also reduce paper consumption in



the workplace by making use of electronic files. If printing is necessary, we select double-sided printing, reducing paper consumption by 50%. We use office supplies with green or energy labels. Moreover, we promote waste recycling and water and energy saving, encourage employees to take the stairs instead of the elevator and establish environmental education regulations.

#### Green supply chain

O'right strives to reduce environmental impact in every way, from manufacturing to recycling. Our green supply chain includes the following: 1) Replace plastic made from petroleum with organic plastics; 2) Develop green innovative products; 3) Use green energy during green manufacturing process; 4) Implement a low-carbon delivery system; 5) Assist customers in green renovations and provide green consulting services; 6) Build a green resource recycling system. We save energy and reduce carbon, making sure to fulfill our corporate social responsibility to protect the earth. For more information on the green supply chain, please refer to Chapter 3.



## 1.3 Corporate governance and organizational structure

### 1.3.1 Organizational structure

On April 22, 2014, O'right officially changed the brand name of Sun Zen Qi to shan, and launched the e-commerce website <http://shop.3shan.com.tw/> on May 23.

O'right is a professional hair salon brand, while shan is an e-commerce hair care brand under Hair O'right International Corp.

In 2014, we established the Internal Audit Unit responsible for our company's internal auditing. On August 8 and 12 of the same year, a Sexual Harassment Prevention Committee and Labor Relations Committee, respectively, were established. On November 1, the Biosafety Committee was formed. For more information on the committees, please see Table 4.

O'right's organizational hierarchy can be split into three levels: the highest level is comprised of 1 business group, 9 centers, 7 divisions; the second level is made up of 26 departments, 8 mobile offices, 7 concept stores, 1 laboratory; the third level includes 14 sections. In addition, our company also has 10 groups and committees. See Figure 6 for O'right's company organizational chart.



The brand O'right

**Sales channels:** Professional hair salons

**Products:** Shampoo, conditioner, body wash and styling products

**About the brand:** As a leading green hair care brand, O'right conveys local Taiwanese green culture and green lifestyle on the belief that small steps can lead to big changes to the environment.

We are committed to creating products that are healthy for people, the society and the environment with the corporate philosophy of Natural, Pure and Eco-friendly. The "O in O'right's brand vision It's O'right symbolizes the beautiful earth we live on and "O'right" (pronounced as "all right") represents sustainability and our aim to do with is best for the earth and plant green seeds for the environment to give future generations a better and more sustainable lifestyle.



The brand shan

**Sales channels:** Online and physical stores

**Products:** Shampoo, conditioner, body wash and styling products

**About the brand:** shan is a green e-commerce hair care brand founded in 2014 based on O'right's green philosophy of Natural, Pure and Eco-friendly. Inspired by the quality agricultural industry of Taiwan, shan became determined to incorporate farm products into cosmetics and made it their mission to promote a culture of benevolence, love for earth and sustainability. With the dedication to make consumers and our planet more beautiful, shan reduces the use of petroleum-produced plastic to preserve the environment and improve the lifestyle of farmers. shan, which is the homophonic translation of a Chinese word that means good and friendly, represents the harmony between earth, society and human mankind.

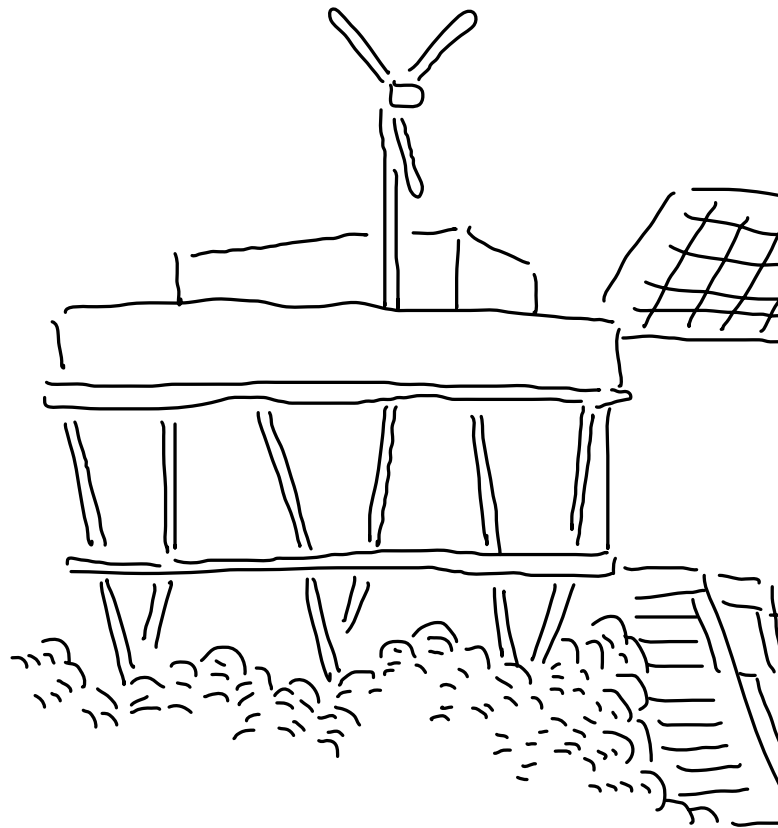


Table 3 Comparison between the 2 brands

	O'right	shan   善
Date of establishment	8 March 2002 (International Women's Day)	22 April 2014 (World Earth Day)
Channel	Professional hair salons (B2B)	Online and physical platforms (B2C)
Positioning	Trendy and healthy	Cultural and creative
Image	Green and natural trend	Cultural, creative and simple style
Customer	Hair salons	Consumers
Product	1.General/professional hair care products 2.Large volume	1.General hair care products 2.Small volume

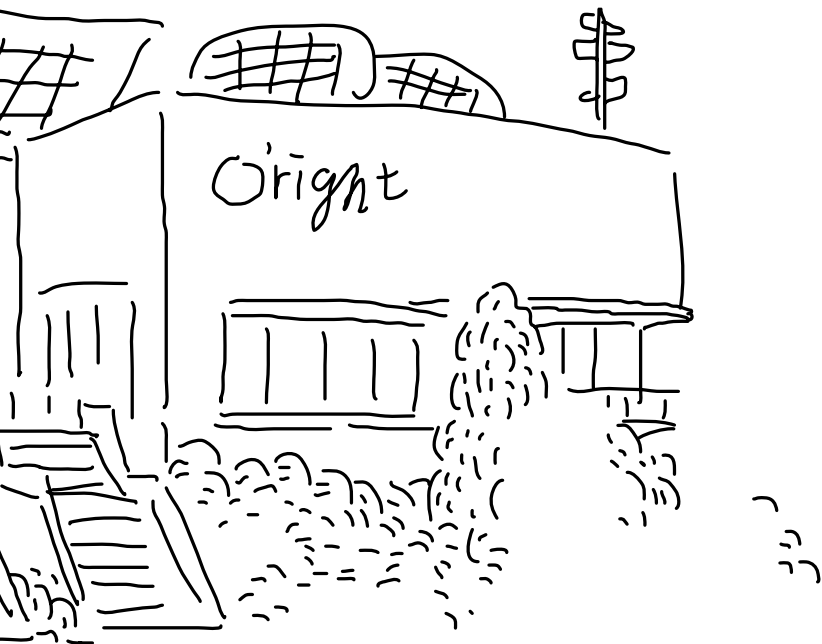
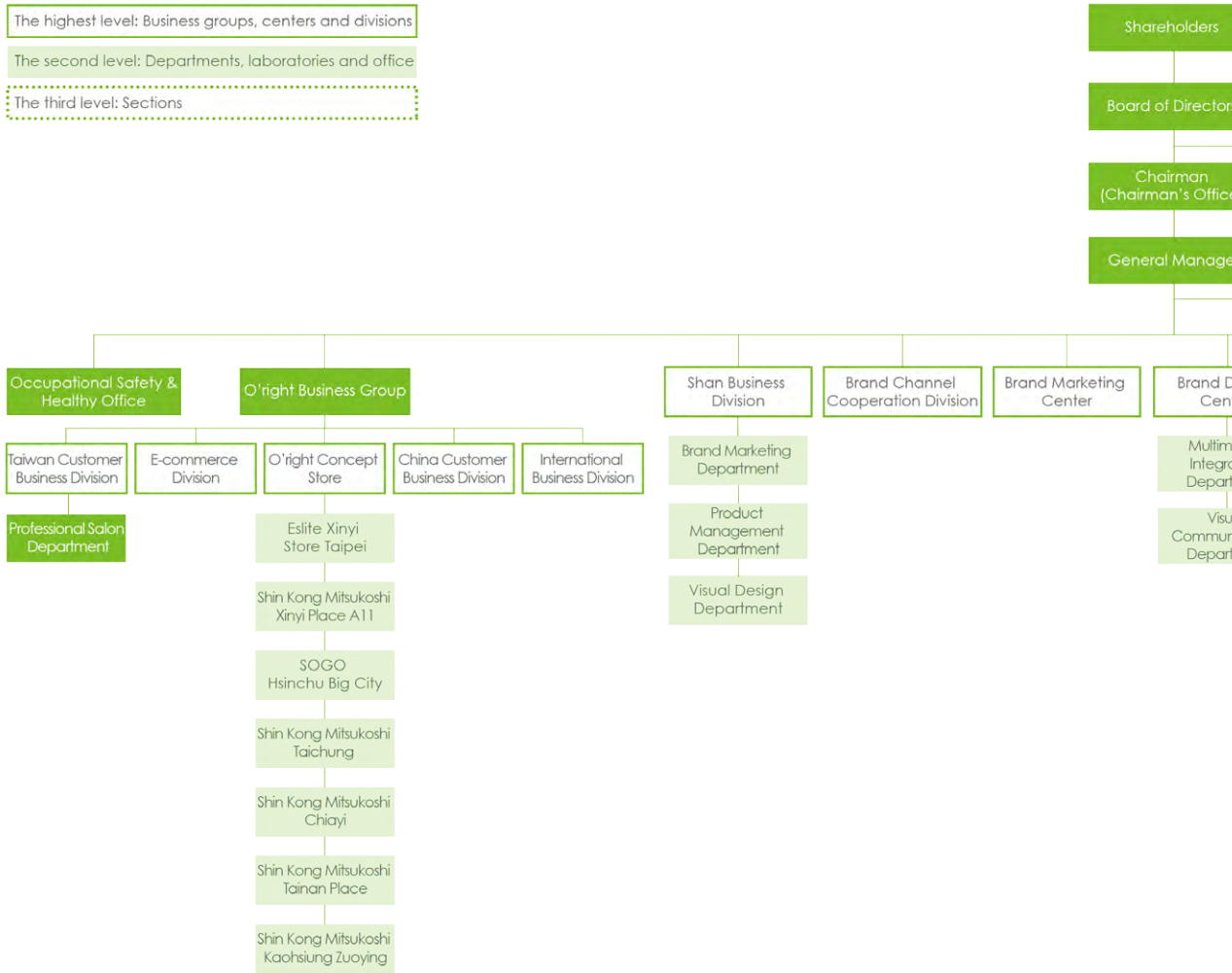


Figure 5 Comparison between the 2 brands



- The highest level: Business groups, centers and divisions
- The second level: Departments, laboratories and office
- The third level: Sections



1	Shanghai Subsidiary	Hong Kong & Macau Subsidiary					
2	Taipei Mobile Office (1)	Taipei Mobile Office (2)	New Taipei Mobile Office	Taoyuan & Hsinchu Mobile Office	Taichung Mobile Office	Chiayi Mobile Office	
3	Taipei Finance & Accounting Group (1)	Taipei Finance & Accounting Group (2)	New Taipei Finance & Accounting Group	Taoyuan & Hsinchu Finance & Accounting Group	Taichung Finance & Accounting Group	Chiayi Finance & Accounting Group	

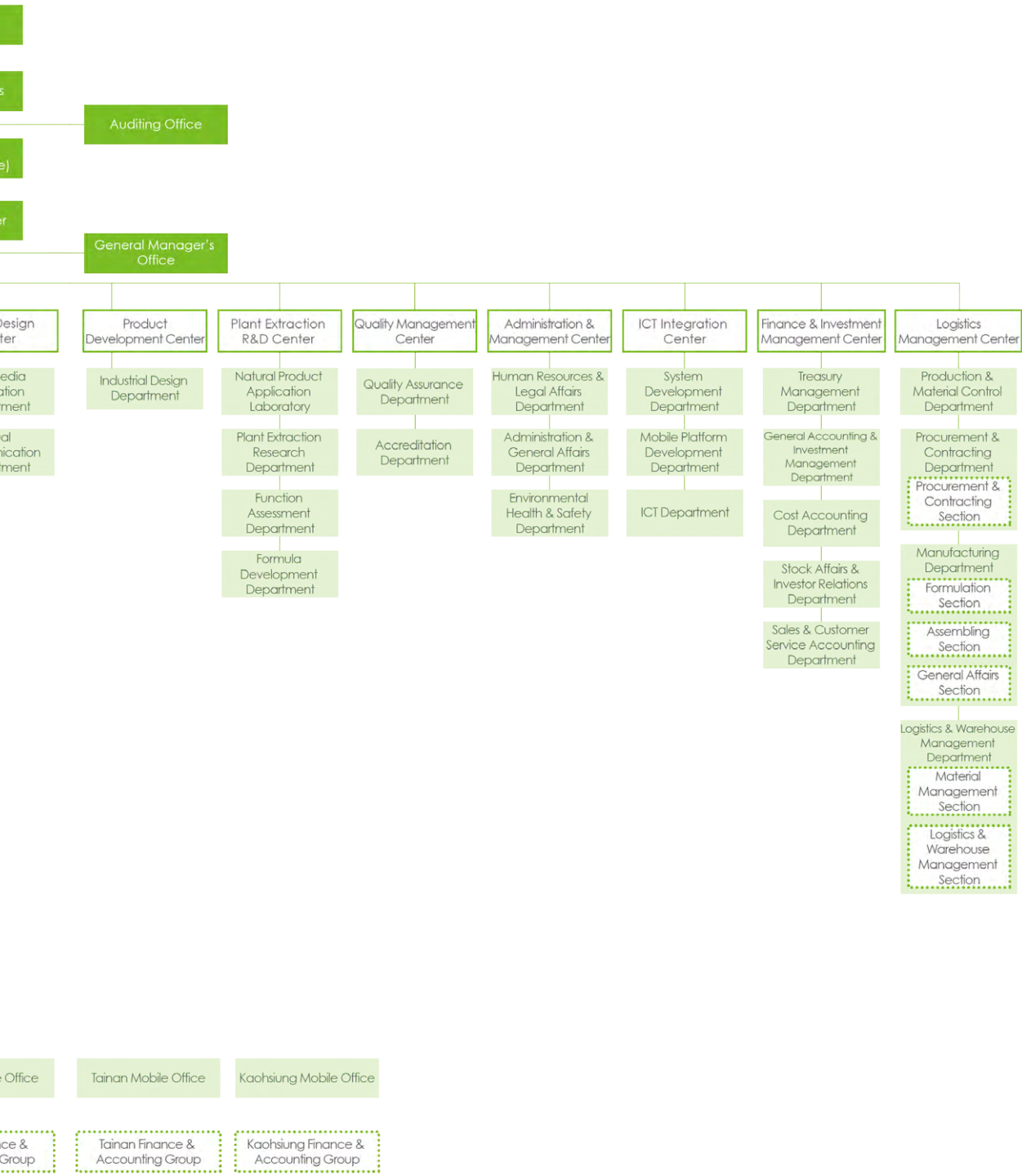


Figure 6 O'right's organizational hierarchy



Table 4 O'right groups and committees

Groups and committees	Relation	Date of establishment	Objective
Green Council for Sustainable Development	Organization related	2013.05.10	This committee consists of all heads of departments with the aim to gather valuable suggestions regarding sustainability and energy conservation and carbon reduction. For example, ways to source local raw materials and develop extraction technologies and ways to simplify manufacturing process and reduce waste in production.
Brand and New Product Development Group	Organization related	2009.06.22	This group is responsible for setting brand marketing strategies and the direction for product development.
Intellectual Property Committee	Organization related	2013.09.11	This committee was established with the aim to manage patent applications and copyrights and review and file patent applications requested by employees.
Environmental Health and Safety Committee	Labor related	2014.11.25	This committee was established in accordance with the Occupational Safety and Health Act to prevent occupational hazards and promote employee health and safety. In 2015, the committee officially changed its name to the Occupational and Environmental Health and Safety Committee with more than 1/3 of labor representatives.
Energy Management Committee	Organization related	2013.12.04	This committee aims to ensure the implementation of energy efficient measures and achievement of energy saving goals.
Biosafety Committee	Organization related	2014.11.01	This committee aims to oversee the laboratory's biosafety program and planning to achieve self-management goals. The chairman is responsible for coordinating matters to ensure biosafety control measures and planning, inspection of infectious biological materials, management and training of laboratory personnel, disinfection and sterilization and emergency response procedures are properly executed. Safety and biosafety inspections should also be implemented on a regular basis. The first meeting was held in December of 2014 to discuss the establishment of the BSL-2 laboratory, which was expected to officially begin operating on the January 5, 2015.

*Labor Relations Committee	Labor related	2014.8.12	This committee aims to coordinate labor-management relations, promote cooperative relations, prevent labor disputes and encourage voluntary cooperation and partnership between labor and management. The policies are designed by representatives from both parties at regularly held meetings. The proposals are decided by the majority vote of the representatives present at the meetings. The representatives are directly elected by the entire staff. In 2014, two meetings were held, focusing on the 2014 health evaluation and 2015 calendar. After such meetings, the resolutions are announced to the entire staff.
*Employee Welfare Committee	Labor related	2009.01.01	This committee was established to optimize employee benefits and improve work efficiency and benefit policy, creating a workplace culture with mutually beneficial and reciprocal relationships between employees.
*Sexual Harassment Prevention Committee	Labor related	2014.08.08	This committee was established with the aim to provide a complaint mechanism to prevent sexual harassment and promote gender equality in the workplace. The representatives are directly elected by the entire staff. In 2014, one meeting was convened with no decisions being made or resolutions passed.
*Labor Pension Fund Supervisory Committee	Labor related	2001.09.28	This committee was established to set up a labor pension fund scheme to provide retirement benefits and security after retirement as well as effectively utilize medium- to long-term funds in order to support major economic infrastructure plans.

\*Committees that are considered mandatory by the government



**1.3.2 Corporate governance**

**Board of directors**

The board of directors plays an important role in setting corporate strategies, reviewing and approving annual budgets, supervising capital expenditure and overseeing risk management policies. After each meeting, the Chair is responsible for managing the planning and execution of strategies, business, production and marketing and operating goals based on the decisions made. O'right's board of directors consists of 5 directors and 2 supervisory board members (Table 5 O'right's board of directors)

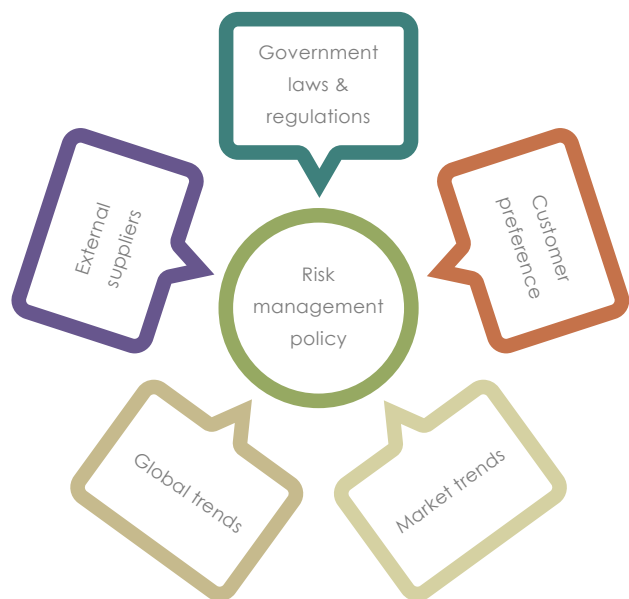
Board meetings are convened at least once every quarter in accordance with our company's articles of association and regulations. In 2016, 6 meetings were held with an average attendance rate of directors, including the supervisory members, of 97.62%.



<b>Chair</b>	Steven Ko
<b>Directors</b>	Xin Zhi Yun Ting Investment Co., Ltd. Qing He Tang Cultural and Creative Co., Ltd. Ge Li-ying Development Cultural and Creative Value Investment Co., Ltd.
<b>Supervisory members</b>	Zhang Xiao-ling Huang Rui-ting

**Risk management**

During the decision-making process, the company or department will integrate risk management into strategic planning and develop relative strategies. The sources of risk that should be evaluated include global trends, external supply chains, government laws and regulations, customer preference and market trends...etc.



**Figure 7 Risk management policy**



## 1.4 Business operating conditions and economic performance

### 1.4.1 Business operating conditions

Hair O'right International Corporation is located in Longtan District, Taoyuan City. O'right also has 6 customer service mobile offices distributed across the country: Taipei, New Taipei City, Taoyuan and Hsinchu (including Yilan and Hualien), Taichung, Chiayi and Tainan and Kaohsiung (including Taitung)

In August 2015, O'right initiated the mobile office plan, transforming real offices into mobile offices. As customer service personnel have to meet with hair salon customers frequently, mobile offices make it much more convenient for them to do so. Not only does this save space, it also saves electricity as there is no dormant office present.



Figure 8 Creating new service value through mobile offices

Table 6 Date of mobilization of offices

Timeline	Office	Date of mobilization	Note
1	Taichung	2015/8/1	Accomplished
2	Chiayi and Tainan	2015/11/1	Accomplished
3	Kaohsiung	2015/12/1	Accomplished
4	Taipei	2016/1/1	Accomplished
5	New Taipei	2016/6/1	Accomplished
6	Taoyuan and Hsinchu	2016/6/1	Accomplished

We have also been actively developing the Chinese market with the hopes of bringing our brand's green philosophy and vision to the nation and raising environmental awareness in China's hair and beauty industry.

After several shareholders' meetings, the resolution regarding the establishment of O'right Cosmetics (Shanghai) Co., Ltd., invested by Hair O'right International Corp., passed on May of 2013 in order to fully support distributors in China in the promotion of O'right's green concepts. O'right Cosmetics (Shanghai) Co., Ltd. was registered as a company on October 29, 2013 and began operations on May 1, 2014. For more information, please refer to Chapter 1.5.

We participate in various international beauty shows

as an effective channel to access and develop foreign markets and introduce green products made in Taiwan to the world. Expanding our business globally through new market development is important for business growth in sustainability and creating value through innovation. In addition to participation in exhibitions, our International Business Division visits foreign distributors worldwide in hopes of increasing brand visibility worldwide.

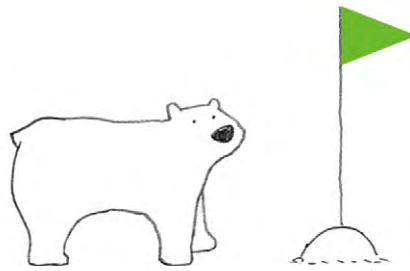
With these efforts to taking our brand global, O'right products are currently sold across Asia, America, Europe and Oceania.

### 1.4.2 Economic performance

Since 2011, O'right has continued to experience a rise in its revenue, indicating a strong economic performance and proving that our green strategies have successfully earned the recognition of consumers. See Table 7 for further financial information.

**Table 7 O'right financial statement**

Category	Net sales (growth rate)	Cost of goods sold (growth rate)	Operating profit	Wage expense	Employee benefits
2016	354,283 (+6.83%)	311,736 (+2.14%)	42,547	110,144	1,232
2015	331,639 (+10.52%)	305,192 (+6.21%)	26,447	110,589	1,162
2014	300,065 (+22.26%)	287,351 (+25.71%)	12,714	98,803	2,087
2013	245,433 (+18.95%)	228,575 (+24.42%)	16,858	86,286	1,938
2012	206,326 (+18.89%)	183,715 (+19.72%)	22,611	69,836	364
2011	173,543	153,454	20,089	64,090	177



Unit: Thousand NTD

Government subsidies	Total assets	Retained earnings
Beautyworld Middle East 50 Las Vegas 50 Industrial Development Bureau 914 Multi-beneficiary Vocational Training Program 599	426,900	33,089
Human Resource Improvement Plan 135 Industrial Development Bureau 1,010 Taiwan Invention Association 20 Cosmoprof Worldwide Bologna 45 Beautyworld Middle East 50 Las Vegas 50 Tax promotion activity 5 Cosmoprof Asia Hong Kong 110 104 Multi-beneficiary Vocational Training Program 660 Taiwan External Trade Development Council (TAITRA) 926	430,415	17,020
New Fashion and Beauty Project for Taiwan Cosmetics Industry by the Industrial Development Bureau 1,160 Human Resource Improvement Plan 383 Cosmoprof Asia Hong Kong 107 Seoul International Invention Fair 15 INPEX 21 Participation in International Expo Project by the Bureau of Foreign Trade 45 Assisting Enterprises to Upgrade Human Resource Plan 594 Overseas Brand Marketing Promotion Subsidy for Taiwanese Enterprises by TAITRA 914	405,028	17,649
Renewable energy subsidies by the Ministry of Economic Affairs 795 Cosmoprof Worldwide Bologna 200 Cosmoprof Asia Hong Kong 121	315,825	17,943
Cosmoprof Worldwide Bologna 261 Solar water heating system 8 Multi-beneficiary Vocational Training Program 555	297,046	22,865
College student internship 260 Cosmoprof Worldwide Bologna 158 Assisting Enterprises to Upgrade Human Resource Plan 112 Multi-beneficiary Vocational Training Program 7	218,037	17,840



## 1.5 Products and markets

### 1.5.1 O'right

#### Sales channels and markets

O'right's main sales channels include more than 7,000 professional hair salon partners, meaning that, out of 20,000 hair salons in Taiwan, our products occupy approximately 30% of the salon market. In the global market, our green hair care brand can be found in 36 countries worldwide, with products sold in major cities across Europe, America, Asia and Oceania. As of the end of 2016, our global sales volume accounts for 22.79% of total sales.

Since its establishment in 2014, O'right Cosmetics (Shanghai) Co., Ltd. has been devoted to developing the Chinese market. By the end of 2016, our Chinese market has grown to have 15 distributors across 12 provinces and 3 municipalities, Shanghai, Beijing and Tienjin. In just a few years, the Chinese market in Wenzhou of Zhejiang province, which was established in 2010, has grown tremendously in terms of sales performance. This just shows how supportive our Chinese distributors are of O'right's green concepts and products. The Economic Cooperation Framework Agreement (ECFA) between the governments of China and Taiwan, signed in 2010, aims to promote and strengthen cross-strait cooperation, and is the key to the development of the O'right's market in China.

Our development strategies are focused on the training of distributors in the engagement of environmental practices at our seasonal camps and Earth Hour event held every year in March, with the aim of getting more people to identify with O'right's green products and concept.

