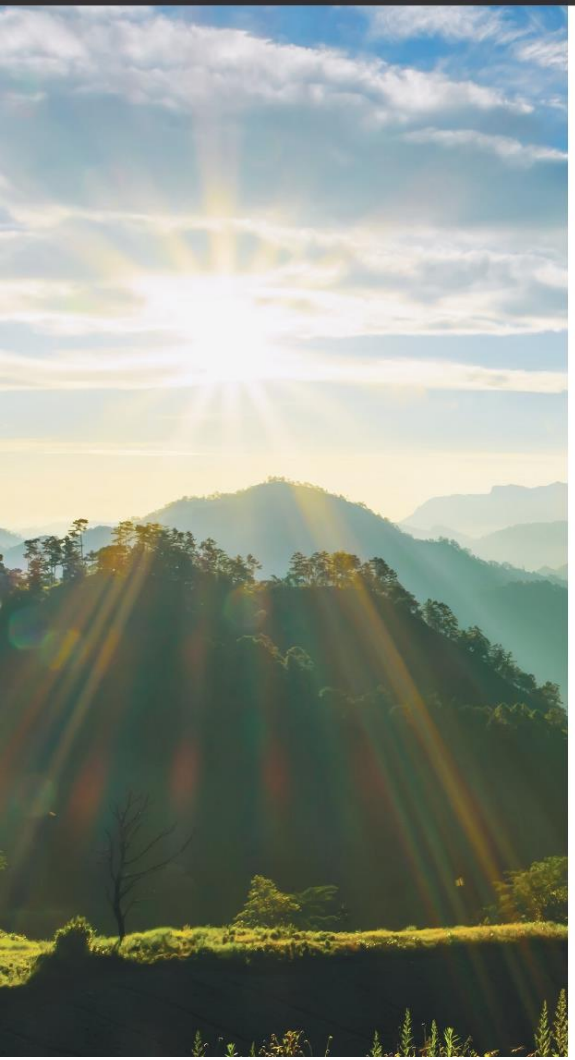
# Sustainability Report

## 2023 永續報告書

**This English translation is prepared in accordance with the Chinese version and is for reference purposes only. If any inconsistency appears between the Chinese original and the English version, the Chinese version shall prevail.**

中興電工

Chung-Hsin Electric & Machinery Mfg. Corp.



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# Message from the Chairman

In 2023, the world is facing a post epidemic era, and countries are striving for economic recovery. However, with the Russia-Ukraine war and the Israeli-Palestinian war triggered by geopolitical conflicts, as well as the deteriorating US-China relations and the lack of a significant drop in inflation throughout the year, the economic and political uncertainties have cast a shadow over the global economic recovery.

CHEM's solid operational strengths and resilience have enabled the company to weather the challenges of the epidemic with record revenue and profitability, while 2023 is a year of crisis and challenges for CHEM. Benefiting from the recovery of domestic and overseas tourism after the epidemic, which led to a surge in the parking business, as well as the government's proactive promotion of energy transformation and Taipower's grid-strengthening program, CHEM's business in heavy power equipment and green power generation has seen strong growth momentum, and CHEM's full-year revenues were once again at a record level since the company's establishment!

In 2023, CHEM creates a bright economic performance, and at the same time, as CHEM strives to take care of the mission of environmental protection (E, Environmental) and social responsibility (S, Social) obligations, and through digital transformation to implement the internal governance (G, Governance) of the enterprise, towards the goal of sustainable management, and therefore has received good evaluations from the capital market and the outside world. We have received favorable evaluations from the capital market and the outside world.

1. Business Weekly, in cooperation with the Risk Center of National Taiwan University (NTU), has selected Taiwan's Top 100 Carbon-Competitive Enterprises based on five indicators: carbon productivity, rate of increase in carbon emissions, commitment to carbon reduction, management, and carbon emissions in the three areas of the enterprise's annual report. CHEM has long been committed to its core business of green energy and sustainability, and continues to promote energy conservation and carbon reduction, and has been honored as one of the "Top 100 Carbon Competitive Enterprises" in 2023.

2. CHEM's insistence on product and project quality as well as its belief in promoting green energy and environmental protection has never slackened. In FY2023, CHEM was contracted to carry out the *"161kV Switchyard Equipment Addition Project for the Daitan Power Plant Additional Gas-fired Compound Cycle Unit Generation Project at the Daitan Power Plant Terminal and the Linhkou Power Plant Terminal"* by Taipower, which effectively utilized the space of the existing switchyard and upgraded and improved the function of the execution of the equipment. In addition to strengthening the power supply capacity of the power grid, the project also eliminated the lengthy construction time and huge cost of setting up a new switchyard, and was honored with the 23rd Public Works Golden Quality Award in the category of Facilities Design and Construction with double-ranking honors. CHEM was also awarded the Special Contribution Award of the Public Works Gold Quality Award (the 5th, 10th and 15th consecutive awards for manufacturers and organizers) for its excellent performance in public works construction. The Golden Quality Award for Public Works has always been regarded as the "Oscars of Engineering", the highest honor in the engineering industry, and a model for the public works industry. The award is a high recognition of CHEM's engineering quality and the greatest honor for the entire CHEM team.

Looking forward to the year 2024, with its steady business resilience, CHEM will continue to capitalize on its competitive edge in the electric power industry, and with its bold and innovative business philosophy, create a new corporate landscape, and move forward towards the goal of sustainable operation.

## About the Report (2-2~2-5)

CHEM pursues sustainable management and enhances the transparency of information, and regularly discloses operating results other than financial performance, and issues the 2023 Sustainability Report (hereinafter referred to as this report). Through the issuance of this report, we explain the measures and results of the company's ongoing efforts in the areas of integrity management, green sustainability, building a happy workplace, and social care under the goal of sustainable management. CHEM is a company that takes action to realize the corporate vision of sustainable management. This report was issued in August 2024, and no information has been restated. The next report is expected to be issued in August 2025.

## Reporting Boundaries and Scope

The information disclosed in this report covers the period from January 1, 2023 to December 31, 2023. The source of performance statistics for the economic category in this report is the consolidated financial statements of CHEM's 2023 Annual Report, with the head office and all subsidiaries as the scope of disclosure; and for the environmental category and the social category, the Linko Plant (North Plant) and the Nanke Branch (South Plant) are the scope of disclosure, with the disclosure of information accounting for more than 90% of the consolidated financial statements' operating revenues. There were no significant changes in organization size, structure, ownership and supply chain during the reporting period. For more detailed information on our affiliates, please refer to CHEM's Annual Report of 2023.

## Compilation Guidelines

This report is written in accordance with the Sustainability Reporting Standards 2021 (GRI Standards 2021) issued by the Global Reporting Initiative (GRI), and the contents and structure of environmental and greenhouse gas inventories are disclosed in accordance with the criteria issued by the Task Force on Climate-Related Financial Disclosures (TCFD), and in compliance with the requirements of the "Procedures for the Preparation and Reporting of Sustainability Statements by Listed and OTC Companies," and an index of the GRI criteria is provided in the Appendix to this report for reference by interested parties.

## External Assurance

- The financial data disclosed in this report were obtained from Crowe (TW) CPAs in accordance with the International Financial Reporting Standards (IFRS), and are expressed in New Taiwan dollars (NT$) thousand to enhance the credibility of the financial data; The environmental protection, employee and occupational safety data are compiled by the responsible departments and confirmed by the department heads, and are presented in the form of international common indexes.
- To ensure that CHEM's product quality meets customer requirements, the company has passed ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, ISO 17025:2017 Laboratory Quality Management System, ISO /IEC 27001 Information Security Management System, ISO 45001 Occupational Safety and Health Management System, AS 9100(D) Aerospace Industry Quality Management, and continuously maintains the validity of the certificates.
- No external verification was conducted for this report.

## External Initiatives

In addition to issuing a sustainability report in accordance with the GRI Sustainability Reporting Guidelines, CHEM also advocates the United Nations' 17 Sustainable Development Goals (SDGs) to move towards a sustainable business, and the Responsible Business Alliance (RBA) Code of Conduct, which requires the Company to meet the highest social, environmental and ethical standards internally. The Company is required to meet the highest social, environmental and ethical standards internally and suppliers are required to refrain from the use of Conflict Minerals.

## Locations

CHEM's head office is located at 3F, No. 801, Zhongzheng Road, Zhonghe District, New Taipei City, Taiwan, with the LinKo factory as the main manufacturing base and branch offices in Taipei and New Taipei City, Taichung, and Tainan. For more information on CHEM's subsidiaries in Taiwan, please refer to the "Information on CHEM's Subsidiaries in Taiwan" table, and for more information on CHEM's subsidiaries in other countries, please refer to the Annual Report.

- Linkou Factory (North Plant): No. 25, Wende Road, Gueishan District, Taoyuan City, Taiwan.
- Taipei Branch: 2F, No. 19-5, Sanchong Road, Nangang District, Taipei City, Taiwan
- New Taipei Branch: 3F, No. 801, Zhongzheng Rd. Chonghe District, New Taipei City, Taiwan
- Taichung Branch: 8F-5, No. 238, Chunhua N. Rd. Taichung City, Taiwan
- Nanke Branch Office (South Plant) : No. 1, Muzha Gang West Road, adjacent to No. 7, Nan Guan Li, Shanhua District, Tainan City, Taiwan

| CHEM's Subsidiaries | Address |
|---|---|
| Cheng-Hsin Engineering & Services Co., Ltd. | 3F, No. 801, Zhongzheng Road, Zhonghe District, New Taipei City, Taiwan |
| Sunrise Tech. Co., Ltd | 3F, No. 801, Zhongzheng Road, Zhonghe District, New Taipei City, Taiwan |
| Global-Entech Co., Ltd. | 3F, No. 801, Zhongzheng Road, Zhonghe District, New Taipei City, Taiwan |
| Etrovision Technology Co., Ltd. | 2F, No. 5, 19, Sanchong Road, Nangang District, Taipei, Taiwan |
| San Feng Construction Co., Ltd. | 2F, No. 5, 19, Sanchong Road, Nangang District, Taipei, Taiwan |
| Bao-Sheng Global Co., Ltd. | 2F, No. 5, 19, Sanchong Road, Nangang District, Taipei, Taiwan |
| Wha Dun Building Management Service Co., Ltd. | 2F, No. 5, 19, Sanchong Road, Nangang District, Taipei, Taiwan |
| Findata Finance Technology Corp. | 2F, No. 5, 19, Sanchong Road, Nangang District, Taipei, Taiwan |
| Tien Chong Energy Co. | 2F, No. 1, Muzhagang West Road, Shanhua District, Tainan City, Taiwan |
| Tien Peng Energy Co. | 2F, No. 1, Muzhagang West Road, Shanhua District, Tainan City, Taiwan |
| Tien Cing Energy Co. | 2F, No. 1, Muzhagang West Road, Shanhua District, Tainan City, Taiwan |
| Tien Fu Energy Co. | 3F, No. 801, Zhongzheng Road, Zhonghe District, New Taipei City, Taiwan |
| Chung Hsin Energy Tech. Inc. | 3F, No. 801, Zhongzheng Road, Zhonghe District, New Taipei City, Taiwan |

## Issue Frequency

CHEM will issue a sustainability report every year. In order to enhance the transparency and accessibility of the information disclosed in the report, the electronic file of the full report can be downloaded from CHEM's official website.

- Current Release: August 2024
- Next Release: August 2025.

## Feedback

If you have any suggestions or questions about CHEM's 2023 Sustainability Report, you are welcome to contact us in the following ways. In order to fulfill our responsibility to disclose corporate information, we have also published this report on the "Investor Relations" section of the Company's official website for interested parties.

Contact: Ms. Jing-Feng Lai, Acting Spokesperson, Chairman's Office

Address:No.25,Wende Rd., Gueishan Dist., Taoyuan City, 33383, Taiwan
Phone: (03) 328-4170 ext. 2101
Email: tw006466@chem.com.tw
Website: https://www.chem.com.tw/tc/index.aspx

# Key Performance in Sustainability

| Pillar | Sustainability in 2023 |
|---|---|
| Governance/ Economic | • Chunghwa Telecom Co., Ltd. 2022 Supplier Sustainability Partner Certification Mark Gold Level Award<br>• Selected as one of the "Top 100 Carbon Competitiveness" by Business Week Survey 2023<br>• The 23rd Public Works Golden Quality Award for Design and Construction of Facilities with Double-Material Merit and Special Contribution Award<br>• Ranked 36%-50% in the Listed Companies Group of the Tenth Corporate Governance Review.<br>• GIS Copper Conductor Friction Stir Welding Process Development for Power System Extra High Voltage Switchgear Energy Saving Process Development Program was awarded the Industrial Upgrading Innovation Platform Counseling Program by the Industrial Development Administration of the Ministry of Economic Affairs.<br>• Received government investment subsidies, R&D subsidies, and incentives amounting to $648,970 thousand.<br>• The number of hours of continuing education (including ESG specialization) per director was 7.3 hours.<br>• The actual attendance of members at the Remuneration Committee meetings was 100%.<br>• For the Audit Committee meeting, the actual attendance of members was 100%.<br>• We have not received any reports of integrity violations by our employees; we have not violated any corporate governance laws and regulations; and we have not made any significant deficiencies in our internal control operations.<br>• Consolidated Company Revenue NT$22,144,872 thousand, Increased by 19.40%, compared with 2022.<br>• Net income was NT$1,585,444 thousand, achieving the goal of maintaining profitability every year.<br>• Overall average customer satisfaction score of 90.4 points<br>• Maintain ISO 27001:2022 information security management system certification, no major information security incidents that caused disruption to the company's operations during the year; no privacy data breach |
| Environmental Responsibility | • Maintain ISO 14001:2015 Environmental Management System certification with 100% coverage based on operational sites<br>• The total energy consumption of Linko Plant and South Plant was 43,954,824 MJ, a decrease of 0.96% from 2022.<br>• Energy consumption per million dollars of turnover was reduced by 17.05%.<br>• The GHG emissions from Linko Plant and South Plant were 5,823.3693 metric tons of CO2e, a decrease of 1.97% from 2022.<br>• The total GHG emission equivalent per million units of turnover is reduced by 17.90% compared to 2022.<br>• The capacity of solar power installations in Lin-Kou (North Plant), South Plant and Chiayi Plants is 4,502.83kWp.<br>• 320,306,078 kWh of electricity will be generated from solar installations (220,256kWp) from 2023 onwards and fully bartered to Taiwan Power Co. Reduction of about 158,551.43 metric tons of CO2e emissions<br>• As of 2023, 74 charging stations have been established and 5430 electric vehicles have been charged, totaling 1,983,357 kWh of annual charging, which is equivalent to a reduction of 981.7617 tons of CO2e GHG emissions.<br>• Linkou Plant's lighting conversion to LED is expected to save more than $7 million in electricity costs, reduce 792.5445 tons of CO2e, and save at least 1,601 kWh of electricity annually.<br>• Through various energy-saving actions, Linkou Plant (North Plant) and South Plant saves 262 kWh of electricity and 690 kWh of water, and reduces greenhouse gas emissions by 129.798 metric tons of CO2e in 2023 compared to 2022.<br>• CHEM has fully implemented the electronic invoicing system, resulting in the carbon reduction of CO2e is 131.1259 tons in 2023<br>• The factory is actively improving the existing manufacturing process to reduce the wastewater discharge, and the wastewater discharge in 2023 will be reduced by 2.045 million liters, or 10.65%, compared with that in 2022.<br>• There have been no complaints related to the management of hazardous substances; no conflict minerals are purchased.<br>• Conducted environmental and human rights assessments and audits of major suppliers, completing a total of 199 audits, with an overall supplier ESG audit rate of 18.65%.<br>• The proportion of local procurement was 93.37%, and the proportion of expenditure on local procurement amounted to 76.29%.<br>• There were no supply chain disruptions caused by major violations of laws and regulations related to social responsibility, environment, human rights, and occupational safety. |

| | |
|---|---|
| Social Responsibility (including human rights) | • In 2023, CHEM was once again honored with the "Gold Award" in the "Manufacturing" category of the "2023 Happy Company" voting activity organized by 1111.com (Human Resources Job Sites)<br>• The average salary of non-supervisory employees increased by $370 thousand from the previous year; the median salary increased by $4 thousand.<br>• The total cost of salaries and benefits amounted to $1,843,639 thousand, an increase of 3.36% from 2022.<br>• The average training hours per staff amounted to 5.65 hours.<br>• 26 mentally and physically challenged persons were recruited in 2023.<br>• The Company continues to employ 15 additional employees over the age of 65.<br>• Signed industry-academia cooperation programs and provided internship opportunities with several schools, employing 5 industry trainees and 33 senior-year interns in 2023.<br>• Taoyuan City 2023 Annual Labor Harmony Excellent Enterprise Unit<br>• Language Learning Subsidy, which encourages employees to improve their job-related language skills, has totaled $1,155,672 over the past five years.<br>• Maintains ISO 45001:2018 Occupational Safety and Health Management System certification with 100% coverage based on operational sites<br>• No violation of labor laws and regulations.<br>• In 2023, a total of $6.64 million is donated to disadvantaged organizations and activities. |

# Stakeholder Identification 2-29

## Process of Identification

**Step 1. Understand the organizational context**

- Refer to sustainability-related industry standards, and examine the organization's operating activities, business relationships, and the process of identifying stakeholders to understand the overall situation of the organization and related impacts

**Step 2. Identify actual and potential impacts**

- Based on the overall organizational profile, relevant impact information, and issues of concern to stakeholders, 18 sustainability-related issues of concern were selected

**Step 3. Evaluate the significance of the impact**

- The “stakeholder impact” and “economic, environmental and social impact” scores were obtained through internal and external stakeholder questionnaire voting to conduct a materiality analysis

**Step 4: Prioritize the most significant impacts for reporting**

- The identified issues of concern were prioritized and their significance was examined with the consultant based on industry standards related to sustainability. Finally, 9 significant topics were selected.

# Stakeholder Identification

1. Reach out to various stakeholders through routine business dealings
2. Discuss resolutions through internal meetings
3. Identify six categories of key stakeholders

Stakeholders are groups that affect or are affected by CHEM. CHEM initially screens the types of stakeholders contacted in routine business dealings by various departments, and then follows the five major aspects of the AA1000 Stakeholder Engagement Standard (AA1000 SES 2015). The five major aspects of the AA1000 Stakeholder Engagement Standard (AA1000 SES 2015) were then followed, and six categories of stakeholders that are of significance to CHEM were finally selected after discussion and resolution at the internal meeting, based on their (1) Dependency, (2) Responsibility, (3) Tension, (4) Influence, and (5) Diverse Perspectives. Six categories of key stakeholders that are important to the Company, including (1) investors, (2) employees, (3) customers, (4) suppliers, (5) authorities, and (6) the community, were finally selected through a discussion and resolution at an internal meeting.

