



Kwong Lung Enterprise

Disclosure Report
Date Submitted: January 2024



Disclosure Materials

Certified B Corporations must complete a Disclosure Questionnaire to identify potentially sensitive issues related to the company (e.g. historical fines, sanctions, material litigation, or sensitive industry practices).

This component does not affect the company's score on the B Impact Assessment. If the company answers affirmatively to any items in the Disclosure Questionnaire that B Lab deems relevant for public stakeholders, then, as a condition of their certification, the company must:

- 1) Be transparent about details of the disclosure issues identified on the company's public B Impact Report
- 2) Describe how the company has addressed this issue
- 3) Demonstrate that management practices are in place to avoid similar issues from arising in the future, when necessary.

In all cases, the Standards Advisory council reserves the right to refuse certification if the company is ultimately deemed not to uphold the spirit and integrity of the community.

In addition to the voluntary indication of sensitive issues in the Disclosure Questionnaire, companies pursuing Certification also are subject to a background check by B Lab staff. Background checks include a review of public records, news sources, and search engines for company names, brands, executives/founders, and other relevant topics.

Sensitive issues identified through background checks may or may not be within the scope of questions in the Disclosure Questionnaire, but undergo the same review process and are subject to the same possible review by the Standards Advisory Council, including ineligibility for B Corp Certification, required remediation, or disclosure.

This document contains a copy of the company's completed Disclosure Questionnaire and related disclosure documentation provided by the company



Disclosure Questionnaire

Industries and Products

| | Yes | No |
|---|-------------------------------------|-------------------------------------|
| Please indicate if the company is involved in production or trade in any of the following. Select Yes for all options that apply. | | |
| Animal Products or Services | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Biodiversity Impacts | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Chemicals | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Disclosure Alcohol | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Disclosure Firearms Weapons | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Disclosure Mining | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Disclosure Pornography | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Disclosure Tobacco | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Energy and Emissions Intensive Industries | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Fossil fuels Gambling | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Genetically Modified Organisms | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Illegal Products or Subject to Phase Out | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Industries at Risk of Human Rights Violations | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Monoculture Agriculture | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Nuclear Power or Hazardous Materials | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Payday, Short Term, or High Interest Lending | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Water Intensive Industries | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Tax Advisory Services | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

Outcomes & Penalties

| | Yes | No |
|---|--------------------------|-------------------------------------|
| Please indicate if the company has had any formal complaint to a regulatory agency or been assessed any fine or sanction in the past five years for any of the following practices or policies. Check all that apply. | | |
| Anti-Competitive Behavior | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Breaches of Confidential Information | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Bribery, Fraud, or Corruption | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Company has filed for bankruptcy | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Consumer Protection | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Financial Reporting, Taxes, Investments, or Loans | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Hazardous Discharges Into Air/Land/Water (Past 5 Yrs) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Labor Issues | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Large Scale Land Conversion, Acquisition, or Relocation | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Litigation or Arbitration | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| On-Site Fatality | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Penalties Assessed For Environmental Issues | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Political Contributions or International Affairs | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Recalls | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Significant Layoffs | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Violation of Indigenous Peoples Rights | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other | <input type="checkbox"/> | <input checked="" type="checkbox"/> |



Practices

| | Yes | No |
|--|--------------------------|-------------------------------------|
| Please indicate if the following statements are true regarding whether or not the company engages in the following practices. Check all that apply. If the statement is true, select "Yes." If false, select "No." | | |
| Animal Testing | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Company/Suppliers Employ Under Age 15 (Or Other ILO Minimum Age) | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Company prohibits freedom of association/collective bargaining | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Company workers are prisoners | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Conduct Business in Conflict Zones | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Confirmation of Right to Work | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Does not transparently report corporate financials to government | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Employs Individuals on Zero-Hour Contracts | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Facilities located in sensitive ecosystems | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| ID Cards Withheld or Penalties for Resignation | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| No formal Registration Under Domestic Regulations | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| No signed employment contracts for all workers | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Overtime For Hourly Workers Is Compulsory | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Payslips not provided to show wage calculation and deductions | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

| | Yes | No |
|--|-------------------------------------|-------------------------------------|
| Sale of Data | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Tax Reduction Through Corporate Shells | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| Workers cannot leave site during non-working hours | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Workers not Provided Clean Drinking Water or Toilets | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Workers paid below minimum wage | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Workers Under Bond | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