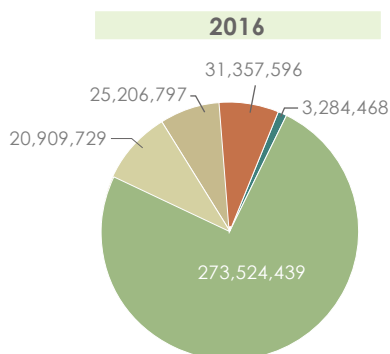


2016 O'right international market across 31 countries	
Asia	Singapore, Malaysia, Thailand, United Arab Emirates, Korea, the Philippines, Japan, India, China and Hong Kong
Europe	Italy, Lithuania, Denmark, Poland, England, Belarus, Bulgaria, Austria, Ukraine, the Netherlands, Belgium, Luxembourg, Switzerland, Sweden, *Germany, *Estonia, *Finland and *Russia
America	The United States of America, Canada and Mexico
Oceania	Australia and New Zealand

**\*New distributors in 2016**

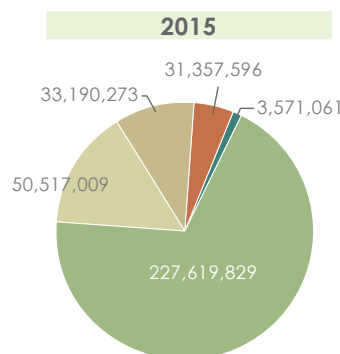


Figure 9 O'right international market across 31 countries



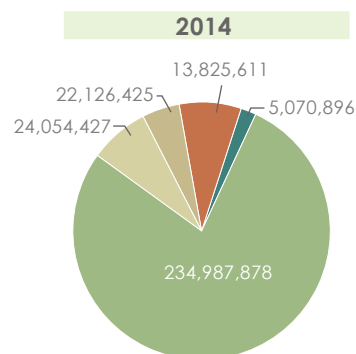
The Taiwan market share is 77.21% and the international market share is 22.79%

Figure 10 Export sales in 2016



The Taiwan market share is 68.63% and the international market share is 31.37%

Figure 11 Export sales in 2015



The Taiwan market share is 78.31% and the international market share is 21.69%

Figure 12 Export sales in 2014

- Taiwan
- Asia
- China/Hong Kong
- Europe
- America

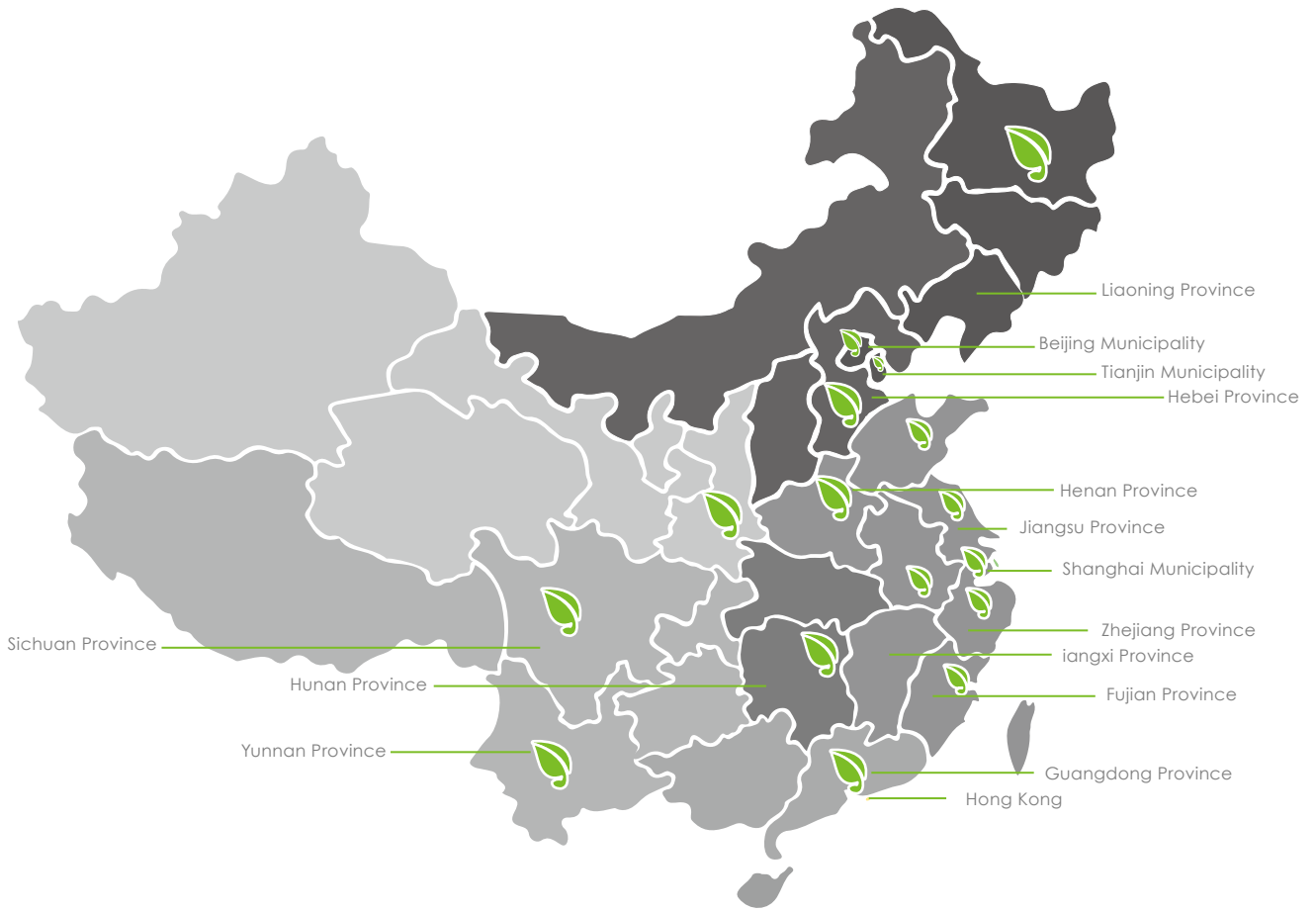


Figure 13 O'right's Chinese market

Table 8 The 15 Chinese distributors in 2016

North China	Tianjin Municipality, Hebei Province, Beijing Municipality
Northeast China	Liaoning Province
East China	Zhejiang Province, Jiangsu Province, Fujian Province, Jiangxi Province, Shanghai Municipality, Guangdong Province, Hong Kong
South Central China	Hunan Province, Henan Province
Southwest China	Sichuan Province, Yunnan Province



Figure 14 O'right Cosmetics (Shanghai) Co., Ltd.



Figure 15 The team of O'right Shanghai



Green brand O'right produces and sells a range of professional eco-friendly hair and skin care products including shampoo, conditioner, hair cream, scalp care, styling and skin care products, all formulated with innovative premium EU certified natural and organic amino acid- and glucoside-based foaming agents. Our green formula is developed to benefit not only human health but also the natural environment.

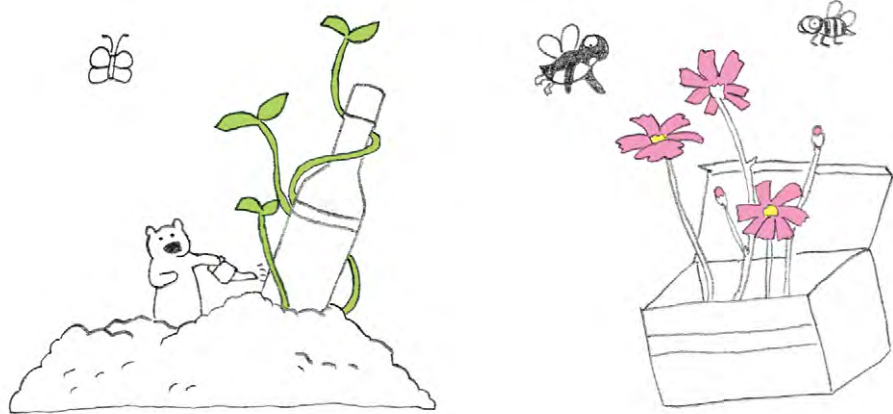


Figure 16 O'right offers a range of 90 products to best fit consumer needs

The world's greenest shampoo 

 Environmental Hormones(NP) FREE	 Phthalates FREE
 Parabens FREE	 Sulfate Surfactants FREE
 Formaldehyde FREE	 Thickeners, DEA(Diethanolamine) FREE
 Colourants FREE	 EO(Ethylene oxide) Derivatives FREE





1.5.2 shan

Products and channels

shan is a green hair care e-commerce brand founded by O'right that manufactures and offers a line of 22 natural products including shampoo, conditioner, hair tonic and body wash that are free from up to 11 types of chemicals.

	
PARABENS FREE	THICKENERS ( DEA DERIVATIVES ) FREE
	
GMO FREE	PHthalATES FREE
	
ENVIRON. HORMONES(NP) FREE	SULFATES FREE
	
EO ( ETHYLENE OXIDE ) DERIVATIVES FREE	ANIMAL INGREDIENTS FREE
	
FORMALDEHYDE FREE	COLORANTS FREE
	
ANIMAL-TESTING FREE	

Figure 17 The 11 Free of shan



The 22 shan products

Camellia Essential Color Care Shampoo, Camellia Essential Color Care Conditioner, Camellia Essential Intensive Hair Oil, ReCafé Essential Shampoo, ReCafé Essential Conditioner, ReCafé Essential Body Cleanser, ReCafé Essential Hair Oil.

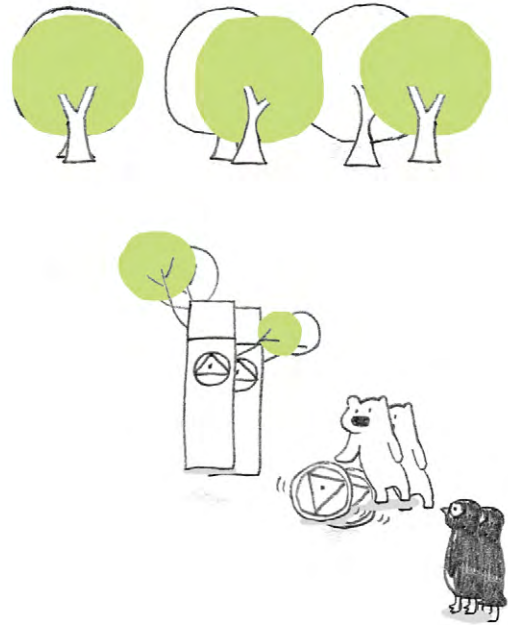
White Tea Essential Shampoo, White Tea Essential Conditioner, White Tea Essential Body Cleanser, White Tea Essential Facial Cleansing Gel, White Tea Essential Body Lotion, White Tea Essential Professional Hair Treatment Set.

Bamboo Essential Moisturizing Shampoo, Bamboo Essential Moisturizing Conditioner, Bamboo Essential Moisturizing Body Cleanser, Bamboo Essential Moisturizing Body Lotion, Bamboo Essential Professional Moisturizing Hair Treatment Set.

Goji Essential Volumizing Shampoo, Lonicera Essential Scalp Treatment Shampoo, Alps Epilobium Essential Hair Tonic for Women, Centella Essential Hair Tonic for Men.



Figure 18 shan products



**shan best seller – Camellia Essential Intensive Hair Oil**

Formulated with natural plant extracts, this hair oil has a low molecular weight, which allows quick absorption into hair. Its lightweight, soft and smooth texture is extremely easy to apply without leaving a greasy feel. Use daily to give your hair the nutrients and repair it needs for soft, smooth and tangle-free hair.

**shan best seller – Alps Epilobium Essential Hair Tonic for Women**

Formulated with EU certified organic plant extracts, this hair tonic intensively revitalizes the scalp and strengthens hair roots while maintaining a natural oil balance. It also soothes and relieves scalp irritation and itchiness, restoring scalp health. A healthy scalp contributes to naturally beautiful and radiant hair. A youth essence made especially for the scalp to instantly solve all your annoying scalp problems.

In order to meet growing customer demand, shan now offers 21 sales channels including Watsons, Ever Rich Duty Free Shop, Lafé Market, Good Cho's, Cheer For, Jason's Market, Citysuper, Hands Tailung, Hayashi Department Store, s3 Beauty Store, Liwen Publishing Group, Lifestyle Bookstore, Siweispace, Pinkoi, Yahoo! Mall, TAAZE, uDesign, Book Your Life, PChome, Newegg and Shopping99.



### 1.5.3 O'right OEM/ODM Services Center

Due to a recent rise of environmental awareness and eco-tourism, hotels are gradually taking the sustainable route and going green. Therefore, in addition to our professional hair salon and e-commerce channels, we have also established the Brand Channel Cooperation Division, incorporating natural, pure and eco-friendly concepts into green tourism. By the end of 2016, O'right has formed partnerships with Home Hotel, W Hotel, Via Hotel, Lefoo Resort, Lefoo Residences, Hotel Royal Beitou, Chill Roof Hotel, Ease Hotel, Guey Lin Hotel, Hotel Orchard Park, Pleasant Hotels International, RunBase, Aspire Resort, Yoga Journey and Aeris International Hotel, infusing O'right green bath amenities into traveling and life in hopes of sharing our sustainable values with travelers from all around the world.

Green is not just a color; it's a way of life.



Figure 19 O'right bath amenities at Aspire Resort (Source: Aspire Service & Development Inc.)



Figure 20 O'right bath amenities at Home Hotel in Taipei (Source: Home Hotel)



### 1.5.4 O'right E-commerce Division

Our team established the official online shopping platform in December of 2014, providing customers with a more convenient and better shopping experience to purchase green hair care products with ease. For a green shopping experience, please visit <http://shop.orient.com.tw/>

In 2016, in addition to our own official e-commerce store, we also partnered up with various online platforms and organized promotional events to boost brand exposure and awareness and reach more consumers through advertisements.

Additionally, the E-commerce Division also manages the O'right Shop Facebook page which brings us closer to consumers through direct B2C communication on our brand concept, product image, directions for use, promotional events and consumer feedback.

Listed below are the e-commerce sales channels of O'right in 2016.

1. Official online shop
2. PChome
3. Rakuten
4. Momo
5. Yahoo!
6. GoHappy
7. PChome 24h



**O'right Shop 歐萊德**  
@orightshop

首頁  
貼文  
評論  
相片  
影片  
關於  
社群  
網誌  
建立粉絲專頁

**兒童節快樂**  
Happy Children's Day  
3/22 - 4/9 一同歡慶  
蒲公英全系列 任選兩件 79折  
點此購買

來去逛逛 發送訊息

貼文  
O'right Shop 歐萊德更新了封面相片。  
3月19日 9:14 · 已公開  
【最美的力量】  
THE MOST BEAUTIFUL POWER  
買指定款美髮液，抽 浪漫巴黎雙人行！  
2018.03.19-05.14... 更多

讚 留言 分享

58 依時間排列

4次分享  
查看 1 則留言

產品/服務 在 桃園區  
4.9 ★★★★★  
目前非營業時間

關於 O'RIGHT SHOP 歐萊德

Our Story  
歐萊德是台灣綠色髮妝的領導品牌，擁有全亞洲第一座綠建築化妝品GMP廠，通過ISO 9001、ISO 22716、ISO 50001等認證，以100%太陽能與風力發電製造產品，並以水循環資源再生全面進行...  
查看更多

社群 查看全部

## 1.6 Our green team

In order to build a law-abiding, effective, and responsible green team, each and every newcomer to O'right is given an employee handbook that includes pay and benefits, hours of work, retirement plans, maternity leave, rewards and punishment, health and safety at work, sexual harassment, and other guidelines and regulations employees are required to abide by to ensure orderly operations and provide the best possible work environment in the office.

### 1.6.1 Employee composition

Up until the end of 2016, O'right has a total of 232 employees, among which 70% of staff work at the Green Headquarters located in Longtan, showing an increase of 6 people (2.65%) compared to the number of employees in 2015. As hair care products mostly target a female audience, 70% of employees are female.

**Table 10 Number and growth rate of permanent employees**

Year	Number	Growth rate
2012	167	N/A
2013	188	12.57%
2014	209	11.17%
2015	226	8.13%
2016	232	2.65%

**Table 9 Employee composition by region**

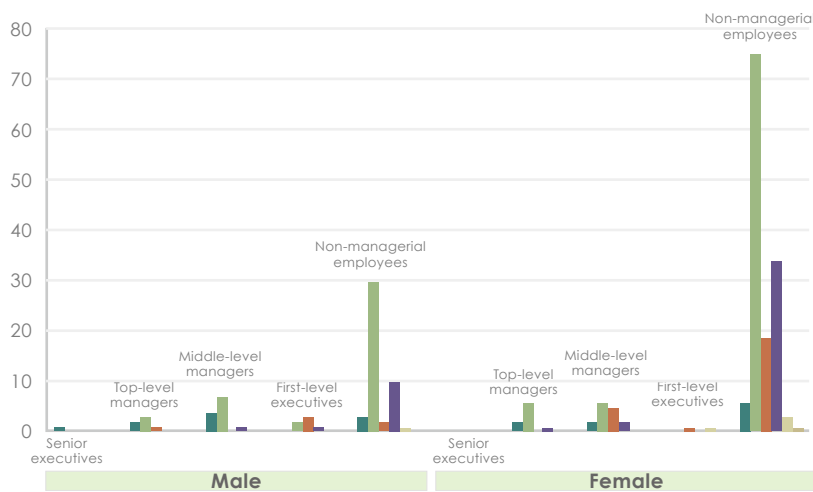
Region	Number	Percentage
Green Headquarters	166	71.6%
Taipei	12	5.2%
New Taipei	10	4.3%
Taoyuan	6	2.6%
Hsinchu	2	0.9%
Taichung	11	4.7%
Chiayi	6	2.6%
Tainan	8	3.4%
Kaohsiung	11	4.7%
Total	232	100%

**Note: The number of employees was 232 (as of December 31, 2016)**

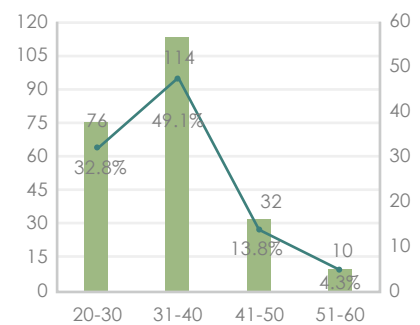
**Table 11 Employee composition by gender**

Gender	Number	Percentage
Male	68	29%
Female	164	71%
Total	232	100%

All 232 were permanent employees (68 male and 164 female); no temporary employees. See Figures 21 & 22 for employment distribution by position, education and age.



**Figure 21 Employee composition by education**



**Figure 22 Employee composition by age**

Among the 108 new employees we welcomed in 2016, 68% were female, most of which were 30-50 years old; 65% were from Taoyuan City. New employees accounted for 46% of the total number of employees.

**Table 12 New employee composition by gender, age and region**

Year	Category	Under 30		30-50 years old		Above 50		Total
		Number	Percentage	Number	Percentage	Number	Percentage	
2016	New	51	47.22%	56	51.85%	1	0.93%	108
	Resigned	42	41.18%	58	56.86%	2	1.96%	102

**Note: New employees refer to new permanent (regular) employees, including contract employees, part-time employees and interns and excluding temporary workers; resigned employees refer to employees who have resigned, including contract employees, part-time employees, interns, employees on leave without pay and excluding temporary workers.**

Among the employees who left the company in 2016, 41.18% were aged 20-29m, 42.16% were 30-39m, 14.71% were 40-49 and 1.96% were above 50.

Male and female employees who resigned in less than 3 months accounted for 7.84% and 16.77%, respectively. Analysis results show that the employer takes into account the moral judgment and character, integrity and competence of an employee while the employee considers adaptation and future development during the first 3 months. During this period, if an employee is unable to adapt to company culture or is unqualified for the job, the turnover will be very high. Therefore, we have adjusted our interview process for recruiting new talent as hiring the right people from the start is the first step to reducing turnover.



**Table 13 New and resigned employees from 2014-2016**

Year	Number of employees	Number of new employees	Number of resigned employees	Turnover rate
2014	209	77	121	5.97%
2015	226	151	134	4.77%
2016	232	108	102	3.56%

**Note:**

**Formula for calculating turnover:**

**Before: Turnover=(No. of employees who left the company÷No. of employees by end of the year)×100%**

**Now: Turnover=(No. of employees who left the company÷No. of employees over the years)×100%**

**1.6.2 Codes of practice on recruitment and selection**

In order to offer more job opportunities to local residents, job openings are posted to the public with the help of the local chief of village. We also actively participate in regional job fairs and recruiting events with the hope of welcoming more potential talents to the O’right family.

All new employees of O’right are required to sign an employment contract to protect the rights of the employer and employee. The contract is formulated in accordance with the Labor Standards Act.

The Codes of Practice were stipulated in accordance with Article 25 of the Occupational Safety and Health Act to prevent occupational accidents and promote health and safety in the workplace. New employees are required to take a pre-employment health check before starting work. We also schedule various health education seminars regularly.

**1.6.3 Salary and wages**

Employees are important assets in a company. Education, professional knowledge and skills, professional experience and past performance are all considered to determine an employee’s final value. Employees are evaluated without regard to sex, race, religion, political view and marital status. For more information, please refer to Table 14.

**Table 14 Salary comparison between male and female employees in 2016**

	Minimum wage	Average salary at O’right	Average salary/ Minimum wage
Male	20,008	27,317	1.37
Female	20,008	24,605	1.23
Male/Female	20,008	25,380	1.27



**1.6.4 Employee evaluation and performance appraisal system**

We have a performance appraisal system in which employee job performance is rated by a direct manager once a year in accordance with Article 45 of the Codes of Practice. Employees are evaluated fairly and objectively based on their competency, knowledge and skills, productivity, performance quality, behavior, attitude and ethics and integrity in the workplace of the previous year. Managers and employees discuss the past year’s goals, review accomplishments and make future plans in order to reach the annual goal of the company. In 2016, the performance appraisal was performed on 189 employees whose date of employment is before June 30, 2015 based on their overall performance from January 1 to December 31. From the next year going forward, the appraisal will be conducted every year in January based on employees’ performance from January to December of the previous year.

In order to prevent corruption in the workplace, new employees are requested to provide a guarantor to hold liable should employees engage in bribery and corrupt practices. As stipulated in the new employee orientation training program, all gifts given by customers must be returned to O’right. Additionally, customer service specialists shall complete a payment receipt report and hand the payment over to the company the following day to prevent embezzlement. We also offer customers a credit card payment solution as well as credit card promotions and offers to minimize the risks of corruption.

**1.6.5 Staff attendance policy and leave of absence without pay**

O’right strictly abides by all laws and regulations regarding labor and human rights set in place by the Taiwan government and treats the entire staff with respect, equally and fairly. We promote employment equality and set out reasonable employment conditions. Each working day is divided into 2 sets of time periods during which 2 groups of employees perform their duties. Production line workers belong to the A Shift and are required to be present for work from 08:30-18:00, including a 1 hour lunch break and 15 minutes break each in the morning and afternoon. The remaining staff is required to fulfill their duties during the B Shift from 09:00-18:00, including a 1 hour lunch break.



The standard hours of work for employees are 8 hours a day. If employees are to work in excess of the statutory working hours when necessary, it shall not exceed 4 hours a day in a working week and 8 hours on a non-working day (i.e., the weekends or holidays). The overtime threshold in a month is no more than 46 hours. Employees may receive hourly payment or paid time off in exchange for their overtime. Employees have the right to refuse any requests to attend meetings or work outside normal working hours.

In 2016, a total of 8 employees took a maternity leave and 3 took a paternity leave. Among the 11 employees (3 male and 8 female) who were eligible, 3 female employees took a parental leave without pay.

**Table 15 Unpaid parental leave in O'right**

employees who were entitled to unpaid parental leave in 2016 (A)	11
Employees who took unpaid parental leave in 2016 (B)	3
Percentage of employees on unpaid parental leave in 2016 (B/A)	27%
Employees expected to return to work after leave in 2016 (C)	3
Employees who returned to work after leave in 2016 (D)	3
Percentage of employees who returned to work after leave in 2016 (D/C)	100%
Employees who returned to work after leave in 2015 (E)	2
Employees who continued to work for one year after leave in 2015 (F)	2
Employee retention rate after unpaid parental leave in 2016 (F/E)	100%

In order to encourage employees to do something for our planet and engage in green practices, O'right offers paid volunteer leave for employees who take part in charitable activities organized by the company or other organizations. However, no one took a volunteer leave in 2015.

### 1.6.6 Occupational injury and absence rate

In terms of occupational injury and absence rate, there were 6 cases of work-related injuries in 2016, all of which were car accidents that occurred when employees were traveling to and from the workplace. The 6 cases resulted in a total of 17 days of leave of absence from work; none of which led to disabilities. For more information, please refer to Table 16.

**Table 16 Absence from work due to occupational injuries**

Item		Calculation
Total working days	57,072	Total days worked throughout the year × Number of employees
Total working hours	456,576	Total days worked throughout the year × Number of employees × Hours of work per day
Number of employees (insured employees)	232	
Number of days absent	364	Sickness, personal reasons or unexcused absences
Absence rate	0.6%	No. of days absent ÷ Total days worked
Number of days lost due to work-related injuries	17	
Disabling Injury Frequency Rate (DIFR)	13.14	(No. of disabling injuries × 10 <sup>6</sup> ) ÷ Total hours worked
Disabling Injury Severity Rate (DISR)	37	(No. of days lost × 10 <sup>6</sup> ) ÷ Total hours worked

### 1.6.7 Employee complaints and communication channels

O'right offers a channel for the reporting of sexual harassment, misconduct or any inappropriate behavior in the workplace by or against employees. The Labor Relations Committee established in 2014 plays a central role in managing activities related to labor relations and facilitate employee-management communication. The committee currently consists of 5 labor representatives and 5 management representatives. Meetings are convened once every 3 months to discuss issues on labor rights protection and ways to facilitate employee-management cooperation and increase work efficiency. We make it our priority to listen to employees and take their complaints seriously as we believe that it is the easiest and most important step to improving employee satisfaction.

We take problems and suggestions provided by staff very seriously. We have a complete system for employees to put forward their comments or feedback in the most efficient way possible. We encourage staff to communicate via social media platforms such as Skype, Line or Facebook at work.

### 1.6.8 Human rights management

O'right prohibits any discrimination in recruitment, hiring, employment terms and conditions, promotions, transfer opportunities, demotions, reward and punishment, training, benefits or firing on the basis of race, social status, language, beliefs, religion, political affiliation, national origin, place of birth, gender, sexual orientation, age, marital status, appearance, mental or physical disability or past labor union membership. According to Article 44 of the Labor Standards Act, "a worker over 15 years old, but less than 16 years old, shall be considered as a child worker." From the establishment of O'right to 2016, there have been no cases of child labor.

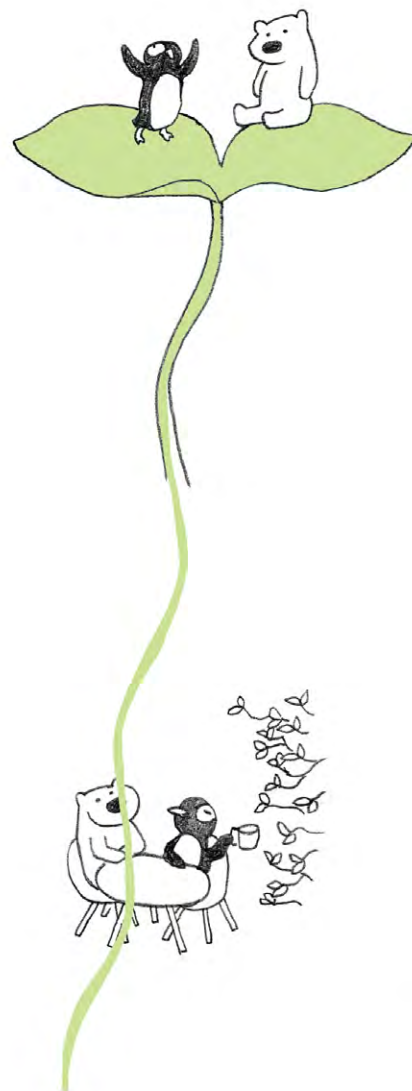
As stipulated in Article 5 of the Labor Standards Act, "no employer shall, by force, coercion, detention, or other illegal means, compel a worker to perform work." All and any work performed by employees is determined as a result of mutual agreement between the employer and employee.

## 1.7 Employee benefits and training

O'right strives to create a natural, pure and eco-friendly workplace environment that respects, cares for and protects human rights and facilitates healthy and positive employee-management relations.

### 1.7.1 Benefits

O'right offers a comprehensive employee benefits package to meet a variety of their needs (Table 17). Additionally, the Chairman also occasionally pays visits to employees' homes to bring the company closer to staff members and use the opportunity to share our green concepts. On Mother's Day and Father's Day each year, we give each employee a card and gift to express our gratitude for their support. Employees are also given a birthday card filled with wishes from the entire staff on their birthdays.



**Table 17 Overview of employee benefits**

Benefits	Permanent employees	Temporary employees
A comprehensive employee promotion plan	●	●
Year-end bonus (depending on company and individual performances)	●	
Profit-based bonus and sales bonus	●	
Training (new employee orientation, professional training, management training, talent development)	●	●
Annual year-open party	●	●
Occasional brand events	●	●
Incentive trips for top-performing employees	●	
Employee health check (Table 1-11)	●	
Group insurance (accident insurance and occupational accident insurance)	●	
Maternity allowances	●	
Marriage and funeral allowances	●	
Emergency allowances	●	
Employee purchase discount	●	●
Birthday benefits	●	
Dragon Boat Festival benefits	●	
Moon Festival benefits	●	
Free organic meals, fair trade coffee and soup provided in the Organic Vegetable Cafeteria	●	●
Overtime meals	●	●
Mother's Day gift	●	
Father's Day gift	●	

The entire staff receives a health check once every 3 years while laboratory staff receives a checkup every year. The next workplace health check is expected to take place next year in 2017. In 2016, 5 laboratory employees working in the Organic Plant Extraction R&D Center received a health assessment.