## Stakeholder Communication

In order to understand the interests and expectations of all CHEM's stakeholders, recognize the significance and impact of the issues of concern, and conduct follow-up analysis and responses, CHEM communicated with stakeholders through regular meetings, telephone interviews, business interactions, routine surveys, and public information releases, etc., At the same time, in accordance with the specific topics revealed in the GRI Sustainability Reporting Guidelines, a wide range of issues were collected and focused on 18 topics covering economic, environmental, and social aspects, including: Sustainable Supply Chain, Raw Material Management, Energy Management, Greenhouse Gas Management, Water Management, Waste Management, Green Products/Services, Remuneration and Benefits, Labor and Employment Communication, Occupational Safety, Talent Cultivation, Customer Relationships, Operational Performance, Grievance Mechanism, Procurement Practices, Anti-corruption, and Innovative Research and Development, Information Security.
In addition, CHEM has set up a dedicated "Stakeholder Contact" area on its official website, providing a dedicated e-mail address for communication and contact with stakeholders: services@chem.com.tw. The Company has also established a spokesperson, a proxy spokesperson, a stock specialist and an investor relations contact window, which allows CHEM to communicate and interact freely and instantly with its stakeholders through this e-mail address. This mailbox allows for open and immediate communication and interaction. For more details on stakeholder communications, please refer to the table below entitled "Stakeholders' Concerns and Communications"

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## Stakeholders' Concerns and Communication

| Stakeholders | Issues of Concern | Communication Frequency | Communication Pipes | Response |
|---|---|---|---|---|
| **Investor** | **Operational Performance** | **Year/ Quarterly/yearly unscheduled every year every year unscheduled** | Annual Report<br>Company Financial Reports<br>Company Official Website<br>Investor Relation<br>Annual General Meeting<br>Corporate Presentation<br>Public Information (MOPS) | • We disclose our financial performance through the stock exchange's website and Annual Report, and publicly disclose information on significant operating conditions.<br>• We convene shareholders' meetings and legal conferences to explain operating results to investors and respond to issues of concern. |
| **Staff** | **Remuneration and benefits** | **quarterly**<br>**quarterly**<br>**unscheduled**<br>**unscheduled** | Welfare Committee Meetings<br>Trade Union Meetings<br>Major Employee Rights Communication Meeting<br>Review of the appropriateness of group agreements | • Quarterly meetings of the Welfare Committee for Employees are held to review the company's employee welfare activities and budget, and to disseminate information on various activities to employees.<br>• A general meeting of the trade unions of enterprises is held every six months, at which employees can conduct two-way communication and consultation on issues such as the improvement of labor conditions.<br>• Quarterly meetings between management and labor unions to communicate internal staff issues.<br>• Meetings between top decision makers and the union, as needed, to communicate the company's business direction and to consult with the union. |
| | **Occupational Safety and Health** | **quarterly**<br>**Once every two years**<br>**unscheduled**<br>**unscheduled** | Trade Union Meetings<br>Health Check<br>Education and Training<br>Caring for the workers and nurses<br>Security Officer and Unit Supervisor Mobility Management | • Monthly inspections and recommendations for improvement of the working environment are arranged by the staff doctor, who also provides counseling services for the personal and mental health of the staff.<br>• Once every two years, the company's medical office and the hospital jointly organize employee health checkups to help employees maintain their health and prevent work-related injuries at an early stage.<br>• Occasional training sessions are arranged between doctors and nurses, e.g., seminars on awareness of hazards and the use of protective equipment.<br>• Dedicated safety and security personnel "walk-around & check-in management" to check and improve workplace safety at any time.<br>• The company's old pipelines, switches, and work surfaces are thoroughly inspected to avoid occupational accidents.<br>• Staff parking lot lighting and storm shelter improvements to minimize workplace safety issues. |

| Stakeholders | Issues of concern | Communication Frequency | Communication Pipes | Response |
|---|---|---|---|---|
| Client | **Talent Acquisition** | **Quarterly / Irregularly** | Education and Training<br>Bonus Incentive | • We organize quarterly training for new employees to help them understand the company and adapt to the company culture.<br>• Dedicated staff is responsible for the pre-employment and on-the-job training of staff and various training activities are organized from time to time.<br>• A training assessment mechanism is in place, with graded bonuses given to encourage participation. |
| | | **unscheduled** | Education and Training<br>Promotion Reference | • We organize supervisor training courses to help supervisors familiarize themselves with related business and responsibilities, and understand the basic knowledge required for the overall operation of the company, so as to facilitate the training and rotation of supervisors. |
| | **Production Management**<br>**(QCD)** | **weekly**<br>**unscheduled** | Production and Marketing Review Meeting<br>Specialized Personnel (PM) Window | • We convene production and sales review meeting according to customer's delivery date and propose permanent solutions to customer/product problems promptly.<br>• Anticipatory stocking minimizes lead times and costs. |
| | **Innovative R&D**<br>**Green Products** | **unscheduled** | Specialized Personnel (PM) Window | • We are committed to researching and developing innovative and green products in accordance with customer needs and market dynamics. |
| | **Client Relationships** | **semiannually**<br>**unscheduled** | Customer Satisfaction Survey<br>Establishment of customer service system<br>Achieving ESG goals with clients | • Customer satisfaction surveys are sent out every six months to collect customer feedback, understand customer preferences, and respond to their needs in a timely manner and make continuous improvements.<br>• We set up a dedicated contact person for customers to speed up coordination and response processing to enhance service quality.<br>• We develop system to create customer service information and product history, and grasp real-time information to serve customers.<br>• We work together with our customers in the ESG movement and strive for corporate responsibility. |

| Stakeholders | Issues of concern | Communication Frequency | Communication Pipes | Response |
|---|---|---|---|---|
| **Supplier** | Supply Chain Sustainability | **New Suppliers**<br>**Monthly delivery**<br>**Once every two years** | Purchase Contracts<br>Vendor Delivery Assessment<br>Supplier audit | • We require our suppliers to conduct quality management and focus on sustainability issues. Through regular audits and evaluations, we verify that our suppliers have competitive pricing, excellent quality, stable supply, and sustainability.<br>• We have specialized personnel visit the collaborating manufacturers to ensure timely and quality delivery. |
| **Authorities in charge** | corporate governance<br>social participation<br>Compliance<br>Energy Saving and Carbon Reduction<br>Pollution prevention and control<br>Information Security | **Unscheduled**<br>**Regularly** | Questionnaire Survey<br>Promotional Seminars<br>Consultation | • We comply with the requirements of the competent authorities in accordance with the law and report the relevant information on a regular basis.<br>• Appointment of professional firms to assist the company in ensuring the quality of compliance with various regulatory requirements. |
| **Community** | Social Participation | **unscheduled**<br>**unscheduled**<br>**Regularly** | Public welfare activities<br>Emergency relief<br>Sponsor to community/school events | • The company sponsors community activities from time to time and provides emergency assistance to disadvantaged families as needed. We fulfill our social responsibility by participating in and sponsoring various public welfare activities.<br>• The company is a long-term donor for schools offering remedial and vocational classes to enhance learning and future employability. |

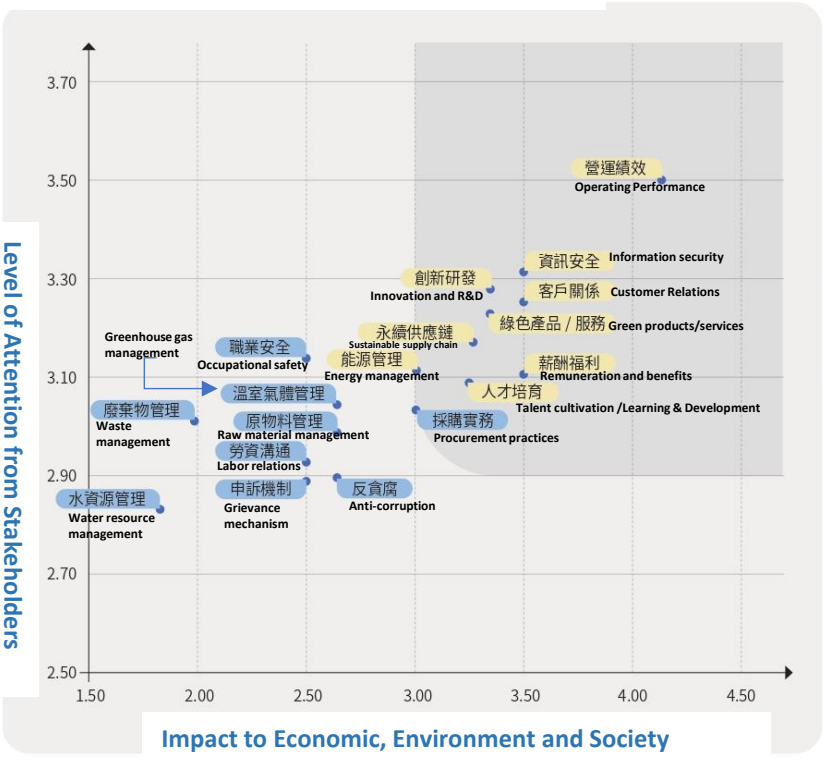
# Material Issues Identification Process 3-1

18 Sustainability Issues → 178 questionnaires on impact concern → Questionnaire collected by Impact level, returned 6 → 9 Identified major themes

CHEM's ESG Team has identified 18 sustainability issues and invited key stakeholders to fill out an online questionnaire. A total of 178 valid questionnaires were collected, including 10 from investors, 66 from employees, 49 from customers, 45 from suppliers, 7 from authorities, and 1 from the community, which resulted in a rating of the degree of impact of the key stakeholders' concerns about each sustainability issue. The online questionnaire was then sent to six executives of the company to fill in the scores of the impact of each sustainability issue on the company, and the two scores were then aggregated to form a matrix of major themes. After discussion by the ESG Team, the top three sustainability issues in each of the three environmental, social, and economic dimensions were included in the major themes for the year, and it was confirmed that the nine major themes that should be prioritized for disclosure in the environmental, social, and economic dimensions were the following: sustainable management of the supply chain, energy management, green products, customer relations, and energy management, Green Products, Customer Relationships, Compensation and Benefits, Talent Cultivation, Operational Performance, Information Security, and Innovation and Research and Development. In accordance with the results of the identification of the major themes, the Company has included relevant information on policies and commitments, goals and performance related to the major themes in the sustainability report for disclosure to all stakeholders for evaluation and decision-making purposes, and has reported annually to the Board of Directors on the annual sustainability performance and the implementation goals for the next year to facilitate CHEM's continuous promotion of its sustainable business development policies.

| | Sustainability Issues |
|---|---|
| Environmental | Sustainable Supply Chain, Raw Material Management, Energy Management, Greenhouse Gas Management, Water Management, Waste Management, Green Products/Services |
| Social | Compensation & Benefits, Labor & Employment Communication, Occupational Safety, Talent Cultivation, Customer Relationships |
| Economic | Operational Performance, Grievance Mechanism, Procurement Practices, Anti-Corruption, Innovation and R&D, Information Security |

## CHEM 2023 Material Issues Analysis Chart




| Dimension | Major Themes (Positive Impact/Negative Impact) |
|---|---|
| Environmental | Sustainable Supply Chain Management (Positive), Energy Management (Positive), Green Products (Positive) |
| Social | Customer Relation (Positive), Compensation and Benefits (Positive), Talent Development (Positive) |
| Governance & Economic | Operational Performance (Positive), Information Security (Positive), Innovation and R&D (Positive) |

**Glossary:**

職業安全[Occupational safety]
人才培育[Talent cultivation]
客戶關係[Customer relations]
營運績效[Operating performance]
申訴機制 [Grievance mechanism]
採購實務[Procurement practices]
反貪腐[Anti-corruption]
創新研發[Innovation and R&D]
資訊安全[Information security]
永續供應鏈[Sustainable supply chain]
原物料管理[Raw material management]
能源管理[Energy management]
溫室氣體管理[Greenhouse gas management]
水資源管理[Water resource management]
廢棄物管理[Waste management]
綠色產品/服務[Green products/services]
薪酬福利[Compensation and benefits]
勞資溝通[Labor relations ]

## CHEM's Material Issues for 2023 and Their Boundaries

●Direct Impact ○Contributory to the Impact ▲Economic Impact

| | Major Themes | Corresponding Chapter | Corresponding GRI Indicators | Importance to CHEM | Stakeholders | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | investor | Staff | Clients | Supplier | Authorities in charge | Community |
| 1 | Operational Performance | Chapter 2 Corporate Governance | GRI 201 Economic Performance | See the Chinese Version for Full Details of Importance in All Aspect | ● | ○ | ● | ▲ | ● | |
| 2 | Information Security | Chapter 2 Corporate Governance | Custom Themes | | ● | ○ | ● | ○ | ● | |
| 3 | Innovation & R&D | Chapter 2 Corporate Governance | Custom Themes | | ● | ○ | ● | ▲ | ● | |
| 4 | Energy Management | Chapter 4 Green Sustainability | GRI 302: Energy | | ○ | ○ | ○ | ▲ | ○ | ○ |
| 5 | Sustainable Supply Chain | Chapter 4 Green Sustainability | GRI 308: Supply Management<br>GRI 414: Vendor Management | | | | ● | ▲ | ○ | |
| 6 | Green Products | Chapter 4 Green Sustainability | Custom Themes | | ● | ○ | ● | ▲ | ● | |
| 7 | Talent cultivation | Chapter 5 Friendly Workplace | GRI 404: Training and Education | | | ● | | | ○ | |
| 8 | Remuneration and benefits | Chapter 5 Friendly Workplace | GRI 401: Labor-Employment Relationships | | ○ | ● | | | ○ | |
| 9 | Client Relations | Chapter 2 Corporate Governance | Custom Themes | | ○ | ○ | ● | ▲ | | |

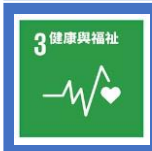
## Council for Sustainable Development (2-14)

In order to fulfill its corporate social responsibility and contribute to economic, environmental and social progress, and to achieve the goal of sustainable development, CHEM's Board of Directors has adopted a code of practice on sustainable development, which is reported to the shareholders at the annual general meeting and serves as the basis for CHEM's sustainable development practices.

Since the issuance of CHEM's sustainability report in 2022, the management team has continued to report to the Board of Directors on the progress and results of the implementation of ESG sustainability development, and strengthened the Board of Directors' participation in the implementation of ESG in the Company. In addition, in order to implement the sustainability objectives of environmental protection, social responsibility and corporate governance, CHEM expects to establish a sustainability committee under the Board of Directors in 2025 to assist the Board of Directors in continuously promoting the practice of corporate environmental, social and corporate governance, with a view to achieving the objective of sustainable management.

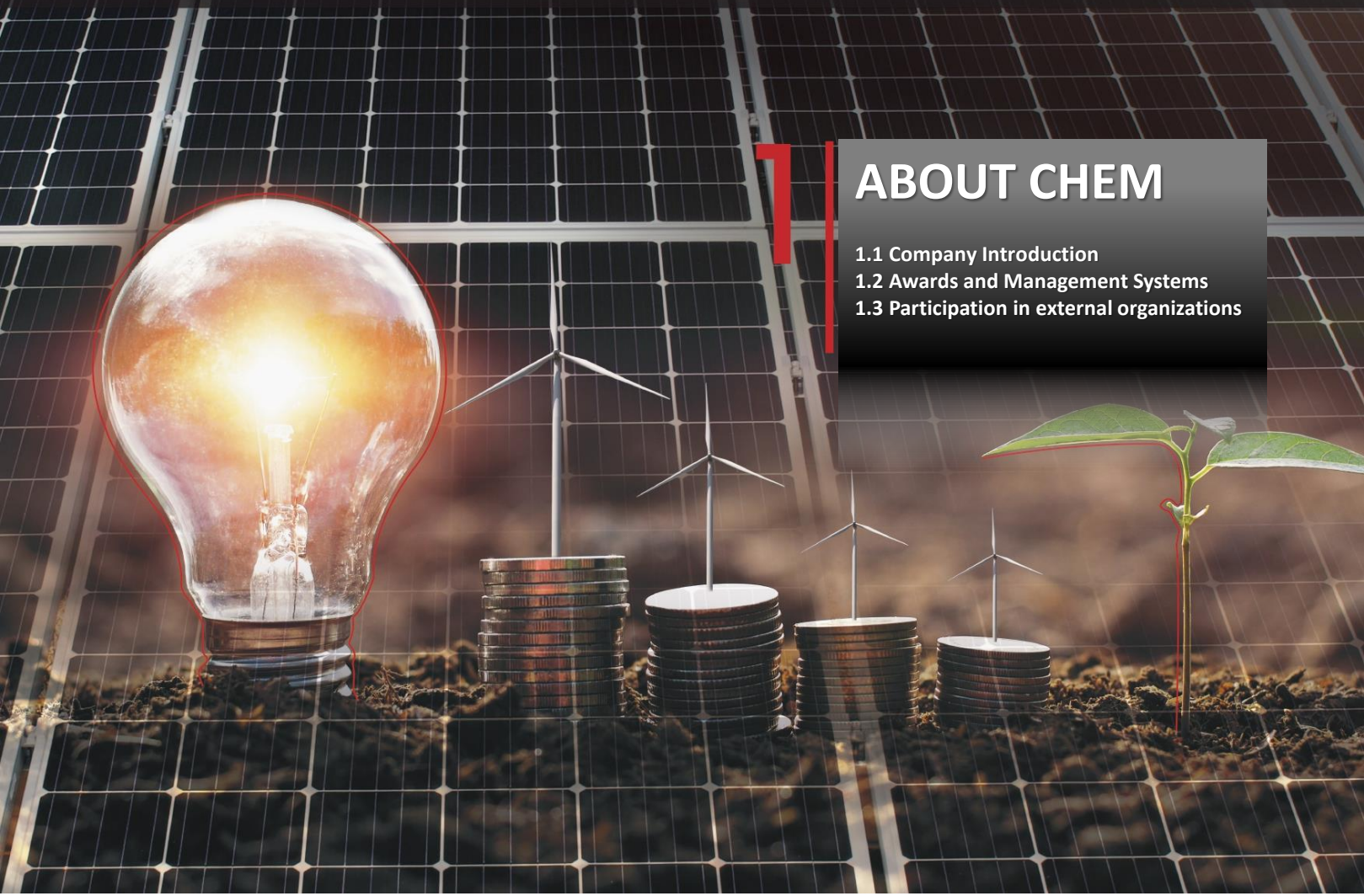
## Sustainable Development Action Performance

In order to guide the world to work together towards sustainability, the United Nations put forward 17 Sustainable Development Goals (SDGs) in 2015, with the expectation that during the period from 2015 to 2030, the SDGs will provide a direction for national and local governments, enterprises, and civic organizations to respond to the initiatives and formulate policies, so as to enable the environment, economy, and society to grow towards sustainable development. CHEM Group is also committed to sustainable development and growth. CHEM also recognizes sustainable development as a corporate responsibility and promotes various policies and activities in accordance with the SDGs initiative, in the hope of implementing relevant action plans and contributing to sustainability.

| SDGs indicators | CHEM SDGs Action Performance |
|---|---|
|  | 1. Established the "Public Welfare Trust CHEM Love Charity Fund", donating $6.64 million in 2023 to disadvantaged organizations and activities.<br>2. Donation and sponsorship to non-profit organizations such as disadvantaged and critical care foundations.<br>3. Corporate Care (Adoption-Alike Project) to children-in-need for more than 10 consecutive years<br>4. Provided employment opportunities for the disadvantaged groups<br>5. Supported the "Scholarship Program", "Remedial and Vocational Programs" to support the future hope of underprivileged students. |
|  | 1. Supported the New Year's Eve food drive by providing lunches to the elderly living alone.<br>2. Donation of goods to low-income families in the neighborhood<br>3. Supported Leasehold-Friendly Farmland<br>4. Purchased food and rice and provided them to disadvantaged families.<br>5. Donation and sponsorship of three meals for primary and secondary school students in Ching Han |
|  | 1. Provided employees, dependents and vendors with biennial health checkups.<br>2. Provided health check report consulting service, factory doctor consulting.<br>3. Provided training on the use of various types of protective gear to reduce the risk of occupational accidents.<br>4. The Corporate nurses practiced "walk-around management" in the factory and took the initiative to inspect the factory to care for the physical and mental conditions of the employees.<br>5. Continuously organized activities such as smoking cessation, weight loss, blood donation events etc.<br>6. Organized well-being seminars and physical fitness courses every year.<br>7. Provision of influenza vaccinations to employees.<br>8. Purchased AED equipment in the factory and arranged training for employees<br>9. Provided various kinds of clubs, trips, hospitalization condolences and medical subsidies to promote the physical and mental health of employees. |
|  | 1. Provided internal and external training and training programs for middle and senior management.<br>2. Signed industry-academia cooperation programs and provided internship opportunities with several schools, employing a total of 5 industry trainees and 33 senior-year off-campus interns in 2023.<br>3. Donation of education fund and teaching equipment for elementary school in remote villages.<br>4. Provided subsidies for employees' children's scholarships.<br>5. Participated in the Government's Rechargeable Redevelopment Training Program.<br>6. Provided incentives for language learning and license verification to employees. |
|  | 1. 3 out of about 20 senior executives in the company are women, and the CEO/President is also a woman.<br>2. Provided staff maternity assistance of TWD 10,000 for the first child and TWD 8,000 for the second child.<br>We also cooperate with nearby kindergartens to provide preferential childcare.<br>3. Provided "Priority Parking Spaces for Pregnant Women" for Pregnant Colleagues<br>4. Established breastfeeding room with a dedicated refrigerator and facilities.<br>5. Organized talks on gender equality and prevention of sexual harassment from time to time. |
|  | 1. The water tower is cleaned and disinfected every year to ensure the quality of water used in the toilets, which is mainly rainwater and groundwater.<br>2. Regular testing of water dispensers in the plant.<br>3. Increased sensor-type water supply equipment to save water resources.<br>4. Completed the replacement of dosing pipeline and updating of motor in the wastewater plant to ensure that the wastewater meets the factory standard. |

| SDGs indicators | CHEM SDGs Action Performance |
|---|---|
|  | 1. Completed installation of solar power plants with a capacity of 2,500 kWp in the Linko Plant (North Plant)<br>2. Actively cooperated with the domestic policy of promoting renewable energy, we have built a solar power plant in Tainan, and have officially begun cogeneration since FY2021, with a total capacity of 216MW, generating over 300 million kWh of electricity per year, which is equivalent to supplying electricity to more than 83,000 households in a year. This is equivalent to supplying electricity to more than 83,000 households per year. The annual CO2 emission can be reduced by 150,000 tons, which is equivalent to the benefit of afforestation of an area of 15,000 hectares.<br>3. Participated in the construction of wind turbines by the government to achieve more than 10% of the turnover.<br>4. Early planning to move from heavy power to green power by establishing a hydrogen energy R&D center.<br>5. Invested resources to build a complete laboratory with the highest power stack testing machine in Taiwan.<br>6. Currently the only fuel cell manufacturer in Taiwan that can develop fuel cells larger than 10KW.<br>7. Efficiently integrated multiple renewable energy sources, energy storage systems and fuel cells. |
|  | 1. Signed industry-academia cooperation programs with various schools and provide students with internship opportunities, with a total of 24 foreign students and 25 senior off-campus interns in 2022.<br>2. Had hired 26 physically and mentally challenged persons by the year 2023<br>3. In 2023, we continued to employ 15 more employees over the age of 65, and will be honored as a "110 Years of Employing Senior Citizens".<br>4. The company's labor union was honored by the Taoyuan City Government as an outstanding union.<br>5. In order to encourage colleagues to recommend outstanding personnel to join the company, provide employees with a talent referral bonus of $3,000.<br>6. In 2023, CHEM has a total of 1,899 employees, with 412 new employees. |
|  | 1.Actively cooperated with the domestic policy of promoting renewable energy, we have built a solar power plant in Tainan, and have officially started cogeneration since 2021, with a total capacity of 216MW, generating over 300 million kWh of electricity per year, which is equivalent to supplying electricity to more than 83,000 households in a year. The annual CO2 emission can be reduced by 150,000 tons, which is equivalent to the benefit of afforestation of an area of 15,000 hectares.<br>2. The hydrogen stack production line is automated, with automatic plate washing and coating to minimize the chance of contamination of personnel in the environment.<br>3. In 2023, CHEM iCharging has provided electric vehicles charging services at 8 rest stop service areas on the National Highway, including Hukou, Chingshui, Dongshan, Xiluo, Guansi, Suao, Tai'an, and Rende, and has already acquired 4 stops on the Gao Kung Kuk Phase III, including Shek Anchor, Xiluo (South Station), Gukeng, and Hsinying, which are expected to be completed and ready for service in 2024.<br>4. Cooperated with all electric vehicle operators to build electric vehicle charging piles throughout Taiwan, and by the end of 2023 have completed the construction of 23 fast-charging stations, and utilize the Dodohome/Parking Management Group charging system with the majority of members, for parking/charging a single charge to enhance customer retention. |
|  | 1. Set up staff suggestion box, in addition to the competent unit and transfer to the general manager, in order to understand the needs of the grassroots staff and help to improve.<br>2. Opened up employment opportunities for female co-workers in the same factories and increased the proportion of female co-workers.<br>3. Increased the design of fixed-amount bonuses in order to truly improve the income of junior colleagues.<br>4.Donation of patrol cars to the Fenglin Township Office in Hualien County.<br>5. Supported the handmade products of Hei Bean.<br>6. Provision of tablets, video teaching aids and scholarships for remote school children<br>7. Participated in the distribution of winter heating supplies in Wanrong Township, Hualien County.<br>8. Since 2023 the handmade soap products produced by Agape Sheltered Workshop have been used as souvenirs for the annual shareholders' meeting, with more than 40,000 copies ordered each year, allowing the company to integrate its business operations with social welfare. |