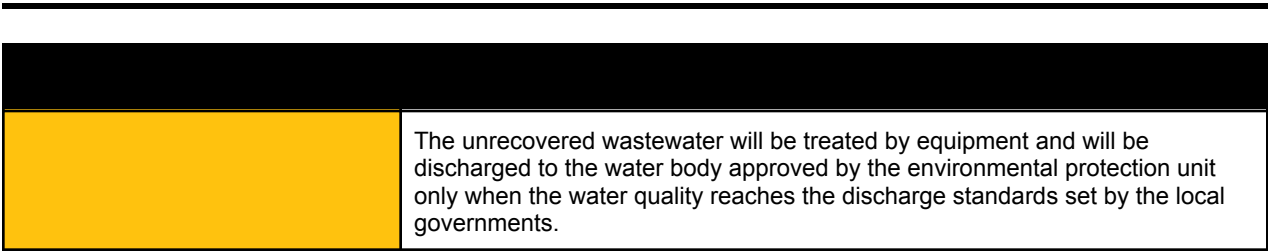
Supply Chain Disclosures

| | Yes | No |
|---|--------------------------|-------------------------------------|
| Please indicate if any of the following statements are true regarding your company's significant suppliers. | | |
| Business in Conflict Zones | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Child or Forced Labor | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Negative Environmental Impact | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Negative Social Impact | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| Other | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Environmentally Intensive Industries

| Topic | Water Intensive Industry |
|---|---|
| Summary of Issue | <p>Kwong Lung Enterprise CO is a global leading vertically-integrated outdoor clothing manufacturer focusing on outdoor clothing (apparel), Down material and home textiles. The textile industry is recognised as a water-intensive industry due to its manufacturing processes, especially during bleaching and dyeing processes.</p> <p>Although the company is not involved in dyeing, within the company's operations, Down production (and related washing) is a water-intensive process.</p> <p>The company has seven manufacturing plants of which 2 are in Taiwan (Taoyuan & Yilan), 1 in China (Jiangsu) and 4 in Vietnam (Vinh Long, Can Tho & Dong Nai).</p> <p>The down production takes place in the facilities located in Taoyuan (Taiwan) and Can Tho (Vietnam). Taoyuan is not considered a water stress area (low to medium risk), while Can Tho is considered an extremely high water stress area.</p> <p>Both locations use groundwater for production (extraction permits issued by the local municipalities) and reclaimed water.</p> <p>In FY2022, the facility in Taoyuan consumed 88.884 Million Liters and the Vietnamese factory 933.043 Million liters.</p> |
| Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected) | <p>In the previous fiscal year, 18.94% of Kwong Lung Enterprise CO was derived from the sale of down.</p> <p>Kwong Lung Enterprise CO has a water intensity of 136 liters per kilo of down produced for its standard manufacturing processes.</p> |
| Impact on Stakeholders | <p>As a water-intensive industry, the apparel industry poses risks such as water stress or depletion of local water sources if water used is not appropriately managed.</p> <p>The company uses groundwater and manages to recycle part of it through the company's wastewater treatment plants.</p> <p>The company targets to use at least 50% of recycled water annually.</p> <p>The main stakeholders affected are other water users in the region, such as local water authorities & regulators, residents, other industrial plants, farmers, and the local biodiversity.</p> |
| Management Practices | <p>The company does not carry out an assessment of how it compares to other peers in the industry regarding water use and management.</p> <p>In the down factories, wastewater treatment facilities have been established to treat and discharge industrial wastewater to local rivers. For the management of discharge water, Kwong Lung complies with local regulations but also with ZDHC and Bluesign wastewater management regulations (tested twice a year).</p> <p>Moreover, a third-party organization has been commissioned to examine the biological oxygen demand (BOD) and quarterly maintenance to ensure normal operation of the wastewater facilities.</p> |



Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Environmentally Intensive Industries

| Topic | Energy and Emission Intensive Industries |
|---|---|
| Summary of Issue | <p>Kwong Lung Enterprise CO is a global leading vertically-integrated outdoor clothing manufacturer focusing on outdoor clothing (apparel), down material and home textiles. The textile industry is recognised as an energy and emission-intensive industry.</p> <p>The company has seven manufacturing plants of which 2 are in Taiwan (Taoyuan & Yilan), 1 in China (Jiangsu) and 4 in Vietnam (Vinh Long, Can Tho & Dong Nai).</p> <p>The sources of energy used by the company are Purchased electricity from the grid, liquid petroleum Gas, Biomass, Gasoline and fuel.</p> |
| Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected) | 100% of the company's revenues come from the manufacturing of apparel and down. |
| Impact on Stakeholders | Energy intensive manufacturing activities, such as the apparel industry, pose an environmental risk due to the emissions produced by such energy use. The extent of environmental impact is dependent on the energy sources utilised and management practices in place to manage energy use. |
| Management Practices | <p>The company's plan for energy and emissions focuses on implementing ISO 50001 (energy management system) and ISO 14001 (Environmental Management System).</p> <p>Although there was a decrease in the total group's energy consumption in 2022 compared to 2021, in China the reduction was led by the lockdown while in Taiwan by energy efficiency gains.</p> <p>In terms of the management of greenhouse gas emissions, the company calculates and manages scope 1 and 2 emissions and takes 2021 as a benchmark for future evaluation. The company's carbon inventory is carried out in accordance with ISO 14064-1.</p> |
| Report | Group Sustainability Report (pg 60) |

Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Environmentally Intensive Industries

| Topic | Chemical Intensive Industries |
|---|--|
| Summary of Issue | <p>Kwong Lung Enterprise CO is a global leading vertically-integrated outdoor clothing manufacturer focusing on outdoor clothing (apparel), down material and home textiles. The textile industry is recognised as a chemical-intensive industry. The company has seven manufacturing plants of which 2 are in Taiwan (Taoyuan & Yilan), 1 in China (Jiangsu) and 4 in Vietnam (Vinh Long, Can Tho & Dong Nai).</p> <p>The company uses chemicals for washing the down and functional processes, such as water repellency and antibacterial purposes.</p> |
| Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected) | 18,94% of the company's revenues come from down-sale in which chemicals are used for cleaning purposes. |
| Impact on Stakeholders | <p>The primary impacts of chemical use are the potential negative effects on the environment and health impacts on workers exposed to chemical ingredients. Risks to workers exposed to chemical ingredients are mitigated through appropriate controls such as wastewater treatment and the use of personal protective equipment.</p> <p>In the last five years, the company has not experienced any significant incidents and/or fines related to environmental or worker impacts for chemical use.</p> |
| Management Practices | <p>The company does not carry out an assessment of how it compares to other peers in the industry regarding chemical use.</p> <p>The company manages its chemical intensity by complying with relevant legislation where it operates, creating a Chemical inventory list, replacing origin chemicals with bio-based chemicals, and employing R&D for optimization.</p> <p>Furthermore, the company use Bluesign-certified chemicals whenever possible and does not utilize any Substance of Very High Concern (SVHCs). Through its wastewater plants, the company ingest air into the tanks, allowing aerophilic bacteria to digest wastewater into clean water. Lastly, a third-party organization has been commissioned to examine and ensure the normal operation of the wastewater facilities.</p> |



Disclosure Questionnaire Statement

Disclosure Questionnaire Category: Tax reduction through corporate shells

| Topic | The company has non-operational subsidiaries registered in the British Virgin Islands. |
|---|---|
| Summary of Issue | <p>The company is headquartered in Taiwan and is involved in the manufacturing of bedding, apparel and garments. While its manufacturing takes place in Vietnam, China, Taiwan and Japan, the company has non-operational holdings registered in the British Virgin Islands (BVI).</p> <p>The company rationale for having these subsidiaries in the British Virgin Islands are:</p> <ol style="list-style-type: none">1) Historical reasons. At the time of the set-up of one factory, Hong Kong was a British territory2) For Investments purposes <p>The company states that its corporate structure and tax strategy are aligned with B Lab's framework on tax strategies: 1) the amount of overall taxes paid over time appropriately reflects the actual amount of income generated by the business, and 2) the amount of taxes paid over time in each jurisdiction appropriately reflect the actual operations of the business in that jurisdiction.</p> <p>The company's overall effective tax rate in FY 2022 was above 20%, according to financial documents with B Lab that disclose revenue, headcount, and taxes paid in each jurisdiction.</p> |
| Size/Scope of Issue (e.g. \$ financial implication, # of individuals affected) | Less than 0.5% of the company's net profit is derived from subsidiaries registered in the British Virgin Islands. |
| Impact on Stakeholders | The company's corporate structure and tax strategy ensures fair payment of taxes at the local subsidiary level, and thus local governments are not negatively impacted by this approach. |