**Table 18 Employee health check in 2016**

Category	Number of person(s)	Items
C	5	12

**Note:**

**The health check is categorized into three groups: A (Vice General Manager level and above), B (Vice Managers level and above) and C (other)**

In terms of pension plans, the entire staff adopts the new labor pension system. In 2016, the fair value of pension plan assets was NTD774,480 and the defined benefit obligation for post-employment benefit plans was NTD1,507,603. According to Article 56 of the Labor Standards Act, employers shall appropriate 2% labor pension reserve funds of the total monthly wages of their employees and deposit such amount in a designated account. Under the new act, all employers are required to contribute 6% or more of a worker's monthly wage into an individual labor pension account created in the worker's name. Employees may go online to keep track of the amount of pension funds they have accumulated so far.

### 1.7.2 Employee training

O'right recognizes the importance of employee training and development and even believes that it is more important than working. In order to cultivate green leaders and talents and improve the professional skills of staff, we use a professional competency inventory to assess employee strengths and skills and help them develop training plan. For more information, please refer to Table 19.

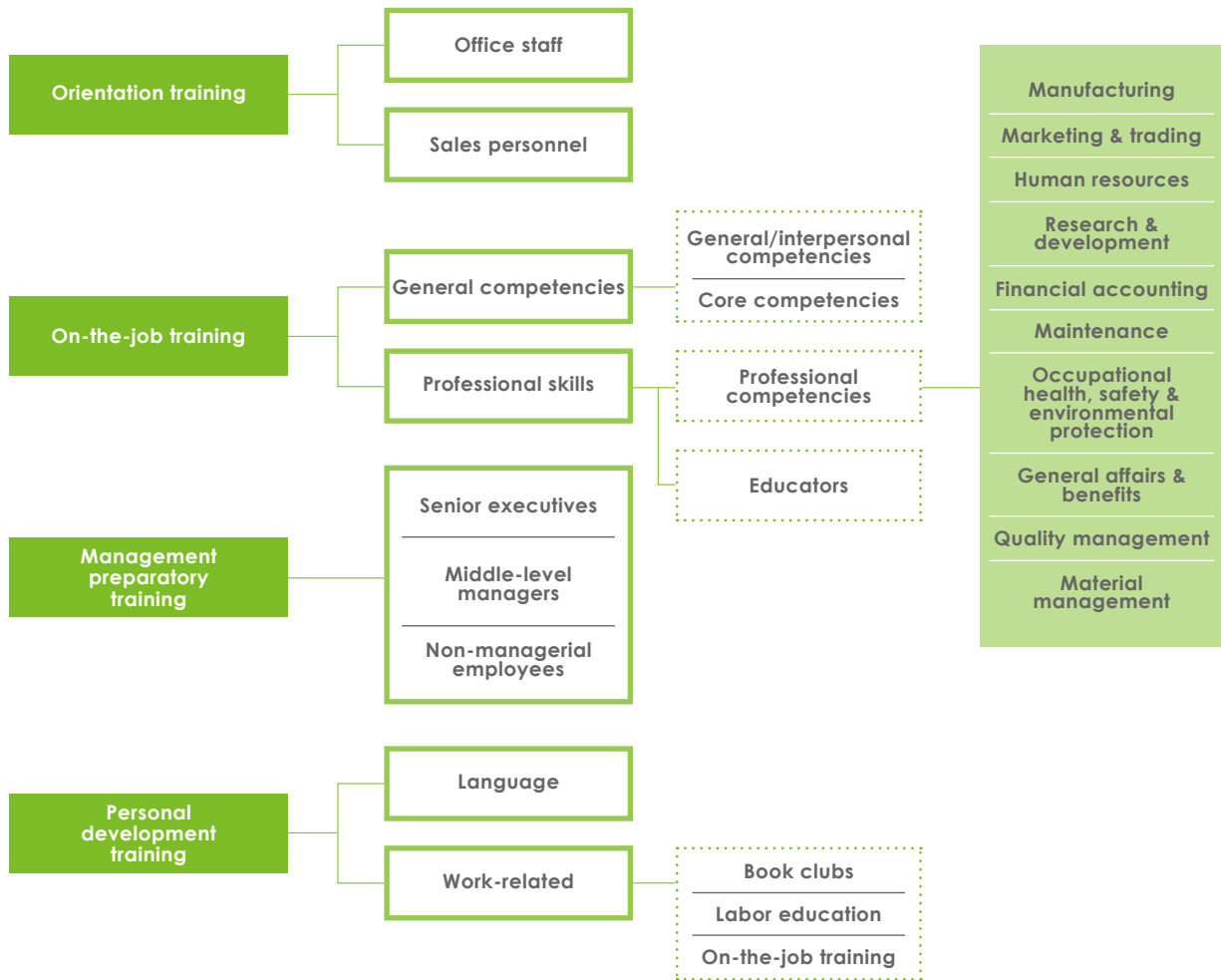


Figure 23 O'right educational training framework



Table 19 Employee training hours

Hours	Male	Female	Subtotal
	Total hours trained	Total hours trained	Total hours trained
Human resources	7.5	79	86.5
Occupational health, safety & environmental protection	264.5	513	777.5
Manufacturing	54	78	132
General/interpersonal	318	823	1,141
Brand marketing	47	105	152
Research & development	156	12	168
Seminars	0	0	0
Core competencies	1,167.5	2,666.5	3,834
Financial accounting	0	54	54
Sales & trade	132	178	310
Environmental education	30	0	30
Book clubs	20	118	138
<b>Total hours trained</b>	<b>2,196.5</b>	<b>4,626.5</b>	<b>6,823</b>
<b>Average hours trained</b>	<b>32.3 hours</b>	<b>28.21 hours</b>	



## 1.8 Legal compliance and code of conduct

### 1. In 2016, O'right was imposed a fine of NTD10,000 for violating the cosmetic advertising law.

- a. ReCafé Essential Hair Oil by shan violated Article 6 of the Statute for Control of Cosmetic Hygiene and was therefore subject to a fine of NTD10,000 by the Department of Public Health of Taoyuan.
- b. The Statute for Control of Cosmetic Hygiene stipulates that essential information and full list of ingredients shall be indicated on the package of cosmetic products. However, O'right did not disclose the full ingredients list on the package, only on the inside of the package.
- c. O'right sent a letter to the Food and Drug Administration for further clarification and confirmation.
- d. After being served with the notice of an administrative penalty of NTD10,000 by the Taoyuan City Government, O'right filed a petition for appeal to the Ministry of Health and Welfare.
- e. On June 29, 2016, the Food and Drug Administration responded to O'right's inquiry, stating that suppliers are required to clearly provide full ingredient disclosure on cosmetic product packages to consumers provide full ingredient disclosure on cosmetic product packages to protect consumer rights; disclosing the ingredients on the inside of the package has hindered consumer understanding.
- f. On June 30, 2016, the Ministry of Health and Welfare sent a decision letter rejecting the petition appeal by O'right, stating that suppliers should make sure that packages and labels provide consumers with accurate information about the contents to ensure product safety and protect consumer rights.

### 2. In 2015, O'right was imposed a fine of NTD30,000 for violating the cosmetic advertising law in 3 cases. Hair O'right International Corporation filed an application for the advertisement extension of Green Tea Shampoo to the Department of Public Health of Taoyuan. On August 8, 2014, the Department of Public Health approved the extension, but removed the words ">96% Natural Ingredients." Hair O'right International Corporation, Department of Public Health of Taoyuan and the Food and Drug Administration exchanged letters regarding this case from August to November of 2014.

However, before receiving the interpretative letter or directive issued by the Ministry of Health and Welfare, the Department of Public Health of Taoyuan still sent an administrative fine notification (no. 1030324130) stating that, in the advertisements of Green Tea Shampoo, Tea Tree Shampoo and Goji Berry Tree in the Bottle Shampoo published on the website by Hair O'right International Corporation, the wordings "96% Natural" and "97.4% Natural Ingredients" have not been approved and therefore violates Article 24 of the Statute for Control of Cosmetic Hygiene. According to Article 30, which states that any person who violates the provisions set forth in Article 24 hereof shall be imposed a fine, O'right received an administrative fine of NTD30,000 (NTD10,000 for each case). Hair O'right International Corporation paid the fine on January 16, 2015 and, after reading and understanding the contents of the decision letter, filed a request for administrative action for review by the Taiwan Taoyuan District Court on the belief that the decision is inaccurate.

Taiwan Taoyuan District Court made a decision at a hearing on July 29, 2016 to quash the original sentence and appeal decision, stating that during the approval process regarding the display of advertisements, the Department of Public Health of Taoyuan removed the words from 3 product advertisements, but allowed the use of the same words in other products. This contradicts the previous sentence; thus, the plaintiff (O'right) has a valid reason to doubt the administrative penalty.



Figure 24 O'right Green Headquarters

## Chapter 2

# O'right Green Headquarters: An Eco- friendly Cosmetic Plant from the Inside Out

Located in a beautiful scenic area in Longtan surrounded by natural resources, O'right Green Headquarters is designed with innovative, low-carbon features to reflect our commitment to the natural environment. On the rooftop of the green building, there is a destination signpost with 8 arrows that point to endangered places in the world.

- 2.1 Asia's first GMP certified green cosmetics plant
- 2.2 A green construction team
- 2.3 An educational facility for all
- 2.4 A natural, pure and eco-friendly design

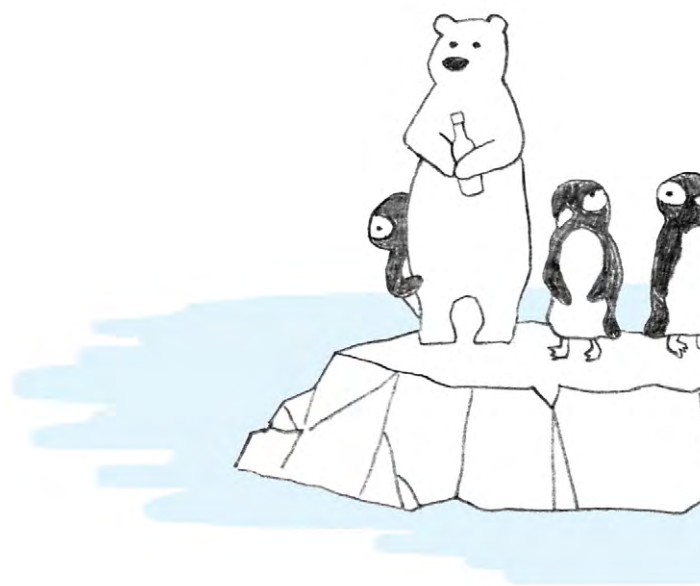


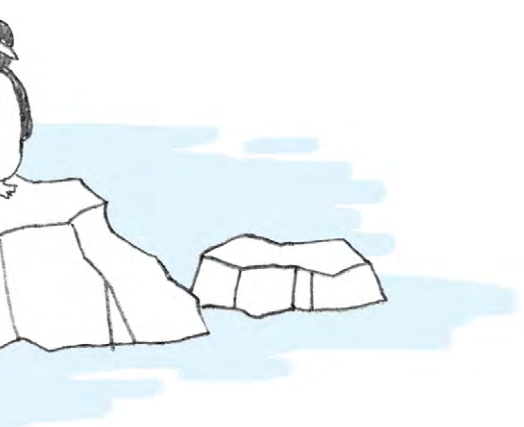




Figure 25 Signpost of environmental indicators

- Atmosphere: Global temperature rises 2°C and CO2 levels exceed 450ppm
- Arctic Circle: Melting glaciers trigger global warming
- North Pacific Ocean: Plastic garbage patch the size of 40 Taiwan islands
- Taipei 101 Tower: The world's tallest LEED platinum building
- Borneo rainforest: An area equivalent to 13 football fields is destroyed every minute <sup>1</sup>
- Amazon rainforest: An area equivalent to 6 football fields is destroyed every minute <sup>2</sup>
- Underground water resources: Global water crisis by 2025 <sup>3</sup>
- Underground mineral resources: Silver, copper, petroleum and iron depletions estimated to occur in 2021, 2039, 2050 and 2087, respectively

Forests are vanishing, resources are running out and air quality is worsening. This simple signpost design shows everyone just how bad the effects of global warming are. O'right Green Headquarters wants you to start caring for our planet and place more importance on environmental issues.



<sup>1</sup> "Rate of deforestation in Indonesia overtakes Brazil, says study" published in The Guardian on 29 June 2014.

<sup>2</sup> 2011 Amazon rainforest protection plan by the Brazilian Institute of the Amazon Rainforest (IBAM).

<sup>3</sup> A research published by the Asian Development Bank on 12 October 2010.

## 2.1 Asia's first GMP certified green cosmetics plant

O'right invested 2 years and more than twice the amount of capital to build the first GMP certified green cosmetics plant in Asia. Completed on June 5, 2012, World Environment Day, this aesthetic and trendy green building was designed on the concept of creating a healthy and comfortable environment where humans, architecture, and nature can coexist. The architectural concrete walls give the building a simple, austere, and natural look, yet concealed within the cement is our passion. Part of the building is supported by pillars of different sizes which give the illusion of a forest. As you enter the premises our company, you are taken into the realm of nature, vitality, and diversity. O'right Green Headquarters is truly, literally, a building that breathes.

### Cooperative with nature through passive design

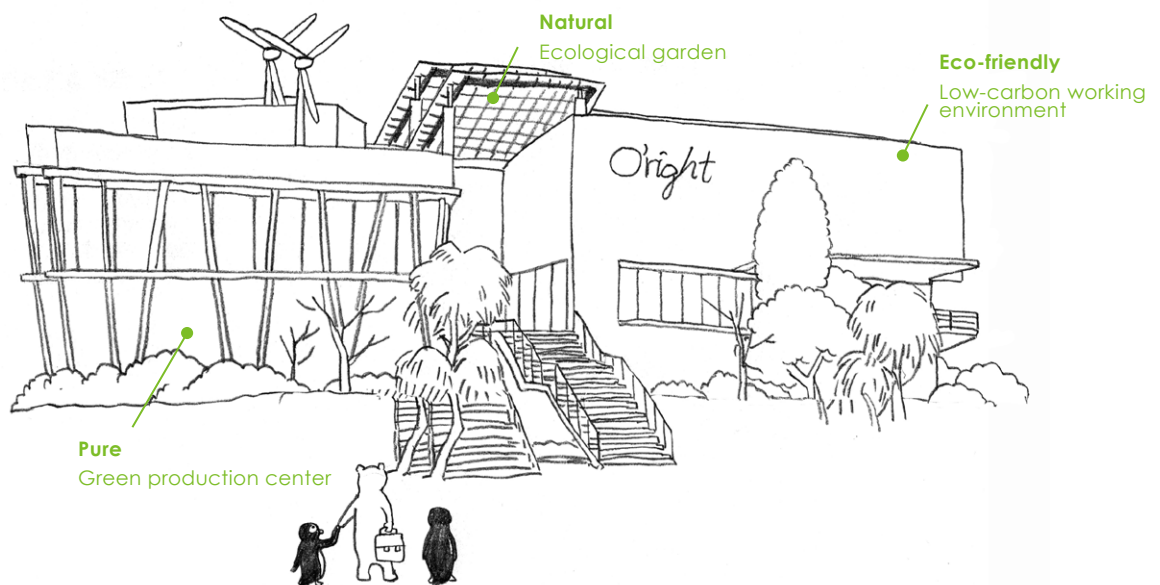
Passive design is an approach to building design that does not require mechanical heating or cooling. It maximizes the use of natural sources of heating and cooling to create comfortable conditions inside buildings. O'right Green Headquarters is installed with large windows to allow wind to deliver fresh air into the building. Natural ventilation helps reduce the use of air conditioning during the hot summer days. Green buildings connect people to nature.

### A building that grew from the ground

A good green building needs to connect with the land it grows and lives on, like a tree. Located in a scenic area of Longtan, O'right Green Headquarters is home to a diversity of species such as frogs, butterflies and birds as well as plants. It is not just a suitable workplace for employees, but also a natural habitat where humans coexist in harmony with nature.

### Back to nature

No matter how advanced technology becomes, nature is still the best teacher. O'right Green Headquarters is equipped with 11 solar panels, all facing south to receive the most sunlight. These solar panels are like green leaves that soak up the sun's energy to generate power for the production of green products.



## 2.2 A green construction team

### The first step to a greener future

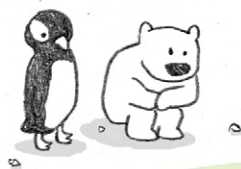
On September 2006, a group of young, aspiring people sat in a small conference room in O'right's former factory in Pingzhen was deep in thought, contemplating ways to achieve sustainable management. Eventually, we reached the decision to build a green cosmetic plant.

In order to build the best home for O'right's green products and utilize limited resources in the most eco-friendly way, O'right Chairman and staff embarked on the mission to find a natural, pure land that is full of life in Taiwan for the green brand to take root in. In May 2009, after one and a half years of searching, we located a green piece of land on a hillside near Longtan District in Taoyuan.

Longtan is 300m above sea level and is therefore 2°C cooler than low land areas. Abundant sunshine and wind make the Green Headquarters ideal for harnessing solar and wind energy for power generation. Additionally, known for being home to pure, clean water, Longtan is the perfect site for O'right as pure water is an essential ingredient in the manufacturing process of cosmetics products. O'right's green hair care products are manufactured with specially purified water. We also collect rainwater and reclaimed water from pre-production for toilet flushing, irrigation, and cleaning. However, we are unable to accurately calculate how much rainwater is collected.

### The ultimate green project

Personal involvement is the key to this green construction project. After deciding on the location, Steven Ko spent weeks investigating the environment and geographical features of the site on sunny and rainy days to consider the wind direction and sun path in order to determine how the design should be oriented. Furthermore, eco-friendly practices and installations such as mechanical foot pedal faucets, full-length windows, and LED light fixtures are all the result of meticulous planning, designing, and orchestrating. We only have one aim in mind, and that is to fulfill our responsibilities as an innovative green brand and adhere to our philosophy of Natural, Pure, and Eco-friendly. Since its establishment, our green building has received numerous awards and wide recognition for the innovations and the efforts put forth by the team that made this green construction project possible.



## 2.3 An educational facility for all

As of the end of 2016, our innovative Green Headquarters has attracted 15,394 visitors from all walks of life since its establishment in June 2012, including well-known enterprises, organizations, academic institutions, hair salon customers and environmental protection activists. In 2016, 3,200 people, 926 companies and 127 groups visited our headquarters (Table 20).

**Table 20 Visitors of O'right Green Headquarters**

	2012*	2013	2014	2015	2016	List of visitors in 2016
Enterprises	650	883	989	1,200	1,126	First Financial Holding, Lexus, Jiu Zhen Nan Food Co., Ltd., National Association of Young Entrepreneurship, Taiwan Power Company, Korean SMEs, Crown Manufacturing Corporation, Les Enphants
Hair salons	1,368	1,374	744	576	344	Korean distributors and hair salons, Hong Kong distributors and hair salons, Taiwan hair salons
Government units	64	296	145	134	92	Industrial Development Bureau (Ministry of Economic Affairs), Taiwan Institute of Economic Research, Urban & Rural Development Department (New Taipei City), Ministry of Transportation and Communications, Chung-hua Institution for Economic Research
Associations	63	125	132	30	95	International Cooperation and Development Fund, Liver Disease Prevention & Treatment Research Foundation, Chemours
Academic institutes	442	845	895	813	1,461	Singapore Management University, NCCU College of Commerce, Fu Jen Catholic University College of Management, National Taiwan Normal University Department of Geography, National Tsing Hua University College of Technology Management, National Taipei University Department of Business Administration (EMBA), National Taipei University of Technology Department of Industrial Design
Local residents	301	38	39	48	82	Neighborhood residents
Total	2,888	3,561	2,944	2,801	3,200	

\* From June 2012 to December 2016

**The data recorded for 2016 does not include spontaneous visitors and VIP guests.**

## 2.4 A natural, pure and eco-friendly design

With Natural, Pure and Eco-friendly as our core philosophy, O'right is dedicated to producing products that benefit human health and the natural environment. O'right Green Headquarters is no exception. In 2012, the green building received the EEWH Gold-level Green Building Label and meets the following 7 green building indicators:

- ✓ Greenery (3.7 times higher than the benchmark)
- ✓ On-site water retention (2.5 times higher than the benchmark)
- ✓ Daily energy savings
- ✓ CO2 reduction
- ✓ Indoor environment
- ✓ Water resource (3 times higher than the benchmark)
- ✓ Sewage and garbage improvement



### Honors of O'right Green Headquarters

- Awarded the EEWH Gold-level Green Building Label in 2012, the highest level of recognition among other buildings of the same size
- Awarded the Green Building Honorary Award in 2013
- Applied for the Green Factory Label in March of 2016

O'right Green Headquarters is an energy- and water-efficient building. Compared to our previous factory in Pingzhen, our new headquarters is 3 times larger in size but consumes 42% less electricity (Table 21). In addition, 100% of rainwater and pre-production wastewater is recycled and reclaimed for daily water consumption, air-conditioning, irrigation, and other purposes. At the Green Headquarters, not one drop of precious water is wasted (Table 22).





**Table 21 Energy consumption between Green Headquarters and Pingzhen Factory**

Factory	Pingzhen Factory (Jan-Dec 2011)	Green Headquarters (Jan-Dec 2013)	Green Headquarters (Jan-Dec 2014)	Green Headquarters (Jan-Dec 2015)
Area (ping)	547	1500	1500	1500
Total electric power consumption (kWh)	181,795.3	283,030	298,528	390,852
Annual electric power consumption per ping (kWh)	332.4	188.7	199.02	260.568
Electric power consumption per 1500 pings (kWh)	498,525	283,030	298,528	390,852
Electrical efficiency of Green Headquarters (%)	-	43.23%	40.12%	27.55%
Units produced (pcs)	885,556	1,095,190	1,317,625	1,369,719
Growth rate (%)	-	24%	48.79%	54.7%
Net sales (NTD)	173,542,806	245,432,823	300,065,237	331,639,023
Growth rate (%)	-	19%	72.9%	91%
Environmental control system	Controlled area	Controlled area & cleanroom	Controlled area & cleanroom	Controlled area & cleanroom
Water control	RO	8-step ultrapure water	8-step ultrapure water	8-step ultrapure water
Management systems	ISO9001	ISO9001, GMP, ISO22716,	ISO9001, GMP, ISO22716, ISO50001, OHSAS18001 ISO14001	ISO9001, GMP, ISO22716, ISO50001, OHSAS18001 ISO14001

Since construction of O'right Green Headquarters was completed in June 2012, statistics from Jan-Dec 2012 are incomplete. Therefore, only data from 2013-2015 are provided.

**Table 22 Total amount of water consumed and recycled**

	Tap water consumed (unit*)	Ultrapure water produced (for production)	Water recycled (unit)	Recycled water used for	Percentage of water reused
2013	9,662	6,441	3,221	Daily use, air-conditioning, irrigation	33.3%
2014	10,152	7,897	2,255	Daily use, air-conditioning, irrigation	22.21%
2015	10,328	7,968	2,360	Daily use, air-conditioning, irrigation	29.62%

1 metric ton

### 2.4.1 Natural: Ecological garden

A green building not only provides the setting for human activities, but also enhances and protects biodiversity and ecosystems and conserves and restores natural resources. Natural is unpredictable and rich in biodiversity. The built environment should learn from the complicated yet sound nature.

O'right Green Headquarters was built without walls or fences with the aim to lessen the impact on the environment and restore natural resources. We believe that it's not just about building a beautiful environment, but also about incorporating green concepts into human life to achieve a balance. We should learn to co-exist in harmony with nature, and welcome nature in our lives. Our green philosophy is reflected in the four green building indicators of Taiwan's green building evaluation system EEWH: greenery, on-site water retention, water resource, and CO<sub>2</sub>reduction. Three of our indicators exceed the standards set by EEWH (Table 23).

#### Greenery

Our Green Headquarters is rich in biodiversity:

##### 1. Large area of trees

Home to a total of 60 trees and 16 species including cherry, camphor, maple and cypress trees; 600 shrubs such as Jasmine orange, Taiwan rhododendron, golden dewdrop; 100 vines including Boston ivy and creeping fig.

##### 2. 10,000 plants

Home to *Arachis duranensis*, a herb that is less susceptible to insect pests and weeds. They don't need to be regularly trimmed to maintain its lush green appearance. *Arachis duranensis* also reduces 30% of nitrogen loss and increase soil carbon sequestration to mitigate climate change.

##### 3. Green Hallway

The vertical garden, which takes up a space of 47.5m<sup>2</sup>, is completely covered with greenery such as Devil's ivy, (*Epipremnum aureum*), Boston fern (*Nephrolepis exaltata*) and arrowhead vine (*Syngonium podophyllum*). This green wall is a natural air-filter that absorbs carbon from the atmosphere, creating a cleaner, more invigorating environment for the staff as well as visitors. The

plants are watered with rainwater and pre-production wastewater for 2 minutes twice a day. Three digital interactive touch screens nestled among the green leaves infuse guests with the



**Note: Vertical gardens act as a natural air purifier by removing formaldehyde and other volatile organic compounds.**

Figure 26 Green Hall

latest environmental news and information.

##### 4. Sky Farm

The Sky Farm features a collection of solar panels and a bird habitat. Due to the construction project, the plants inhabiting the area had to be temporarily moved elsewhere. After construction completed, we consulted the Society of Wilderness before migrating the plant habitats back to their original home. The flourishing green habitat on the roof of the Green Headquarters is now the home to 11 species including the Australian laurel (*Pittosporum tobira* Ait), Silvery messerschmidia (*Messerschmidia argentea*) and Ceylon ardisia (*Ardisia squamulosa* Presl). Pebbles are used as a ground cover for the farm to retain rainwater and decrease indoor temperature. The combination of plants, green land and water significantly



Figure 27 Sky Farm



**Figure 28 Sky Farm**

contributes to reducing greenhouse gas emissions and avoiding the impacts of climate change.

#### 5. Organic Vanilla Garden

Located on the third floor, the Organic Vanilla Garden has a variety of plants, which can be used to provide staff and guests Mt. Lemmon marigold or rosemary infused water.

At the end of April, we found an endangered plant species listed in Appendix II of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), Chinese spiranthes (*Spiranthes sinensis*).

The Chinese spiranthes is a species of orchid in bloom around the Tomb Sweeping Festival, so it is also called the Tomb Sweeping Plant.



**Figure 29 Organic Vanilla Garden**

#### On-site water retention

It is important for a building to be constructed on soil that retains water to prevent water from entering public drainage systems. A building site with good water retention abilities can prevent flooding

and preserve soils. The lot size of O'right Green Headquarters is 2,788m<sup>2</sup> and water retainable area (including green land, eco pond, rainwater pond and rooftop garden) is 1,103m<sup>2</sup>, which is 40% of the total area. Permeable paving includes ditches, drains and rivers, used for draining and retaining water. A sustainable drainage system allows surface water to penetrate through the ground rather than directly running into drain pipes.

#### Water resource

1. The toilets, sink and shower facilities all meet water efficiency standards.
2. Rainwater harvesting area on the rooftop on the third floor is 1,123m<sup>2</sup>.
3. Three innovative water recycling systems are established to reduce water consumption:

#### Rainwater harvesting

Rainwater is collected and stored for irrigation and the waterfall to reduce the building's temperature. Recycled rainwater can also be used for aquatic plants and fish in the ecological pond.

#### Water reclamation

Reclaimed water from the water purification process is rich in natural minerals and can be reused for cleaning, toilet flushing, irrigation, the waterfall, and for decreasing indoor temperature.

#### Wastewater treatment

After adjustment, containment, hydrolytic oxidation, and hydrogel precipitation, wastewater discharged from the production process is purified. Clean water is then discharged into eco-ponds that are occupied by aquatic plants and about 600 frogs.