| SDGs indicators | CHEM SDGs Action Performance |
|---|---|
|  | 1. Invested in the Dunan Urban Renovation Project and San-Chong Urban Renovation projects to create a green, comfortable, safe, and secure living environment, and to provide a new urban atmosphere for older neighborhoods.<br>2.2020, the first urban renewal project, the Dunnan Project won the 22nd National Architecture Gold Quality Award.<br>3. The company has invested in office buildings and public facilities to beautify the cityscape and engineering needs.Not only beautifying the cityscape and but enhancing the environmental to be of safety to the residents. |
|  | 1. Production waste is sorted to minimize waste and recycled materials to achieve recycling economic benefits.<br>2. Required collaborators to recycle their own packaging materials or reduce the amount of plastic<br>3. Sheet metal and plinth for site use to be returned from the site for reuse.<br>4.Optimized the production process to reduce the waste of oil, gas, water and electricity resources. |
|  | 1.Staff dormitory boiler burning replaced by solar water heaters<br>2. Replacement of office light fixtures with LED light tubes<br>3. Upgraded of 7 sets of Variable Frequency Air Compressors (VFACs) and Variable Frequency Air Conditioners (VFACs)<br>4. In 2021, the Company started to conduct a carbon footprint inventory, and the total greenhouse gas emissions in 2023 amounted to 5.823.4 tCO2e, which is only 2.0% lower than that of 2022. However, because turnover for the same period increased by 19.4% compared to the previous year, in terms of greenhouse gas emissions per million units of turnover, greenhouse gas emissions per million units of turnover decreased by 17.9%. |
|  | 1. Organized one-person-one-tree planting activities<br>2. Adoption of street trees in industrial areas<br>3. Planted 120 more trees.<br>4. Regularly replaced activated carbon filters and upgrade wastewater facilities to prevent pollution from impeding the ecology of the neighborhood. |
|  | 1. Prohibited employees from accepting unreasonable gifts, and provide appropriate reporting channels and penalties for violation of the regulations.<br>2. Establishment of a Personnel Review Committee and Complaint Hotline with a dedicated unit to handle related matters.<br>3. The Personnel Review Board has the duty to protect the personal data of the person concerned and to ensure that he/she would not be subjected to improper handling as a result of the report. |



# 1 ABOUT CHEM

## 1.1 Company Introduction

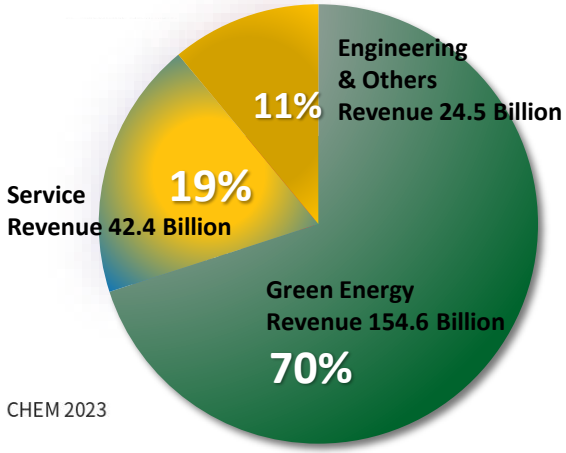
Founded in 1956, Chung Hsing Electric has accompanied Taiwan's industrial takeoff and transformation, providing advanced power equipment and transmission and distribution engineering services required for all stages of power development, and is now a leading company in Taiwan's heavy power, parking management, and green energy industries. Since its establishment, CHEM has continued to keep abreast of the times and pursue growth and transformation with the spirit of innovation and change. Based on the stable foundation of the electric power business, CHEM has developed six major business groups, including heavy power, system integration, parking management, CNC, new energy, and mainland China business, with electric power equipment, electric power engineering, and green energy as the main axes of operation. In recent years, in view of the worsening of global warming, CHEM has been actively cooperating with the government's promotion of green energy and carbon reduction policies, and contributing to the company's professionalism by actively engaging in various renewable energy businesses, such as wind power, solar power, fuel cells, rechargeable piles, microgrids, etc., in the hope of fulfilling the company's social responsibility of environmental protection and protecting the earth with green energy together with all of Taiwan.

| | |
|---|---|
| **Company Name** | **Chung Hsin Electric & Machinery Manufacturing Corp.** |
| **Headquarters Location** | No.25,Wende Rd., Guishan Dist., Taoyuan City 33383, Taiwan |
| **Capital** | NT$5.031 billion |
| **Consolidated revenue for the year** | 22,144,872 thousand dollars |
| **Number of workers** | 1,899 |
| **Locations** | 3F,No. 801, Zhongzheng Road, Zhonghe District, New Taipei City, Taiwan, with its main manufacturing base in the Linkou factory (North Plant) and subsidiaries in Taipei City, New Taipei City, Taichung, and Tainan. For more information on our Taiwan subsidiaries and subsidiaries in other countries, please refer to the Annual Report. |
| **Main Products/Services** | CHEM is the No. 1 brand of heavy electrical equipment. CHEM focuses on the development of three major businesses, namely Gas Insulated Switchgear (GIS) heavy electrical equipment, precision manufacturing and hydrogen energy. In addition, CHEM has developed diversified business groups. The scope of operations includes<br>The scope of operations includes heavy electrical products, meter products, system air-conditioning engineering, power generators, power automation systems, parking management, charging piles, and turnkey projects for power generation and substation. In addition, in 2008, we began to invest in the research and development of a new energy source - hydrogen energy - and look forward to creating cleaner and more energy-efficient products for the people in the future. |

**Note: For more information on the important history of CHEM, please refer to the 2023 Annual General Meeting of Shareholders.**
**The statistics is as of the end of 2023.**

## Business Scope

CHEM has been deeply engaged in the heavy power industry for many years, and has developed a diversified business group based on its strong competitive edge in the power industry. In recent years, CHEM has been actively transforming into a green energy business with hydrogen energy, energy storage, micro-grid and carbon emissions, to realize the concept of caring for the earth in an environmentally friendly manner, CHEM's successive completion of seven solar power plants with combined-meter power generation, the growth of hydrogen energy product sales, and the introduction of "iCharging" electric vehicles charging service to national highway rest stops, demonstrates that CHEM has already been recognized as a green energy company and is actively fulfilling its corporate social responsibility.




## CHEM's Efforts in Green Energy (2023)

| Unit: 100Million | green energy | service | Engineering and others |
|---|---|---|---|
| Revenue | 154.6 | 42.4 | 24.5 |
| Revenue Percentage | 70% | 19% | 11% |

**Green Energy**
- Solar Energy
- Hydrogen Energy Storage, Micro Grid
- Power Supply & Equipment

**Service**
- Parking Management
- Maintenance Management

**Engineering & Others**
- Urban Renovation
- System Integration
- Precision Machining

## CHEM's 6 Business Group

| Power Business Group | System Integration Business Group | Renewable Energy Business Group | CNC Business Group | Dodohome Business Group | Mainland China Business Group |
|---|---|---|---|---|---|
| 1. Electricity supply and distribution products<br>2. Electricity Engineering<br>3. Electricity meter products (single-phase/three-phase)<br>4. Power Automation | 1. System Engineering<br>2. Air-conditioning products<br>3. Generator Products<br>4. Electrical and Mechanical Fire Services Maintenance Management<br>5. Construction/Urban Renovation Development<br>6. Energy Saving Management Services | 1.Hydrogen business (fuel cell, microgrid)<br>2. Contracting, construction and operation and maintenance of wind, solar and other new energy power generation projects. | 1.Precision machining of semiconductor, optoelectronic and aerospace components. | 1. Parking lot management and equipment manufacturing and sales<br>2. Operation and management of vehicle charging services | 1.Semiconductor and optoelectronic components precision machining<br>2.GIS assembly and sales |


## Main Business, Service and Products:

- Manufacture and sale of air-conditioning products, electrical machinery products, electrical products, power supply equipment products, and industrial machinery parts and products.
- Contracting and construction of electrical piping, air-conditioning and electrical engineering, air-conditioning equipment and electrical and mechanical stationary maintenance and system engineering.
- Contracting and construction of incinerators, pollution prevention projects, and contracting and construction of power supply systems and power monitoring systems.
- Contracting and construction of wind, hydro, thermal, and solar power generation projects, highway tunnels, electrical and mechanical fire-fighting projects, and substation turnkey projects.
- Parking lot management and charging station equipment manufacturing, sales, and operation management.
- Manufacture and sale of smart grid power automation equipment.
- R&D, manufacturing and sales of stationary fuel cell systems, mainly including the development of key components such as stack modules, power conditioning modules, methanol-based water reformers and fuel cell controllers.
- Residential and building development for rent and sale.
- Operators in GIS are used in the manufacture and sale of various types of hydraulic operators, pneumatic-operated handlers, spring-operated handlers, electric-operated handlers, electric spring-operated handlers, and medium voltage switchgear equipments for GIS (Gas-Insulated Switchgear) ranging from 22kV to 550kV.
- Manufacture of aerospace components, panels, semiconductor equipment cavities, and precision machining components.
- Contracting, construction and operation and maintenance of solar power plants.

## Industry-academia cooperation

Due to the current lack of domestic electrical manpower, in order to cultivate more electrical talents, in addition to establishing scholarships to assist outstanding electrical and mechanical students to complete their studies, and with a number of universities, such as Chang Gung University, National Taiwan University of Science and Technology, Lung Hwa University of Science and Technology, National Chung Cheng University and other industry-academia cooperation to invest in research and development of electrical projects, In addition, we established a master's program in quality power supply industry with Taipei National University of Technology in 2007 to contribute to the cultivation of the next generation of excellent electrical talents:

| Item | Schools | Collaborative Projects | Dates |
|---|---|---|---|
| 1 | Taipei University of Technology | Letter of Intent for Cooperation on Industry College Fit Talent Training | 2014.03.28 |
| | | Co-operation Contract for Employment (Internship) (Department of Energy and Refrigeration and Air Conditioning Engineering / Department of Mechanical Engineering) | 2014.07.14 ~2021.06.30 |
| | | Tripartite Agreement on Industry-Academy-Training Cooperation (Department of Energy and Refrigeration & Air Conditioning Engineering) | 2016.06.23 |
| | | Practical Training Contract for Employment (Department of Energy and Refrigeration Engineering / Department of Mechanical Engineering) | 2020.07.01 ~2022.06.30 |
| 2 | Long Hua University of Science and Technology | Consent Form for Workplace Experience (Department of Mechanical Engineering) | 2021.7.5~2022.8.31 |
| | | University-Industry Cooperation Agreement (Department of Mechanical Engineering) | 2023.7.3~2024.6.30 |
| | | Tripartite Agreement on Industry-Academic Training (Department of Electrical Engineering) | 2022.03.21 ~2024.06.15 |
| | | | 2023.03.20 ~2025.06.15 |
| 3 | Chung Cheng University | Letter of Intent for Collaboration with the Center for Advanced Research on Forward-Looking Manufacturing Systems (CARD) | 2012.6.1~2015.5.31 2017.1.1~2019.12.31 |
| 4 | Dawn Institute of Technology | Contract with Student Internship Organization (Mechanical Engineering and Electrical Engineering) | 2012.7.2~2015.8.31 |
| | | Student Internship Contract (Department of Electrical Engineering) | 2020.2.1~2021.12.31 |
| | | Contract for Off-campus Internship (Department of Electrical Engineering) | 2023.1.9 to 2023.6.8 |
| | | | 2023.9.1~2024.5.31 |
| 5 | National Formosa University | Student Summer Off-Campus Internship Contract (Department of Power Mechanical Engineering) | 2015.7.1~2015.8.31 |
| 6 | Long Hua University of Science and Technology | Student Internship Contract (Department of Mechanical Engineering, Department of Electrical Engineering, Department of Industrial Management, Department of Information Management) | 2012.7.2~2023.6.30 |
| | | Student Internship Contract (Department of Mechanical Engineering, Department of Electrical Engineering, Department of Electronic Engineering, Department of International Business) | 2023.7.3~2024.6.30 |
| 7 | Far Eastern University of Science and Technology | Off-campus Internship Contract (Department of Mechanical Engineering) | 2017.7.3~2017.8.31 |
| 8 | Chien-hsin University of Science and Technology | Off-site Internship Contract | 2018.7.1~2019.6.15 |
| 9 | Chang Gung University | Contract for Educational Collaboration (Department of Electrical Engineering) | 2016.7.4~2019.8.23 |
| | | Student Internship Contract (Department of Mechanical Engineering) | 2023.7.3~2023.8.25 |
| 10 | Southeast University of Science and Technology | Contract for University-Industry Collaboration (Refrigerated Air Conditioning) | 2019.7.1~2023.6.30 |
| 11 | Taipei City University of Science and Technology | Student Internship Contract (Department of Electrical Engineering) | 2022.7.1~2023.6.30 |
| | | Contract for Off-Campus Internship (Department of Electrical Engineering) | 2023.7.3~2024.6.30 |
| 12 | Taiwan Normal University | Professional and Technical Training Contract (Bachelor of Science in Vehicle and Energy Engineering) | 2023.7.3~2024.6.30 |

## Corporate Social Responsibility Awards

In order to fulfill its corporate social responsibility (CSR) and contribute to economic, environmental and social progress to achieve the goal of sustainable development, CHEM has formulated a CSR Code of Practice since 2015. The awards received are listed below:

| Corporate Social Responsibility Awards | |
|---|---|
| 1 | 104 Uniform Invoicing Meritorious Operator Award. |
| 2 | Honored as an Outstanding Vendor in Chunghwa Telecom's 104th Annual "Vendor Corporate Social Responsibility Audit Award". |
| 3 | Kaohsiung Shiu-Lin Village Community-based Green Power System was awarded a Certificate of Appreciation. |
| 4 | Participated in the Ministry of Economic Affairs' voluntary green tariff system pilot program, subscribing to 700,000 kWh of green power in 2014, 2016, and 2017, respectively, to enhance its social responsibility for green energy and environmental protection. |
| 5 | Silver Award, Smart Grid Category, 3rd APEC Energy Smart Communities Best Case (ESCI) 2017 |
| 6 | Introduced the concept of circular economy and won the special award in Taiwan Power Company's 2018 Green and Environmentally Friendly Worksite Evaluation. |
| 7 | Gold Award in the Smart Grid Category of the 4th APEC Energy Smart Communities Best Case (ESCI) 2019 |
| 8 | 1111 Human Resource Bank organized the "Happiness Survey of Manufacturing and Construction Sales Category", in which office workers voted for the top 20 happiest companies in the category of "Precision Machinery". |
| 9 | Chunghwa Telecom Co., Ltd. 2019 Supplier Sustainability Partner Certification Mark Gold Award |
| 10 | DunNan Urban Renewal Project obtained the Gold Level Green Building Label Certificate in 2021 |
| 11. | Applied Materials Inc.'s only "Good Manufacturer Award" in Asia. |
| 12 | Chunghwa Telecom Co., Ltd. 2022 Supplier Sustainability Partner Certification Mark Gold Level Award |
| 13 | Taoyuan City 2023 Annual Labor Harmony Excellent Enterprise Unit |

**bsi Environmental Sustainability Statement**

**CHEM's 2021 Dunan construction Project has been awarded the Gold Level Green Building Labeling Certificate**

**The 22nd Public Works Design & Construction Gold Quality Award**

**AMAT Asia's Only Good Manufacturer Award**

**Member of Chunghwa Telecom Low Carbon Alliance**

**Kaohsiung Siu Lin Village Community Green Power System was awarded a Certificate of Appreciation.**


**APEC Energy Smart Communities Initiative (ESCI) Silver Award in Smart Grid Category**


**Gold Award in Smart Grid Category of the 4th APEC Energy Smart Community Initiative (ESCI) Best Cases**

## Awards & Recognitions in Previous Years

| | |
|---|---|
| | **The Highest Honor in the Technology and R&D** |
| 1 | 18th Industrial Technology Development Awards |
| | **Corporate Honors** |
| 1 | Taoyuan County - Evergreen Enterprise Excellence Award |
| 2 | The 2nd Year – Enterprises with Greatest Potential |
| 3 | Selected as one of the "Top 100 Companies for Year-round Growth" in the World Magazine's 2021 Top 200 Companies for Durability survey. |
| 4 | Selected as one of the "Top 100 Carbon Competitiveness" by Business Week Survey 2023 |
| 5 | Awarded the Gold Level of Chunghwa Telecom's 2022 Supplier Sustainability Partner Certification Mark. |
| | **Product Quality Certification** |
| 1 | ISO 9001:2015 Quality Management System |
| 2 | ISO 14001:2015 Environmental Management System |
| 3 | ISO 17025:2017 Laboratory Quality Management System |
| 4 | ISO/IEC 27001 Information Security Management System |
| 5 | ISO 45001 Occupational safety and health management system |
| 6 | Was Awarded with the American Electrical Manufacturers Association Standard & Recognition |
| 7 | AS 9100 Aerospace Quality Management System Certification |
| 8 | OHSAS 18001 Occupational Health and Safety Management System Certification |
| 9 | NADCAP CMSP Hole-making Certification |
| 10 | ASME (American Society of Mechanical Engineers) Boiler Pressure Vessel Certification |
| 11 | TAF accredited laboratories: testing laboratories for power supply products, testing laboratories for power generating units, testing laboratories for air-conditioning equipment, calibration laboratories. |
| 12 | New 69/161/345 KV GIS passes CESI type test in Italy and Taipower's third stage of nationalization. |
| 13 | 110/220/420/550 KV Ceramic Pillar Circuit Breaker GCB passed CESI type test certification in Italy. |
| | **Product/System Engineering Awards** |
| 1 | The 5th Public Works Golden Quality Award Merit |
| 2 | The 7th Public Works Golden Quality Award Merit |
| 3 | The 8th Public Works Golden Quality Award |
| 4 | The 9th Public Works Golden Quality Award Merit |
| 5 | The 9th Public Works Golden Quality Award |
| 6 | The 11th Public Works Golden Quality Award, Merit |
| 7 | The 15th Public Works Golden Quality Award for Excellence |
| 8 | The 16th Public Works Golden Quality Award, Merit |
| 9 | The 17th Golden Quality Award for Public Works with Special Merit |
| 10 | The 19th Public Works Gold Quality Award Merit |
| 11 | The 20th Public Works Golden Quality Award, Double Award in Design and Construction of Facilities Category, and Special Contribution Award |
| 12 | The 21st Public Works Golden Quality Award Merit |
| 13 | The 22nd Public Works Golden Quality Award Special Merit |
| 14 | Dunhua South Road project – “Dunnan Palace,” won the 22nd National Architecture Golden Quality Award for Residential and Commercial Buildings/High-rise Groups in the categories of planning and design and construction quality. |
| 15 | Applied Materials Inc. of America 2022 Best in Class Performance Awards |
| 16 | The 23rd Public Works Golden Quality Award for Design and Construction of Facilities with Double-Material Merit and Special Contribution Award |

### Government Approved Grant Programs in Recent Years

| | Ministry of Economic Affairs of the People's Republic of China (MOEA) Science and Technology Research and Development Project Grant Program | Approved year |
|---|---|---|
| 1 | 12kV GIS (Gas-Insulated Switchgear) (Dry Air Insulated Environmentally Friendly) | 2006 |
| 2 | R&D Program of After-sales Power Saving and Warranty Service Platform for Air Conditioner Mainframes | 2010 |
| 3 | High-speed and high-precision 5-axis gantry machining centers and process value-added system. | 2012 |
| 4 | Weather-resistant humidity-free fuel cell key component and its system development program | 2012 |
| 5 | Data Center Forced-Air Cabinet-type Air Conditioning Equipment and Monitoring System Development Project | 2013 |
| 6 | Encourage domestic enterprises to set up R&D centers in Taiwan. | 2013 |
| 7 | High-value Aerospace Grade Processing Equipment and Application Integration Programs | 2015 |
| 8 | High-efficiency Liquid-cooled Fuel Cell Stacks and Key Technology Development Programs | 2020 |
| | **Mentoring Program for Industrial Upgrading and Innovation Platform, Industrial Development Administration, Ministry of Economic Affairs, Taiwan** | **Approved year** |
| 1 | Development of GIS copper conductor friction stir welding process for power system extra-high voltage switchgear energy-saving process development program. | 2023 |
| | Fuel Cell Demonstration and Operation Grant, Bureau of Energy, Ministry of Economic Affairs, R.O.C. | Approved year |
| 1 | Hydrogen Wind-Solar-House Hybrid DC Power Demonstration and Operation Verification Program | 2009 |
| 2 | SBN Global Studio Power Demonstration and Operation Verification Program | 2010 |
| 3 | Fuel Cell Backup Power Demonstration and Operation Verification Program for Telecommunication Equipment Rooms | 2011 |
| 4 | Fuel Cell Backup Power Demonstration and Operation Verification Program for Radio Repeater Stations of Fire Department, Ministry of the Interior | 2012 |

## 1.3 Participation in external organizations (2-28)

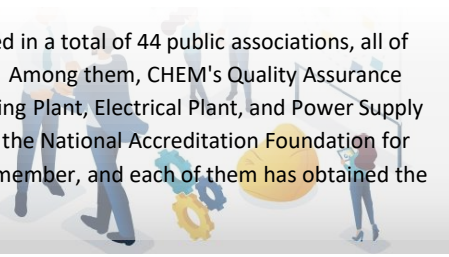
### External Initiatives

1. United Nations Sustainable Development Goals (SDGs)
2. Global Reporting Initiative (GRI) Sustainability Reporting Guidelines
3. The United Nations Global Compact (UNGC)
4. World Economic Forum (WEF) Anti-Corruption Partnership Initiative Anti-Bribery Code of Conduct

### Participating Associations

CHEM actively participates in various industry associations in order to build industry consensus. Through various platforms, CHEM shares new industry news, receives diversified viewpoints and professional knowledge, and further expects to promote the development and progress of industry public affairs. We also participate in relevant associations dedicated to green power generation and climate change mitigation, and aim to contribute to Taiwan's green power development and energy conservation and carbon reduction, including the Taiwan Fuel Cell Partnership, Taiwan Hydrogen Industry Development Alliance, R.O.C. Solar Power Generation System Association, and Taiwan Energy Conservation and Emission Reduction Association.

In 2023, CHEM participated in a total of 44 public associations, all of which have memberships. Among them, CHEM's Quality Assurance Committee, Air Conditioning Plant, Electrical Plant, and Power Supply Plant each participated in the National Accreditation Foundation for Consortiums (NAFC) as a member, and each of them has obtained the status of TAF Laboratory.



## CHEM's Participating Associations and Memberships

1. The Quality Society of the Republic of China
2. Republic of China Association for the Advancement of Industry and Commerce
3. Industrial Safety and Health Association of R.O.C. (ISHA)
4. Republic of China Orthographic Marking Association
5. Atmosphere Protection Association of the Republic of China
6. Internal Audit Association of the Republic of China
7. Republic of China Electric Stagecoach Association
8. Middle East Economic and Trade Association of the R.O.C.
9. Accounting Research and Development Foundation of the ROC (Taiwan)
10. National Accreditation Foundation
11. Taiwan Electrical and Electronic Industries Association (TEEIA)
12. Taiwan Machinery Industry Association
13. Taiwan Refrigeration and Air Conditioning Engineering Industry Association Ltd.
14. Taiwan Plumbing Engineering Industry Association (TPEA)
15. Taiwan Electrical Engineering Industry Association (TEEIA)
16. Taiwan Fire Equipment Industry Association
17. Taiwan Refrigeration & Air Conditioning Association
18. Taiwan Smart Grid Industry Association
19. Taipei Electrical Appliances Trade Association
20. Taipei Computer Business Association
21. Taipei City Measurement Association
22. Taipei City Parking Lot Business Association
23. New Taipei City Fire Engineering Equipment Business Association
24. Taoyuan City Industrial Association
25. Linkou Gongsan Industrial Park Manufacturers' Association
26. Taipei City Refrigeration and Air Conditioning Technicians Association
27. Taiwan Power Development Association
28. Taiwan Aerospace Industry Association (TAAIA)
29. Taiwan Electrical Equipment Inspection and Maintenance Engineering Industry Association (TEEMEA)
30. Taiwan Fuel Cell Alliance
31. Taiwan Energy Conservation and Emission Reduction Association
32. DLMS
33. Taiwan Hydrogen Industry Development Alliance
34. Taiwan Electronics Inspection Center (with ISO 9001, ISO 14001, OHSAS 18001)
35. Tainan County Industrial Association
36. National Association of Manufacturing Site Officers of the Republic of China (ROC)
37. R.O.C. Photovoltaic Power Generation System Merchants Association Ltd.
38. NTU R&D Alliance for Advanced Automated Optical Inspection Equipment
39. Taiwan Electric Vehicle Supplemental Technology Industry Promotion Alliance
40. Taiwan Science Park Science Industry Association
41. Taichung City Parking Lot Business Association
42. Taiwan Power & Energy Engineering Association
43. Information Software Association of R.O.C.
44. Chiayi County Industrial Association


# 2 Corporate Governance

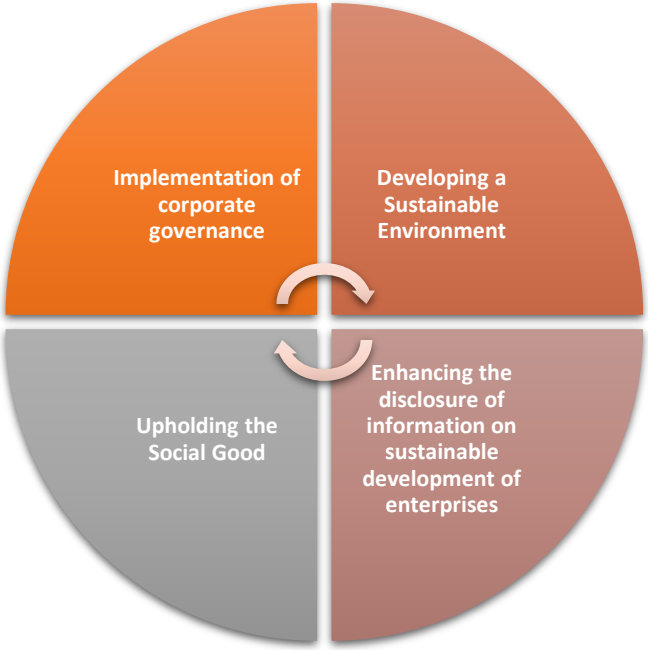
# II. Corporate Governance (CG) (2-13, 2-14, 201)

**Sustainable Development Policy**

In addition to pursuing sustainable operation and profitability, CHEM also attaches importance to the environment, society and corporate governance, and protects the rights and interests of stakeholders. Therefore, CHEM has formulated a "Code of Practice on Sustainable Development" with reference to the "Code of Practice on Sustainable Development for Listed and OTC Companies", which is authorized by the Board of Directors to be handled by the senior management, and to report to the Board of Directors on the status of its implementation from time to time. The Board of Directors of the Company will consider any shareholders' motions related to sustainable development as a resolution at the shareholders' meeting, in order to promote the Company's sustainable development towards ESG.

CHEM's Code of Practice on Sustainable Development clearly defines the principles of corporate social responsibility and the key promotion items of the company's sustainable governance, such as corporate governance, environmental protection, social welfare, and disclosure of sustainability-related information, etc., and pays attention to the development of domestic and international sustainability-related standards and the changes in the corporate environment in order to review and improve the sustainability system and objectives established by the company and to enhance the effectiveness of the promotion of sustainable development.

In addition, we will continue to consider the relevance of domestic and international sustainability trends to our core business, and the impact of the Company's and the Group's overall operating activities on stakeholders, in order to formulate management policies and specific plans to promote sustainable development.




**Code of Practice on Sustainable Development**

## Corporate Governance Guidelines

A sound corporate governance mechanism is the foundation of sustainable business operations. CHEM upholds the concept of integrity management and is committed to promoting an effective corporate governance structure, protecting shareholders' rights and interests, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders, and implementing transparency of operational and financial information.
In order to implement corporate governance, CHEM appointed Jing-Feng Lai as the Head of Corporate Governance in 2020 by resolution of the Board of Directors, whose duties include "handling information required by the Board of Directors for execution of business in accordance with the law", "handling matters related to the meetings of the Board of Directors and shareholders' meetings in accordance with the law", "providing information required by the directors for the execution of their business", "assisting the directors in taking up office and in continuing their studies", and assisting directors in complying with laws and regulations".

In order to continuously improve the effectiveness of corporate governance, CHEM has established an internal control system, conducted reviews and evaluations, assessed the performance of the board of directors, conducted further training for the head of corporate governance, and regularly published corporate governance reports to effectively respond to the rapid changes in the company's internal and external governance environments, to assist management in flexibly formulating strategies for economic, environmental, and social issues, and to ensure that the system is designed and implemented in a sustainable and effective manner to maximize the benefits of the company and its stakeholders. CHEM will continue to strengthen its internal control system and introduce the ISO 37001 anti-bribery management system in order to accelerate the transparency of the company's information in line with the trend of international corporate governance.


## CHEM's Five Principles of Corporate Governance

| Major Themes | Operational Performance |
|---|---|
| Corresponding GRI Indicators | GRI 201 Economic Performance |
| Policies and Commitments | • Pursuing Sustainable Management and Profitability<br>• Protecting the Interests of Stakeholders<br>• Maximizing Stakeholders' Interests |
| Goals and Objectives | **Short-term objectives**<br>• Consolidated revenue for the year exceeded NT$18 billion and consolidated net income exceeded NT$2 billion.<br>**Medium and Long Term Goals**<br>• We continue to enhance our operational efficiency through organizational changes.<br>• Grasp the opportunities for the development of the green energy industry. |
| Responsibilities and Resources | • To set up a dedicated head of corporate governance to handle matters related to the execution of business by the Board of Directors, assist the directors in continuing education and strengthen their functions in accordance with the law.<br>• Whenever a shareholder proposes a motion relating to sustainable development, the Board of Directors will consider it as a motion at the shareholders' meeting. |
| Evaluation Mechanism and Results | • Annual consolidated revenue exceeded NT$18 billion and consolidated net income exceeded NT$2 billion. In 2023, the company actually achieved annual consolidated revenue of NT$221.45 billion and consolidated net income of NT$1.585 billion. |

## Economic Performance

### CHEM 2023 Consolidate Financial Statement (Unit: NT$1,000)

| | 2021 | 2022 | 2023 | 2024H1 |
|---|---|---|---|---|
| Operating income | 18,027,267 | 18,546,885 | 22,144,872 | 12,272,529 |
| Gross Profit | 4,297,460 | 4,744,448 | 6,418,919 | 3,404,246 |
| Operating profit and loss | 2,677,068 | 2,851,135 | 4,386,497 | 2,344,197 |
| income tax | 507,616 | 625,844 | 811,418 | 424,826 |
| Net profit for the period | 1,971,481 | 2,466,498 | 1,585,444 | 1,851,534 |
| Earnings per share $NT | 4.19 | 5.21 | 3.25 | 3.75 |
| Staff salary and benefit costs | 2,601,162 | 2,924,368 | 3,049,874 | 1,697,889 |

### Financial Assistance from the Government in 2023 (in thousands)

| Subsidized Projects | 2021 | 2022 | 2023 |
|---|---|---|---|
| Tax deductions and credits | 259,096 | 383,942 | 611,862 |
| Subsidies | 1,432 | 3,220 | 4,239 |
| Investment grants, R&D grants | 17,379 | 15,363 | 32,421 |
| Rewards | 717 | 2 | 448 |
| Exemption period of benefits | - | - | - |
| Financial Assistance from Export Credit Agencies (ECAs) | - | - | - |
| Financial Incentives | - | - | - |
| Others (...) | - | - | - |
| Total: | 278,624 | 402,527 | 648,970 |

## 2.1 Governance Practices (2-9 to 2-12, 2-15 to 2-18, 2-21, 2-25 to 2-26, 405-1)

### 2.1.1 Board of Directors

CHEM established the Board of Directors in accordance with the Company Law. The current term of the Board of Directors was re-elected in May 2023 for a term of three years until its expiration in May 2026, with a total of nine directors (including three independent directors), who are responsible for assisting CHEM in reviewing and assessing the results of the implementation of the Company's various business plans relating to the economic, social and environmental aspects, as well as supervising CHEM's internal auditing operations. The Board of Directors meets quarterly, and in 2023, the Board of Directors met a total of 8 times, with an overall attendance rate of 88.9%. In addition, CHEM has organized functional committees, such as the Audit Committee and the Compensation Committee, in accordance with the law, to assist the Board of Directors in fulfilling its role of overseeing the quality of the Company's execution of relevant accounting, auditing and financial controls.

CHEM's various departments interact with stakeholders on a regular and irregular basis through routine channels. In the event that there is a potential negative and significant impact between a stakeholder and the Company, the responsible departments conduct due diligence investigations into the stakeholder's finances, company operations, legal compliance records, environmental pollution, infringement of employees' rights, and health hazards, and will report the results of such investigations to the General Manager and the Chairman of the Board of Directors. The results of the investigations will be reported to the General Manager and the Chairman of the Board of Directors, who will evaluate whether to report the results to the Board of Directors depending on whether the specific results will cause significant harm to the overall operation of the Company, and finally, the Board of Directors make a resolution on the due diligence report and submit it to the responsible departments of the Company for implementation. The specific implementation of the report has made CHEM's due diligence on stakeholders and the role of the Board of Directors in facing potential negative material impacts more complete.

The Board of Directors emphasizes diversity and equality, and includes members of different genders and ages based on their professionalism and experience, so that the Company can make innovative and correct decisions in overall decision-making and leadership direction. In addition, in order to enhance the effectiveness of the Board of Directors' operations and to implement supervision, the Company has established three independent directors, who comply with the relevant professional qualifications, independence recognition, as stipulated in the "Regulations Governing the Establishment and Compliance of Independent Directors of Public Companies". The Government has also imposed restrictions on the number of companies that may be allowed to operate in the market, so as to achieve proper planning of corporate innovation and development strategies, safeguard shareholders' interests and strengthen corporate governance.

CHEM's Board of Directors possesses professional industry knowledge and extensive experience in corporate governance. Through continuous education and extensive reference to international trend reports, CHEM's Board of Directors is able to enhance its collective wisdom on environmental, social and economic issues. In addition to professional competence, the CHEM Board of Directors has adopted the "Board Performance Evaluation Method" to ensure that the conduct and ethics of the Board members are in line with the corporate culture and spirit of CHEM, and conducts internal evaluations of the performance of the Board of Directors, individual members of the Board of Directors, and functional committees annually, as well as evaluations performed by an external independent professional organization or a team of outside experts and scholars every three years, in order to enhance the integrity and management effectiveness of CHEM's governance. The next evaluation is expected to be conducted in 2025.

**Scan for External Evaluation for the Board Performance**

| Board of Directors Performance Evaluation Mechanism | 2023 Performance Self-Assessment Results. | Enhanced Program. |
|---|---|---|
| • Annual Self-Evaluation Questionnaire<br>• External board Evaluation Every Three Years | • -Average score of 4.89 for Board of Directors,<br>• 4.91 for Board Members,<br>• 5 for Audit Committee<br>• 5 for Remuneration Committee. | • Coordinating the attendance of directors at board meetings in person<br>• Arranging professional development programs<br>• Enhancing the effective communication between independent directors and internal auditors and accountants.<br>• Enhancing directors' participation in the Company's operation. |

Note: Age groups are: 21-30, 31-40, 41-50, 51-60, and 61+.
Note 1: Dismissal: 2023.7.19
Note 2: Inauguration: 2023.7.20
Note 3: Dismissal: 2023.5.24
Note 4: Inauguration: 2023.7.20
Note 5: Inauguration: 2023.5.24
Note 6: Inauguration: 2023.7.20

## CHEM Diversified Board Member

| Title | name and surname | gender | Age Group | Major Experience | Attendance |
|---|---|---|---|---|---|
| Chairman *1 | Yi-Fu Chiang | male | Over 61 years old | Department of Foreign Affairs, University of Political Science<br>Director, Bureau of Investigation<br>General Manager, CHEM Electric Machinery Co. | 5 |
| board member Vice Chairman*2 | Hui-Chuan Kuo | women | 51-60 years old | Master of Engineering, National Cheng Kung University<br>Director of Finance, CHEM Electric Machinery Co.<br>Vice President, CHEM Electric Machinery (Holdings) Co. | 8 |
| board member *3 | Jin-Tiao Wu | male | Over 61 years old | Ph.D., Department of Biochemical Engineering, Maryland State University, U.S.A.<br>General Manager, Reinnova Entech Engineering Corp.<br>General Manager, SHS Environmental Engineering Company. | 1 |
| board member | Wei-Chuan Chang | male | Over 61 years old | China Marine College<br>Director, CHEM Heavy Equipment Division | 7 |
| board member Chairman *4 | Fu-Nein Chiang | male | 31-40 years old | Auckland Institute of Tourism Management<br>Deputy Director, Dodohome Parking Management Business Group, CHEM Electric & Machinery Co. | 8 |
| board member | Ming-Xian Weng | male | Over 61 years old | Department of Agricultural Engineering, National Taiwan University<br>Chairman, CMC Magnetics Corp. | 3 |
| board member *5 | Song-Qin Shen | male | 51-60 years old | Graduate Institute of Engineering Science, National Cheng Kung University | 5 |
| board member *6 | Hon-Ren Lin | male | 41-50 years old | Department of Economics, University of Toronto, Canada | 2 |
| Independent Directors | Gene-Tzn Chen | male | Over 61 years old | Department of Law, National Taiwan University<br>Members of the legislature, deputies to the National Assembly, prosecutors, lawyers,<br>Chairman, ICBC Securities Investment Trust (Taiwan) Co.<br>Chairman, Taishin Securities Investment Trust Co.<br>Independent Director of Champion Building Materials Co. | 8 |
| Independent Directors | Sin-San Pai | male | Over 61 years old | D. in Law from Chinese Culture University, M.Arch. from National Cheng Kung University, and B.Arch. from Chung Yuan Christian University, M.A., University of San Francisco, U.S.A.<br>Advisor to the Presidential Office on National Policy and Chairman of the Taipei City Architects Association,<br>Chairman, Consumers Cultural and Educational Foundation of the Republic of China (R.O.C.)<br>Director of the Foundation for the Memorial of the February 28th Incident, Inc.<br>Member, Public Works Procurement Complaint Review Committee, Executive Yuan | 8 |
| Independent Directors | Horng-Chi Chen | male | Over 61 years old | Doctor of Laws, Kinki University; Associate Professor, Truth University<br>Delegate to the National Assembly and member of the Legislative Council,<br>Deputy Representative, Office of the United Nations High Commissioner for Refugees<br>President, Taiwan-Japan Relations Association | 8 |

## Board Performance Evaluation

In order to implement corporate governance and enhance the functioning of CHEM's Board of Directors, CHEM has established the "Board of Directors Performance Evaluation Method" in accordance with the "Code of Practice on Corporate Governance for Listed OTC Companies", which establishes performance targets to enhance the efficiency of the Board's operation. Every three years, an external professional independent organization or a team of outside experts and scholars conducts the evaluation. The internal evaluation of the performance of the Board of Directors focuses on the performance of the Board as a whole, individual Board members and functional committees, and the performance evaluation results are categorized into five grades ranging from (***1) to be improved*** to ***(5) excellent***, and the results of the Board of Directors' performance evaluation in 2023 are set out in the table below, and the results of the Board of Directors' performance evaluation of individual directors and functional committees can be found in the official website of the Company under "Board of Directors' Performance Evaluation".

The Board of Directors' Performance Indicators consist of five major aspects and a total of 45 indicators, with 40 "Excellent (5)" and 5 "Good (4)" results in 2023, indicating that the Board of Directors has been able to direct and supervise the Company's strategies, major businesses and risk management, and has established an appropriate internal control system in compliance with the requirements of corporate governance.

| The five directions of self-assessment | Assessment Items | Assessment Results |
|---|---|---|
| A. Degree of participation in the Company's operations. | 12 items | 4.83 points |
| B. Enhancing the quality of board decisions | 12 items | 4.92 points |
| C. Board Composition and Structure | 7 items | 5.00 cents |
| D. Election and Continuing Education of Directors | 7 items | 4.71 points |
| E. Internal control | 7 items | 5.00 cents |

## Progressive Governance Team

In order to achieve the ideal goal of corporate governance, CHEM's Board members actively participate in further education to cultivate the knowledge, skills and qualities required to perform their duties. In 2023, CHEM's Board of Directors will spend a total of 66 hours on further education, with an average of 7.3 hours per person, covering courses such as global trends, operations and management, and financial prevention, etc., and will increase the number of courses related to the environment and the society in the future to enhance ESG knowledge and improve the professional capacity, governance effectiveness and overall sustainable functions of the Board of Directors. In the future, more environmental and social related courses will be added to strengthen ESG knowledge and enhance the Board's professional competence, governance effectiveness and overall sustainability functions.