#### CO<sub>2</sub> reduction

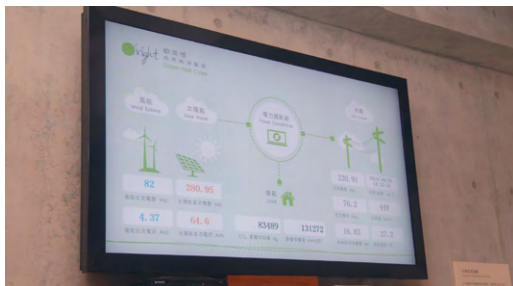
This indicator aims to reduce CO<sub>2</sub> emissions from building materials during the production stage. It is mainly assessed under 2 categories: lightweight structure and rational structure. The green structure coefficient (CCO<sub>2</sub>) of O'right Green Headquarters is 0.79, which meets the criteria.

**Table 23 EEWB green building indicators exceeded by O'right Green Headquarters**

Indicator	Benchmark	O'right	Margin
Greenery	TCO <sub>2c</sub> =250,920	TCO <sub>2c</sub> =913,814	TCO <sub>2c</sub> =Total CO <sub>2</sub> ; O'right achieved a value 3.7 times higher than the benchmark
Water retention	Water originally retained is 24.1	Water designed to retain is 59.7	The designed value is 2.5 times higher than the benchmark
Water resource	2.0	6.0	3 times higher than the benchmark

#### 2.4.2 Pure: Green production center

O'right uses wind and solar power to generate electricity for production. This green energy has to be sold back to the grid at Taiwan Power Company before it can be used by O'right. In 2016, we sold 43,664 units of electricity (generated from solar power only) to the power company and 276,728 units since the establishment of the headquarters. O'right achieved the ISO 50001 energy management system certification for our green energy.

**Figure 30 LED**

The green production center is designed with 3/4 built underground to protect the cleanroom from environmental impacts and minimize energy consumption by decreasing the need for air-conditioning due to the decrease in temperature. In order to create a healthy working environment for staff, a makeup air unit (MAU) is installed to maintain indoor air quality by diluting airborne contaminants and sterilizing the air with UV light. O'right's green production area minimizes any potential pollution to the area. Therefore, compared to cosmetic products in general, our products contain the minimum amount of preservatives to protect our consumers' health.

The green production center is equipped with 7 energy-efficient designs, as detailed below:

#### I. Two main areas

- Controlled area: fingerprint identification system is installed to provide access control; people have to enter an air shower so that pressurized air nozzles remove particles of contamination.
- Cleanroom: A high technology manufacturing area with a controlled level of contamination to ensure the highest product quality and minimize the use of preservatives.

#### II. Three energy-efficient designs

- PCW (Process Cooling Water) system
- Total Heat Exchanging System
- Heat exchanger for semi-finished products: A cooling equipment is installed to quickly lower the temperature of semi-finished products from 80°C to 25°C to make the particles smaller and finer for better absorption.

#### III. Four sterilization methods

All manufacturing equipment and bottles are thoroughly cleaned through 4 rigorous and natural sterilization processes, ultraviolet sterilization, ozone sterilization, steam sterilization and alcohol sterilization (made from organic fermented corn), to ensure products are free from contamination.

#### IV. Five preventive measures

- Personnel: People are required to wear a cleanroom suit, or bunny suit, before entering the cleanroom. An air shower is installed at the entrance to minimize particulate matter entering or exiting the controlled environment.

B. Raw materials: Material preparation workers follow product guidelines to prepare the materials and place them in the center of the buffer area. After informing the engineers to claim the materials, they measure the weight and check the items in the weighing room before delivering the materials to the emulsification room for production.

a. Products: Semi-finished products are first delivered to the waiting room. After quality assurance engineers make sure the products meet standards, they are sent to the filling room before being sealed and packaged.

b. Air: A fan filter unit is installed above the cleanroom, using a high efficiency particulate air filter to clean the indoor environment.

c. Wastewater: A human machine interface is adopted in the emulsification room. Engineers can manually operate the equipment to achieve automated production. The inside of the tank is made from SUS316 stainless steel. It is cleaned and sterilized with pure water and 121°C steam every time a product is manufactured.

C. Six cleaning and buffering procedures

- a. Clean dust off outer packaging
- b. Separate for sampling and testing in the cleanroom
- c. Clean and dry glass bottles
- d. Clean dust off plastic bottles
- e. Buffer in the sterilization room
- f. Enter the buffer room before the cleanroom

D. Seven wastewater treatment ponds

O'right Green Headquarters has 7 ponds or basins designed to treat wastewater, 4 of which are

underground and 3 are on ground surface. After going through oil/water separation, aeration and precipitation, wastewater is discharged into rivers without causing any damage to the environment.

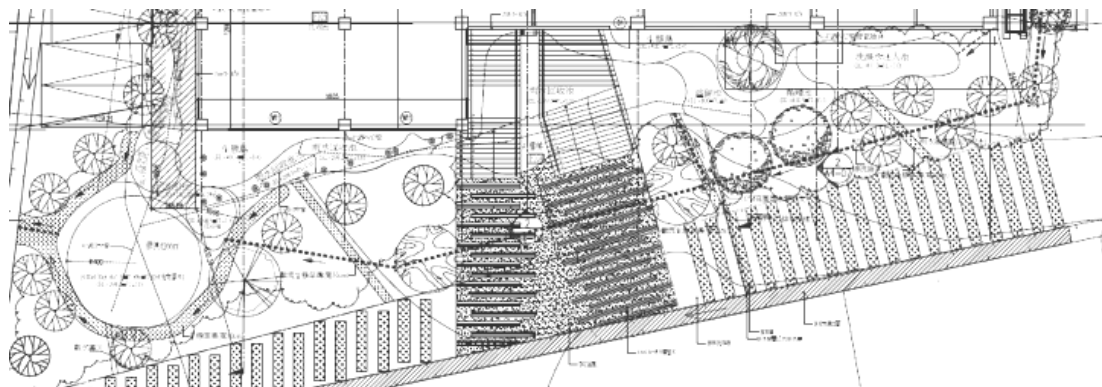
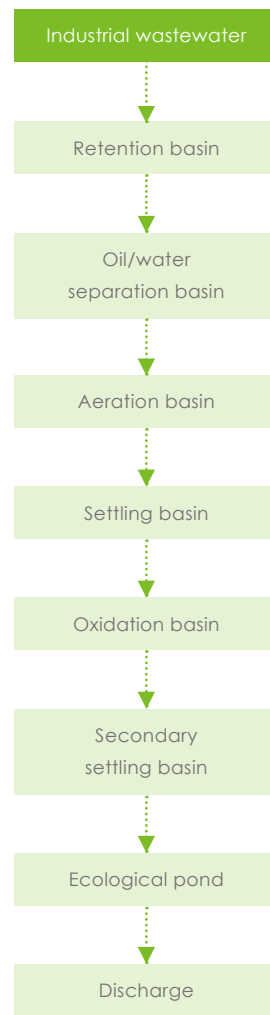


Figure 31 Seven wastewater treatments



#### E. Eight-step ultrapure water manufacturing process

O'right adopts an 8-step ultrapure water manufacturing process in an SUS316 stainless steel water storage tank, internally equipped with an ultraviolet lamp to maintain the stability of water quality. The water transmission pipelines are sterilized via ultraviolet rays, ozone and steam.

Step 1: Activated carbon filtration (remove chlorine)

Step 2: Water softening (transform hard water into soft water)

Step 3: 5 micrometer pre-filtration (with 7 filter cartridges)

Step 4: RO membrane

Step 5: Water purifying

Step 6: After pre-filtration, water enters the large tank, which is equipped with 2 ultraviolet lamps to sterilize the ultrapure water inside

Step 7: Ultraviolet sterilization

Step 8: 0.2 micrometer absolute filtration (even dead bacteria is filtered)



#### 2.4.3 Eco-friendly: Low-carbon working environment

As a green corporation, we built a Low-carbon office in our headquarters for employees of O'right and shan.

##### Low-carbon office

With pleasant, spacious environment and good lighting, along with an advanced indoor air quality monitoring system, the low-carbon office is an eco-friendly and healthy work environment for employees.

A. Open space office: The office area is well-ventilated, so that even during the hot summer season, the apparent temperature is relatively low. As a result, air conditioning is rarely needed; only when the indoor temperature is above 26°C will the air conditioning system be turned on. In 2016, the air conditioner was only turned on for 216 hours total.

B. LED lighting: The building is installed with LED lights, which helps reduce up to 63,168kWh of electricity a year.

C. Total Heat Exchanging System and Touchscreen Indoor Air Quality Monitor: When indoor CO<sub>2</sub> levels exceed 800ppm, the system will be activated and fresh air from the outside will be pumped in, which not only saves electricity but also provides staff with a high quality work environment.

D. Desk electricity control switch: Each desk has a switch that switches the electricity of that desk on and off. The last person who leaves the office after work is responsible for switching the power off to reduce unnecessary power consumption.

E. Overhanging eaves: This design helps limit exposure to the sun, which lowers the need for air conditioning.

F. Acacia wood desks: Acacia trees, a species native to Taiwan, are one of the best natural carbon sinks due to its excellent ability to absorb carbon. In the early days, acacia was commonly used as a light pole, which results in lots of pieces of wood being leftover. O'right requested the help of a carpenter in Dazi to build office desks that are not only beautiful but also eco-friendly. Not one nail is used, only recycled wood waste.

- G. Green Mark certified printing paper:
- Use 80% recycled paper to help conserve forest resources
  - Encourage staff to print with recycled paper for informal documents
- H. FSC certified printing paper
- Paper that is legally harvested from well-managed forests to protect rainforests and primary forests.
  - Conserves forests and maintain ecological balance.
  - High-quality sustainable paper is eco-friendlier than recycled paper.
- I. FSC certified tissue paper
- Paper that is legally harvested from well-managed forests to protect rainforests and primary forests.
  - Conserves forests and maintain ecological balance.
  - High-quality sustainable paper is eco-friendlier than recycled paper.
  - Can be directly thrown in toilets to prevent solid waste pollution.
- J. Eco cloths and towels
- Helps to save 8.6 to 15 millions of trees per year.
  - Greatly reduces greenhouse gas and air, water and solid waste pollution.
- K. Our eco cloths are each made from a 600ml recycled plastic bottle, reducing 25.2g of carbon emissions, 88.6ml water consumption and 0.52ml of oil.

### Eco-friendly meeting rooms

Our Green Headquarters is equipped with two meeting rooms named Earth and Home to symbolize the earth as our home. The tables in the meeting rooms are covered with eco-tablecloths each made from 42 600ml recycled plastic bottles. For the health of our staff, Earth is equipped with a total heat exchanging system and smart indoor air quality monitoring system. When indoor CO2 levels exceed 800ppm, the total heat exchanging system will be activated and fresh air from the outside will be pumped in.

### Organic Vegetable Cafeteria

O'right's green philosophy emphasizes more on the value than the cost. In order to incorporate environmental concepts in everyday life, an organic vegetable cafeteria is especially designed for employees to enjoy during lunch.

#### A. Organic meals:

Free fruit, vegetable salad and bread are provided in the cafeteria during lunch on workdays. All fruit and vegetables are produced from local organic farms nearby; only in the event of low production do we purchase elsewhere.

#### B. Preparation:

Every day at 12:00, staff members take turns washing fresh food and preparing salad for colleagues before lunch. The cost is high, but we believe that by doing so employees can learn to cherish food and be aware of their responsibility to the environment. The value created is something that cannot be bought or measured with money. Most employees don't help out in the kitchen at home. For them, their first time washing fruits and vegetables is at O'right. Our eco-friendly practices and services constantly receive praise from visitors as this kind of work environment is truly one-of-a-kind.





C. An eco-friendly cup of coffee:

- a. Employees can enjoy a cup of UTZ\* certified fair trade coffee from the coffee machine in the cafeteria.
- b. The milk we offer to staff to add in their coffee comes from Chu Lu Ranch in Taitung, where cattle eat grass instead of genetically modified food. These are a few of the benefits O'right offers employees.
- c. The coffee grounds leftover from brewing coffee is available for staff members to take and use as green manure to plant vanilla and potatoes, etc.



**Figure 32 Coffee grounds used as green manure**

D. Soup:

In 2015, we began providing soup for staff as a way to encourage them to bring their own lunch meals and reduce plastic waste.



**Figure 33 O'right began offering staff soup from 2015**

E. Water- and energy-efficient foot pedal faucets:

Faucets play an important role in the water conservation of our green building. At the beginning of construction, we discovered that the whole building needs 40 faucets! If we use conventional manually-operated faucets (or taps), it will result in a huge amount of water consumed.

At that time, we thought installing automatic or sensor-operated, touch-free faucets is the greener solution. However, automatic faucets operate 24 hours a day, meaning that it is still running (and

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\* UTZ is a non-profit organization whose mission is to promote sustainable farming in a world where farmers implement good agricultural practices and manage their farms profitably with respect for people and planet. UTZ Certified is the largest sustainability program in the world for coffee.

consuming electricity) even after working hours. Each sensor consumes 5 watts per hour.

So, let's do the math: 40 automatic faucets × 5 watts × 24 hours × 365 days. This means that each year 1,752kWh has to be consumed. Since we only work 8 hours a day, there is only around 200 working days a year. This shows just how much power would be wasted from installing automatic faucets (Table 24). Instead, we adopted an eco-friendlier approach: foot pedal faucets. No electricity is needed, which allows us to save 17 million watts on a yearly basis. That's a water conservation rate of 65.5%!

**Table 24 Energy efficiency of foot pedal faucets**

Installation cost	Sensor-operated	Foot-operated
Energy consumption per faucet	5Wh/hr	0
Annual energy consumption per 40 faucets	1,702kWh/year	0



**Vision Hall**

Vision Hall is built at the entrance at the top of the stairs of our Green Headquarters. This design adopts buoyancy-driven ventilation to keep the area cool and adequately ventilated. Rainwater collected on the rooftop flows down from the 3-storey-high waterfall landscaping design, not only making it a natural landscape but also effectively lowering the temperature of Vision Hall since hot air rises and cold air sinks. This also allows the cool breeze to enter the low-carbon office area.

According to Table 25, our Green Headquarters reduced a total of 42% of carbon emissions, which equals to a carbon inhibition of 58%. A low-carbon building has to meet the following requirements: (1) Reduce the surface area exposed to the outside elements of sun, rain and wind; (2) Maintain good ventilation to improve indoor air quality; (3) Provide insulation and cooling with green roofs; (4) Utilize good thermal building insulation materials so that there is no need for air conditioning for over 300 days a year even during the hot and humid summer season in Taiwan.





The energy efficiency achievements of our low-carbon office can be shown from the following 3 green building indicators:

A. Daily energy use:

Air-conditioning: At the Green Headquarters, air conditioners are activated mostly only during hot summer days. In 2016, our air-conditioning system was only turned on for 216 hours, which is around 40 working days. According to Taiwan Power Company, companies in general have the air conditioning system on 8 hours per day for 86 days (excluding the weekends and public holidays) during the summer season from June to September with chillers consuming up to 60 tons of energy. However, O'right saved up to 20,579.2 kWh, reducing 13,108.950 kg of carbon emissions, which is equivalent to planting 1,192 20-year-old trees.\*

**Table 25 Energy efficiency of air conditioning**

	General	O'right	Energy efficiency of O'right
AC energy consumption per hour	43.6kWh	43.6 kWh	17,876 kWh (60.3%)
AC energy consumption in 2013	43.6 x 8(hr) x 85(day)=29,648 kWh	43.6 x 6(hr) x 45(day) = 11,772 kWh	17,876 kWh (60.3%)
AC energy consumption in 2014	43.6 x 8(hr) x 85(day)=29,648 kWh	43.6 x 249(hr)=10,856 kWh	18,792 kWh (63.38%)
AC energy consumption in 2015	43.6 x 8(hr) x 85(day)=29,648 kWh	43.6 x 199(hr)=8,676 kWh	20,972 kWh (70.74%)
AC energy consumption in 2016	43.6 x 8(hr) x 86(day)=29,996.8 kWh	43.6 x 216(hr)=9417.6kWh	20,579.2 kWh (68.6%)

\* Source:

[http://saturn.sipa.gov.tw/SPAEPi/page\\_detail.do?&fmeLv1Id=5cf6ff61-1f23-4f47-8f58-59b227637629&fmeLv2Id=72ff7cc3-72be-409b-beb3-4265c1fb2ded](http://saturn.sipa.gov.tw/SPAEPi/page_detail.do?&fmeLv1Id=5cf6ff61-1f23-4f47-8f58-59b227637629&fmeLv2Id=72ff7cc3-72be-409b-beb3-4265c1fb2ded) (Hsinchu Science Park Bureau, Ministry of Science and Technology)



B. Indoor environment

Good soundproofing materials: The walls are 15-25cm thick with airtight windows

a. Floor-to-ceiling windows: The office area is surrounded by floor-to-ceiling windows, half of which can be opened to welcome natural sunlight and cool breeze from outside.

b. Interior decoration: Green building materials are used for the ceiling, wall and floor; over 50% of the ceiling and walls have not been decorated.

C. Sewage and garbage improvement

a. Waste disposal site: A designated location is provided for the disposal of waste.

b. Incineration of business waste: Business waste, or commercial and industrial waste, is incinerated by qualified waste clearance companies. In 2016, a total of 7,304.4kg of garbage was disposed of and 11,876.7kg of recycled waste (e.g., paper, iron, plastic and aluminum) was taken out. From October to December of 2016, 573 metric tons of wastewater was converted. Lotion such as shampoo and body wash has to go through a process in which wastewater is converted into liquid that can be reused for other purposes. Since 2015, reclaimed or

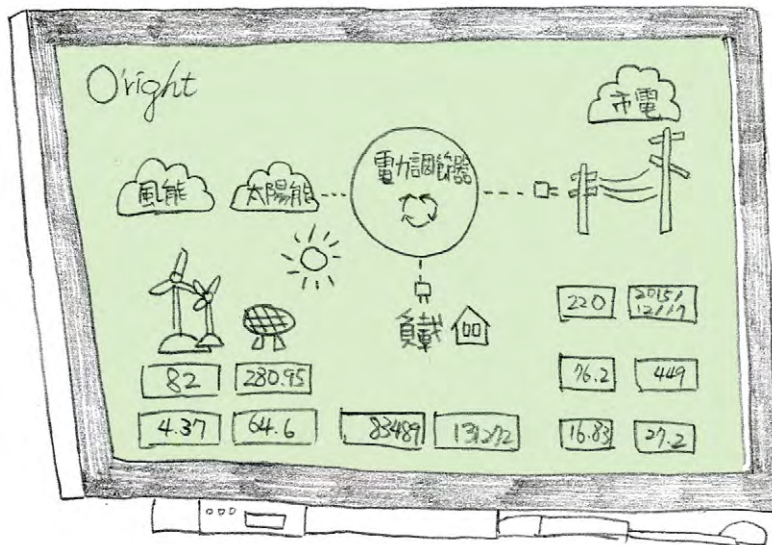
recycled lotions are provided to staff, neighbors and senior citizen centers to take home to use for washing clothes or cleaning floors. As a result, 97.8% less wastewater is treated. Domestic wastewater is eventually discharged into Laojie River.

c. In 2016, business waste decreased 37.99% compared to the statistics of 2015. The statistics this year are more accurate, with kilograms used as the unit for analysis. The results show that, in addition to our constant innovation in products and manufacturing, we also continue to promote environmental awareness in the workplace by reducing plastic waste and recycling goods.

d. Waste classification: Garbage bins in different colors and clear labels make it easier for staff to identify what type of trash goes in which bin.

e. Kitchen food waste management: There is a bin especially designed for kitchen food waste to be disposed in.

f. Separating sewage from rainwater: Separated sewer lines are installed to eliminate combined sewer overflow, which helps to prevent pollution. Rainwater can be recycled and reused for domestic consumption.



**Table 25 Energy efficiency of air conditioning**

Types	2013	2014	2015	2016
Wastewater disposal/metric tons	17.00	57.21	28.93	0
Recycled goods (incl. paper, iron, plastic and aluminum)/kg	9,866	11,292	13,587	11,876.7
Business waste disposal/kg	28,000	6,830	11,780	7,304.4

Built on the green vision of Natural, Pure and Eco-friendly, O'right Green Headquarters not only sets benchmark in eco-friendly hair care, but also continues to make an impact on society. With this goal in mind, we strive to spread green thinking to more and more people and move closer to creating a better and brighter tomorrow for all.

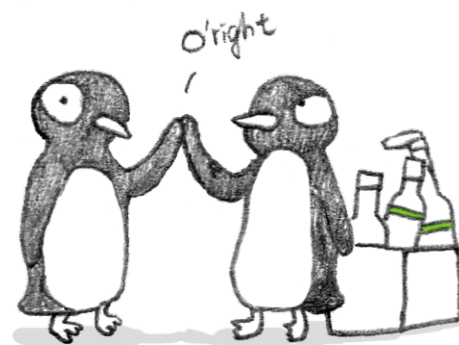


## Chapter 3

# A Sustainable Supply Chain: Enhancing Green Competitiveness

In 2006, O'right decided to move towards becoming a green brand, starting from changing the color of our brand logo from orange to green. We also incorporated green elements to create a green supply chain and transform suppliers' passive role into an active one in terms of value creation. Our Eco Promise is to bring our suppliers together through communication, mutual consensus and trust to build a better and brighter planet. The green supply chain consists of 8 main aspects that require non-stop communication internally (department to department) and externally (company to supplier). Only by doing so can O'right bring the entire supply chain to a greener tomorrow.

- 3.1 Green research and development
- 3.2 Green innovative design
- 3.3 Green procurement
- 3.4 Green production and products
- 3.5 Green logistics
- 3.6 Green services
- 3.7 Green resource circulation



### 3.1 Green research and development

#### 3.1.1 Innovations in green

O'right's Plant Extraction R&D Center is responsible for the quality control and safety of products as well as the development of green ingredients. We have always strived to incorporate the concepts of Natural, Pure, and Eco-friendly by increasing the percentage of natural ingredients in our products.

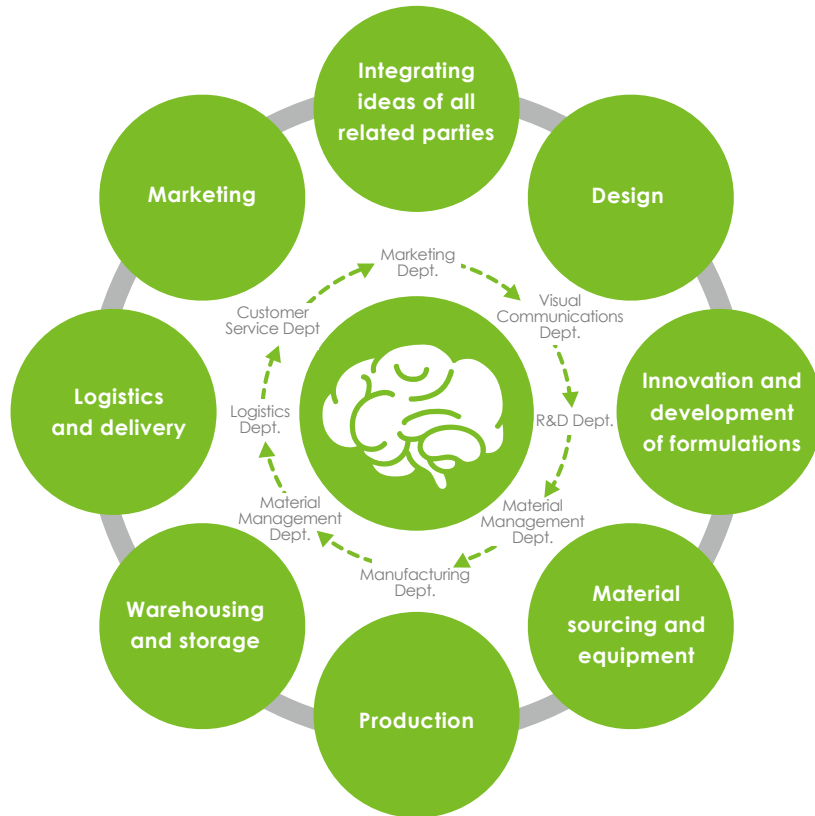


Figure 34 O'right Green Supply Chain

#### The 8 Free of O'right

As a green brand, we have dedicated ourselves to developing innovative green products on quality alone, without the help of endorsements and advertisements. Our commitment to green development has successfully led to the introduction of our 8 Free formula. Free of 8 harmful chemical substances, O'right's shampoo products are healthy and safe for consumers and for the earth.

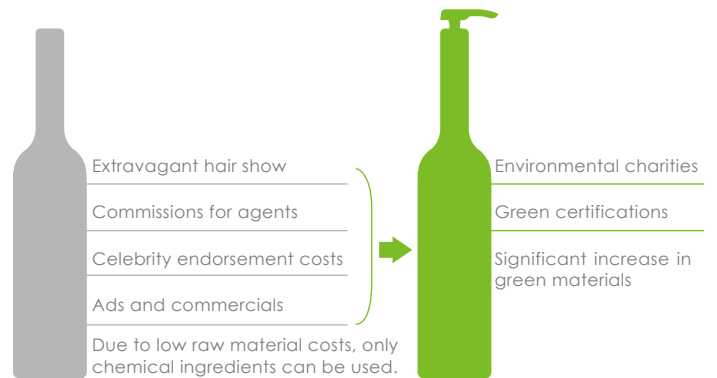


Figure 35 Cost comparison of O'right products and other hair products



# 8 Common Household Toxins

It's O'right

Keep the toxins away from your home

## 1 Environ. Hormones (NP)

Nonylphenol (NP) is a hormone disrupting chemical, whose structure is similar to that of estradiol, a kind of female hormone. The nonylphenol may cause feminization of male animals and reduction of sperm number, ultimately resulting in a decrease in reproduction rate.



Let's create a healthy and beautiful life together!

## 2 Parabens

Parabens are usually used as preservatives because it is an effective sterilizer. However, it has been clinically proved that parabens can disrupt estrogen and endocrine secretion systems through skin absorption and therefore potentially are carcinogen.



## 3 Formaldehyde

Formaldehyde has been proved as carcinogenic and teratogenic by the World Health Organization because it is strongly irritating to human skin and the mucous membrane and may inhibit all cell activities even though it serves as an efficient preservative, disinfectant and bleacher.



## 4. Chemical colourants

Chemical colourants contain substances like formaldehyde or benzene. Many skin allergies are attributed to colourants, especially true for people with allergic constitution.



## 6. Sulfate Surfactants

Sulfates surfactants are usually used for cleaning and sterilization and can penetrate through and weaken the cells. Long-term skin exposure at high concentration can destroy the stratum layer and increase the risk of direct contact with carcinogens.

## 7. Thickeners (DEA Derivatives)

Thickeners are used to adjust the consistency and fluidity of a material. High-concentration exposure will encourage skin absorption and accumulation and ultimately end in chronic intoxication.

## 5. Phthalates

Phthalates are generally used to improve flexibility, viscosity and luster of a raw material. This chemical can affect fetal brain development if exposed to high concentration. Phthalates are also harmful to the male reproductive system and can induce female precocious puberty.



## 8. EO Derivatives

As a central nervous system suppressor, irritant agent and protoplasmic toxin, ethylene oxide (EO) is a carcinogenic substance. Used as a sterilizer, EO can cause acute swollen skin and blisters. Repeated exposure further causes skin allergy. Long-term exposure of low concentration can induce nervous weakness and disorder of the autonomic nervous system.



Figure 36 About 8 Free



O'right offers a complete range of shampoo and body wash products that do not contain environmental hormones, parabens, formaldehyde, colorants, phthalates, sulfate surfactants, thickeners, diethanolamine (DEA) and ethylene oxide derivatives to provide consumers with a healthier and eco-friendlier lifestyle choice. Figure 39 is an 8 Free poster given to hair salons to hang in their stores for customers to see.

### Supercritical fluid extraction

In order to upgrade our green formula and develop botanical ingredients, we invested in supercritical fluid extraction (SFE) equipment to obtain active ingredients of agricultural products such as organic tea leaves, bamboo leaves, goji berry roots, and coffee grounds from local organic farms in Taiwan for extraction to foster the development of the Taiwanese organic farming industry as well as reduce import dependence and carbon emissions from shipping.

Carbon footprint is defined as the total set of greenhouse gas emissions caused by the entire life cycle of a product.



### Independent research laboratories

Furthermore, in 2015, O'right became the first hair care company in Taiwan to be equipped with 3 independent research laboratories: Natural Formula Development Lab, Taiwan Agricultural Product Extraction Lab, and Natural Extract Assessment Lab. With advanced plant extraction technology and local agricultural ingredients, our team is devoted to developing sustainable products that are good

for people and for the earth. In November of 2016, our biosafety level 2 (BSL-2) laboratory became the first TAF accredited laboratory to meet ISO11930 standards.