▼ CHEM's Board of Directors' Eight Functional Requirements

| Title/Trainee | Course | Hours |
|---|---|---|
| Director/Fu-Nein Chiang | 14th Taipei Corporate Governance Forum | 6 |
| Director / Hui-Chuan Kuo | 14th Taipei Corporate Governance Forum | 6 |
| Director/Hon-Ren Lin | The 23rd Corporate Governance and Sustainable Management Workshop | 6 |
| | Checking Techniques Practice | 6 |
| Director / Wei-Chuan Chang | 14th Taipei Corporate Governance Forum | 6 |
| Director / Ming-Xian Weng | ESG-related Legal Issues to be Considered by the Board of Directors | 3 |
| | Corporate Governance 3.0 "Sustainability Report" Practical Analysis | 3 |
| Director / Song-Qin Shen | Cracking Financial Statements, Explaining Corporate Fraud and Scams | 6 |
| | How Internal Auditors Interpret Operational Performance and Risks from IFRS Financial Statements | 6 |
| Independent Director/Gene-Tzn Chen | Utilizing independent directors' professional functions with a profit-generating mindset | 3 |
| | Business Growth Strategies and External Innovation | 3 |
| Independent Director/Pai Sin-San | Utilizing independent directors' professional functions with a profit-generating mindset | 3 |
| | Business Growth Strategies and External Innovation | 3 |
| Independent Director / Horn-chi Chen | Utilizing independent directors' professional functions with a profit-generating mindset | 3 |
| | Business Growth Strategies and External Innovation | 3 |
| Total 66 hours | | |

### 2.1.2 Functional Committees (2-19 to 2-20)

CHEM has established an Audit Committee and a Compensation Committee in order to complete the governance structure, improve the supervisory function and strengthen the management function, and to reduce the overall operating risks of CHEM. The Audit Committee and the Compensation Committee, except for those who are required by law to exercise their duties independently, shall be accountable to the Board of Directors, and also submits the proposed motions to the Board of Directors for resolution. The General Audit Office regularly evaluates and reviews risk issues and reports the results of such evaluations, and then the General Audit compiles and reports significant risk issues to the Audit Committee and the Board of Directors on a regular basis.

## Audit Committee

The Audit Committee assists the Board of Directors in overseeing the quality of the Company's execution of the relevant accounting, auditing and financial reporting processes and financial controls, and submits the evaluation results to the Board of Directors for discussion. CHEM's Board of Directors has approved the "Audit Committee Organization Procedures", which establishes an Audit Committee in the Board of Directors, with three independent directors serving as the Audit Committee members and Mr. Gene-Tzn Chen serving as the convener and chairman of the Audit Committee, and seven Audit Committee meetings were held during the year, with a 100% attendance rate.

The head of internal audit held a closed-door meeting with all independent directors at least quarterly to report on the status of the Company's internal audit, and the independent directors met with the head of internal audit once during the year. In addition, the independent directors met with the accountants once during the year, and the accountants, in addition to reporting the results of the review of the financial reports to the independent directors, also conducted a legal advocacy and exchanged opinions during the meeting. Overall, the independent directors, the head of internal audit, and the accountants communicated smoothly.

### Remuneration Committee

In order to improve the remuneration system for directors and managers, and to assess whether the operating performance of the directors and managers and the remuneration received by them are fair and reasonable, CHEM has established a remuneration committee in the board of directors through the approval by the board of directors of the "Organizational Rules of the Remuneration Committee" . The Committee has 3 members, all of who are independent directors with Mr. Gene Tze-Chen serving as the convener.

The main function of the Compensation Committee is to evaluate, in a professional and objective manner, the Company's policies and systems for the compensation of directors and managers, and to convene meetings at least twice a year and make recommendations to the Board of Directors for their decision-making. In 2023, the Compensation Committee convened a total of four meetings, with an actual attendance rate of 100% for its members. The Compensation Committee abides by the duty of care of a good manager and faithfully performs its duties of formulating and periodically reviewing the policies, systems, standards, and structures for evaluating the performance and compensation of directors and managers and periodically evaluating and determining the compensation of directors and managers, and submits its recommendations to the Board of Directors for discussion.

### Remuneration Policy

The performance evaluation and compensation policies for directors and managers are set forth in the Company's Articles of Incorporation. The Compensation Committee determines the reasonableness of the compensation after reviewing the contribution to the Company's operating performance and submits it to the Board of Directors for approval. With the growing importance of corporate governance and sustainable development, CHEM's directors' and managers' performance, in addition to the linkage to the compensation indicators, will gradually incorporate non-financial performance aspects such as corporate governance, green finance, social care, and sustainable environment into the scope of evaluation and CHEM's compensation policy.

## 2.1.3 Internal audit

### Internal Operation

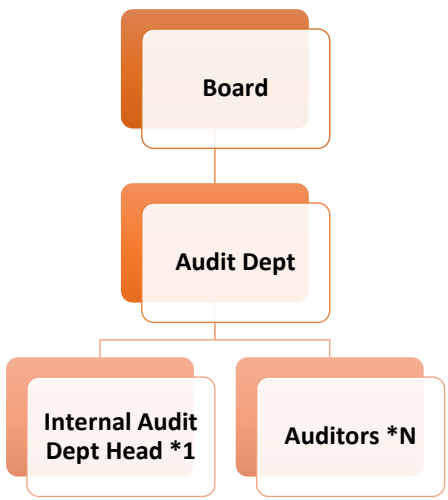
To assist the Board of Directors in identifying deficiencies in CHEM's internal control system, reviewing the reliability and completeness of financial and operating information, and measuring the results and efficiency of its operations, CHEM provides timely recommendations for improvement through internal control and internal audits to ensure that the system is consistently and effectively implemented.

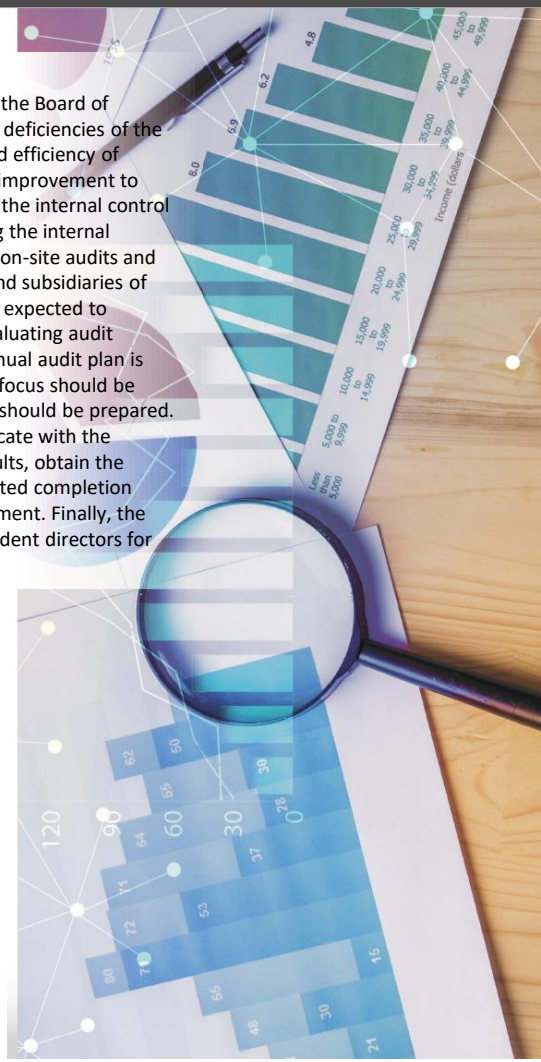
The appointment and removal of the head of internal audit must be approved by the Audit Committee and submitted to the Board of Directors for approval. The appointment, removal, evaluation, and compensation of internal auditors are performed in accordance with CHEM's "Regulations on the Appointment, Transfer, and Departure of Employees," "Regulations on Ranking, Title, and Salary Approval," and "Regulations on the Examination of Employees," which are signed by the Chairman of the Board of Directors and reported to the Securities and Futures Bureau for filing and recordation annually. The Company also reports to the Securities and Futures Bureau annually.

### Internal Auditing Procedures

The purpose of the Company's internal audit is to assist the Board of Directors and managers in examining and reviewing the deficiencies of the internal control system, measuring the effectiveness and efficiency of operations, and providing timely recommendations for improvement to ensure the continuous and effective implementation of the internal control system and to serve as a basis for reviewing and revising the internal control system. CHEM conducts internal audits through on-site audits and written audits, which cover the operations of all units and subsidiaries of CHEM, and the personnel of the units being audited are expected to cooperate closely. Audit work includes checking and evaluating audit planning, communication results and follow-up. The annual audit plan is based on risk assessment considerations, and the audit focus should be drawn up for individual audit cases and a working draft should be prepared. Upon completion of the on-site audit, we will communicate with the supervisors of the audited units regarding the audit results, obtain the improvement plans of the audited units and their expected completion dates, and then follow up on the results of the improvement. Finally, the audit and tracking reports are submitted to the independent directors for their review.

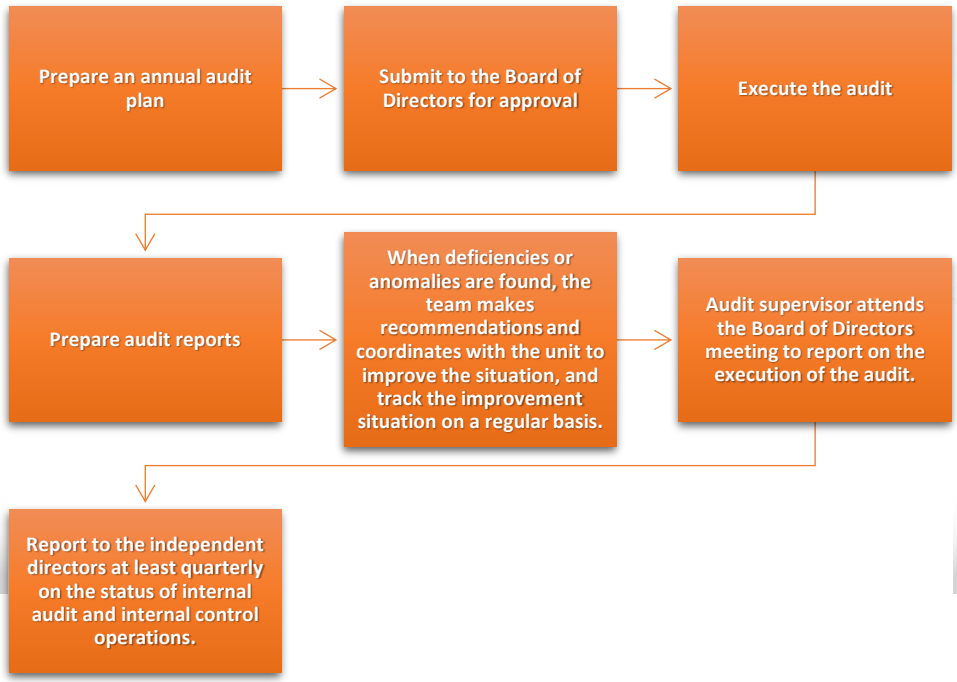
▼ CHEM Internal Audit Organization Chart



▼ Time for CHEM Internal Audit Process

| | |
|---|---|
| Routine internal audits | Before the end of each year, the Audit Department draws up an annual audit plan based on the characteristics of the eight major trading cycles, the letters from the Securities and Futures Bureau (SFC) regarding previous audits, the frequency of the Company's transactions, the ease of operation, and other practical operations, and then decides on the timing of the audit for each audit item. |
| Internal audit from time to time | In order to fully understand the current operation of the audited department, the audit department may set up audit items based on the importance, risk, transaction frequency, and ease of operation of each operation in the trading cycle. |
| Project Internal Audit | The senior management or the audit supervisor shall designate the subject and time of the audit, and the auditor shall conduct the audit within the determined time. |




## 2.1.4 Ethical Integrity (2-27, 205)

**Culture of Integrity**

In order to establish a corporate culture of integrity and sound development, CHEM has formulated the "Code of Business Integrity" in accordance with the "Code of Business Integrity for Listed and OTC Companies" and relevant laws and regulations, which has been approved by the Board of Directors. The Code explicitly prohibits dishonest behavior, including bribery and acceptance of bribes, illegal political contributions, improper charitable donations or sponsorships, and acceptance of improper benefits, etc. It also strictly complies with contracts signed with customers and other relevant regulations to ensure that the management and all internal employees conduct business activities in a fair and transparent manner.

In order to effectively manage and promote the Company's integrity management practices, the Management Division is responsible for formulating and implementing relevant programs and reporting to the Board of Directors on a regular basis.

Reporting & Protection Mechanisms

If anyone suspects or discovers a violation of the company's 'Code of Conduct,' 'Integrity Management Guidelines,' or any laws, they can report it with relevant information to company management, the internal audit supervisor, the designated reporting channels, or directly to the HR department. Anonymous reports with clear evidence are accepted. The company will investigate each report and protect the whistleblower's identity and personal information, ensuring they do not face retaliation for reporting any illegal or unethical behavior. The company has established and publicized independent reporting channels for both internal and external personnel (Email: anti-corruption@chem.com.tw, Phone: 03-3280811. Address: 25 Wende Road, Ler-Shan Village, Guishan District, Taoyuan City, Attention: Ms. Lai. Reporting webpage: https://www.chem.com.tw/tc/contact.aspx.)
In 2023, the company conducted corruption risk assessments at two operational sites, achieving a 100% completion rate, with no related legal incidents reported.

**Training and Promotion**

In fiscal year 2023, CHEM organized internal and external training on issues related to ethical management, including courses on compliance with ethical management laws and regulations, anti-bribery and corruption, accounting system and internal control, with a total of 504 participants and 288 person-hours in total. In addition, in order to emphasize the anti-concept of ethical and honest management, we included ethical and honest management in the education and training for new employees, so that new employees could understand the company's policy and direction of ethical and honest management. 196 people participated in the training in year 2023, and each session lasted 15 minutes.

## Prevention of Insider Trading Management Procedures

In order to prevent the occurrence of insider trading, the Company has formulated insider trading prevention management procedures to protect investors and safeguard the Company's rights and interests. In order to implement the prevention of insider trading management procedures, the Company provides education and guidance on the "Regulations for the Prevention of Insider Trading" and related laws and regulations to current directors, managers, and other insiders at least once a year, and provides new directors, managers, and other insiders with information on education and guidance to follow within two months of assuming their duties.

Ethical Code of Conduct

Prevention of insider trading & Management of the business process


## Compliance with the law

Based on the management philosophy of integrity, transparency, and accountability, CHEM has formulated integrity-based policies, established good corporate governance and risk control mechanisms to create a sustainable business environment, and complied with the Company Law, Securities and Exchange Law, Business Accounting Law, Political Donation Law, Corruption Control Law, Government Procurement Law, Public Officials Conflict of Interest Avoidance Law, Listing and OTC Listing Regulations, or other laws and regulations related to business practices.

In order to implement honest management and compliance with laws and regulations, CHEM has formulated a "Dishonesty Prevention Program" in consultation with employees, labor unions, or members of other representative organizations, which includes operating procedures, behavioral guidelines, and education and training to ensure that employees meet the requirements for honest management of business activities. CHEM takes into account the legitimacy of agents, suppliers, customers, or other business counterparts, as well as whether or not they have a record of dishonest behavior, before engaging in business transactions, and avoids engaging in transactions with those who have a record of dishonest behavior, with 100% of suppliers signing an anti-corruption pledge by 2023.

| Category | Total number of people receiving anti-corruption education and training | Percentage of training on anti-corruption education (%) | Total number of signatories to the anti-corruption pledge | Signature Percentage of Anti-Corruption Commitment (%) |
|---|---|---|---|---|
| Supplier | 906 | 100.00% | 906 | 100.00% |

In addition, when entering into a contract with another party, it is advisable to include a clause that states that the company will abide by the policy of good faith management and that if the counterparty is involved in an act of dishonesty, the contract may be terminated or dissolved at any time, in order to implement fair and transparent business activities. Overall, the Company has been operating well in terms of compliance with laws and regulations, with no major violations such as work stoppages, revocation of operating permits, or forfeitures, except for one case of a mobile pollutant source violating the Air Pollution Act, which was caused by the Company's diesel vehicle being a "qualified labeled" vehicle, which was not aware of the higher air pollution standards at the Taipei International Airport that it had to comply with the "Superior Mark," which resulted in the issuance of a NT$2,000 penalty ticket. After the incident, the vehicle was immediately remedied, and the vehicle has obtained the “Superior Mark.”

## 2.2 Risk Management (2-23)

In order to strengthen CHEM's risk management mechanism, CHEM has formulated the "Risk Management Policies and Procedures", in which each management unit regularly evaluates and reviews risk matters, and the president executes risk management decisions and coordinates inter-departmental risk management interactions and communications. In the process of operation and management, we prevent and control possible risks and formulate relevant early warning measures to ensure that the Company achieves the goal of sustainable operation.

### Risk Management Response

Each level of management is responsible for the effective management of risk items and actively monitors and controls the risks associated with each department, and when necessary, reviews the manuals and external laws and regulations, and establishes relevant internal rules and regulations. In addition, for uncertainties that may threaten the operation of the company, in addition to discussing them with the relevant internal departments, we will seek the advice of external consultants, as necessary, in order to effectively assess the risks and propose countermeasures.

The audit unit regularly evaluates the risk assessment form of internal audit operations and immediately notifies the supervisors of the relevant departments of their authority and responsibility when abnormalities are found, and follows up on the status of follow-up actions to ensure that the abnormalities have been implemented and completed. For more information on risk management policies and implementation results, please refer to the "Risk Management Policies and Procedures" on the Company's website.

| Risk Type | Description |
|---|---|
| Operational Risk | 1. Risks related to operations caused by negligence or neglect of the Company's internal controls.<br>2. Credit risk arising from the inability of the counter-parties to fulfill their contractual obligations due to poor corporate governance or other factors that may cause the Company to incur losses.<br>3. Failure to comply with the relevant laws and regulations of the competent authorities, or the contract itself is not legally binding, ultra vires, poorly regulated, or with omissions in the terms and conditions, resulting in legal risks of financial or goodwill losses. |
| Financial Risks | 1. Fluctuations in interest rates, foreign exchange rates, and inflation result in changes in on- and off-balance-sheet values, creating market risk for the Company.<br>2. Due to the drastic changes in the external environment, there is a sudden shortage of market liquidity, which leads to the liquidity risk of difficulties in the deployment of funds. |
| Political and Economic Risks | Political and economic risks arising from domestic and foreign political, economic and regulatory requirements that may affect the Company's finances or operations. |
| Raw Material Risk | Due to factors such as market conditions, the nature of the supplier's company or even natural disasters, the quantity, quality and delivery time of the goods supplied by the supplier may be affected, resulting in a higher risk of material shortage. |
| Information Security Risks | 1.There is a risk that the information system for business operations will not function properly due to an attack on the company's information system.<br>2.Lack of information security awareness among employees creates information security risks. |
| Talent Risk | Talent risk includes personnel-related risks such as insufficient human resources, significant turnover and labor disputes. |
| Environmental and Health & Safety Risks | 1. Changes in environmental protection laws and regulations due to the tightening of environmental protection requirements and pressure from public opinion may also create uncertainties and risks for the Company.<br>2. Lack of awareness of workplace safety and personnel disaster prevention leads to increased risk of labor safety and health incidents. |
| Climate Change and Energy Risks | 1. Climate change has led to an increase in the frequency of windstorms, floods and droughts, all of which may affect suppliers and customers, indirectly leading to a reduction or interruption in the Company's production capacity, resulting in financial and business risks.<br>2. With the rise of environmental awareness, carbon emissions may become a key item for customers to review, which will increase business uncertainty and risk. |
| R&D Innovation and Green Products | 1. R&D projects have not fully considered the market demand.<br>2. R&D projects deviated from the Company's business objectives, resulting in improper allocation of resources and affecting future development. |
| Client Relationships | 1. Market risk due to concentration of sales.<br>2. Customers' complaints are not handled effectively, which affects the purchasing volume of the Company. |
| Disruption of Supply Chain | 1. The Russian-Ukrainian war, the Israeli-Hamas war, the Red Sea crisis, China's proposal to terminate ECFA in whole or in part, geopolitical developments, and the shortage of professionals in the industry will affect the progress of supply, the cost of supply, transportation, and taxes in the relevant regions.<br>2. Global inflation and the U.S.-China trade war have impacted material costs. |
| Tax-Related Risk | 1. Failure to declare tax payments in accordance with tax law requirements, and failure to pay or underpayment of taxes that should be paid, will result in risks such as having to pay back taxes, fines, additional late payment fees, criminal penalties, and damage to goodwill.<br>2. The tax law department is applicable to business practices, but the relevant preferential policies have not been fully enjoyed, and an unnecessary tax burden has been borne. |

## 2.3 Customer Relations

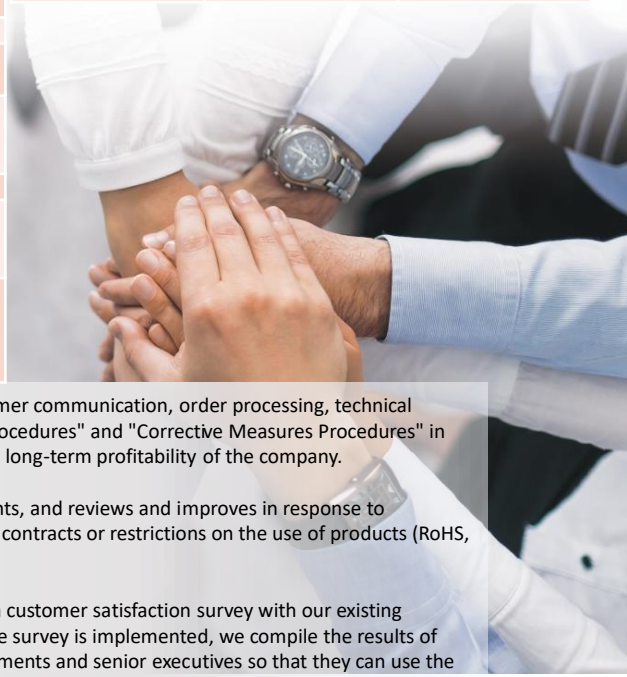
Elements of CHEM's Management Approach to Customer Relationships, a Major Theme for 2023, and Its Evaluation

| Major Themes | Client Relations |
|---|---|
| Corresponding GRI Indicators | Custom Themes |
| Policies and Commitments | 1.To establish a service-oriented operation model and optimize service processes to enhance customer trust and create a win-win situation.<br>2.To apply innovative technology to control and improve product quality, and cooperate with customers to provide products and services close to the needs. |
| Goals and Objectives | **Short-term objectives**<br>Customer Satisfaction Survey score of 90 or above<br>To receive the Gold Award for Public Works from the Public Works Committee of the Executive Yuan.<br><br>**Medium and Long Term Goals**<br>Continuing to receive the Golden Quality Award for Special Contribution to Public Works from the Council of Public Works, Executive Yuan.<br>In line with the government's green energy policy, we are fully committed to the development of green energy equipment and engineering business to create a win-win future for enterprises and the government. |
| Responsibilities and Resources | In order to improve customer relationship management, the Company has designated the Sales Division as a specialized unit responsible for establishing, maintaining and strengthening customer relationships. |
| Evaluation Mechanism and Results | 1. The weighted average of customer satisfaction survey scores for the past three years is 90 or above.<br>2. Was awarded the Gold Medal for Public Works by the Public Works Commission, Executive Yuan. |

The overall average score of customer satisfaction in 2023 is 90.4 points, achieving the target of 85 points for the year, and there is no dissatisfaction raised, and the overall average score is slightly higher than that of FY2022. The response rate of the customer satisfaction survey in FY2023 is more than 90%.

**Customer Satisfaction Survey Score**

| 2021 | 2022 | 2023 |
|---|---|---|
| 90.4 | 90.1 | 90.4 |



CHEM follows the requirements of the ISO 9001 quality management system to establish processes for customer communication, order processing, technical support, complaint handling, and after-sales service, and formulates "Customer Satisfaction Management Procedures" and "Corrective Measures Procedures" in order to improve the quality of professional services in all aspects, win the trust of customers, and realize the long-term profitability of the company.

CHEM monitors customer relations through customer satisfaction surveys and handling of customer complaints, and reviews and improves in response to customer feedback. In 2023, CHEM did not receive any customer complaints related to breaches of customer contracts or restrictions on the use of products (RoHS, WEEE, REACH).

In order to objectively collect and listen to the voice of our customers, we utilize a questionnaire to conduct a customer satisfaction survey with our existing customers every year in accordance with our customer satisfaction survey management mechanism. After the survey is implemented, we compile the results of customer satisfaction survey scores and feedback suggestions and communicate them to the relevant departments and senior executives so that they can use the results of the customer satisfaction survey to review customer feedback and identify opportunities for improvement. If there is any significant improvement in the feedback, we reply to the customers by phone or in person, and provide improvement strategies in a responsible manner to continuously improve the quality of our products and services to ensure that the needs of our customers are understood and satisfied.

## 2.4 Innovation and R&D

### Elements of CHEM's Management Approach for its 2023 Major Theme "Innovation and Research and Development" and Its Evaluation

| Major Themes | Innovation and R&D |
|---|---|
| Corresponding GRI Indicators | Custom Themes |
| Policies and Commitments | R&D and innovation are the cornerstones of CHEM's sustainable development. CHEM uses technology to promote sustainability, to increase the proportion of sustainable materials used, to reduce the environmental impact of the manufacturing process, and to endeavor to develop innovative and energy-saving sustainable products and solutions. |
| Goals and Objectives | Short-term objectives<br>Number of R&D projects: 10/year<br>The number of products that do not violate the law or regulation<br>Medium and Long Term Goals<br>Building a Sustainable Materials Library<br>Enhance product recyclability and reuse.<br>Continuously develop and promote environmentally friendly products |
| Responsibilities and Resources | The power-related industry is an important national infrastructure industry, and CHEM currently has the highest market share in Taiwan and is a leading manufacturer of related technologies. CHEM has a complete and leading product line of GIS equipment, rich experience in green energy engineering, and the professional ability to innovate green energy products. In the future, CHEM will continue to dedicate itself to its core business and actively cooperate with the government to promote the energy transformation, and deeply cultivate the green energy industry in a sustainable manner. |
| Evaluation Mechanism and Results | Annual R&D expenditure over 1% of turnover<br>Number of R&D projects 3/year<br>No violation of the law by CHEM products |

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| R&D costs | 334,061 | 232,306 | 213,615 |
| R&D/Revenue Ratio | 1.51% | 1.25% | 1.18% |
| R&D Manpower | 270 | 245 | 213 |
| Master's Degree or Above / R&D Personnel Ratio | 25.19% | 24.90% | 24.88% |

R&D and innovation are the cornerstones of CHEM's sustainable development, and we are committed to developing sustainable products with low environmental impact and high value-added. Over the past three years, the company's investment in R&D manpower and expenses has shown a steady growth trend.

CHEM owns the diversified products, regularly conducts the industry trend analysis and risk assessment, based on the inherent advantages, grasps the market trend to maximize the R&D of various types of products, which are described as follows.

**(1) Heavy electrical machinery industry**

Taipower's 345kV ultra-high voltage transformer substation is a key project under the current "Enhanced Grid Reliance Construction Program", and CHEM is the only domestic manufacturer of 345kV GIS, which has passed the nationalization assessment. We have a strong R&D team and independent R&D and design capabilities, and has designed and produced key components in-house, which is a promising prospect for the company's development. As for the 69 kV GIS and 161 kV GIS, although there are many competitors, the Company still has the greatest advantage in terms of quality, delivery, production scale, after-sales service, product line integrity, and system integration capabilities, and is widely recognized by customers.

**(2) Engineering Business**

(A) Generator Products

The development trend of generator sets can be divided into two parts. The first part is to develop higher quality generator sets. The trend is to use new ideas and more sophisticated materials to increase the capacity and high efficiency of power generation units, which in turn increases the performance of the products and contributes to energy conservation and environmental protection. The second part of the development trend is that more emphasis will be placed on the after-sales service of "inspection, warranty and periodic maintenance" for generator products.

In order to implement this part of the service field, the Company not only increases the manpower for service and maintenance, but also organizes internal training from time to time to enhance the professional maintenance ability of the technicians. In addition, the Company uses the SAP computer material system to record the relevant information of each discharged generating unit, so that the maintenance staffs can provide better after-sale services to customers with complete information.

In terms of competition in the industry, the Company adopts a market segmentation strategy, utilizing complete testing equipment and strong research and development.

The team's competitive advantage is to focus on the production of precision power generation units and other large-scale public works system integration projects that demand high specifications and quality, in the hope of creating a market segmentation from the general power generation unit industry.

**(B) Air-conditioning Products**

The development trend of the air conditioning industry is energy saving, indoor air quality and automation, indoor air quality and construction.

Building indoor air conditioning design is more relevant, and energy conservation and automation and air conditioning products are more directly related to the air conditioning products, air conditioning products in addition to high efficiency also need to be matched with intelligent buildings, digital products, has become the mainstream of the market in the future, in addition to being able to provide users with energy-saving services and product after-sales service is also the other side of the air conditioning industry operating direction, The above two scenarios are not standard products sold in the market, but products tailored to meet the needs of users, which requires a better technical team, and this is exactly what separates CHEM's competitive advantage from the standard products in the market.

**(3) Meter Products**

Since the form of tender was changed from open tender to selective tender in the second half of 2022, a total of two tenders were established with five competing vendors. The Company obtained orders of $360 million (17.27% of the bid) and $1.47 billion (21.15% of the bid) for the Single Triple Meter respectively.

(4) Parking Management Operation

In view of the government's policy of streamlining personnel, it is expected that parking lots outside the roadways in all counties and cities will gradually be opened up for outsourced operation. CHEM Dodohome, with its rich and solid management experience and cost-control capabilities, believes that it will be able to comply with the government's policy of contracting for the operation of the business to achieve a win-win-win situation for the government, CHEM Dodohome, and the general parking needs from public.

Although "CHEM Dodohome" has a leading position in the industry in terms of scale, service quality, and operating results, due to the large number of competitors and the trend of some small vendors forming alliances with each other, "CHEM Dodohome" is actively developing in addition to joining in the industry and alliances with other industries, and is also cooperating with other industries in the development of apps called “iparking APP” through the building of the company's Parking Management System, and plans for vehicle-related products to provide higher value-added parking services to create new channel value in the future. In the future the Company plans vehicle-related products to provide higher parking value-added services to create new channel value.

(5) iCharging Service Operation

In order to solve the problem of electric vehicles' mileage anxiety and to increase the promotion of electric vehicles' friendly environment, the Ministry of Economic Affairs (MOEA) has launched the "Public
The blueprint of "public charging pile construction" plans the first stage of demonstration and promotion period from 2021-2025, combining the government and local forces to set up public chargers in government agencies and important transportation stops, as well as rewarding private demonstrations, with the target of setting 7,200 slow-charging chargers and 600 fast-charging chargers
The charging service integrates CHEM's Smart Parking Management Platform, Multi-Payment Platform, and Electric Vehicle Charging Platform, in addition to three SaaS service clouds, to provide the best solution to the issue of balancing the growth of electric vehicles and Taiwan's power grid. It also lays the foundation for building a mobile energy grid platform and promoting a new energy operation framework.

**(6) Smart Grids**

With global warming and energy depletion, the global demand for smart grids has become even more pressing, and the world's major power equipment suppliers are all pursuing the development of smart grids by enhancing the smart online monitoring functions of their equipment. In order to equip our major power products with self-diagnostic intelligent functions, we focus on the development of online monitoring systems for SF6 gas density and water content, partial discharge, and circuit breaker operating status of GIS equipment, in order to enhance the reliability of power equipment.

**(7) Stationary fuel cell system**

CHEM is currently the only company in Taiwan that develops fuel cell stacks, reformers, and power regulators. At the same time, CHEM has participated in the largest number of fuel cell demonstration projects via the Bureau of Energy, and is ahead of its peers in terms of actual installation and operation cases. At present, the fuel cell system, methanol-based reformer and power regulator have entered the mass production stage. With the mastery of key sub-system technologies, the fuel cell system not only possesses high-efficiency power generation characteristics, but also reduces the cost gradually. In addition, stationary fuel cells can be integrated into DC microgrids and further expanded into smart grid applications, making them more competitive in the future.

**(8) Operator & Mechanism Products**

The promotion of TaiPower's various projects has released a lot of demand for 69~345kV high-voltage equipment. In addition, CHEM is the only qualified manufacturer that has passed the nationalization of the 345kV voltage level in Taiwan, and owns 70% of the domestic high-voltage switching market above 69kV, which enables the operator products to maintain a leading position in terms of technology and the situation of the big players being the biggest on the market.

**(9) Display, and semiconductor equipment**

Applied Materials Inc. is actively involved in the OLED market in displays, providing a wide range of OLED manufacturing-related equipment and technologies, including organic material deposition, vapor deposition, grinding and testing. In semiconductors, the company has created a dedicated organization to focus on the ICAPS market and has released more than 20 new products for ICAPS applications. CHEM continues to improve its own processing and soldering techniques, and actively integrates its supply chain (including surface treatment, assembly, and performance testing for special processes) to meet customers' requirements for delivery, cost, and quality, and was honored as the "Best Supplier" of Applied Materials Inc. by AMAT the U.S. in 2023.

| unit (of measure) | Project Name | R&D Achievements |
|---|---|---|
| Setting up and researching the fourth room | Ministry of Economic Affairs of the People's Republic of China (MOEA) Science and Technology Research and Development Program - Power System Extra High Voltage Switchgear Energy Saving Process Development Program. | 1. Friction Stirring and Welding Tools for Copper Conductors<br>2. Copper conductor copper alloy material analysis file creation<br>3. Copper Conductor Welding Manufacturing Process Establishment |
| | 161kV50kA 4000A1.4mGIS development project | 1. The main R&D results are: GIS through-current capacity from 2000A to 4000A, which meets the demand of power system.<br>2. TPC Letter of Compliance expected by May 113 |
| | 345kV63kA 6000A Hydraulically Operated GIS Development Project | 1. The major R&D achievements are<br>(1) GIS current throughput capacity increased from 4000A to 6000A<br>(2) M-BUS current throughput capacity increased from 6000A to 8000A to meet power system requirements.<br>2. Passed the written review of TPC's contracting capability in March, 2010 |
| | 345kV63kA Hydraulic Disc/Spring Operated GIS-CB Development Project | 1. The main expected results of the R&D are:<br>(1) Introduction of simple and highly reliable spring operated handlers with high output force.<br>(2) Make the GIS product line more complete with corresponding pneumatic, hydraulic, and spring-type products.<br>2. The first phase of the operational trial has been completed<br>3. Phase II operational trial to be conducted on 2024.02 |
| Hydrogen Product Development Laboratory | Metal Fuel Cell Stack (Optimus Plan) Development Program | Completed metal stack system reliability verification and critical component BOPs reliability verification. |
| | Commercial vehicle fuel cell system development program | 1. Completion of a batch of sample vehicles for pilot production<br>2. Completion of system-related preliminary testing standards<br>3. Completion of road test validation for a single vehicle of more than 2,000 kilometers. |
| | Industrial Hydrogen Validation System Integration and Key Technology Development | Completion of the Preliminary Verification of the Feasibility of Applied Materials Inc. for Industrial Hydrogen Purification |
| | 10KW Methanol-based Reformer System and its Key Technology Development | 1. Completion of testing of semi-finished and finished products of the 6th generation reformer<br>2. Sixth Generation Reformer Reformatting Orifice Validation Tests<br>3. Sixth generation reformer LTT test specification established.<br>4. Reformer ignition system revamped. |
| | Development of Critical Technologies for High Efficiency Methanol-based Hydrogen Production System and High Purity Hydrogen | 1. Dryer Control and Heating System Revamping<br>2. Overall Container Cooling Improvement Design<br>3. Hydrogen Production Container Control Software Optimization |

## 2.5 Information Security

▼ Elements of CHEM's Management Approach to the 2023 Major Theme "Information Security" and Its Evaluation

| Major Themes | Information Security |
|---|---|
| Corresponding GRI Indicators | Custom Themes |
| Policies and Commitments | Implementing risk management to ensure information security and safeguard the sustainable development of our business. |
| Goals and Objectives | **Short-term objectives**<br>1. Ensure mail spam system upgrades and build Mail Malicious Defense System, which comprehensively upgrades the protection ability of mail to avoid malicious attacks.<br>2. Build backup power for the server room to ensure continuous operation of the equipment in the server room.<br>3. update the anti-virus software version immediately and regularly check idle/special accounts<br>**Medium-term objectives**<br>1. Organize information security education and training to promote employees' awareness of information security and strengthen their knowledge of related responsibilities.<br>2. Use legal licensed software and conduct regular internal and external audits to ensure that all relevant operations are implemented.<br>3. Expect to migrate to the new ISO 27001:2022 version in 2025.<br>**Long-term goals**<br>1. Replace / update software and equipment of insufficient security to reduce risk of security attacks and ensure system & information security.<br>2. Continuously strengthen and improve the information security management mechanism to enhance the ability to respond to information security incidents and emergency response. |
| Responsibilities and Resources | Information Security Management (ISM) is responsible for "building a resilient, secure and trustworthy enterprise", and we are committed to promoting CHEM's digital transformation and fully implementing an information security management mechanism to ensure the accuracy and availability of information processing, as well as the security of IT Service Division systems, equipment and networks. |
| Evaluation Mechanism and Results | 1. there were no cyber attacks or incidents in 2023 that materially and adversely affected the Company's business and operations<br>2. In 2023, the Company did not have any information security breach that resulted in losses to the Company and its customers.<br>3. Information security education and training is included in the education and training of new employees, and in FY2023, a total of 376 people participated in the training.<br>4. The total number of malicious mails blocked in 2023 is 7,377. |

### Information Security Management and Policy

CHEM has been formally assessed by ISO 27001 in 2022 and obtained the Information Security Management System Accreditation Certificate to improve its information security management policies and related management procedures. The certification covers 100% of the business locations and there were no information security breaches in 2023.

CHEM has formulated the "Information Security Management Measures" and will obtain the ISO/IEC 27001 information security management system certification in 2022 to establish a secure and trustworthy information-based operating environment to ensure the security of the Company's computer data, systems, equipment and networks to maintain the normal operation and sustainable development of CHEM's business, and a mechanism is also established for data processing, exchange and security control with the consideration of the information security and operational efficiency.

CHEM's information security organization consists of the top management, the management representative, the information unit and the person in charge of the quality assurance committee. Under the supervision of the top management and the management representative, the information unit is responsible for coordinating the planning and management of information security, and the quality assurance committee is responsible for the operation of the information security system. The information security organization of CHEM is responsible for formulating and implementing the information security management plan, establishing and improving the enterprise's information security management system, and maintaining its effective and continuous operation.

In order to maintain the competitive advantage of the company, all employees should follow the relevant information protection regulations promulgated by the company to do self-management and have the awareness of information security. In addition to the information security control measures for the services provided by the information system, we emphasize the protection of confidentiality, integrity, and availability of important personal and transaction information. At the same time, we strengthen information security management to ensure the security of data, systems, equipment, networks, and other hardware and software information, create a healthy information environment, deploy innovative information security protection technologies, and implement and promote information security management operations to enhance the quality of secure services.

**Information Security Management Specific Management Program**

In order to maximize the benefits of information security management and effectively reduce the risk of information security arising from the operation process of CHEM, we have formulated the information security management method and implemented the ISO/IEC 27001 information security management system to reveal the internal information security related issues, including the authority and responsibility, division of labor, and the detailed specific measures of information security management, so as to ensure the effectiveness of CHEM's information security management. These include personnel management and security education and training, computer system security management, network security management, system access control management, system development and maintenance security management, information asset security management, physical and environmental security management, business continuity program management, personal data protection management and other security management issues.

**▼Responsibilities and Division of Labor for CHEM's Information Security Management**

| Work Items | Responsibilities and Division of Labor |
|---|---|
| Planning | The information security policy, program, and technical key points are researched, constructed, and evaluated by the information unit. |
| security control | The information unit is responsible for discussing the security requirements, utilization management, and protection of data and information systems, and the information unit cooperates with the representatives of each business unit to handle these matters. |
| Personal Assets Control | The information unit is responsible for the formulation and implementation of the Company's personal data protection policy, which is handled by the information unit in cooperation with the representatives of each business unit. |
| Information Security Audit | Audits of information security and confidentiality are conducted by the Audit Unit in conjunction with the Information Technology Unit and other related business units. |
| Access Control | In accordance with the company's factory access control regulations. |
| Outsourcing, Third Party and Third Party Vendors | We will cooperate with the information security operation of the Company in accordance with the contents of the contract. |

**Information Security Specific Implementation Programs**

1. Specialized business: establish annual information security goals, complete technical introduction and related audits to maintain and continuously strengthen information security.
2. Implementation of the system: In accordance with ISO27001 information security implementation standards, the company's information security policy implementation system is enforced in all levels of the company's operations, and 6 business continuity programs are conducted from time to time to reduce the risk of information security and maintain uninterrupted operations.
3. Education and training: All new employees complete an information security education and training course before they arrive at work; complete the quarterly employee social engineering phishing email test a total of 4 times; every six months, we implement an information security education and training 2 times, and an information security questionnaire test twice every 6 months, in order to strengthen the staff's awareness of information security.
4. Information Security Bulletin: Information Security Bulletin is published from time to time to convey important regulations and notes on information security protection, new tactics of hackers, and a total of 23 times in 2023.
5. Commitment to Information Security: All new employees will sign the Employee Confidentiality, Ethics and Integrity and Creative Commitment Agreement, and all contractors must commit to all information security terms when signing the bargaining record.
6. Financial Management: All information equipment, hardware and software are assigned to the financial department for asset management; it is strictly prohibited to install software and set up private information equipment without permission, and to monitor the information equipment at any time to see if there is any non-compliance.

## 2.6 Tax Administration

CHEM supports the government's efforts to formulate laws and regulations that are conducive to corporate innovation and economic growth, and is committed to information transparency and sustainability through the Treasurer's annual review and approval of the company's tax policy.

**Tax Policy**

1. Comply with the tax laws and regulations and the spirit of the legislation of all the countries in which we operate.
2. Transparent financial reporting information and tax disclosures are handled in accordance with relevant regulations and standards.
3. Build a respectful relationship with the tax authorities based on mutual trust and transparency of information.
4. Analyze the operating environment and apply the management mechanism to assess the tax risk.