O'right is one of the few hair care company in Taiwan to be equipped with 3 independent research laboratories that engage in plant extraction and develop local agricultural ingredients.

#### A. Natural Formula Development Lab:

The Natural Formula Development Lab searches for and tries out various natural, organic and eco-friendly ingredients to green up our product formulas.

#### B. Taiwan Agricultural Product Extraction Lab:

The Taiwan Agricultural Product Extraction Lab is responsible for developing native plants and local farm produce or other wastes, using eco-friendly ultrasonic and supercritical extraction technologies to obtain active ingredients for our product formulas.

a. Ultrasonic extraction equipment: Extracts active ingredients from native plants to Taiwan as well as farm produce and other wastes with optimal extraction conditions.

(a) Eco-friendly manufacturing process: Short extraction time and less use of solvents.

(b) Extraction of active ingredients: Obtains optimal amounts of active ingredients under low temperature to prevent heat damage and contamination.

(c) Optimal extraction efficiency: Ultrasound has strong penetration abilities to enhance extraction efficiency.

(d) Optimal ingredients: Extracts ingredients with small particles, high permeability and high solubility.

#### b. Supercritical extraction equipment:

(a) High level of safety: Non-toxic with high biosafety.

(b) The Three Rs (3Rs): Adopts the 3Rs approach (reduce, reuse and recycle).

(c) Environmentally friendly: Uses carbon dioxide to prevent environmental damage.

(d) Extraction of active ingredients: Obtains optimal amounts of active ingredients under low temperature to prevent heat damage and contamination.

#### C. Natural Extract Assessment Lab:

The Natural Extract Assessment Lab analyzes the active ingredients, tests product safety and efficacy and examines the safety and preservation efficacy of plant formulas. This Lab is equipped with an extract analysis lab, cosmetic efficacy testing lab, validation analysis lab and BSL-2 lab.

##### a. Extract analysis lab:

Analyzes active ingredients in extracts and performs quantitative statistical analysis on the results.

##### b. Cosmetic efficacy testing lab:

Evaluates the safety and efficacy of cosmetics through empirical research and user viewpoint to ensure optimal efficacy of products.

##### c. Validation analysis lab:

Performs quantitative and qualitative analysis on active ingredients, product stability testing and BSL-2 laboratory equipment pre-treatment.

##### d. BSL-2 lab:

Researches and tests level of antimicrobial activity to find the optimal preservation conditions of cosmetic products and enhance product safety and stability. This testing is generally called challenge testing or preservative efficacy testing. Compared to general BSL-1 laboratories, workers of BSL-2 laboratories must be adequately trained, qualified and experience in the field of pathology. Certain operations have to be performed in Class I or II biosafety cabinets or other containment facilities.

#### Research objective and results

In 2013, O'right's Plant Extraction R&D Center collaborated with the Biomedical Technology and Device Research Laboratories of the Industrial Technology Research Institute to conduct various research inventories, which lead the Center to set our direction and goal.

In 2014, we partnered with Biomedical Technology and Device Research Laboratories again on the Development of Preservative-Free Cosmetics project to develop paraben, DMDM hydantoin, MI, and MCI free cosmetic preservative systems and even new preservative-free formulations. Preservative challenge testing is performed on all formulations, which is an important indicator for foreign markets (e.g., member states of the EU). O'right products with MI-free formulations are expected to be officially introduced in the first half of 2017.

In October of 2014, a report by the Plant Extraction R&D Center on the effect of goji berry extract in skin care or dermatology published in BMC Complementary and Alternative Medicine\* caught the attention of the international academic society, marking the first such achievement by a Taiwanese hair care brand and also the result of O'right's commitment to green development.

In May of 2016, our research findings on the extraction of coffee oil using supercritical extraction was published in Evidence-based Complementary and Alternative Medicine, once again receiving global recognition for our research efforts and achievements.

We strive for continuous improvement in our laboratories and its equipment. Involvement in industrial-academic collaborations is also important way to enhance the abilities of R&D personnel. Our efforts and investments aim to ultimately produce the greenest and safest shampoo products for consumers.

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\* BMC Complementary and Alternative Medicine is a journal, indexed in world-renowned citation index SCIE (Science Citation Index Expanded), publishing original peer-reviewed research articles on interventions and resources that complement or replace conventional therapies, with a specific emphasis on research that explores the biological mechanisms of action, as well as their efficacy, safety, costs, patterns of use and implementation. It only publishes 83 articles per year.

### 3.1.2 Innovations in green packaging

In order to reduce environmental impacts, O'right is committed to developing recyclable, reusable, and biodegradable green packaging materials to replace plastic materials. By using PLA bottles, FSC-certified paper, and bamboo caps, we reduce packaging waste and carbon emissions. For packaging, we follow the 5R's\* of O'right, the five essential components of our green brand.



**Table 27 Eco-friendly packaging of O'right**

<b>Eco packaging</b>	Recyclable plastic bottles	PLA (recycling code 7)
		HDPE (recycling code 2)
		PETG (recycling code 1)
	Recyclable aluminum bottles	Al (recycling bin for aluminum cans)
	Moso bamboo caps	Made with moso bamboo, a fast-growing, carbon-absorbing, eco-friendly material
	Air cushions	LDPE (recycling code 4)
	Green Mark certified shipping cartons	Made from 80% recycled paper
	Taiwan's first patented eco shampoo container	Sizes 10L and 5L (Taiwan Patent No. D133527); 10L eco container reduces the use of 200,000 400ml plastic bottles annually and with each 400ml bottle, 208g of carbon emissions is reduced
	Eco refill packs	Sizes 1000ml and 400ml
	Fren Bag	Made from photolytic material and can be naturally decomposed in 3 months if exposed to sunlight  Reusable; in 2015, we helped reduce the use of 147,800 paper bags, which is equivalent to planting 1,331 20-year-old trees
<b>Eco printing</b>	Label printing	Non-toxic, eco-friendly RoHS-compliant ink verified by SGS
<b>Eco labels</b>	Label materials and ink	RoHS-compliant materials and ink verified by SGS
<b>Eco paper</b>	Paper	Marketing materials and cardboard boxes made from FSC certified paper

\* The 5Rs of O'right: Reduce, Reuse, Recycle, Replace and Responsibility

**Table 28 Carbon achievements through plastic use reduction in 2016**

Eco-friendly containers	Annual use	Reduced carbon emissions	Total carbon reduced
1000ml refill packs	50,046	0.389kg /btl x 50,046 ÷ 19,468kg	19,468kg + 32,760kg + 9,672kg = <b>61,900 kg</b>  <b>3,859</b> 20-year-old trees planted
10L shampoo carton=25 400ml bottles	6,300	0.208kg kg x25 btl x 6,300 ÷ 32,760kg	
5L conditioner carton=12.5 400ml bottles	3,720	0.208kg kg x 12.5 btl x 3,720 ÷ 9,672kg	

Source: 1. Data was generated with SimaPro 7.3.3 and verified by 2013 PAS 2050 carbon footprint. A 1000 ml HDPE plastic bottle generates 0.389 kg of CO2 while a 400 ml HDPE plastic bottle generates 0.208 kg of CO2; 2. Data from the Bureau of Energy of the Ministry of Economic Affairs shows that one 20-year-old tree absorbs approximately 11-18 kg of CO2.

**Table 29 Carbon achievements through plastic use reduction from 2013-2016**

Year	Total carbon reduced (kg)	20-year-old trees planted
2013	55,370	5,034
2014	79,510	7,228
2015	94,521	8,593
2016	61,900	3,859
<b>Total carbon reduced</b>	<b>291,301</b>	<b>24,714</b>

In addition to bottles and containers, we also incorporate our environmental practices into other materials by replacing plastics with green materials. A few of our best examples are the bamboo caps, air cushion packaging, and pallets made from recycled plastic caps.

**Eco-friendly bamboo caps**

O'right's Moso bamboo cap is not just the masterpiece of a Taiwanese artist, it also reduces carbon emissions by 78%. From 2012 to the end of 2016, bamboo caps helped reduce 16,603kg of carbon, which is equivalent to planting 1,510 20-year-old trees.



**Figure 37 O'right eco-friendly packaging**

Love the earth with eco-friendly caps

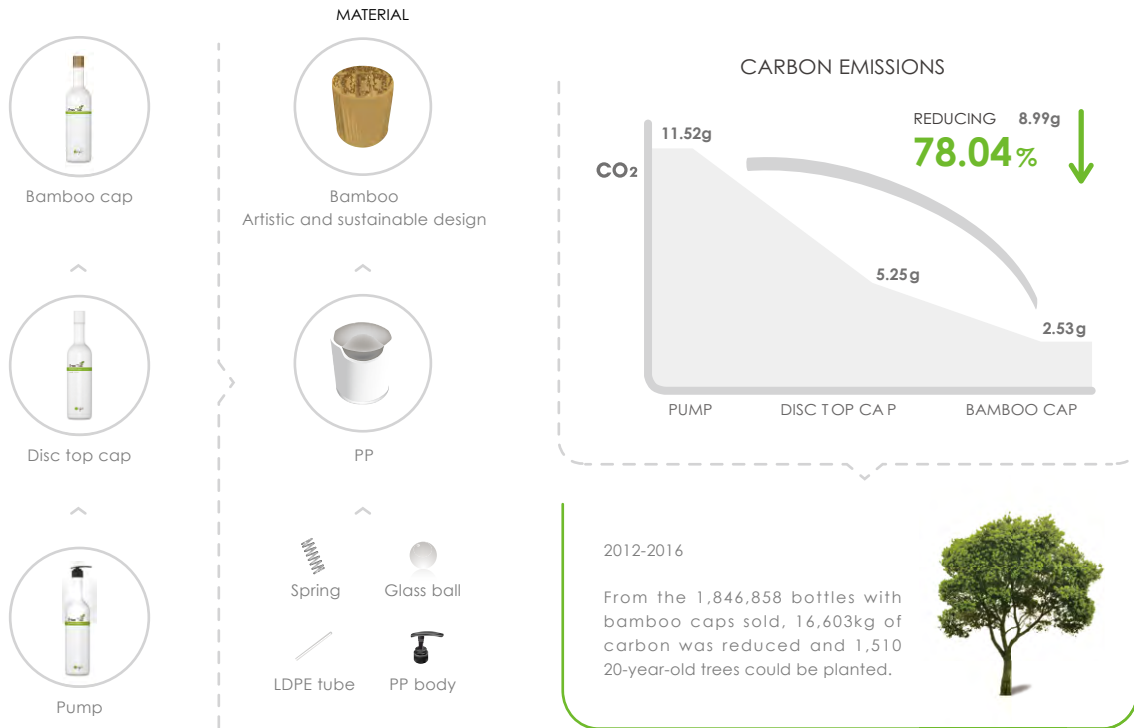


Figure 38 Carbon emissions of bottle caps

**Air cushion packaging**

O'right does not use expanded polystyrene foam or any environmentally unfriendly materials when packing goods. Instead, we use eco-friendly air cushions, small air-filled bags made from LDPE (a code 4 plastic) that are placed inside shipping cartons or boxes to provide protection against shock and prevent goods from being damaged in shipping. Since 2011, in order to reduce plastic use to a minimum, we adopted a lighter, thinner upgraded version of air cushions, which helped to reduce carbon dioxide emissions by an average of 3,601.2kg each year, which is equal to planting 327 20-year-old trees.





**Table 28 Carbon achievements of air cushions**

Item	Air cushions	Lightweight air cushions
Weight/pc	2.35 g	0.93 g
Material	LDPE (code 4) 1kg of LDPE generates 6kg of CO <sub>2</sub>	
Annual carbon emissions	2.35 x 200,000 <sup>1</sup> =470,000g 470,000g=470kg	0.93 x 140,000 <sup>2</sup> =130,200g 130,200g =130.2kg
Carbon emissions	470 x 6kg=2,820 kg/ yr	130.2x6kg=781.2 kg/ yr

<sup>1</sup>According to the annual purchase cost, the amount of air cushions is calculated as follows: 40 rolls × 5,000 = 200,000 pcs (i.e., each roll is 650m long and each air cushion is 13cm, meaning that there are 5,000 air cushions in each roll)

<sup>2</sup>According to the annual purchase cost, the amount of lightweight air cushions is calculated as follows: 40 rolls × 3,500 = 140,000 pcs (i.e., each roll is 700m long and each air cushion is 20cm, meaning that there are 3,500 air cushions in each roll)

**Green packaging**

That's not all. When sealing the 100% recycled cardboard boxes after packing the goods, instead of using tape, O'right uses a customized eco sticker made from paper with water-based adhesives. This small sticker can be recycled along with the shipping boxes.

**Eco pallets**

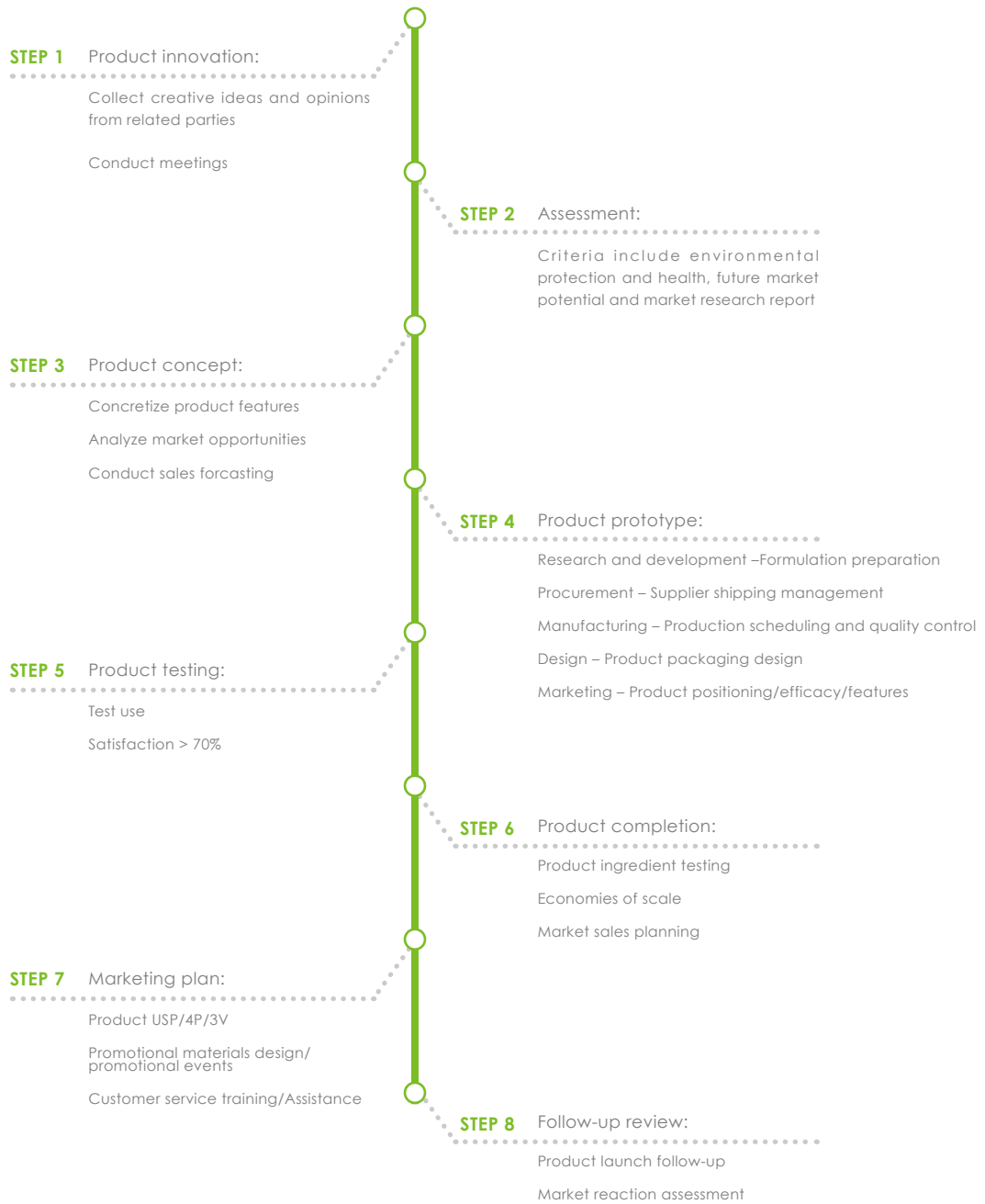
Plastics such as bottle caps are being found inside birds and fatally killing them. O'right uses eco pallets each made from approximately 7,300 bottle caps to prevent seabirds from eating them.



**Figure 39 O'right recycled shipping cartons**

### 3.2 Green innovative design

"Innovation distinguishes between a leader and a follower."—Steve Jobs. O'right recognizes that green innovation is the key to becoming a green brand. Nature wastes nothing, and that is why O'right is moving towards a zero-waste world by creating natural products with ecological benefits. O'right's first step in innovation is the Tree in the Bottle, the world's first shampoo that can grow into a tree.



### 3.2.1 Tree in the bottle: Innovative green shampoo

O'right's team spent 2 years developing, designing, and manufacturing the innovative, eco-friendly "Tree in the Bottle" shampoo, creating a bottle from biodegradable materials such as fruit and vegetable starch that can be naturally degraded when buried in soil. Placed at the bottom of the bottle are Taiwanese acacia seeds.



Acacia tree species is most efficient at sequestering and storing carbon from the atmosphere in Taiwan. Each year, 380 metric tons of CO<sub>2</sub> can be absorbed by one hectare of acacia. After use, empty bottles can be broken down into CO<sub>2</sub> and water when buried in soil under a suitable environment for a year will grow into a tree and produce oxygen for the planet.

For our bottle cap design, our Moso bamboo caps received recognition from Red Dot: Best of the Best 2013 and iF Design Award 2014. The judges even went on to praise our innovative shampoo products, saying that we not only designed a wonderful shampoo, but also a wonderful ecosystem.

### 3.2.2 Floral box: New life hidden in a box

O'right's unique Floral Box is made from FSC certified paper and is embedded with handmade seed paper that contains seasonal flower seeds.

The seed paper is made from Manchurian wild rice hulls from Nantou of Taiwan and bagasse. The paper box is printed with non-toxic soy inks as a benefit to the environment. Instead of throwing it away after use, you can bury it in soil and allow the seeds to sprout and give it new life. The Forest Stewardship Council (FSC) is an international organization to promote the responsible management of the world's forests, aiming to avoid the use of wood products from unacceptable sources including wood harvested in rainforests, virgin forests, and genetically modified. In addition, each time a tree is harvested, 4 more trees are planted in its place. With FSC certified

paper, rainforests or virgin forests will no longer have to be sacrificed, at the same time helping to truly fulfill the promise of consumers co-existing with the earth.



**3.2.3 Eco-friendly Fren bag: Stylish and biodegradable**

The Fren bag made from photolytic material is designed to reduce the use of paper bags. The eco-friendly design can be completely decomposed if exposed to direct sunlight for around three months. If kept out of direct sunlight, the Fren bag can be reused. In 2016, we helped reduce the use of 152,676 paper bags, which is equivalent to planting 1,375 20-year-old trees.



**Table 31 Carbon achievements by reducing the use of paper bags**

Year	Paper bags reduced	20-year-old trees planted
2013	150,000	1,350
2014	171,000	1,540
2015	147,800	1,331
2016	152,676	1,375
Recent carbon achievements	621,476	5,596

**3.2.4 Moso bamboo caps: A beautiful, trendy sustainable design**

O'right's Moso bamboo caps are beautifully handcrafted by a Taiwanese artist who was inspired by the remarkable flexibility of Moso bamboo and its local Taiwanese elements. With its natural color and shine, unique, fine veins, and exquisite texture, our Moso bamboo caps is the perfect fusion of over 10-years of craftsmanship and green trends, creating new green value to bamboo materials and art. Like the bamboo, O'right stands tall and firm like bamboo in its goal in creating a healthy environment and eco-friendly products for consumers. Moso bamboo cap products convey O'right's sustainability objectives and the Taiwanese craftsmanship in hopes of continuing to make an impact on each and every consumer who owns one.



**Bamboo as a sustainable material**

Bamboo is lightweight with incredible flexibility and superior resilience.

Bamboo reaches maturity and grows to full height in 4 years. Its rapid regeneration and ability to produce new shoots even after being cut can contribute to carbon reduction.

A hectare of Moso bamboo forest absorbs 35-50 tons of CO2 annually.

Bamboo is the world's fastest-growing plant. According to studies, bamboo can grow a maximum of 120 cm a day.<sup>3</sup>

Bamboo culms form tight, dense clumps and can grow up to 28 meters tall.<sup>4</sup>

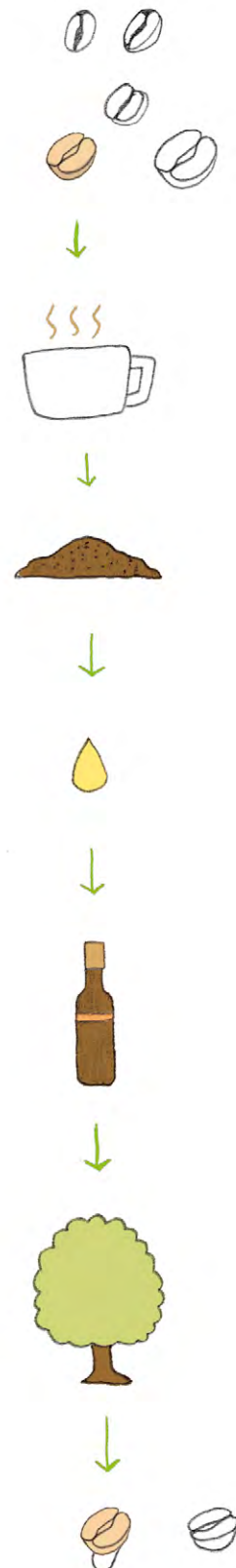
Bamboo releases 35% more oxygen than an equivalent area of trees.<sup>5</sup>

<sup>3</sup> <http://www.scidev.net/global/policy/news/bamboo-can-capture-carbon-fast-says-report.html>  
<sup>4</sup> <http://www.scidev.net/global/policy/news/bamboo-can-capture-carbon-fast-says-report.html>  
<sup>5</sup> <http://www.bamboogrove.com/why-bamboo-save-planet.html>



### 3.2.5 Recoffee: 100% spent coffee grounds turned into a golden resource

The Recoffee line is made from the alarming amount of spent coffee grounds generated on a daily basis worldwide. O'right aims to make an impact by changing public perception towards waste and motivating the brand's wide consumer base to create sustainable value with green products. Our team worked hard to create a formula containing coffee oils extracted from used coffee grounds and designed a biodegradable bottle made from coffee grounds and PLA with coffee seeds at the bottom that can grow into a tree when buried in soil. We aim to reduce waste and make good use of the earth's resources, fully achieving Cradle to Cradle certification. RECOFFEE Tree in the Bottle Shampoo won the Gold Medal and Special Award at international invention exhibitions INPEX and iENA, Red Dot Awards for packaging design and social responsibility, the Gold Medal and Green Invention Award at iENA, and the Taiwan Excellence Award.







### shan | 善 3.2.6 shan: Planting trees for the earth

shan hair care products are all embedded with a shan coin. The old shan coins are made from recycled precious metals, while the new coins are made of waste fishnet found in the oceans as a reminder to us to cherish all resources and creatures on earth. The eco-totem and tree imprinted on the coin symbolizes environmental sustainability and tells the story of man and the forest.

**Ocean shan coin:** Each year nearly 8 million tons of plastic debris flow into the oceans. Environmentalists estimate that by 2050 the amount of plastic waste in the earth's oceans will outweigh fish. The ocean shan coin is made from waste fishnet found in the oceans that are collected, cleaned, sterilized, and reprocessed. The black eco-friendly design reminds us the importance of recycling in order to reduce waste and protect marine animals.

In 2016, shan began initiating a tree planting project to plant a tree a day. Each tree will be planted at National Taiwan University Experimental Forest at Zhushan Township of Nantou County under the consumer's name. The trees will then be taken good care of by specialists at NTU Experimental Forest for 6 years. In the event of a natural disaster in which a tree is no longer able to continue growing, specialists will plant the tree again. In the second quarter of 2016, shan plans to replant trees.

Each and every tree planted is more than 60 years old, with the opportunity to continue growing healthily in protected forests. shan designs are infused with love for the land and also a reflection of the connection between nature and life. Dreaming of a wonderful and better tomorrow, shan invites you to make a green promise and create an impact on the world.

#### About the Experimental Forest

The Experimental Forest of National Taiwan University has been devoted to the protection and preservation of forests for over 90 years since the Japanese colonial rule. With a team of professional specialists, forests are given the best care. The Experimental Forest also assists in the management of 32,789 hectares of forest land across Taiwan, from Lugu Township, Shuili Township and Xinyi Township in Nantou.

Industrial development, natural disasters and drastic environmental changes are all causes of deforestation. In addition to upholding the responsibility to protect existing forests, the Environmental Forest has also made reforestation an urgent necessity to protect the land and achieve sustainable development.

<http://www.exfo.ntu.edu.tw/>



### 3.3 Green procurement

O'right's green raw materials saw an increase from 44.3% in 2011 to 62.03% in 2016.

In 2015, we set stricter standards for green raw materials. For example, over 80% of product ingredients must be plant-based<sup>6</sup>. O'right is still mostly dependent on imports of high quality raw materials due to lack of third-party verification for ECOCERT and USDA organic certified materials (Ecocert and USDA) and FSC certified paper. According to data on the procurement of green raw materials from 2011 to 2016, local procurement has increased from 0% to 24%.

We have formulated a plan to find suitable local raw materials as well as purchase advanced plant extraction equipment to obtain active substances from agricultural wastes such as spent coffee grounds, pineapple skins, and goji berry roots. Our aim is to pursue continuous improvement, contribute to the development of the Taiwanese organic farming industry, and also find new ways to manage agricultural waste.

In terms of green materials<sup>7</sup>, they accounted for over 45% of total procurement of materials and further went on to reach 62.4% in 2016. Since we developed the renewable plastic bottles made of 100% household recycled containers, the percentage of recycled materials saw a growth from 4.74 to 7.54% in 2016.

**Table 32 Procurement of green raw materials**

Year	Green raw materials				Green materials				
	Total quantity procured (kg)	Green raw materials procured (kg)		Green raw materials procured (%)	Total quantity procured (pc)	Green materials procured (pc)			Green materials procured (%)
		Imported	Local			Biodegradable	Recyclable	Recycled	
2011	98,436	41,675		42.34%	7,093,331	3,253,584			45.87%
		41,675	-			1,824,540 (56%)	1,319,300 (40.5%)	109,744 (3.4%)	
2012	134,268	65,185		48.55%	9,789,446	5,287,291			54.01%
		64,765 (99.4%)	420 (0.6%)			3,536,566 (66.9%)	1,593,894 (30.1%)	156,831 (3%)	
2013	119,726	92,121		76.94%	8,348,595	4,151,772			49.73%
		83,285 (90.4%)	8,836 (9.6%)			2,056,248 (49.6%)	1,952,303 (47%)	143,221 (3.4%)	
2014	171,394	115,619		67.46%	11,285,027	5,276,487			46.76%
		92,708 (80.18%)	22,911 (19.82%)			1,029,681 (19.51%)	3,885,889 (73.65%)	360,917 (6.84%)	
2015	196,408.10	122,443.31		62.34%	11,482,210	7,182,439			62.55%
		94,994.90 (77.58%)	27,448.41 (22.42%)			1,246,842 (17.36%)	5,594,920 (77.90%)	340,677 (4.74%)	
2016	225,814	105,875		46.89%	7,954,745	4,997,599			62.83%
		80,515 (76.05%)	25,360 (23.95%)			866,804 (17.34%)	3,754,251 (75.12%)	376,544 (7.54%)	

<sup>6</sup> Green raw materials refer to product ingredients. From 2011-2013, green raw materials were defined as ingredients that contain more than 70% of components derived from plant sources; since 2014, green raw materials have been required to contain over 80% of components derived from plant sources.

<sup>7</sup> Materials refer to bottles, containers and packaging materials classified into the following 3 types: biodegradable (PLA bottles, FSC certified paper box, Fren Bag); recycled (shipping cartons, 100% renewable plastic bottles); recyclable (various bottles).