**Tax Risk Management**

CHEM operates and expands its business around the world and complies with the tax laws of the countries in which it operates. Any adverse changes in tax laws and regulations could increase the Company's effective tax rate and adversely affect results of operations. In order to effectively manage tax risks, CHEM follows an internal control process to identify, evaluate and manage tax risks arising from changes in regulations and its operations, and to appropriately measure, manage and control the risks.
Tax risk management has been incorporated into CHEM's risk management. The CFO regularly evaluates and reviews the key risks and controls effectiveness of tax matters, and provides them to the general manager for use in making risk management decisions.

**Tax Governance**

CHEM's Chief Financial Officer is ultimately responsible for tax management. Day-to-day tax administration and management is delegated to the Head of Accounting, who is assisted by qualified and experienced tax professionals in fulfilling CHEM's tax obligations. In addition, professional knowledge is enhanced through the professional services provided by external tax consultancy firms.
CHEM's Board of Directors has delegated the Audit Committee to oversee the quality and integrity of CHEM's execution of relevant accounting, auditing, financial reporting processes and financial controls, and to regularly review significant matters including accounting policies and procedures, internal control systems, legal compliance, corporate risk management, etc., of which tax compliance is also included in legal compliance.

**Domestic Tax Reporting**

CHEM complies with domestic tax laws and regulations and pays taxes in accordance with the law. The following table summarizes the tax status of CHEM for the last three years.

**Domestic Tax Statistics for the Past Three Years (in NTD Thousands)**

| Project/Year | 2021 | 2022 | 2023 |
|---|---|---|---|
| Operating income | 18,024,761 | 18,546,884 | 22,144,872 |
| Pre-tax gain/loss | 2,480,176 | 3,092,342 | 2,396,862 |
| Corporate income tax paid in cash | 138,188 | 287,914 | 534,650 |
| Gain/loss on accrual of corporate income tax | (507,616) | (625,844) | (811,419) |

# 3 Supply Chain Sustainability

## III. Sustainable supply chain (2-6, 2-23 to 2-24, 308, 414)

### ▼ Elements of CHEM's Management Approach for its 2023 Major Theme "Sustainable Management of the Supply Chain" and Its Evaluation

| Major Themes | Supply Chain Profile |
|---|---|
| Corresponding GRI Indicators | GRI 204-1, 308, 414 |
| Policies and Commitments | 1. Corporate Social Responsibility<br>2. Enforcement of Supplier Risk Control<br>3. Supply Chain Sustainability Assessment<br>4. Protecting Intellectual Property Rights<br>5. Integrity Supply Chain |
| Goals and Objectives | **Short-term goals:**<br>(1)Accurate delivery rate ≧90% for third-party suppliers.<br>(2)Incoming material inspection batch return rate ≦2%<br>(3)Achievement of ≧90% in the quarterly evaluation of vendors<br>(4)New Vendor Development: 25 vendors /per year<br>(5)Signed the "Supplier's Social Responsibility and Ethics Commitment" (including the commitment not to use conflict minerals), the "Integrity Commitment", and the "Information Security Responsibility Statement": 100%.<br>**Medium and long-term goals:**<br>(1)Utilizing the Group's resources for strategic alliances in the supply chain system to meet the needs of stakeholders.<br>(2)Provide guidance to supply chain systems in setting carbon reduction targets and carbon neutrality plans, and implementing the plans.<br>(3)Lead the supply chain to operate ethically and with integrity. |
| Responsibilities and Resources | Coordinator: Procurement Office, Management Division<br>Scope of Responsibility: Supply Chain Management related policies and procedures are formulated and communicated internally and externally. Resources: Internal Audit Office, Quality Assurance Committee, and external accounting firms, owners, or third parties (e.g., ISO) are appointed to check, monitor, and counsel the achievement of various goals and operations. |
| Evaluation Mechanism and Results | In accordance with the "Vendor Management Procedures" and other procedures, we conduct regular or irregular vendor evaluations, monitor and ensure the quality and delivery dates of suppliers, the safety and health of the work environment and personnel, and various types of risk control, environmental protection, and labor and human rights conditions. |

### 3.1 Supply Chain Profile

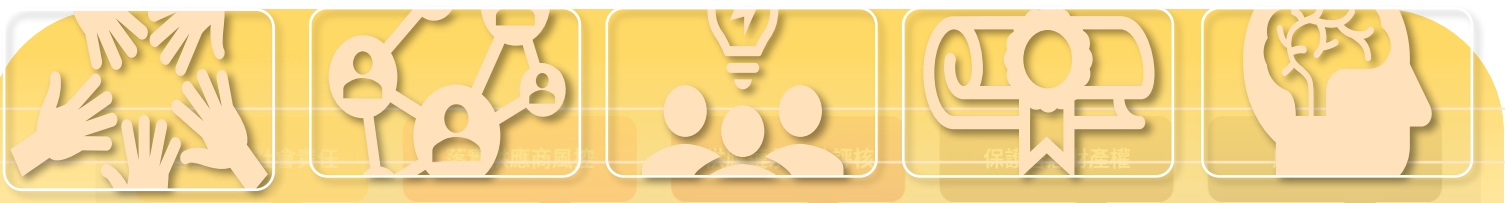
| Diversified Business | upstream | midstream | downstream |
|---|---|---|---|
| **Green energy related industries 70%**<br>-Solar Power<br>-Hydrogen Energy Storage Microgrid<br>-Heavy Power Equipment | The upstream of the industry includes wind, hydro, generators, solar power equipment, fuel cell power equipment, communication equipment, power system grid protection equipment and energy management system providers. | CHEM is a system integrator in the midstream of the industry, utilizing transmission and distribution equipment and energy management systems to integrate decentralized energy sources and intelligent online monitoring equipment in order to improve the quality of electricity consumption and reduce transmission and distribution losses. | Downstream of the industry are power companies, large power consumers, and standby power demand customers. CHEM also operates solar-energy plants. |
| **Service 19%**<br>-DDH Parking Management<br>-Maintenance Management<br>-Property Management | Various public and private owned parking lots. Supplier of generator and air conditioning equipment accessories such as engines, generators, control boxes, compressors, coils, enclosures and purifiers. | CHEM belongs to the midstream of the industry and performs the construction and operation of parking lots and chargers<br>CHEM belongs to the midstream of the industry, performing raw material processing, assembly, testing and maintenance management. | Downstream, they provide parking products directly to the consumer public. The next tenants are construction companies, utility companies, etc. The end-users are mostly construction organizations and building management committees. |
| **Engineering 11%**<br>Urban Renewal<br>System Integration Project<br>Precision Machining | Raw material (stainless steel sheets, steel bars, cement, various nickel alloy sheets, etc.) processing plants and component suppliers. | The midstream industry is the builders, outsourcing process industry, including welding, machining centers, sandblasting, grinding, cutting, transportation, etc.. | The downstream of the industry is the general public, public and private organizations and companies at all levels. |

## 3.2 Supply Chain Management

### Management Policies and Commitments

In order to revitalize the use of the supply chain and increase its value, CHEM integrates the Group's resources and enhances the competitiveness of the supply chain through long-term, strategic cooperation. In terms of supply chain risk management, CHEM actively focuses on **the integration of** the supply chain **with the Group's** resource utilization, revitalization and management, as well as information security and protection, and the introduction of anti-bribery system certification, in order to cope with the impacts of environmental changes on the supply chain; in terms of social and human rights, the formulation of a policy on the non-use of conflict minerals has been completed, to ensure that there are no instances of conflict minerals indirectly leading to the harm of human rights in the entire supply chain of the CHEM. In terms of environmental protection, CHEM has constructed a green supply chain and emphasized environmental friendliness, encouraging and promoting suppliers to move towards a circular economy. Through the ESG sustainable management of the supply chain, the Company has made the following five commitments in the hope of integrating the Group's capabilities to lead upstream, midstream, and downstream manufacturers, as well as society at large, toward the goal of common good.

### CHEM's FIVE Commitment



1. To fulfill corporate social responsibility: To take economic, environmental, and social responsibility as the starting point, and to promote the compliance of social responsibility by ourselves and our stakeholders in the entire supply chain, and to maintain the well-being of our stakeholders.

2. Implement supplier risk control: monitor and ensure the implementation of supply chain safety and health, environmental protection, human rights and information security, implement supply chain risk control, and proactively provide assistance when needed to maintain supply chain stability.

3. Supply Chain Sustainability Assessment: Establish a sustainability assessment method for supply chain vendors and include quality, delivery, finance, operation, and service as risk assessment criteria to stabilize supplier relationships and maximize the value of the supply chain.

4. Protection of Intellectual Property Rights: Respect and protect intellectual property rights, and sign confidentiality contracts in order to protect the interests of stakeholders.

5. Clean Supply Chain: Adhering to the principle of clean supply chain management, the Company prohibits any form of improper acceptance of benefits, corruption, extortion, and misappropriation of public funds, establishes a mechanism for confidentiality of the identities of those who report and those who are reported to the Company, and will complete the ISO37001 certification in the first half of 2024.

## Management Strategy and Execution

CHEM has completed the establishment of supplier evaluation, assessment, counseling, and training processes in order to implement its supplier management policies and commitments. In terms of evaluation, suppliers will be evaluated in terms of quality, finance, cost, delivery, service, and sustainability. In addition to ESG declarations, suppliers will be asked to provide relevant performance or supporting documents such as ISO 9001 quality management system certification and ISO 14001 environmental management system certification, and only those who meet the requirements of the Company will be allowed to become suppliers.

On the evaluation side, suppliers are categorized according to their characteristics and risks, and are scored and graded according to the evaluation mechanism. After entering the supplier counseling stage, we communicate with suppliers according to the evaluation and grading results and recommendations, and make improvements in quality, process, technology, efficiency, and environmental protection to address deficiencies. High-quality suppliers are recognized and offered preferential payment methods, feedback training and other measures; those that meet the minimum standards are counseled and trained to continuously reduce their risks; and those that do not meet the standards are eliminated.

Lastly, CHEM organizes supplier training from time to time or invites suppliers to participate in relevant outsourcing courses, including: manufacturing process, safety and health, regulatory risks, etc., in order to continuously improve the environmental, health and safety performance of suppliers and promote their compliance with the relevant norms and regulations, and to continue to lead the upstream and downstream manufacturers to make progress together.

| Supplier Evaluation | Supplier Assessment | Supplier Mentoring | Supplier Training |
|---|---|---|---|
| 1.Evaluate suppliers in terms of quality/finance/cost/delivery/service/sustainability, and ask suppliers to review relevant achievements or supporting documents, e.g., ISO9001, ISO14001, ISO27001.<br>2.ESG Declaration<br>3. Only those who meet CHEM's requirements can become suppliers. | 1. Scoring is based on supplier classification and evaluation mechanism.<br>2. Classification based on supplier characteristics and risks and grading based on the aforementioned evaluation results. | 1.Communicate with suppliers according to the assessment results and suggestions to improve quality, process, technology, efficiency and environmental protection.<br>2. Suppliers with better performance will be recognized and provided with preferential payment methods and other measures and feedback training; those who meet the minimum standards will be counseled and trained to reduce risk. Those that do not meet the minimum standards are eliminated. | From time to time, we organize training or invite suppliers to participate in relevant outsourcing courses to effectively improve environmental, health, safety performance and compliance with relevant regulations. Courses include manufacturing processes, health and safety, regulatory risks, and ESG compliance issues. |
| 1 | 2 | 3 | 4 |

### 3.3 Supplier Evaluation

In order to reduce the risk of the Group's overall supply chain, CHEM regularly conducts risk assessments when adding new suppliers and proactively assists suppliers in implementing business continuity programs to meet quality, environmental and product safety requirements, as well as ensuring timely delivery of goods in accordance with schedules and the provision of after-sales services and maintenance. At the same time, we also implement site surveys and regular reviews to continuously improve our risk management capabilities and supply chain value, and fulfill our corporate social responsibility.

| Business Continuity Program | Origin Survey | Periodic review |
|---|---|---|
| Suppliers are requested to propose contingency plans and procedures to minimize the impact on the supply chain and to grasp and respond to potential threats to capacity allocation in a timely manner. | Conducted surveys on the origins of key raw materials in order to prepare responses and alternatives in advance. | CHEM starts with itself and continues to promote and communicate the concept of sustainability with the supply chain, regularly evaluates the effectiveness of implementation, and considers ways to optimize strategies and practices in order to achieve sustainable development and continuous value enhancement. |

**Environmental Risk Assessment**

In the environmental risk assessment stage of suppliers, CHEM added a total of **82** new suppliers in 2023. New suppliers are] asked to fill in the "Vendor Survey Form" by the staff of the purchasing department in order to initially understand the suppliers' scale of operation, production and testing equipment, as well as quality, environmental, health and safety related certifications. Purchasing, together with R&D, quality control and other related departments, will form an evaluation team to conduct on-site audit according to the situation. If there is a change in the vendor, the information on the "Vendor Survey Form" will be re-verified, and will be revised once every three years as a matter of principle.

**Social Risk Assessment**

In the social risk assessment stage of suppliers, CHEM requires suppliers not to purchase and not to use Conflict Minerals, and to comply with the requirements of RBA, SA8000, and ISO27001, and establishes the "Supplier Qualification and Assessment and Recognition Operating Procedures", and requires suppliers to sign the "Declaration of Conflict Minerals" in order to promise that the products or components they supply, including minerals such as tin, tantalum, tungsten, and gold used in the products or components supplied by suppliers, including product accessories, packaging materials, and other accessories related to the delivery of products, will not contribute to the armed conflicts, and that if suppliers use the abovementioned minerals. They are required to disclose the sources of such minerals, This policy was incorporated into the procurement contracts in 2021, and the assessment of the suppliers was completed in 2022, and the risk assessment of the suppliers was tracked and the revision of the contracts was carried out on a three-year basis.

### 3.4 Supplier Assessment

In order to effectively control the supply chain and disperse risks, CHEM recognizes whether suppliers have the ability to fulfill their contracts through annual audits and monthly delivery evaluations. The evaluation team conducts written or on-site audits, and records whether there are any deficiencies in quality, delivery, or service during the order execution process, with deadlines for tracking and improvement. Improvement results will be reported in the improvement report and feedback to the supplier's mechanism, such as: quality management, delivery process, warranty repair or service process.

### Supplier Delivery Assessment

CHEM regularly evaluates its suppliers and contractors, categorizing them according to their characteristics and risks, and adjusting the weighting of supplier delivery assessment items according to the significance of their impact on operations each year. In 2023, CHEM's assessment items and weightings include: 35% quality assurance, 35% delivery stability, and 30% supplier cooperation. Suppliers with a score of 70 or above are classified as qualified suppliers; those with a score of 60-70 are considered to be capable of improvement and will be asked to make improvements within a certain period of time; and those with a score of less than 60 are classified as unqualified and will not be allowed to cooperate with the Company. This year, a total of **689 suppliers** were evaluated, with a passing rate of 100%.

**CHEM 2023 Supplier Delivery Assessment Results**

| Passing Score | Number of Assessors | Number of Qualified Suppliers | Pass Rate |
|---|---|---|---|
| 70 points | 689 | 689 | 100% |

### Supplier audit

CHEM conducts on-site or written audits every three years, in addition to annual evaluations. CHEM selects suppliers for on-site audits based on four major criteria: "single supplier," "supply volume greater than 50%," "transaction amount greater than NT$10 million," and "industrial safety accidents/quality abnormalities," and then forms an auditing team from each unit to conduct on-site audits. If a supplier has any deficiencies such as unregulated upper and lower limits for process data or undefined return controls for finished products, the supplier is required to respond within one month of the audit with corrective measures to improve the deficiencies in accordance with the Company's regulations.

In terms of supplier ESG audits, the Company conducts regular ESG evaluations of suppliers and requires suppliers to conduct ESG self-assessment questionnaires and on-site audits in addition to ISO 14001 environment management systems and ISO 45001 Occupation Health and Safety Management Systems to ensure that suppliers' operations are in compliance with the Company's supplier policy. In the event of a failure of an existing supplier evaluation, the company will provide mentoring and require the supplier to make improvements within a specified period of time. If the supplier fails to make improvements upon expiration of the period, the company will reduce the order or demand damages or remove the supplier from the list in accordance with the terms of the contract. CHEM has conducted the following statistics and audits on the raw material suppliers with which CHEM has had transactions in the current year:

2-6 Activities, Value Chains, and Other Business Relationships

| Supplier ESG Audit | | | |
|---|---|---|---|
| Item | 2021 | 2022 | 2023 |
| Number of suppliers | 544 | 885 | 906 |
| Numbers of Suppliers that Conducted ESG Self-Assessment | 0 | 152 | 169 |
| Number of Suppliers assessed via on-site audits on ESG Issues | 0 | 7 | 30 |
| Overall supplier ESG audit rate | 0.00% | 17.97% | 18.65% |

## 3.5 Sustainable Supply Chain

**Sustainable Management Practices**

In order to minimize the impact of various operating activities on the environment or society, CHEM has constructed a green supply chain through multi-directional planning, such as local procurement, green procurement, circular economy research and development of renewable energy, and banning of conflict minerals, etc. The proportion of CHEM's expenditure on local procurement reached more than **66.41%** in 2023.

| | |
|---|---|
| Environment | 1. Priority will be given to products and suppliers that "have obtained the environmental label recognized by the Environmental Protection Administration of the Executive Yuan," "comply with recycled materials, low pollution, recyclable, and resource-saving," and "have obtained the green building label," in order to minimize the impact of the supply chain on the environment.<br>2.To work with the supply chain system to develop designs that follow the 4R principles of environmental protection, including Reuse, Recycle, Reduction, and Replacement, in order to enhance the overall environmental performance of the supply chain, realize energy conservation and waste reduction, and achieve a circular economy. For example, the Linko Plant has purchased LED lighting to improve the quality of the working environment and reduce power consumption; the Linko Plant and South Plant have constructed rooftop photovoltaic facilities to optimize the use of environmental space and combine the sustainable and efficient products of photovoltaic equipment vendors to achieve the effect of green power sharing. |
| Social | Conflict minerals are managed in accordance with the Conflict Minerals Source Disclosure Requirements issued by the U.S. Securities and Exchange Commission (SEC), which leads to the assessment of conflict minerals management in the supply chain.<br>Since the selection of suppliers, we have adopted the requirement of not including conflict minerals from conflict zones, and have taken the initiative to investigate and confirm specific materials (gold, tantalum, tin, and tungsten), sign the consent to prohibit the use of conflict minerals, or provide declarations to existing suppliers, in accordance with the due diligence approach, in order to fulfill our corporate social responsibility. |
| gestion | R&D of renewable energy products and technologies through industry-academia collaboration, e.g. "KW-grade fuel cell hydrogen storage power generation and cooling technology development" with Central University.<br>Requirements for waste removal bidders to have a Class A clearing or related treatment license to implement the relevant legal requirements to follow. |

**CHEM's local procurement spending ratio in 2023**

In response to the sharp increase in demand for power products, the total amount of materials purchased and the amount of local purchases were significantly increased in order to efficiently stock up and meet the various requirements and to strengthen the resilience of the local supply chain.

| year (Unit: NTD) | Total amount of material purchases | Local Procurement Amount | Percentage of local procurement amount | Percentage of local Suppliers |
|---|---|---|---|---|
| 2021 | 3,740.33 million | $2,766.98 million | 73.98% | 92.91% |
| 2022 | 5,686.83 million | 4,462.2 million | 78.46% | 92.26% |
| 2023 | 7,297.47 million | 4,846.56 million | 66.41% | 91.17% |

# 4 Green Sustainability

## IV. Green sustainability

As the global citizen, CHEM has always operated its business with the concepts of environmental friendliness and sustainable development. We have corresponding control measures in energy, greenhouse gas emissions, water resource management, and waste disposal to minimize the negative impact on the environment. We also recognize the concept of "Extended Operator Responsibility", which gradually leads to changes in the beliefs, attitudes, and values of our employees in a guided manner, which is then transformed into our company culture. This concept is not only reflected in all the products and services we provide to our customers, our quality target management operations, our daily operations, and our continuous improvement activities, but it also helps us to improve our corporate social responsibility and comply with the specific requirements of the governmental laws and regulations, and we are confident that we can contribute to the continuous development of Taiwan's economy and a sustainable environment.

### 4.1 Climate-Related Financial Disclosure (TCFD)

In response to global warming caused by greenhouse gas emissions and the potential impact of extreme weather on operations, CHEM has established an interdepartmental Climate Risk Group (Figure 4-1) since 2022 to systematically analyze and assess climate risks and to develop relevant strategies to address them. Based on the Task-force on Climate-related Financial Disclosures (TCFD) framework, the Group analyzes and plans on four major elements, namely, governance, strategy, risk management, and metrics and targets (as shown in Table 4-1), and divides the Group's GHG management targets into short-, medium-, and long-term, as described in Table 4-2. Through identifying potential climate change risks and opportunities, the Group grasps the impact and influence of the relevant factors on the Company's operations, formulates relevant strategies and measures in advance to prevent the risks and damages brought about by climate change, and regularly report the relevant analyses, recommendations, improvements and implementation results to the Board of Directors for their reference in the corporate governance process. Since as much as 80% of CHEM's products belong to the green energy industry, a total of 7 climate change risks and 11 climate change opportunities have been identified, which are depicted in Table 4-2 and 4-3 respectively.