**Natural green ingredients**

Natural products contain ingredients derived from organic or inorganic chemicals to change its physical properties and achieve desired effects. For example, lye (sodium hydroxide) is a necessary component in handmade soap. Our natural ingredients contain over 80% of naturally-sourced components.

**3.4 Green production and products**

O'right's green production center relies on clean energies of solar and wind power to generate electricity onsite for product manufacturing and reduce carbon emissions and energy consumption, thus creating an energy efficient environment and eco-friendly products for our consumers.

Our green production center features innovative eco-friendly designs and facilities. For more information, please refer to Pure/ Green production center in Chapter 2. In addition, most of O'right's raw materials, packaging, and products are accredited by nationally or internationally recognized certifications that reflect our high standards for quality and safety. To enhance customer satisfaction, we comply with ISO 9001, ISO 22716, and Taiwan's Voluntary Cosmetic Good Manufacturing Practice (GMP) requirements and standards. As a result, O'right has gained recognition from various awards and certifications for our relentless pursuit of improvement.

Additionally, the quality of our products is assessed according to particularly strict standards and criteria. All the departments are required to examine each and every detail in order to assure the products we produce are healthy for all. In 2012, we developed a new 8 Free standard for O'right's retail shampoo and body wash products and 5 Free for salon use products to provide customers with the world's greenest shampoo and build a healthy lifestyle and

environment for all. Third party verification proves that shampoo formulas can biodegrade in 28 days in water. Furthermore, all products in development strictly undergo 15 tests including stability, heat resistance, packaging compatibility tests while semi-finished products must meet the requirements of Cosmetics GMP and undergo 6 tests including physical and chemical analysis, total plate count, and pure water quality. The registration and application of products and other information are mandatory before products go on the market. According to the EU Cosmetics Regulation, a Product Information File (PIF) is required for each product to be placed on the EU market to ensure product quality and safety.

O'right will continue to adhere to our green philosophy of "Natural, Pure, and Eco-friendly" and develop animal-friendly products. We believe that a wonderful future involves not only building better lifestyles for people but rather co-existing in harmony with all creatures in nature. Therefore, we support animal welfare and adopt alternatives to animal testing during the development of product formulations.



Figure 40 O'right certifications and awards

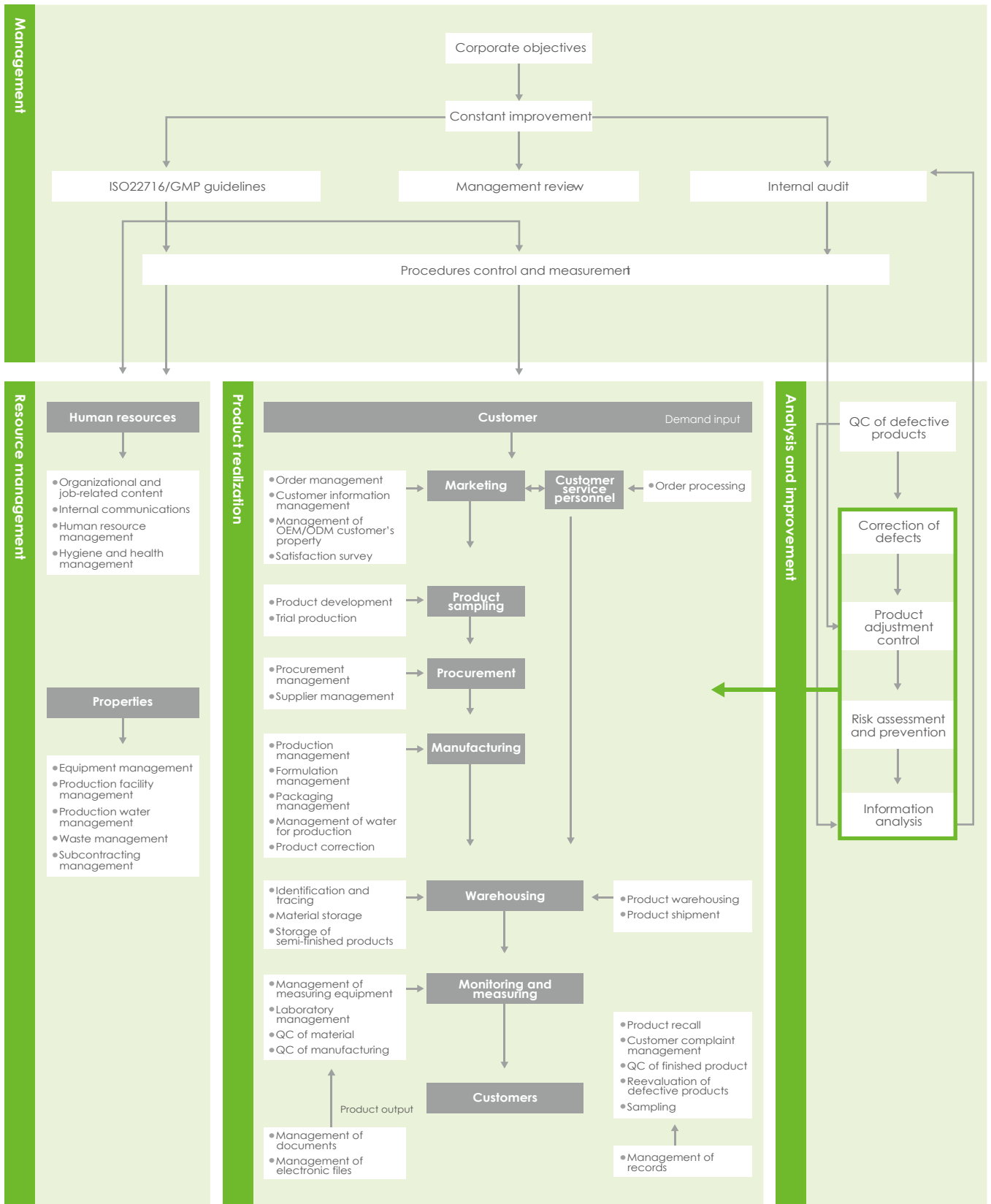


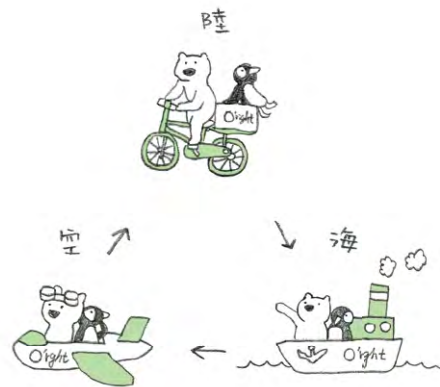
Figure 41 Product realization

### 3.5 Green logistics

In 2010, we began adopting a carbon-free centralized delivery system that requires a minimum of NTD1,500 for shipping. In 2016, we even raised the cost of a minimum order to NTD3,946.

Additionally, O'right works with delivery companies that utilize hybrid electric delivery trucks equipped with GPS navigation to optimize the route by time or distance and calculate the fastest or shortest energy-saving route. We deliver an average of 6,000 products per month. Special delivery is appointed for orders with more than 40 items to the same address to reduce the number of transport links between the shipping and destination points and environmental impact.

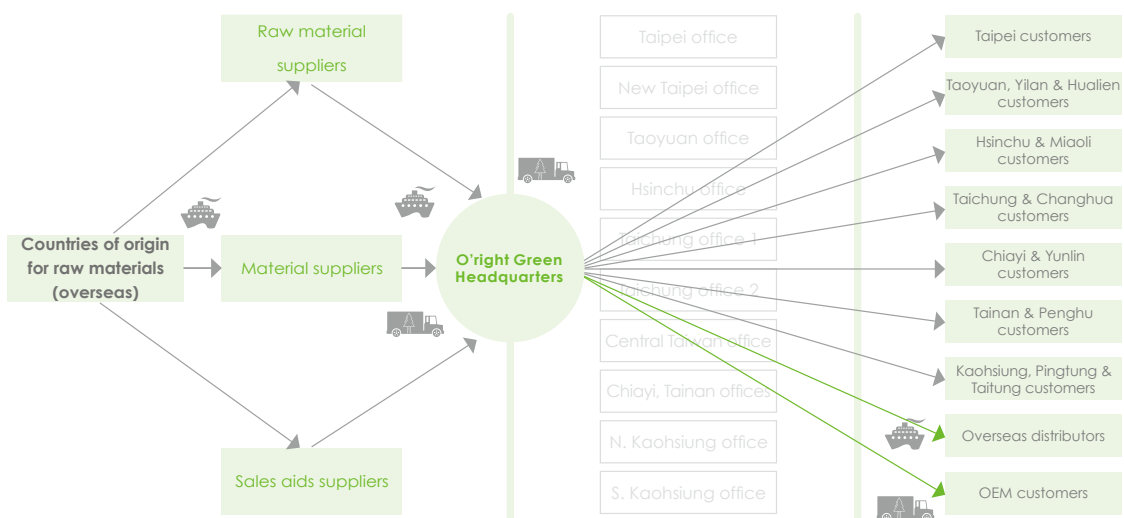
Nonetheless, despite our achievements, we still strive to enhance efficiency and reduce shipping emissions. All our products are directly delivered to customers from the Green Headquarters.



In the past, our products are shipped from the company to customer service units, customer service personnel and then hair salons. This is shipping process is tedious and generates carbon dioxide emissions that significantly contribute to global climate change. As such, we simplified our shipping process and now products are directly shipped from our Green Headquarters to hair salons to reduce unnecessary carbon emissions from shipping.

**Table 33 Carbon achievements by minimum order threshold**

Year	Total items shipped	National revenue (NTD)	Average cost of order (NTD)
2011	57,060	162,603,542	2,850
2012	61,418	182,951,165	2,979
2013	60,212	213,993,990	3,554
2014	61,720	234,987,878	3,807
2015	51,616	204,930,356	3,970
2016	69,316	273,524,439	3,946



**Figure 42 Reducing the carbon impact of shipping**



### 3.6 Green services

#### 3.6.1 Product service

To offer innovative green product services to customers, each product is given a unique identification by implementing a barcode traceability system. Three barcode labels are created for and printed on each product for identification purposes and quality assurance.

**Barcode:**

A means for customers and consumers to identify products and see if a product is authentic and learn its country of origin. For example, Tea Tree Shampoo 400ml carries a 16-digit barcode; the first digit "T" is the country code, the 6 digits "1AA036" is the part number, the 4 digits "4131" is the batch number and the last 5 digits "00035" is the serial number.

**QR code:**

Users can use their smart phones to scan the image of the QR code to display additional information about the product, company profile and other helpful information.

**International Article Number (EAN):**

A barcode used in point of sale (POS) system that manages purchase, sale and inventory of products.

In addition to the 3 barcodes, O'right also labels products with additional information including the percentage of natural ingredients, certified organic ingredients, and the use of clean energy for manufacturing. Paper boxes carry the FSC label and soy ink label. These identification and certification labels give consumers a better understanding towards product quality and also differentiate O'right's products from competitors.

**Traceable barcode**



Figure 43 A complete product traceability system



### 3.6.2 Customer service

To enhance our brand value with high quality services, O'right officially changed the name of the Taiwan Sales Department to the Taiwan Customer Service Department in 2012. By providing green products and services, we aim to raise environmental awareness among our customers by promoting green practices and concepts in hopes of making a bigger impact on people and the earth.

In order to increase customer satisfaction, O'right adopts the following practices:

#### A widespread customer service network

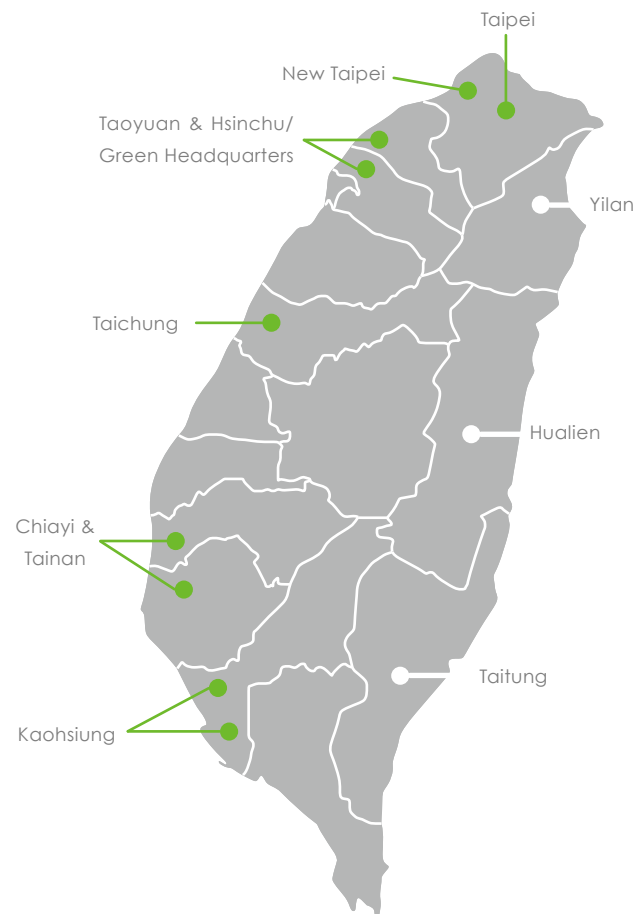
With a presence in various locations across Taiwan, including Taipei, New Taipei, Taoyuan, Hsinchu, Taichung, Tainan, Chiayi and Kaohsiung, O'right is able to promptly respond to customer needs and improve customer service quality. Customers can find customer service specialists closest to them to cater to their needs.

#### A variety of green customer services

O'right offers a wide variety of green services including visiting hair salons to personally share green concepts and demonstrations, encourage salons and hairdressers to take part in environmental charity events and assist salons in holding eco weeks to promote green concepts among customers. Our close-knit service network enables us to provide so many services all across Taiwan. We have around 50 customer service specialists to cater to satisfy a variety of customer needs.

#### A comprehensive customer service system

We give customers additional gifts and cards and send text messages on their birthdays and holidays (Chinese New Year, Dragon Boat Festival and Moon Festival). Furthermore, our quarterly publication It's O'right is made from FSC certified paper and printed with plant-based ink and discusses many environmental topics, explores green issues and share



**Figure 44 O'right customer service network**

Note: The green spots are locations of mobile offices; the white spots in Yilan, Hualien and Taitung are home offices (i.e., customer service specialists who work from home)

new green knowledge and concepts.

It's O'right Quarterly is given to green salon customers for free to place in their stores for customers to read and raise environmental awareness. Around 10,000 copies are handed out each season to the hands of millions of readers. The publication is also translated into English and the electronic copy of both Chinese and English versions are published online in 36 countries worldwide. We also regularly hold environmental events such as Coastal Cleanup, Earth Hour and Plant a Tree where we enthusiastically encourage customers to join.

**A complete customer service SOP**

O'right places great importance on each question raised by customers. we have a complete standard operating procedure (SOP) for handling customer complaints. All complaints received from customers are reported back to the Headquarters by customer service supervisors, who then forward the request to the Chairman for his stamp of approval. It is important to handle and resolve complaints and give customers a satisfying response in the shortest time possible after receipt. There is a database in complaints are stored in. We also make customer complaints public to prevent the same issues from occurring.

Analysis results on customer satisfaction show that, due to rapid sales performance growth and increase in customers, there was a total of 163 customer complaints in 2012.

In 2016, the number of customer complaints decreased by 30 compared to 2015. Complaints about product quality (e.g., content/formula), logistics and delivery, personnel service and other (e.g., online shopping platforms not managed by O'right) reduced by 15, 7, 1 and 7, respectively.

The statistics show that our product quality fulfills the needs of customers and meet their expectations. With O'right products capturing favoritism among consumers and due to growing consumer market, more and more unofficial sales channels are appearing, which lead to consumer disputes and time-consuming, labor-intensive communication and handling. This caused an increase in complaints about personnel service and others. In regard to general questions by consumers, O'right offers a diversity of channels, such as via telephone, emails or social media (e.g., Facebook, Instagram or Twitter) for consumers to report directly to.

In general, the number of customer complaints saw a decrease in 2016, indicating a continuous increase in customers' identification towards our brand.

**Types of complaints**

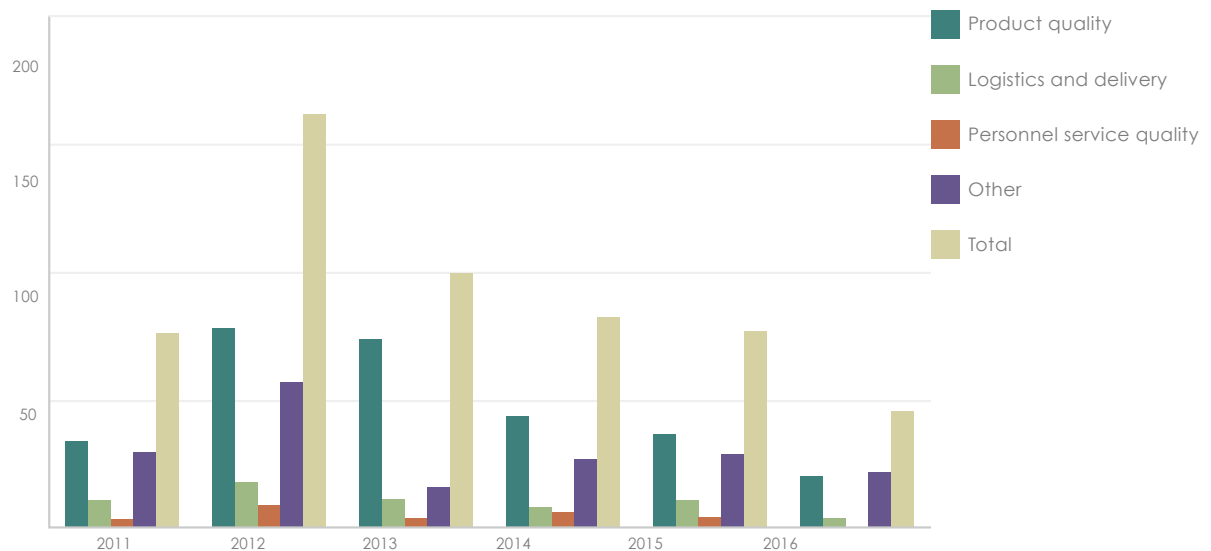


Figure 45 Customer complaints over the years



**Figure 46 Customer complaint SOP**

#### **An effective customer satisfaction program**

Customer satisfaction surveys are conducted at least once a year, focusing on measuring customer perceptions on product quality, logistics and delivery, personnel service quality and 4 other categories. For more information, please refer to the customer satisfaction survey SOP.

From 2012 to 2016, we have conducted customer satisfaction surveys to continuously improve customers' level of satisfaction and key performance indicators (KPIs). The customer satisfaction survey in 2016 was completed by customers (i.e., hair salons) with the most orders. In 2016, the satisfaction score increased from 60 to 75, achieving a satisfaction

rate of 95%. We also continue to enhance customer-related management, improve handling of complaints and implement educational trainings.

As for privacy issues, O'right ensures that customer information is properly and securely stored. In 2016, no customers complained about any invasions of privacy or information disclosure. In order to constantly enhance product quality and customer satisfaction, O'right established the following measures:

#### A. Product information source

When delivering messages, customer service personnel must make sure salons will receive the message and give a response; otherwise, they have to contact salons the next day via telephone to ensure they received the information.

#### B. Customer complaint response

Create a standard customer complaint response and regularly check the accuracy of customer service personnel's responses.

Simplify the customer complaint internal handling process.

#### C. Product quality satisfaction

Ensure customer service specialists are properly trained regarding products.

Collect and provide relative data to product quality assurance units.

#### D. Product range satisfaction

Arrange for instructors or educators to teach and train hair salons and customer service personnel by demonstrating how to use each product.

Collect and provide relative data to R&D personnel.

#### E. Product delivery accuracy

Customer service specialists must confirm the order details with hair salons before accountants input information in the computer system.

Collect and provide relative data to the logistics department.

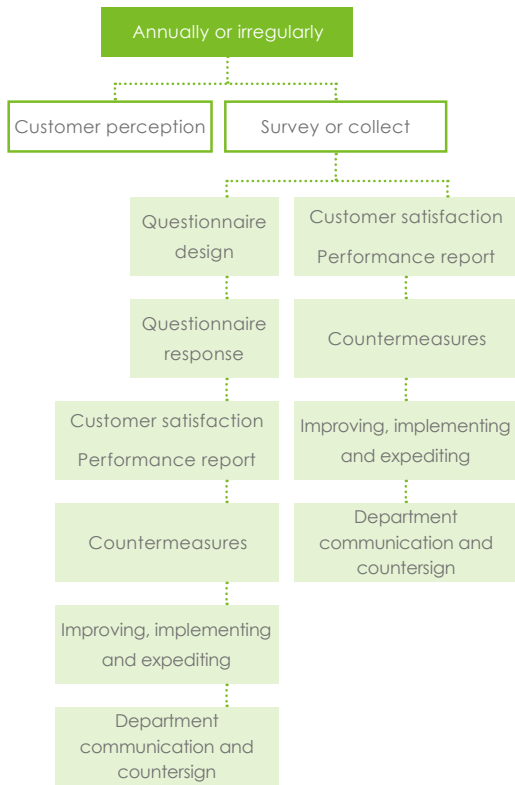


Figure 47 Customer satisfaction survey process

### 3.6.3 Green Hair Care Hall

Visitors are brought into the Green Hair Care Hall to give them a look into O'right's history. Aside from all the awards and certifications we have been honored with for the past years, the Hair Care Hall also displays all sorts of objects from our product development stage so that visitors can feel like they are taken on a journey through O'right's history. This includes specimen plants from our extraction testings, seed paper from our packaging boxes, bottles that have naturally broken down, the making process of our bamboo caps as well as the concept of our Recoffee product line. After going down memory lane with O'right, there is an area where all of O'right products are displayed for visitors to try out.



Figure 48 A wall displaying the history of O'right



Figure 49 Brand honors



Figure 50 Natural specimen plants researched during product development stages





Figure 51 Constant innovation in packaging



Figure 52 Area for trying out products

### 3.7 Green resource circulation

We developed a reverse logistics for waste management to reduce waste and reuse resources. During carbon inventory, we discovered that resources in the supply chain can generate technical nutrient, thereby reusing resources and reducing costs.

O'right's green resource recycling system can be applied to the following 3 objects: (1) empty bottle cartons; (2) product cartons; and (3) empty product

bottles. This recycling model not only benefits the environment but also fulfills our corporate social responsibility, enhances our competitiveness and reduces carbon emissions and cost. To reduce the amount of carbon generated during recycling, we developed the world's first shampoo that can grow into a tree, using 100% biodegradable materials. After use, the empty shampoo bottle can be buried in soil to become a natural nutrient instead of a natural burden.

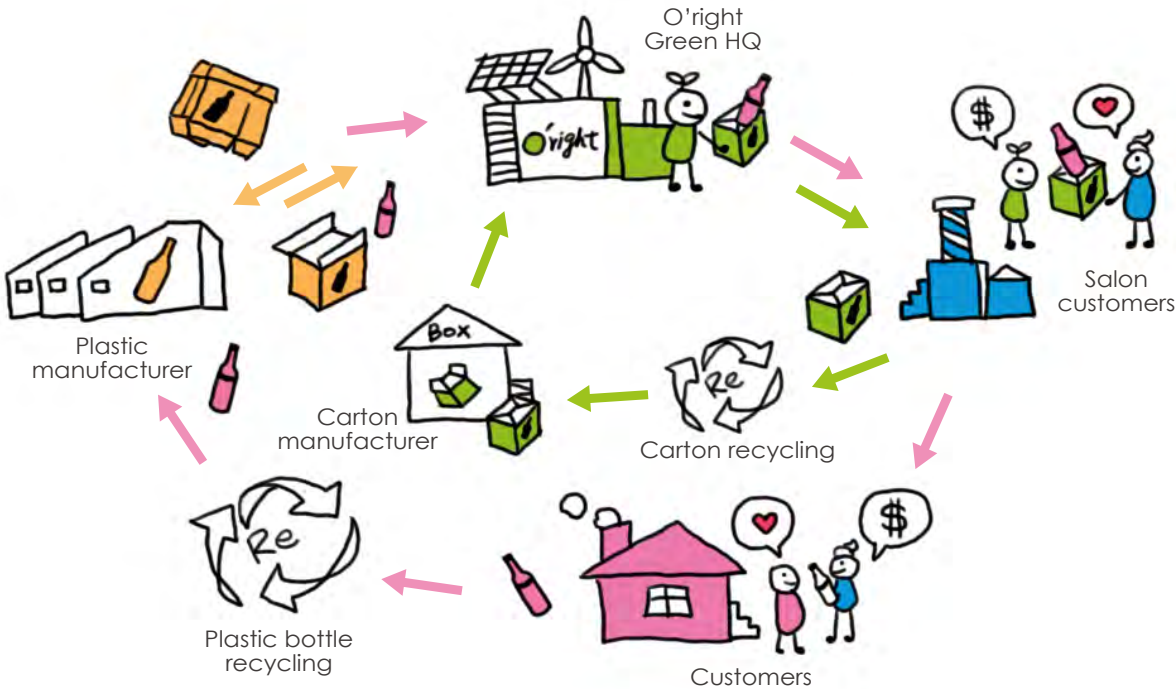


Figure 53 Green resource recycling system

Taiwan is the 11th country to promote the carbon footprint label and O'right is the first SME in Taiwan to carry the carbon footprint and carbon neutral labels. Carbon footprint inventory is a life cycle assessment to help better understand the environmental impact of a product and its effect in the value chain and to improve our competitive advantages.

In 2013, the calculated the carbon emissions of Tea Tree Shampoo 400ml and the results were 1.25kg, which earned us a certification. During the inventory, we meticulously analyzed the product carbon footprint of each stage. Then, we conducted inventories on all product lines to minimize their carbon emissions.

In 2011, O'right's green shampoo products become the first shampoo in the world to achieve carbon neutrality. In 2013, we received the water footprint certification and adopted the cradle to cradle design concept. In 2014, we continued to integrate our green supply chain, which not only lead us to achieving ISO 14001 certification but also to be certified to the PAS 2050 standard by Carbon Trust. In the future, O'right will continue to carry out our carbon reduction plan from the following 2 aspects:

### 3.7.1 Carbon reduction plan

#### 100% renewable plastic bottles:

Replace all HDPE bottles with renewable materials to achieve carbon reduction by 76.6%.

#### Promote carbon labelling:

Cooperate with the Environmental Protection Administration, Industrial Technology Research Institute and Carbon Trust to label the carbon footprint and life cycle of products.

#### Develop local ingredients:

Continue to work with organic farms in Taiwan to obtain samples for research and development; then, procure materials from them to reduce carbon emissions caused during the shipping process.

#### Promote electronic communication:

Establish electronic systems, such as the ERP system for handling procurement, orders, inventory, financial accounting, human resources and administrative affairs, and implement mobile offices to improve efficiency and move towards an electronic, low-carbon workplace.

**Table 34 Carbon achievements of renewable HDPE bottles**

Category	Weight	Source	Carbon emission	Carbon reduction	Carbon achievement
400ml bottle	0.045 kg	New plastic	$0.045\text{kg} \times 1.973$ $\text{kgCO}_2\text{e}/\text{kg} = 0.0888 \text{ kg}$ $= 88.8\text{g}$	$88.8\text{g} - 20.24 \text{ g} =$ $68.56 \text{ g}$	77%
		Renewable plastic	$0.045\text{kg} \times 449.74$ $\text{gCO}_2\text{e}/\text{kg} = 20.24\text{g}$		
1000ml bottle	0.1 kg	New plastic	$0.1\text{kg} \times 1.973 \text{ kgCO}_2\text{e}/$ $\text{kg} = 0.197 \text{ kg} = 197\text{g}$	$197\text{g} - 44.97\text{g} =$ $152.03\text{g}$	
		Renewable plastic	$0.1\text{kg} \times 449.74 \text{ gCO}_2\text{e}/$ $\text{kg} = 44.97\text{g}$		

Source: SimaPro 7.3.3 shows that the carbon emission coefficient of new materials is 1.973kgCO<sub>2</sub>e/kg; Da Fong shows that the carbon emission of 100% post-consumer HDPE plastic materials is 449.74g/kg.

**3.7.2 Product carbon and water footprints**

With Green, Sustainability and Innovation as our core value, we began achieving green certifications, developing innovative green products, providing green services and fulfilling corporate social responsibility since 2006.

We conduct carbon footprint and water footprint inventories and improved our green supply chain during the inventory process with the aim to establish and review our product ingredients and packaging and reduce product carbon emissions. Therefore, O'right became the first SME in Taiwan to be certified with the carbon footprint and carbon neutral labels. Instead of investing in advertisements, we invest in all sorts of certifications from third parties to increase consumers' identification with our products.



**Figure 54 The 4 aspects of O'right's green concept**

**Table 35 Overview of carbon inventory stages**

Stage	Description
Stage 1: Ingredient acquisition	1. Procure non-toxic, safe organic ingredients to facilitate organic farming development, foster local organic agricultural industry and reduce shipping carbon emissions. 2. Extract active plant-based ingredients with supercritical extraction technology to greatly improve product efficacy.
Stage 2: Manufacturing	1. Use green energy generated from solar and wind power for manufacturing. 2. Equipped with class 10,000 cleanrooms with a cfu limit of below 100. 3. Equipped with a PCW system to save energy. 4. Implement water recycling systems.

Stage 3: Delivery/sales	<ol style="list-style-type: none"> <li>1. Encourage customers to follow the minimum order quantity to reduce carbon emissions generated during shipping.</li> <li>2. Replace expanded polystyrene foam with eco-friendly air cushions for packing.</li> </ol>
Stage 4: Consumer use	<ol style="list-style-type: none"> <li>1. Encourage customers to install heat exchanging systems to reduce power consumption.</li> <li>2. Develop eco-friendly easy-rinse shampoo products to decrease amount of water used for rinsing.</li> <li>3. Plant indoor plants to purify the air.</li> </ol>
Stage 5: Waste recycling	Establish B2B2C recycling models for packaging.

We consider the environmental impact of each life cycle during product design and development stages. We also strive to improve our product designs, set carbon reduction goals and established an energy management system.

From the carbon footprint inventory results, we keep track of the impact on the environment throughout the entire life cycle of each product. As a green enterprise, we adopt greenhouse gas emissions reduction measures and participate in the Carbon Neutral Product Plan by the Environmental Protection Administration to achieve carbon neutrality through carbon reduction and buying carbon offsets. As a result, we obtained the declaration of achievement of carbon neutrality in line with BSI standards. Thus, the world's first shampoo to achieve carbon neutrality was born.



In terms of product development, following our innovative biodegradable Tree in a Bottle, we developed the 100% renewable shampoo bottle made from recycled plastics in 2016. As for water footprint, we also improved the rinseability and shortened the time of rinsing of our formulations so as to minimize water consumption.



In addition, in 2016, we completed the inventory on factory greenhouse gas emissions and set goals while searching for ways to reduce our carbon emissions. As proven from our green practices and actions, we take great strides to go green from the inside out.

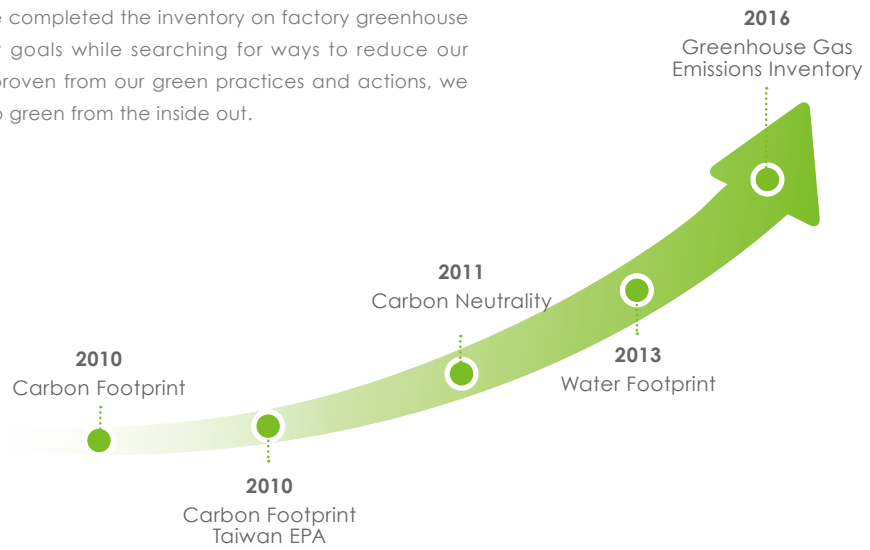


Figure 55 Labels and certifications

## Chapter 4

# Green Impacts: Towards a Partnership for a Sustainable Future

For a long time, European brands have dominated the hair care market in Taiwan. O'right chose to pursue a different path, steering away from current trends to create a green brand based on the philosophy of Natural, Pure and Eco-friendly. For our business operations, we rely solely on solar and wind power and other renewable energy for power generation to reduce waste and carbon during product design and manufacturing processes. We make it our responsibility to promote green education and stick to our promise of being a good enterprise that benefits the wellbeing of humans, the environment and society. O'right may be a small business with little capital, but we are definitely a model enterprise among Taiwan SMEs! Our commitment to green innovation led us to receiving consulting services from the Project of International Green Supply Chain Consulting for SMEs by the Small and Medium Enterprise Administration of the Ministry of Economic Affairs. The Project aims to assist SMEs with international green products and greenhouse gas emissions reduction goals.

- 4.1 Green investments
- 4.2 Impacting our green supply chain
- 4.3 Giving the hair care industry a green makeover
- 4.4 Giving education a green makeover





On June 4, 2009, the Environmental Protection Administration held an awarding ceremony for Taiwan product carbon footprint label. The then-Premier of the Executive Yuan Wu Den-yih awarded 5 enterprises and 7 products with the honor. Among the companies, including AU Optronics Corporation, BenQ Corporation, HeySong Corporation and Taisun Enterprise Co., Ltd., O'right was the only SME. That being said, we pride ourselves on being industry leaders in green innovation.

Green thinking is the core of our company. We endorse using green knowledge and technology in cosmetics, from business operations, product development, service marketing and corporate social responsibility, to create a green value chain. We include all stakeholders with the aim to show them the importance of environmental protection and gather public strength to fully think green.

## 4.1 Green investments

Our commitment to a better tomorrow can be seen in our environmental and social investments. Since the establishment of the Green Headquarters, we have invested more than NTD360 million in various energy-saving facilities, waste treatment facilities, advanced extraction devices, and many other green investments. In just 2016 alone, we spent over NTD54 million on product research and development, laboratory renovations, environmental activities, environmental maintenance, and CSR report verifications, etc. From a financial viewpoint, these are all expenses; but if we look at these figures from an environmental and social point of view, they are investments worth every penny. As a green enterprise, we are making a difference, and that's what counts!

### Green accounting

Environmental accounting is also known as green accounting. It is a field that identifies resource use, measures and communicates costs of a company's economic impact on the environment. Green accounting allows companies to think beyond the economics they gave little consideration to in the past and to quickly assess how they can improve in the future. Since 2014, O'right has adopted green accounting to measure our company's environmental costs.

### Our corporate social responsibility perspective

In addition to the cost of supplies and labor, we also take into consideration the social and ecological costs that our products bring. In other words, aside from corporate, employee, client, and stakeholder benefits, we place a bigger importance on social and ecological benefits.

Table 36 O'right's green investments in 2016

Unit: NTD (New Taiwan Dollars)

2016	Capital expenditure	Current expenditure	Total
Business operating <sup>1</sup>	0	1,447,388	1,447,388
Upstream and downstream supply chain <sup>2</sup>	0	49,716,819	49,716,819
Management activities <sup>3</sup>	0	1,408,322	1,408,322
Research and development <sup>4</sup>	0	0	0
Social activities <sup>5</sup>	0	1,073,494	1,073,494
Loss and remediation <sup>6</sup>	0	0	0
Fees and taxes <sup>7</sup>	0	238,483	238,483
Total	0	53,884,506	53,884,506

<sup>1</sup> Expenditures on pollution prevention, global environmental protection and resource circulation.

<sup>2</sup> Expenditures on green procurement, resource recycling, environmental protection promotion and product services, packaging and containers.

<sup>3</sup> Expenditures on environmental protection training, verification and certifications, environmental monitoring and measurements, handling of environmental impacts and environmental protection insurance.

<sup>4</sup> Expenditures on development of environmentally-friendly products, product sales and environmental impact assessments.

<sup>5</sup> Expenditures on the protection of the natural environment and forests, donations to environmental charity events in communities, donations to environmental groups and announcements and promotions of environmental information.

<sup>6</sup> Expenditures on environmental solutions, compensations, reimbursements, punishments, lawsuits, urban landscape and quality of living environment.

## 4.2 Impacting our green supply chain

After gathering the opinions of managers from each department and further discussion, 12 types of stakeholders were chosen: shareholders, consumers, distribution channel clients, distributors, employees, suppliers, subcontractors, government, communities, non-government organizations, banks and media (in order of importance). Engagement and communication with the former six types of stakeholders was first initiated. Chapter 4.3 explores the engagement and communication with shareholders, consumers, distributors, employees and suppliers can be found in Chapter 4.3. Distribution channel clients (i.e., hair salon partners) have a more direct relationship with O'right, and also play an important role in affecting consumers. Therefore, engagement and communication with salon clients are more complex, and will thus be explained in detail in Chapter 4.4.

### 4.2.1 Advocate for green investments

Since we embarked on this green journey 10 years ago in 2006, we have attracted investments of up to 183 million NTD from outside investors such as CDIB CME Fund and CDIB Capital Group. O'right is the first company in Taiwan to request outside investors to sign a corporate social responsibility declaration every year. In the future, outside investors will be asked to implement a socially responsible investing approach to put O'right's green power to good use.

### 4.2.2 Make green consumption the new trend

O'right understands that consumers need to be influenced from the following aspects to increase consumer awareness of green products and cultivate green consumers.

#### Products

Create eco-friendly designs such as Tree in the Bottle, Moso bamboo caps and FSC certified paper boxes and develop eco-friendly formulas such as 8 Free (See 3.1.1), coffee oil extracted from coffee grounds and organic certified ingredients. The greener the products consumers get, the higher the possibility of raising their green awareness.

#### User experience

O'right products have been proven to be easy to rinse, easy to blow dry, water and energy efficient. The efficacy and results our products deliver can be felt with each use.

#### Events

O'right holds or co-hosts large environmental events every year including: (1) Earth Hour; (2) Coastal Cleanup; and (3) Plant a Tree.



Table 37 The green actions of international distributors

International distributors	Green practices
Italy	<ul style="list-style-type: none"> <li>Use eco-friendly boxes and paper towels</li> <li>Install energy-efficient lighting and power supply systems</li> <li>Install water dispensers to reduce plastic bottle waste</li> <li>Encourage waste sorting</li> <li>Promote eco-friendly concepts to hair salons</li> <li>Establish the minimum order quantity and use diesel delivery trucks</li> <li>Support child welfare institutions</li> <li>Join Earth Hour</li> <li>Promote the sustainability concepts of O'right</li> </ul>
Ukraine	<ul style="list-style-type: none"> <li>Use FSC certified tissue paper and recycled paper for printing</li> <li>Place various plants in the office</li> <li>Work with delivery companies to avoid shipping emissions</li> <li>Organize annual trips for staff and arrange tree planting events</li> </ul>
Poland	<ul style="list-style-type: none"> <li>Reuse O'right containers and boxes</li> <li>Use FSC certified tissue paper and printing paper</li> <li>Use second-hand facilities</li> <li>Install LED lighting</li> <li>Classify wastes</li> <li>Establish a minimum order quantity policy</li> <li>Work with delivery companies certified by ISO 14001:2004</li> <li>Join local environmental events such as Earth Hour, Eco Navigator and Eco Bazaar</li> <li>Hold one-day styling events for female cancer patients</li> <li>Join Earth Hour</li> <li>Promote the sustainability concepts of O'right</li> </ul>
Lithuania	<ul style="list-style-type: none"> <li>Install energy-efficient lighting</li> <li>Join Earth Hour</li> <li>Promote the sustainability concepts of O'right</li> </ul>
Philippines	<ul style="list-style-type: none"> <li>Separate and recycle wastes</li> <li>Recycle all empty oxidizing emulsion cream bottles</li> <li>Share eco-friendly concepts and measures with hair salons and hairdressers</li> <li>Sponsor a concert performed by an orchestra for vulnerable and disadvantaged groups</li> <li>Promote reading plans at 200 public elementary schools in Manila</li> <li>Join Earth Hour</li> </ul>

United Kingdom	<p>Provide fair trade food and drinks, FSC certified tissue paper, double-sided printing paper and biodegradable air cushion packaging</p> <p>Research the feasibility of solar power plants</p> <p>Reduce water consumption</p> <p>Use carbon-neutral cars for shipping</p> <p>No fence designs</p> <p>Separate and recycle wastes</p> <p>Spread the word about green concepts</p> <p>Join Earth Hour</p>
Austria	<p>Use 100% recycled printing paper and cardboard boxes</p> <p>Provide fair trade coffee, organic food and eco-friendly office stationery</p> <p>Use FSC certified tissue paper</p> <p>Use eco-friendly detergents and cosmetic products</p> <p>Install LED lighting and do not use air conditioning systems</p> <p>Use water saving devices</p> <p>Participate in tree planting events and encourage hair salons to build vertical gardens</p> <p>Separate wastes</p> <p>Create a green association with hairdressers and consumers to promote environmental protection</p> <p>Establish a minimum delivery quantity and use biofuel cars for shipping</p> <p>Join Earth Hour</p> <p>Co-organize Earth Hour 2015 events in Austria and tree planting activities</p> <p>Donate hair to help children with cancer</p> <p>Support local environmental events such as urban farming, community gardening, and The Children's Garden and promote environmental education, sustainable practices, and environmental protection</p> <p>Share green concepts on Facebook</p> <p>Promote the sustainability concepts of O'right</p>
Malaysia	<p>Join Earth Hour</p> <p>Participate in tree planting events</p> <p>Promote the sustainability concepts of O'right</p>
Singapore	<p>Join Earth Hour</p> <p>Participate in tree planting events</p> <p>Promote the sustainability concepts of O'right</p>
Denmark	<p>Join Earth Hour</p>

	Participate in tree planting events Promote the sustainability concepts of O'right
Belarus	Join Earth Hour Promote the sustainability concepts of O'right
Netherlands	Join Earth Hour Support cancer funds Promote the sustainability concepts of O'right
Belgium	Join Earth Hour Promote the sustainability concepts of O'right
Bulgaria	Join Earth Hour Promote the sustainability concepts of O'right
Korea	Join Earth Hour Promote the sustainability concepts of O'right Conserve energy in daily life Take public transportation Bring their own cups instead of paper cups
Canada	Promote the sustainability concepts of O'right Separate wastes
Japan	Promote the sustainability concepts of O'right Separate wastes
Germany	Promote the sustainability concepts of O'right Join Earth Hour
Sweden	Promote the sustainability concepts of O'right Use eco-friendly goods
Estonia	Promote the sustainability concepts of O'right Turn off unnecessary lights
Finland	Promote the sustainability concepts of O'right Separate wastes
Russia	Promote the sustainability concepts of O'right Use eco-friendly goods

#### 4.2.4 Green together

For staff, we also view green practices for the body and soul as motivations in the workplace. The fruitful benefits cannot be measured in money.

##### Organic meals

Our Organic Vegetable Cafeteria provides staff with fresh seasonal fruit and vegetables picked from local farms, toast and bread made from local bakeries and delicious soup to enjoy (See 2.4.3). Staff is divided into groups that take turns preparing the food and washing the dishes every day.

##### Cleaning

Every Friday the entire staff at Green Headquarters is divided into groups, each responsible for cleaning up a certain area. Our aim is for employees to develop good habits in the workplace and subsequently do the same at home or in local communities.

##### Family day and visits

We hold annual family days where we invite family members and friends of employees to visit our Green Headquarters and have fun. Chairman Steven Ko also arranges for visits to employees' homes to thank their parents while not forgetting to promote our green concepts, further spreading our green impact to more people.

##### Environmental events

Every year we hold or co-host environmental events, inviting employees to join at their will as a means to encourage them to go green in their daily life. Employees who take part in charity events are granted a volunteer day off as a show of gratitude.

#### Build green habits in daily life

The Earth Hour t-shirt is made from eco-friendly materials of spent coffee grounds. Since coffee grounds can remove odor, they do not need to be carbonized under high temperature. Therefore, carbon emission is reduced during the manufacturing process of coffee fiber. What's more, coffee fiber also contains quick-drying and UV-protecting properties. By using coffee fiber, we are creating new value to coffee waste and helping to cut down the amount of waste as a consequence of excessive consumption. Employees are each given an Earth Hour t-shirt to wear to work. Its lightweight, breathable material is cool and comfortable to wear while also benefiting the environment. Wear the Earth Hour t-shirt and show everyone that looking good in green is possible.





#### 4.2.5 Green suppliers

Supplier cooperation plays an important role in the creation of green products. Only with O'right's commitment and suppliers' efforts can the world's greenest hair care product be born. To incorporate suppliers into our green supply chain, an investigation must be carried out before officially forming a partnership between each department and suppliers. Investigation should cover technical skills, supplier capacity and quality assurance. In 2014, social and environmental aspects were added, which meant that anything related to workers, environmental protection and corporate social responsibility should be investigated.

Starting from 2015, new suppliers were required to sign a Supplier Declaration on Corporate Social Responsibility Code of Conduct, inviting suppliers to be a part of the sustainable industry and our green supply chain. Since 2016, 71 Declarations were signed by raw material suppliers and 1 O'right Declaration on Corporate Social Responsibility Code of Conduct is owned by the Green E-commerce Alliance.

Regarding our supplier management process, for first-time partners, we propose a Supplier Assessment Form, which focuses on aspects such as environmental protection, compliance with labor laws, social engagement/involvement and corporate social responsibility practices. Suppliers are assessed based on the above aspects by the development, product quality assurance and procurement departments to determine whether they meet our company requirements. They are also evaluated each year on quality, delivery time, price and service. If a supplier is deemed unqualified, we will terminate our partnership.

Suppliers that we work with can take action for our planet and demonstrate the economic benefits of green business opportunities. Let's look at the numbers. Green raw material and material suppliers, green material suppliers and green raw material suppliers account for 82.09%, 100% and 67.57%, respectively. Moreover, all suppliers have to provide a material safety datasheet.

O'right holds supplier conferences to promote issues on corporate social responsibility, selection criteria of cosmetic raw materials, procurement policy of

green materials, procurement strategies and quality policies, etc. All suppliers of O'right are required to sign the Supplier Declaration on Corporate Social Responsibility Code of Conduct and the Green E-commerce Alliance has agreed to sign the O'right Declaration on Corporate Social Responsibility Code of Conduct. The Declarations cover issues on child labor as well as human rights, occupational safety, public safety, anti-corruption and energy saving and carbon reduction.

Supplier conferences officially promote our requirements for green raw materials. In 2015, we began evaluating suppliers each season to ensure that we are receiving quality materials to build our end products through supplier audits. The audit results are then recorded in a form. We also provide environmental education courses to suppliers and invite them to attend courses related to carbon, water and environmental footprints to get a better insight into environmental issues.\*

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\* We urge suppliers to be firmly against the use of child labor and discrimination, follow working time and salary standards, promote occupational safety, public health, sewage and waste treatment, harmful substance control, energy-efficient resources, fair commercial activities and set ethical management practices and information disclosure protocol. The Declaration covers human rights, occupational safety, public safety, anti-corruption and energy saving and carbon reduction issues. By signing a mutual agreement with suppliers and the Green E-commerce Alliance, we are making a promise of sustainability to consumers and the public. We encourage suppliers to create a green supply chain that allows the society and land to co-exist in harmony for a vision of a better and brighter tomorrow.

#### 4.2.6 Role model of green suppliers

Great Printing Limited and Co.: Great Printing is the main supplier of O'right's paper boxes and various promotional goods. O'right insists on using FSC certified paper and soy-based printing ink. To change printing inks, suppliers need to clean the printing machine thoroughly, which is incredibly time and labor-consuming. Therefore, most suppliers are reluctant to do so. So we took money from our own pockets to cover the cleaning fee, just so we can use eco-friendly printing ink. In addition, we become one of the few companies to use FSC certified paper. Great Printing exclaimed that they have O'right to thank for them connecting to eco-friendly printing. The company is now known as a major FSC certified printing paper supplier in Taiwan.

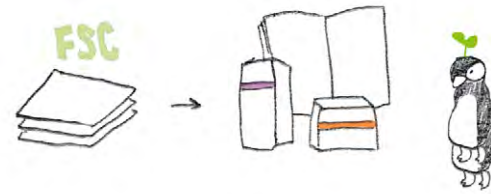


Figure 56 Great Printing Limited and Co.

Zhou Hong Co., Ltd.: To make our bottles even eco-friendlier, we introduced the Tree in the Bottle made from biodegradable PLA materials. During the initial stage of design, we spent a lot of time and effort trying to understand the properties and composition of biodegradable materials. This was the biggest challenge we came across in the beginning. So, in order to make mass production possible, and at the same time achieve biodegradable and product ingredient protection goals, we tried various different compositions and eventually chose the perfect blend of PLA and PBS to produce our Tree in a Bottle products.

With over 10 years of partnership with Zhou Hong,

we began developing the PLA bottle in 2011. The manager of Zhou Hong, Mr. Wang, really likes a challenge, so during the entire development process, he invested a lot of time and effort. For example, a bottle is generally printed with oil-based colors; but plant-based paint is used for the Tree in the Bottle. As such, before production, the whole machine needs to be thoroughly cleaned and washed each time. Mr. Wang emphasized that, it is because of Steven's trust in him that willed him to make a breakthrough and push past technical limits to create this unique bottle. He believes that mutual trust is extremely important in a successful partnership.



Figure 67 Tree in the Bottle Shampoo

Any form of confidential information or trade secret specified in the confidentiality agreement shall not be disclosed or made public in any way to a third party. Suppliers shall not use such information for personal interest or the interest of others. Products provided by suppliers shall not in any way violate intellectual property rights of others or third party rights or other profit-driven unlawful acts. Suppliers are responsible for protecting the goods provided by O'right and understand that the goods cannot be used or given to a third party.

### 4.3 Giving the hair care industry a green makeover

Hair and beauty salons are an important part of the fashion industry. In the early days, most salons do not focus on creating a suitable atmosphere in stores because customers, salon owners and hairdressers think of salons as just a place to get someone's hair done. As a result, professional hairdressers are also being taken for granted.

O'right is deeply aware that to raise environmental awareness, being a green hair care brand is simply not enough. Hairdressers have the advantage of being able to directly interact and connect with consumers. Therefore, they are the key to making a huge impact. It's simple. The consumer behavior in the hair industry is different to that in other industries. Even if customers are paying to just get their hair washed, it takes more than half an hour for hairdressers to finish their work. Hairdressers have the chance to communicate and chat with customers as well as promote green awareness. For this to be possible, the first thing that has to be done is to give the hair care industry a makeover. Hence, the Sight the New Age Salons was created. If we want to delve into O'right's efforts in greening up the hair care industry, this is the event that pushed us a big step towards that goal.



## 4.4 Giving environmental education a green makeover

Ever since establishing ourselves as a green brand, O'right has constantly strived to pursue growth in ourselves and the society in hopes of building a greener and better world. For O'right, this the true value of an enterprise and also the essence of social responsibility.

### 4.4.1 Social education

#### Visits to the Green Headquarters

O'right Green Headquarters is not your typical factory. It is a building well-integrated with nature that aims to co-exist with the environment. Since its completion in June 2012, the Green Headquarters has welcomed numerous visitors from well-known enterprises, organizations, universities, hair salons, and environmental groups. During the 2-3-hour tour, visitors are taken on an enriching tour of our headquarters and are provided with the latest environmental news and introduced to various eco-friendly facilities and practices. Through this educational experience, we hope to raise environmental awareness as well as make an impact on more people. In 2016, a total of 926 organizations, 127 groups and 3,200 people visited our Green Headquarters.

#### Green innovations

O'right's innovative green management strategies are widely praised by government units, educational and academic institutions, organizations, and companies. As a result, Chairman Steven Ko, Vice General Manager Michael Chang, and Director of the Brand Design Department Bridge Liu are constantly receiving invitations to give speeches and share their experiences. Up until 2016, O'right has given more than 115 public speeches. Steven Ko has also served as a lecturer for National Taipei University of Technology, National Chung Hsing University, College of Management of National Chiao Tung University, Department of Business Administration of Soochow University, Executive Master of Business Administration (EMBA) of National Chengchi University, EMBA of National I-Lan University, Fu-Jen Textiles and Clothing, and many others. By sharing O'right's journey and experiences, we hope that we can motivate and encourage more enterprises to engage in green practices and introduce students to our green hair care products.



**Table 38 Lectures by supervisors**

Organization	Topic
Schools and enterprises	The history of O'right
	Plastic reduction seminar
	Promote social corporate concepts and products
	The implementation of cradle to cradle
	Winners of the Taiwan Excellence Award
	Green innovation and brand marketing
	Taiwan International Beauty Show & Industry Forum
	The implementation of corporate green innovations
	The development of green innovative corporations
	Green brand and innovative marketing forum
	Corporate health and innovation forum
	Green trade opportunities seminar
	Operating seminar
	International anti-corruption day: National land protection and corporate integrity
Green corporate sustainable energy	
Overseas	Social corporate forum
	Social responsibility and sustainable business
	Sustainable Cosmetics Summit in HK

**Family Day**

On Family Day, families of staff are invited to the headquarters where they experience an eco-friendly lifestyle and learn about environmental practices through various energy-efficient and low-carbon measures. We believe it is important to spread environmental awareness not only among staff but also among families. Let's green up together—the more, the merrier!



**Figure 68 Family day**



### Family Day

Each year Chairman Steven Ko pays visits to staff members' homes to show appreciation for families' support as well as spread the word of O'right's green concepts.



### Good neighbor day

In order to acquaint our neighbors with O'right and the Green Headquarters, we invite residents in the neighborhood on this day to our headquarters to further influence communities with our green power.

#### 4.4.2 Green publications

It's O'right Quarterly was formerly known as Eco Paper Bimonthly, which was initially published as a single piece of paper to infuse and update viewers with green concepts and information. In September 2013, in order to incorporate eco-friendly concepts into viewers' lives and promote a greener lifestyle, we switched to a quarterly schedule, changing its title to It's O'right Quarterly, which is now printed once every 3 months. It's O'right Quarterly features green cover stories on themes such as traveling, fashion, agriculture, food and beverages, home, lifestyles, and education, etc. So far 10,000 copies of this intellectual and perceptual publication have been given to 7,000 hair salons nationwide, with an estimated reader base of 3.5 million based on the average of 500 customers of salons per month.

Aiming to create a bigger influence, It's O'right Quarterly is available in Chinese and English versions for digital download on O'right's official website.



Figure 69 It's O'right Quarterly QR code

It's O'right Facebook page:

In addition to our It's O'right magazine, we launched an It's O'right Facebook page on February 13, 2015 to share articles and news about sustainability every day and to plant more green seeds. For more information, please visit <https://www.facebook.com/orightworld/>



Figure 70 It's O'right Facebook page QR Code

#### 4.4.3 Bringing universities and industries together

In 2012, O'right began to hire interns to work at our company. The main purpose is to give young students the opportunity to get to know this green hair care brand from Taiwan and get an overview of what is involved in running a business. O'right has welcomed students majoring in cosmetics, business management and business administration from National Taiwan University, National Tsing Hua University, Kaohsiung Medical University, National Taiwan University of Science and Technology and Hungkuang University to O'right.

#### 4.4.4 Green charity engagements

We did not start off on a good note in 2006. Due to shareholder turnover, O'right failed to meet the salary deadline and pay employees. However, we got back on our feet and by the end of the year we began devoting ourselves to green innovation. The following year in 2007 we contributed to environmental charity events. Since then, we have been involved in and sponsored various environmental or charity events.

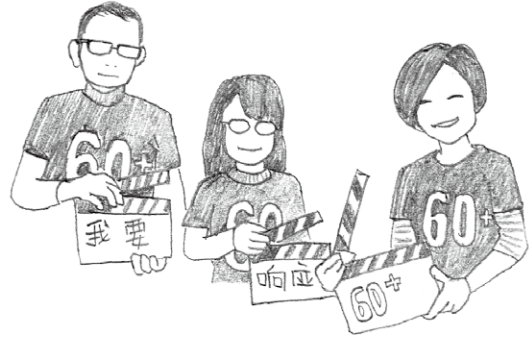
#### Social welfare institutions

Donated a total of 45 million NTD of cash and worth of products to Taiwan Fund for Children and Families, Orbis International, Taichung Kuo'an Elementary School soccer team, Pingtung Aboriginal Culture and Education Association, Eden Social Welfare Foundation, Tao Foundation and ELIV International.

#### Charity events

Sponsored the release of the book and DVD of the documentary HOME, the premiere of HOME (directed by Yann Arthus-Bertrand, 2 Degrees too High: Understanding the Copenhagen Summit; organized Coastal Cleanup, Plant a Tree; Worked with 3D film The Lorax produced by Universal Studios and donated O'right Seed Bags.





### Environmental events

Our green contributions do not end here. In 2016, we continued to strive towards a greener and carbon-free society.

#### A. Earth Hour

For 6 years, O'right has celebrated Earth Hour, a worldwide movement for the planet organized by the World Wide Fund for Nature (WWF). This year, O'right teamed up with Lamigo Monkeys and held the first sports-based Earth Hour event at the Chinese Professional Baseball League (CPBL) opening game at the International Baseball Stadium, where 20,000 baseball fans celebrated the historic moment together. Taiwan will not be absent for the world's largest environmental action to protect the earth for future generations.

This year, we had the honor of inviting the following celebrities to support and join Earth Hour and make a bigger impact to the public: (1) The entertainment industry: JJ Lin, Amber An, Sonia Sui, Mickey Huang, Kenji Wu, Crowd Lu, Della Ding, Pets Tseng, A-Lin, Matilda Tao and Lee Lee-zen; (2) Political circles: legislators Yu Wan-ru, Jiang Wan-an and Su Qiao-hui, Professional Baseball League CEO John Wu, Tainan Mayor Lai Ching-te and National Taiwan University professor Lee Hong-yuan; (3) Corporate supporters: China Development Industrial Bank, Taiwan Institute of Economic Research, Taiwan Association for Superior Service Brands, Dante Coffee, Grand Mayfull Hotel, KGI Securities, Eslite Spectrum (Dunnan, Xinyi and Songyan Stores), Order, L'Hotel de Chine Group, Les Enphants, KMPG, Lamigo Monkeys, udn.com, IC Broadcasting, SGS, 104 Corporation and 85°C Bakery Café.



### B. Plant a Tree

Since 2011, O'right began collaborating with NTU Experimental Forest to plant and adopt trees. In 2016, we kicked off the 6-year Forestation Project of adopting and planting a hectare of forest land (approximately 1,500 trees) at Xitou Nature Education Area with the help of the professional team at NTU Experimental Forest. We planted the Japanese blue oak (*Quercus glauca*), a species with a higher carbon fixation. So far, we have adopted and planted 2,660 trees and each year we continue to adopt 3.561 hectares of forest land, which helps to reduce 29,260kg of carbon dioxide emissions annually. O'right urges everyone to protect our environment through action.



### C. Coastal Cleanup

O'right joined the world's largest volunteer effort for the ocean for 6 years in a row. In 2016, we came together once again for the 6th time to hold our annual Coastal Cleanup at the coastal shores of Yongan Fishing Harbor located in Taoyuan. A total of 136 people, including the staff and family members of O'right, bent down to pick up trash off the beach, which resulted in the collection of 402kg of marine litter and reduction of 828kg of carbon emissions. With this outcome, we helped plant 75 20-year-old trees on earth.



Table 39 Carbon achievements through green charity engagements in 2016

<p>Earth Hour<sup>8</sup></p>	<p>In 2016, Earth Hour Taiwan saved 80,000kWh of power and achieved <b>51,040 kg</b> of carbon reduction, equal to planting <b>4,640 trees</b>.</p> <p>From 2014 to 2016, a total of <b>206,000kWh</b> of power was saved and <b>117,380kg</b> of carbon was reduced, equal to <b>10,671 trees</b>.</p>
<p>Plant a Tree<sup>9</sup></p>	<p>In 2016, <b>1,500 trees</b> were planted and a total of <b>16,500 kg</b> of carbon emissions was reduced.</p> <p>From 2011 to 2016, <b>2,660 trees</b> were planted and a total of <b>72,204 kg</b> of carbon emissions was reduced.</p>
<p>International Coastal Cleanup<sup>10</sup></p>	<p>In 2016, <b>402 kg</b> of litter was picked up from the beach, which helped reduce <b>828 kg</b> of carbon emissions and plant <b>75</b> 20-year-old trees.</p> <p>From 2015 to 2016, <b>757 kg</b> of litter was picked up from the beach, which helped reduce <b>1,559 kg</b> of carbon emissions and plant <b>142</b> 20-year-old trees.</p>

<sup>8</sup> Source: Bureau of Energy, Ministry of Economic Affairs, R.O.C.

The electricity emission factor of Taiwan was 0.638kg in 2016.

A 20-year-old tree absorbs 11-18 kg of CO<sub>2</sub>. The calculation is based on the lowest carbon absorption of 11 kg as tree seedlings were planted instead of grown trees

<sup>10</sup> A 20-year-old tree absorbs 11-18 kg of CO<sub>2</sub>. The calculation is based on the lowest carbon absorption of 11 kg as tree seedlings were planted instead of grown trees

(Source: Bureau of Energy, Ministry of Economic Affairs)

<sup>11</sup> According to the carbon footprint inventory data on renewable materials by the Recycling Fund Management Board, a reasonable resource recycling rate can help greatly reduce the amount of trash. Every kg of trash reduced is 2.06kg less of carbon emissions released.

# Appendix 1

## GRI G4 Sustainability Reporting Guidelines

### General Standard Disclosures

GRI-4 standard	Disclosure title	Location of disclosure	Note	External assurance
G4-1	Provide a statement from the most senior decision-maker of the organization	Letter from our Chairman		
<b>Organizational Profile</b>				
G4-3	Report the name of the organization	1.1		
G4-4	Report the primary brands, products, and/or services	1.2; 1.5		
G4-5	Report the location of organization's headquarters	2.2		
G4-6	Report the number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	1.1; 1.5		
G4-7	Report the nature of ownership and legal form	1.3		
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries)	1.5		
G4-9	Report the scale of the reporting organization	1.3		
G4-10	Report the total number of employees by employment type, contract, region and gender	1.6		

G4-11	Report the percentage of total employees covered by collective bargaining agreements	-	We do not have a collective agreement with employees' representatives; employee rights and benefits are bound by an employment agreement	
G4-12	Describe the organization's supply chain	Chapter 3		
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership or its supply chain		No significant changes	
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization		O'right is a sustainable business that participates in green activities and creates green products with minimal environmental impact	
G4-15	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses			
G4-16	List memberships of associations and national or international advocacy organizations	1.1.1		
<b>Identified Material Aspects and Boundaries</b>				
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>	1.4.2	This Report discloses information about O'right; no other subsidiaries or affiliates are involved	

G4-18	report content and the Aspect Boundaries and how the organization has implemented the Reporting Principles for Defining Report Content	About Our Green Report on Corporate Sustainable Responsibility		
G4-19	List all the material Aspects identified in the process for defining report content	About Our Green Report on Corporate Sustainable Responsibility		
G4-20	For each material Aspect, report the Aspect Boundary within the organization	About Our Green Report on Corporate Social Responsibility		
G4-21	For each material Aspect, report the Aspect Boundary outside the organization	About Our Green Report on Corporate Social Responsibility		
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements		No restatements	
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries		No significant changes	
<b>Stakeholder Engagement</b>				
G4-24	Provide a list of stakeholder groups engaged by the organization	About Our Green Report on Corporate Social Responsibility		
G4-25	Report the basis for identification and selection of stakeholders with whom to engage	About Our Green Report on Corporate Social Responsibility		
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	About Our Green Report on Corporate Social Responsibility		



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	Our Green Report on Corporate Social Responsibility		
<b>Report Profile</b>				
G4-28	Reporting period for information provided	About Our Green Report on Corporate Social Responsibility		
G4-29	Date of most recent previous report		December 2016	
G4-30	Reporting cycle	About Our Green Report on Corporate Social Responsibility		
G4-31	Provide the contact point for questions regarding the report or its contents	About Our Green Report on Corporate Social Responsibility		
G4-32	<p>a. Report the "in accordance" option the organization has chosen</p> <p>b. Report the GRI Content Index for the chosen option</p> <p>c. Report the reference to the External Assurance Report, if the report has been externally assured</p>	About Our Green Report on Corporate Social Responsibility		
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report	About Our Green Report on Corporate Social Responsibility		
<b>Governance</b>				
G4-34	Report the governance structure of the organization, including committees of the highest governance body	1.3.1		

Ethics and Integrity				
G4-35	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	1.6		

## Specific Standard Disclosures

GRI-4 standatd	Disclosure title	Location of disclosure		Note	External assurance
<b>Economic</b>					
<b>Economic Performance</b>					
DMA	Disclosure on management approach	1.3; 1.6			
G4-EC1	Direct economic value generated and distributed				
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	Letter from Our Chairman			
G4-EC3	Coverage of the organization's defined benefit plan obligations	1.6			
G4-EC4	Financial assistance received from government	1.4.2			
<b>Market Presence</b>					
DMA	Disclosure on management approach	1.2			
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	1.6			
<b>Indirect Economic Impacts</b>					
DMA	Disclosure on management approach	1.3.2			

G4-EC8	Significant indirect economic impacts, including the extent of impacts				
<b>Environmental</b>					
<b>Materials</b>					
DMA	Disclosure on management approach	3.1; 3.3			
G4-EN1	Materials used by weight or volume	3.3			
G4-EN2	Percentage of materials used that are recycled input materials	3.3			
<b>Water</b>					
DMA	Disclosure on management approach	2.4			
G4-EN8	Total water withdrawal by source	2.2; 2.4			
G4-EN10	Percentage and total volume of water recycled and reused	2.4			
<b>Biodiversity</b>					
DMA	Disclosure on management approach	2.4.1			
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	2.1; 2.2	We have not looked deep into the impacts on biodiversity; however, our plant is constructed in accordance with green building labels and has obtained the Gold-level Green Building Certification		

Emissions					
DMA	Disclosure on management approach				
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1)	3.7			
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	3.7			
G4-EN18	Greenhouse gas (GHG) emissions intensity	3.7			
G4-EN19	Reduction of greenhouse gas (GHG) emissions	3.7			
Effluents and Waste					
DMA	Disclosure on management approach	2.4.3			
G4-EN22	Total water discharge by quality and destination	2.4.3	Industrial waste is discharged into eco ponds after regulation and precipitation; wastewater eventually becomes habitats of aquatic plants or goes back underground. Therefore, we do not have any statistics on the amount of wastewater discharged		
G4-EN23	Total weight of waste by type and disposal method	2.4.3			
Products and Services					
DMA	Disclosure on management approach	3.6			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services	3.6; 3.7.1			

Compliance					
DMA	Disclosure on management approach				
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	1.8			
Transport					
DMA	Disclosure on management approach	3.5			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	3.5	We did not calculate the original shipping emissions; instead we calculate the amount of carbon reduced from the reduced number of trips		
Overall					
DMA	Disclosure on management approach	1.1			
G4-EN31	Total environmental protection expenditures and investments by type	4.1			
Supplier Environmental Assessment					
DMA	Disclosure on management approach	4.2.5			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	3.3			
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	4.2.5			

Environmental Grievance Mechanisms					
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms			No grievances relating to the environment were filed within the report period	
Social					
Labor Practices and Decent Work					
Employment					
DMA	Disclosure on management approach	1.6			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	1.6			
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	1.7			
G4-LA3	Return to work and retention rates after parental leave, by gender	1.7		No employee requested for an unpaid parental leave in 2012; thus, no one returned to work after leave	
Labor/Management Relations					
DMA	Disclosure on management approach	1.6			
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements			We set minimum notice periods regarding operational changes in accordance with the Labor Standards Act to protect employee rights	



Occupational Health and Safety					
DMA	Disclosure on management approach	1.6			
G4-LA5	Percentage of total workforce presented in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs	1.3			
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities, by region and by gender	1.6			
Training and Education					
DMA	Disclosure on management approach	1.7			
G4-LA9	Average hours of training per year per employee by gender, and by employee category	1.7			
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in management career endings	1.7			
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	1.7			

Diversity and Equal Opportunity					
DMA	Disclosure on management approach	1.6			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	1.6			
Labor Practices Grievance Mechanisms					
DMA	Disclosure on management approach	1.6			
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms		No grievances about labor practices were filed within the report period		
Human Rights					
Non-discrimination					
DMA	Disclosure on management approach	1.6			
G4-HR3	Total number of incidents of discrimination and corrective actions taken	1.6	No incidents of discrimination occurred within the report period		
Child Labor					
DMA	Disclosure on management approach	1.6.8			
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	1.6.8; 4.2.5			

Forced or Compulsory Labor					
DMA	Disclosure on management approach	1.6; 4.2.5			
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	1.6; 4.2.5			
Anti-competitive Behavior					
DMA	Disclosure on management approach				
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes				
Compliance					
DMA	Disclosure on management approach	1.8			
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	1.8			
Product Responsibility					
Customer Health and Safety					
DMA	Disclosure on management approach	3.6			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	3.6			

G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes		We are responsible for providing consumers and the environment the most eco-friendly products; there has been no incidents of non-compliance with health and safety regulations		
OR1	Percentage of suppliers that use organic raw materials	4.2.5			
OR2	Percentage of suppliers that supply material safety data sheets	4.2.5			
OR3	Equipped with a laboratory or product testing facilities and items	1.3 3.1.1 Letter from Our Chairman			
<b>Product and Service Labeling</b>					
DMA	Disclosure on management approach	3.6.1			
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	3.6.1			

G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	1.8			
G4-PR5	Results of surveys measuring customer satisfaction	3.6.2			
<b>Marketing Communications</b>					
DMA	Disclosure on management approach	1.2.2			
G4-PR6	Sale of banned or disputed products		We did not sell banned or disputed products within the report period		
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes		No incidents of non-compliance with marketing communications regulations occurred within the report period		
<b>Customer Privacy</b>					
DMA	Disclosure on management approach	3.6.2			
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		No substantiated complaints regarding breaches of customer privacy occurred within the report period		
<b>Compliance</b>					
DMA	Disclosure on management approach	1.8			

G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	1.8			
<b>Stakeholder Engagement on Sustainability</b>					
DMA	Disclosure on management approach	Chapter 4			
OR4	Number of investors who signed a sustainability declaration	4.2.1			
OR5	Number of suppliers who signed a sustainability declaration	4.2.5			
<b>Social Responsibility and Sustainability Education</b>					
DMA	Disclosure on management approach	4.4			
OR6	Number of people who participated in environmentally-friendly events held by O'right	4.4.4			
OR7	Number of environmentally-friendly events relating to hair care held by O'right	4.2.3			
		4.3			
		4.4.3			
		4.4.4			
OR8	Number of senior executives who gave green education lectures externally	4.4.1			
OR9	Number of people and organizations that visited O'right Green Headquarters	4.4.1			



## Appendix 2

# Third Party Guarantee Declaration



## ASSURANCE STATEMENT

### SGS TAIWAN LTD.'S REPORT ON SUSTAINABILITY ACTIVITIES IN THE (Hair O'right International Corporation's CORPORATE SOCIAL RESPONSIBILITY REPORT) FOR (2016)

#### NATURE AND SCOPE OF THE ASSURANCE/VERIFICATION

SGS Taiwan Ltd. (hereinafter referred to as SGS) was commissioned by Hair O'right International Corporation. (hereinafter referred to as O'right) to conduct an independent assurance of the Corporate Social Responsibility Report for 2016 (hereinafter referred to as CSR Report). The scope of the assurance, based on the SGS Sustainability Report Assurance methodology, included the text, and data in accompanying tables, contained in this report.

The information in O'right's CSR Report of 2016 and its presentation are the responsibility of the directors or governing body (as applicable) and the management of O'right. SGS has not been involved in the preparation of any of the material included in O'right's CSR Report of 2016.

Our responsibility is to express an opinion on the text, data, graphs and statements within the scope of verification with the intention to inform all O'right's stakeholders.

The SGS protocols are based upon internationally recognized guidance, including the Principles contained within the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2013) for accuracy and reliability and the guidance on levels of assurance contained within the AA1000 series of standards and guidance for Assurance Providers.

This report has been assured using our protocols for:

- evaluation of content veracity at a moderate level of scrutiny for O'right and moderate level of scrutiny for subsidiaries, and applicable aspect boundaries outside of the organization covered by this report;
- AA1000 Assurance Standard (2008) Type 2 evaluation of the report content and supporting management systems against the AA1000 Accountability Principles (2008); and
- evaluation of the report against the Global Reporting Initiative Sustainability Reporting Guidelines (G4 2013).

The assurance comprised a combination of pre-assurance research, interviews with relevant employees, superintendents, CSR committee members and the senior management in Taiwan; documentation and record review and validation with external bodies and/or stakeholders where relevant. Financial data drawn directly from independently audited financial accounts has not been checked back to source as part of this assurance process.

#### STATEMENT OF INDEPENDENCE AND COMPETENCE

The SGS Group of companies is the world leader in inspection, testing and verification, operating in more than 140 countries and providing services including management systems and service certification; quality, environmental, social and ethical auditing and training; environmental, social and sustainability report assurance. SGS affirm our independence from O'right, being free from bias and conflicts of interest with the organisation, its subsidiaries and stakeholders.

The assurance team was assembled based on their knowledge, experience and qualifications for this assignment, and comprised auditors registered with ISO 26000, ISO 20121, ISO 50001, SA8000, EICC, QMS, EMS, SMS, GPMS, CFP, WFP, GHG Verification and GHG Validation Lead Auditors and experience on the SRA Assurance service provisions.

#### **VERIFICATION/ ASSURANCE OPINION**

On the basis of the methodology described and the verification work performed, we are satisfied that the information and data contained within O'right's CSR Report of 2016 verified is accurate, reliable and provides a fair and balanced representation of O'right sustainability activities from 01/01/2016 to 12/31/2016.

The assurance team is of the opinion that the Report can be used by the Reporting Organisation's Stakeholders. We believe that the organisation has chosen an appropriate level of assurance for this stage in their reporting. In our opinion, the contents of the report meet the requirements of GRI G4 Core Option and AA1000 Assurance Standard (2008) Type 2, Moderate level assurance.

#### **AA1000 ACCOUNTABILITY PRINCIPLES (2008) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

##### **Inclusivity**

O'right has demonstrated a good commitment to stakeholder inclusivity and stakeholder engagement. A variety of engagement efforts such as survey and communication to employees, customers, investors, suppliers, CSR experts, and other stakeholders are implemented to underpin the organization's understanding of stakeholder concerns. For future reporting, O'right may proactively consider having more direct two-ways involvement of stakeholders during future engagement.

##### **Materiality**

O'right has established effective processes for determining issues that are material to the business. Formal review has identified stakeholders and those issues that are material to each group and the report addresses these at an appropriate level to reflect their importance and priority to these stakeholders.

##### **Responsiveness**

The report includes coverage given to stakeholder engagement and channels for stakeholder feedback.

#### **GLOBAL REPORTING INITIATIVE REPORTING GUIDELINES (G4 2013) CONCLUSIONS, FINDINGS AND RECOMMENDATIONS**

##### **Principles**

The report, O'right's CSR Report of 2016, is adequately in line with the GRI G4 Core Option. The material aspects and their boundaries within and outside of the organization are properly defined in accordance with GRI's Reporting Principles for Defining Report Content. Disclosures of identified material aspects and boundaries, and stakeholder engagement, G4-17 to G4-27, are correctly located in content index and report.

##### **General Standard Disclosures**

More governance related GSDs may be further enhanced in future reports.

##### **Specific Standard Disclosures**

More disclosures on the specific actions taken to achieve CSR goals and targets are recommended.

The opinion should also include:

- Comment on the strengths of the report including examples of best practice where relevant and progress in both reporting and assurance since the last report.
- Comment on weaknesses of the report and gaps against the Global Reporting Initiative guidelines
- Comment on performance against the Global Reporting Initiative principles
- Comment on the effectiveness of the processes in place for identifying and understanding activities, performance, impacts and Stakeholder views.
- Comment on the effectiveness of processes for managing aspects of Sustainability Performance and

responding to stakeholder views, including any significant weaknesses in the underlying processes, systems and competencies.

- Comment on the potential capability of the internal processes and procedures, to ensure that all material issues are included in the accounting, auditing and reporting cycle and the completeness of the scope of the accounting, auditing and reporting cycle.
- Results against previous targets/objectives
- Recommendations for future reporting emphasis
- Recommendation for future levels of assurance
- Comments on future actions as agreed with the organisation based on the internal management report

Signed:

For and on behalf of SGS Taiwan Ltd.



David Huang, Director  
Taipei, Taiwan  
22 March, 2018  
WWW.SGS.COM



AA1000  
Licensed Assurance Provider  
000-8

## Appendix 3

# O'right Green Management System

### ISO 9001 Quality Management System:

- Natural, pure and eco-friendly.

### ISO 22716 and Voluntary Cosmetic GMP:

- Strengthen education and training
- Prevent equipment contamination.
- Manage production, quality assurance and warehousing.
- Enhance product manufacturing quality.

### ISO 50001 Energy Management System:

- Reduce energy consumption.
- Constantly increase our energy efficiency.
- Continue to invest in resources to achieve our goals.
- Comply with laws and other energy-related requirements.
- Improve energy performance in the design and maintenance of equipment.
- Procure and use high energy-efficient products and services.

### Taiwan Intellectual Property Management System (TIPS):

- Promote innovative development and avoid intellectual property infringement.
- Strengthen organizational intellectual right perceptions and capabilities.

### ISO 14001 Environmental Management System:

- Environmental impact: All company activities, products and services have minimal impact to the environment.
- Legal compliance: Compliant to national and international environmental laws and regulations, green product standards and other environmental requirements signed by the company.
- Prevention: Increase product consumption frequency and promote industrial waste reduction and recycling.
- Continuous improvement: Maintain environmental management system operations, alleviate environmental impact and lower hazard risks.
- Propaganda and communication: Implement education and training, raise employee awareness in environmental health and safety, strengthen communication between employees and representatives, suppliers, contractors or stakeholder groups and ensure employees and representatives have the time and resource to attend environmental safety and health management system activities to enhance environmental safety and health performance.

### OHSAS 18001 Occupational Health and Safety:

- Health and safety risks: The properties and scope of our company's health and safety risks are reasonable.
- Legal compliance: Compliant to national and international health and safety laws and regulations and other health and safety risk requirements signed by the company.

- Hazard prevention: Carry out risk assessment to improve the manufacturing process and lower the risks of health and safety hazards.
- Constant improvement: Maintain the operations of health and safety management systems to prevent hazards.
- Propaganda and communication: Implement education and training, raise employee awareness in environmental health and safety, strengthen communication between employees and representatives, suppliers, contractors or stakeholder groups and ensure employees and representatives have the time and resource to attend environmental safety and health management system activities to enhance environmental safety and health performance.

## Appendix 4

# O'right Green Footprints

### 2008-2009

- Received Taiwan's Excellent Brand Award
- Published Eco Paper Bimonthly
- Promoted the Green Earth Project with annual revenues hitting a new record high
- Established the International Trade Department to expand our European market

### 2010

- Certified by Product Carbon Footprint Label
- Certified by Taiwan's Carbon Footprint Label
- Expanded internationally and successfully entered the European market
- Developed the eco-friendly Fren Bag made from photolytic material
- Began construction of Asia's first GMP certified green cosmetics plant
- Certified by SGS PAS 2050 Product Carbon Footprint
- Certified by ISO 9001 Quality Management Systems
- Chairman Steven Ko made it into the list of Taiwan's Top 100 MVP Managers

### 2011

- Developed the Tree in the Bottle, the world's greenest shampoo with patents in 3 countries
- Developed the Floral Box, the world's greenest packaging embedded with seed paper
- Certified Carbon Neutral by BSI PAS 2060
- Received Taiwan's CSR Award
- Chairman Steven Ko attended the APEC summit in the United States on behalf of all Taiwan SMEs
- Received the 1st Taiwan Green Classics Award







- Selected as one of the top green brands under the Daily Supplies category in the Top Green Brands survey conducted by Business Next Magazine
- Received the Xue Xue Special Award in the Green Eco-friendly Industry category
- Received the Golden Pin Design Mark
- Ranked among the Top 100 Taiwan Innovative Enterprises by the Ministry of Economic Affairs

## 2012

- Green Headquarters awarded EEWB Gold-level Green Building Certification
- Received Taiwan's CSR Award for 2 consecutive years
- Received the 1st Environmental Sustainability Award by Taiwan SGS
- Received the National Outstanding SMEs Award
- Received the National Sustainable Development Award
- Received the Enterprise Environmental Protection Award
- Received the Industrial Sustainable Excellence Award
- Received the Green Excellence Award by Taoyuan County
- Received the Xue Xue Creative Award in the Green Industrial Design category
- Received the Model of Entrepreneurs Award
- Developed the sustainable, eco-friendly Moso Bamboo Cap which is patented in Taiwan
- Adopted the QR Code system, giving consumers complete access to product description, capabilities, and natural ingredients, etc.

## 2013

- Received the Red Dot: Best of the Best 2013
- Received the Environmental Sustainability Award by Taiwan SGS for the 2nd year
- Received the Environmental Sustainability Award by Taiwan SGS for the 2nd year
- Received the Green Excellence Award by Taoyuan County for the 2nd year
- Obtained the Cradle to Cradle certification
- Achieved ISO 22716 Cosmetics GMP certification
- Achieved SGS Water Footprint certification
- Verified by Taiwan Intellectual Property Management Systems (TIPS)
- Achieved ISO 50001 Energy Management Systems
- Received the Action Mark for Energy Saving and Carbon Reduction Excellence Award by the Executive Yuan
- Received the 3rd Taiwan Green Classics Award
- Achieved the Taiwan Voluntary Cosmetic GMP certification
- Received the Green Building Honorary Award
- Chairman Steven Ko invited as a speaker for the United Nations Sustainable Development Summit in New York
- Published It's O'right Quarterly
- Published the Triple E e-paper

## 2014

- Received the World Genius Convention Gold Medal Award
- Received the iENA Gold Medal and Green Invention Award
- Received the INPEX Gold Medal and Special Award
- Received the iF Design Award







- Received the Red Dot Awards for packaging design and social responsibility
- Received the 1st Taiwan Green Classics Award
- Received the 8th Innovative Enterprise Award and Golden Award of the Business Excellence Award by Taoyuan County
- Received the FT-Standard Chartered Taiwan Business Award
- Received the Taiwan Excellence Award
- Received the International Green Classics Award
- Received the Silver Medal at Seoul International Invention Fair
- Received the 10th CSR Award of Global Views Monthly
- Selected as one of the top green brands under the Daily Supplies category in the 2014 Top Green Brands survey conducted by Business Next Magazine
- Received the Special Innovation Award by Pure Beauty
- Certified by PAS 99 Integrated Management Systems

**2015**

- Awarded Excellence in Soil and Water Conservation
- Received the International Exhibition of Inventions of Geneva Gold Medal and Special Award
- Received the Common Wealth Magazine Excellence in CSR Little Giant Award
- Received the 2nd National Intelligence Award Excellence Award
- Received the Golden Pin Design Mark
- Received the Taiwan OTOP Product Design Award
- Received the Good Design Award
- Received the EY Entrepreneur of the Year Green Innovation Entrepreneur of the Year
- Excellence in Corporate Social Responsibility Award

- The 2<sup>nd</sup> National Intelligence Award Excellence Award
- EY Entrepreneur of the Year Green Innovation Entrepreneur of the Year

## 2016

- Received the Shopping Design 2016 Best 100 Award
- Received the AREA Green Leadership Award
- Received the Excellent Enterprise Award in Taoyuan City for Environmental Protection
- Received the 5th Environmental Protection Education Award in the Private Enterprise group
- Received the Common Wealth Magazine Excellence in CSR Little Giant Award for the 2nd time
- Received the ISO 9001 Plus Award
- Received the ISO 17025 TAF Accredited Laboratory
- Received the ISO 14064 Greenhouse Gas Inventories
- Received the ISO 14067 Product Carbon Footprint
- Received the Diamond-level Building Carbon Footprint Label
- Received the Green Factory Label
- Received the 24th Taiwan Excellence Silver Award for Recoffee Tree in the Bottle Shampoo



# It's O'right



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