**Figure 4-1 Interdepartmental Organizational Structure in Response to Climate Change**

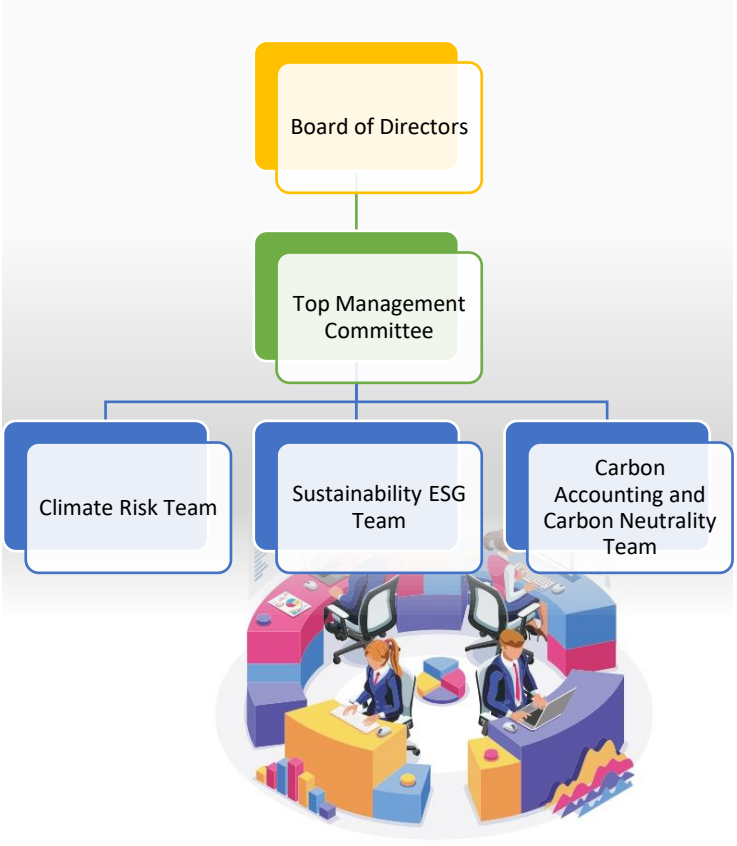


**Table 4-1: TCFD Framework Analysis**

| | | |
|---|---|---|
| Governance | Top Management Committee | It is the most senior organization in the Company's climate change and sustainability management, comprised of the Company's independent directors and senior management.<br>The Committee is led by the Chairman, with the Vice President serving as the CEO of this Committee..<br>The Committee has set up the Sustainability ESG Team, Carbon Accounting and Carbon Neutrality Team and Climate Risk Team as subordinates. Each team meets at least twice a year, and reports the implementation results and annual plan for the next year to the Committee. The Committee then reports the implementation plans and results to the Board of Directors for oversight on a semi-annual basis. |
| | Sustainability ESG Team | It is a unit under the Top Management Committee and is responsible for the implementation of the Company's ESG blueprint as formulated by the Committee.<br>The unit has a team leader, Jing-Feng Lai, Head of Corporate Governance, is responsible for the planning and execution of the project.<br>Planning and execution of environmental, social, and governance issues for the company's administrative and business units.<br>The team meets at least twice a year under the chairmanship of the Vice President for ESG program implementation, effectiveness evaluation, and feedback review. |
| | Carbon Accounting Inspection and Carbon Neutrality Team | It is a unit under the Management Committee and is responsible for the implementation of the Company's Carbon Neutral Strategy as formulated by the Committee.<br>The team leader Ms. Yu-Mei Wong, Special Assistant of the CEO's Office, is responsible for coordinating all administrative and business units to conduct the annual carbon accounting and seek for carbon reduction opportunities based on accounting results and progressively achieve the goal of carbon neutrality. The group meets at least twice a year<br>The meeting was chaired by the Vice President and focused on the progress of the relevant inventory, analysis of the hotspots, and opportunities for carbon reduction.<br>The Committee provides relevant feedback and discussion on the carbon neutrality targets. |
| | Climate Risk Group | It is a unit under the Top Management Committee and is responsible for the implementation of the Company's Climate Risk Strategy in accordance with the strategy formulated by the Committee.<br>The team leader Ms. Yu-mei Wong, Special Assistant of the CEO's Office, is responsible for coordinating all administrative and business units of the Company to prepare for and execute response plans related to various climate issues.<br>The team meets at least twice a year under the chairmanship of the General Manager who is the chief member to evaluate the effectiveness of the implementation of climate-related issues, conduct reviews and provide feedback.<br>Given the extreme climate disasters from time to time in recent years, the team will hold interim meetings in the event of a climate disaster to direct all departments to take countermeasures as regulated in the procedure, in order to reduce the impacts of climate disasters on the Company. |
| Strategy | Identifying Risks and Opportunities | Relevant climate risks and opportunities are identified to examine the impact and figure out countermeasures based on scenario analysis, with reference to the Intergovernmental Panel on Climate Change (IPCC), the Net Zero Emissions (NZE) of the International Energy Agency (IEA), and the pathways and strategies for Taiwan 2050 announced by the National Development Council (NDC). Through interdepartmental discussions, each business unit conducts a comprehensive assessment of the frequency, likelihood, time frame, degree of impact, response strategies, and opportunities for adjustments of extreme climate risks based on their expertise and experience and regional environmental conditions. Then the material risks and opportunities identified are ranked in the order of likelihood and impact level. |
| | Assessing the potential financial impact | The assessment of potential financial impacts shares the same procedure to identifying risks and opportunities. After the identification of extreme climate risks and opportunities, all business units analyze and evaluate potential financial impacts on the Company's production, sales and operation in extreme climate scenarios. Meanwhile, the impacts of countermeasures or preventive measures taken on the Company's finance are also considered. |

| | | |
|---|---|---|
| Risk Management | Importing TCFD Framework | TCFD framework is adopted for comprehensive analysis of policies, regulations, technology, market, corporate reputation, etc., and the "Transition Risk" and "Physical Risk" are taken into consideration. Climate risks are categorized into acute and chronic impacts for discussion. All unit supervisors and colleagues are included to participate in the communication and discussion of the impacts of risks and opportunities on the Company through the Climate Risk Team, with consideration to the changes in policies and regulations. The results of risk identification are regularly reviewed and countermeasures adjusted to ensure that the identification results can continuously reflect the current climate situation. |
| | Submitting identification results | The updated results of climate risk and opportunity identification based on the TCFD framework are regularly reported to the Corporate Sustainability Committee, which meets every six months, in addition to relevant countermeasures and risk management measures in response to expected financial impacts on the Company. The Committee will validate, review, and provide feedback to these issues so as to formulate more reasonable metrics and targets. |
| Indicators & Objectives | GHG Emission Reduction Target | The Company sets a 3% reduction in GHG intensity per million revenue per year for 2022-2025 and reviews annually. |
| | **Climate Response Strategy** | High-efficiency production equipment is introduced, product performance is improved for better carbon reduction, key areas of carbon emission are reviewed and solutions are provided to reduce carbon emissions and improve energy efficiency. |
| | **Greenhouse Gas Emission Disclosure** | According to the GHG inventory schedule announced by the FSC based on the capital amount, CHEM's individual companies and the Group belong to the second and third stages, i.e., the GHG carbon inventory should be completed in 2025 and 2026; the GHG verification of the individual companies should be completed in 2027, and that of the subsidiaries of the consolidated statement should be completed in 2028; The next carbon inventory report will be released in 2024, and it is expected that third-party verification will be conducted one year ahead of the FSC Schedule, and then the report will be released and verified on a regular basis every year thereafter. |

**Table 4-2: Group GHG Management Objectives**

| | Objectives | Current Progress |
|---|---|---|
| **Short-term:**<br>**0 to 3 years**<br>**(2022 to 2025)** | 1.Carry out carbon inventories of individual companies and subsidiaries, identify hotspots, and gradually plan for reductions, and complete greenhouse gas inventories of all Group companies two years earlier than the FSC's planning schedule.<br>2. In order to reduce greenhouse gas emissions, we take 2020 as the base year for reduction, review carbon emission hotspots, and propose corresponding emission reduction programs to reduce greenhouse gas emissions by 3% per million revenue per year.<br>3. Develop new energy business. | 1. Starting from 2020, we initially established carbon emission database of individual companies, and from 2023, we established carbon inventory data of individual companies with reference to ISO 14064-1 and GHG Protocol standards, and it is expected that carbon inventory data of subsidiaries will be added in 2024.<br>2. Reduce GHG emissions per million revenue by 16.10%, 3.59% and 17.9% from 2021 to 2023 respectively.<br>3. New businesses such as solar panel power generation and charging pile service have been developed to reduce carbon emissions by 2,686.975 and 981.7617 tons of $CO_2$ e respectively in 2023. |
| **Medium term:**<br>**4 to 10 years**<br>**(2026 to 2032)** | 1.2026 to start the third-party verification of greenhouse gases, one year earlier than the FSC planning schedule to complete the third-party verification of greenhouse gases.<br>2. Based on the national goal of reducing greenhouse gas emissions by 30% in 2032 compared with the base year 2020, the Company plans to reduce emissions in Scope 1 and 2 and actively achieve the goal.<br>3.Review the results of the inventory and incorporate them into the green supply chain management in conjunction with product carbon reduction planning.<br>4.Effectively reduce greenhouse gas emissions by incorporating new energy sources and carbon reduction planning in response to the Net Zero Carbon Emission Plan. | 1. Establish carbon inventory statistics and plan for third-party verifications.<br>2. Encourage suppliers to reduce carbon emissions to further decarbonize their products.<br>3.Replace the use of electricity with green energy products, hydrogen products, and energy storage products produced by the company, and continuously evaluate carbon reduction programs for production processes or plants. |
| **Long term:**<br>**10~30 years**<br>**(2033~2050)** | 1. Based on the national target of reducing GHG emissions by 50% in 2050 compared to the base year 2020, we plan to reduce emissions in Scope 1 and Scope 2, and actively achieve the target.<br>2. To identify and develop comprehensive green power generation technologies such as hydrogen and biomass power generation, so as to provide timely and feasible carbon reduction pathways for all sectors. | 1. Through carbon inventory data, we regularly review the carbon emissions of raw materials used in the manufacturing process and evaluate feasible alternatives or business models to actively reduce carbon emissions.<br>2. Increase investment in and promotion of hydrogen power generation facilities to gradually replace conventional fossil fuel power generation; develop renewable biomass fuel technology and seek new investment and development opportunities. |

**Table 4-2: Risk Matrix**


**Table 4-3: Opportunity Matrix**


**Table 4-3: Description of Risk Items Based on TCFD Framework**

Risk identification Results

| Item | Risk Type | Item Description | Actual Strategic Actions | Time of occurrence | Impact |
|---|---|---|---|---|---|
| R1 | Transition Risks | Increase in operating costs due to the introduction of national carbon tax legislation | Planning for short-, medium- and long-term GHG targets and carbon reduction to minimize the impact of fees and charges. | short-term | Low |
| R2 | Transition Risks | Increase in operational costs during the low-carbon transition due to higher prices in comprehensive raw materials | Implement carbon reduction programs and actively seek alternatives to reduce the impact of rising costs. | mid-term | Medium |
| R3 | Transition Risks | Increase in challenges of product sales due to stricter requirements of customers for carbon footprints on equipment manufacturing process and equipment use | Conduct carbon accounting ahead of legal requirements, identify key areas in plants, evaluate and improve programs to lower product carbon footprints. | long term | High |
| R4 | Transition Risks | In response to the trend of low carbon development, the Group actively researches and develops new equipment production or improves equipment technology, which increases operating costs. | Evaluate technical options that are more effective in terms of carbon reduction to minimize the increase in operating costs. | mid-term | Medium |
| R5 | Transition Risks | In response to the trend of low carbon development, the Group has replaced new high-efficiency production equipment, which in turn has increased operating costs. | Evaluate optimization options that are more effective in reducing carbon emissions so as to minimize the increase in operating costs. | mid-term | Low |
| R6 | Transition Risks | Failure of the overall supply chain system to keep up with the demand for low-carbon transformation, affecting the supply of raw materials | Evaluate and achieve green procurement progressively to enable suppliers to prepare for countermeasures or find alternative suppliers timely. | long term | High |
| R7 | Physical Risk | Increased frequency and severity of extreme weather events such as typhoons, rainstorms and droughts, which affect the production and distribution of products and the supply chain and impact operational efficiency | The addition of the Chiayi plant reduces the production risk that may be posed by the current single plant in the event of extreme weather conditions. | short-term | Medium |

**Table 4-4: Description of Opportunity Items Based on the TCFD Framework**

Opportunity Recognition Results

| Project | Opportunity Type | Item Description | Actual Strategic Actions | Time of occurrence | Impact |
|---|---|---|---|---|---|
| 1 | Products and Services | In response to the global trend of net-zero carbon emissions, the Company will increase the global market penetration of its hydrogen energy products and expand the revenue of its major business segments. | To develop hydrogen fuel cells to meet market demand. | short-term | High |
| 2 | Products and Services | In response to the national energy transformation policy, the Company will increase the market penetration rate of its energy storage products and expand the revenue of its major business groups. | To develop microgrid products to meet market demand. | short-term | Medium |
| 3 | Products and Services | In response to the transformation of vehicle energy, the Company will increase the market penetration rate of electric vehicles charging station services in conjunction with its parking lot business, thereby expanding the revenue of its major business segments. | To develop charging services as a supplement to the parking lot business | short-term | High |
| 4 | Energy Source | In response to the country's green energy transformation, the Company will increase its solar power generation capacity, increase green energy supply and enhance the revenue of the business segment | To keep developing solar panel power generation services. Currently all plants are equipped with solar panels for power generation, and the three photovoltaic plants in Chigu District, Tainan, (Tien-Chin, Tien-Chiang, and Tien-Pang) generate a total of about 320 million kWh of green power. | mid-term | Medium |
| 5 | Products and Services | In response to the development trend of the national power grid, the Company will increase the market penetration rate of microgrid equipment and expand the revenue of its major business segments. | Actively promote microgrid products to expand the market and increase revenue. | mid-term | Medium |
| 6 | Products and Services | Developing the company's carbon capture and reuse technology, low carbon emission technology, and providing marketable low carbon products to assist in its transformation. | Evaluate carbon capture and reuse technologies and low carbon emission technologies based on product characteristics. Assist homeowners to reduce carbon emissions. | long term | High |
| 7 | Markets | In response to climate change, the international demand for low-carbon products has increased, thereby expanding the company's overall new energy business in the international market. | With the goal of becoming a fully green energy company by developing carbon reduction products, hydrogen energy products, energy-efficiency grade 1 products, and expanding charging stations, we are evaluating the feasibility of expanding internationally, thereby expanding our markets and increasing our revenues. | mid-term | High |
| 8 | Resilience | To guide the supply chain to undergo a low-carbon transformation, reduce the carbon footprint of raw materials and increase product competitiveness. | Depending on product demand, we will increase the number of suppliers with carbon reduction advantages. | long term | Medium |
| 9 | Resource Efficiency | Through the research and development of new product technologies, we are able to reduce the carbon footprint of our products and increase their competitiveness. | The company has the ability to provide customized products, which can be planned and manufactured according to the needs of the owners to enhance the competitiveness of the market. | mid-term | High |
| 10 | Resilience | In response to the low-carbon transformation, we will continue to develop diversified renewable energy sources and enhance our resilience to domestic and international carbon taxes. | Develop and provide diversified green energy products to reduce the potential carbon costs. | long term | High |
| 11 | Resilience | Actively engage in energy saving and carbon reduction, develop carbon credits and participate in the carbon market. | Evaluate the feasibility of applying for carbon credits for existing carbon reduction programs or purchasing carbon credits to meet the Company's green energy goals. | mid-term | Medium |

## 4.2 Environmental Management Policy

| Major Themes | Energy Saving and Carbon Reduction |
|---|---|
| Corresponding GRI Indicators | GRI 302 Energy |
| Policies and Commitments | The power market is CHEM's main industry, and in order to reduce the power consumption in the process, CHEM is exploring the shortening of the process and miniaturization of the model in the hope of contributing to the society towards low-carbon, high-efficiency, and clean energy.<br>CHEM has been conducting its own greenhouse gas inventory since 2021 and planning to reduce greenhouse gas emissions. In the future, CHEM will comply with the relevant regulations of the Domestic Climate Change Response Act and fulfill its responsibility to protect the global environment together, and the relevant environmental management policy is also announced on the company's website (Fig. 4-2) to demonstrate the company's determination. |
| Goals and Objectives | Short-term Goals<br>Promote energy conservation and carbon reduction, target emission hotspots (Scope 2) and reduce emissions by 3% per year.<br>Medium and Long Term Goals<br>Supporting China's green energy industry plays an important role in the government's vision of promoting energy security, a green economy and environmental sustainability. |
| Responsibilities and Resources | The R&D center was established in 2008, focusing on power saving and carbon reduction in manufacturing processes, and developing green products and services with stable power supply and clean energy as the core.<br>Support the development of the green energy industry in line with the Solar Power Promotion Program. |
| | (See next page to Continue) |

## 4.2 Environmental Management Policy

| Major Themes | Energy Saving and Carbon Reduction |
|---|---|
| | (to continue from the previous page.) |
| Evaluation Mechanism and Results | Our main plants are Linko Plant and Nanke (South) Plant, both of which have passed ISO 14001 environmental management system certification with 100% coverage, and we are planning to build environmental management systems in new plants in the future.<br>Starting from 2021, the Company refers to the Ministry of the Environment's Greenhouse Gas Inventory Guidelines and set the boundaries of the inventory as the Linko Plant and the South Plant based on the criteria of the Operation Control Law. The Linko Plant includes direct emissions in Scope 1 (combustion of fossil fuels, mainly liquefied petroleum gas (LPG) and diesel fuel), indirect emissions in Scope 2 (purchased electricity), and indirect emissions in Scope 3 (emissions related to the manufacturing of products - tap water). The South Plant includes Scope 2 indirect emissions (purchased electricity) and Scope 3 indirect emissions (product manufacturing-related emissions - tap water) depending on the actual production projects.<br>In the greenhouse gas emissions section, the greenhouse gas emissions from the Linko Plant and the South Plant in 2023 was 5,823.3693 metric tons of $CO_2$ e, a decrease of 1.97% compared to 2022. However, also due to the increase in total turnover by 19.40% compared to 2022, the total GHG emissions equivalent per million dollars of unit turnover decreased by 17.90% per million dollars of turnover. GHG emissions. From the statistics, it can be seen that in the past three years (2021~2023), the company's GHG emission intensity per million dollars of turnover has been decreasing, mainly because the company's senior to junior staff have emphasized on carbon reduction.<br>Since February 2022, CHEM's CPO unit has been investing in green energy-related environmentally friendly and sustainable equipment at highway rest stops and Dodohome parking lots across the country, mainly for the establishment of charging piles and provision of charging services for purely electric vehicles (EVs), and as of 2023, it has already set up 74 charging piles and provided charging services (Fig. 4-3), for 113 EVs specifically. The charging amount - kWh reached 1,983,357 kWh per year, which is equivalent to the reduction of 981.7617 tons of $CO_2$ e greenhouse gas emissions, which is equivalent to the carbon sink of 2.5 Daan Forest Parks in a year (Figure 4-4).<br>CHEM invested in energy-saving solutions in 2023, and has decided to change all the lighting fixtures in the Linko Plant to LEDs, with an improvement amount of approximately $17.42 million. After the change, the specific benefits are estimated to be an annual saving of more than $7 Million in electricity bills, a reduction of 792.5445 tons of $CO_2$ e, and a saving of at least 1,601,000 kWh of electricity consumption, with the improvement in brightness and uniformity, which effectively improves the working environment; and the purchase of two additional electric vehicles for the official use. The South Plant is a newly built plant, and LEDs have been installed in the initial planning.<br>In terms of energy consumption, the total energy consumption of Linko Plant and South Plant in 2023 was 43,954,824 MJ, a decrease of 0.96% compared to 2022. As the total turnover increased by 19.40% compared to 2022, the energy consumption per million units of turnover decreased by 17.05%. And from the statistics, it can be seen that in the past three years (2021~2023), the Company's unit operating energy intensity has been decreasing, which represents the Company's proactive efforts to improve the efficiency of energy use.<br>The capacity of solar power installations in Lin Kou, Nan Ke, and Chiayi plants 220,560 kWp, 320,306,078 kWh of electricity was generated from solar power installations from 2023 onwards, and the full amount was bartered to Taiwan Power Co. , which reduced about 158,551.43 metric tons of $CO_2$ e emissions .<br>In 2023, in response to the increase in electricity tariffs, we also planned 20 energy-saving measures for our facilities, including turning off lights by hand, installing timers in restrooms and pantries, turning off lights during breaks, and cleaning air-conditioners on a regular basis. Through the energy-saving measures, Linko Plant and South Plant saved 262 kWh of electricity and 690 kWh of water, and reduce greenhouse gas emissions by 129.798 metric tons of $CO_2$ e in 2023 compared to 2022.<br>CHEM has fully implemented the electronic invoicing system, which resulted in a total carbon reduction of 131.1259 tons of $CO_2$ e in 2023. |

The issue of climate change has attracted much attention in recent years, many countries around the world have released their net-zero plans, and on March 30, 2022, Taiwan announced its "2050 Net-Zero Emission Pathway and Strategy Master Plan". In order to fulfill its corporate environmental responsibility, CHEM has not only complied with various environmental laws and regulations, but has also taken the initiative to establish an ISO 14001 environmental management system, demonstrating its determination in environmental conservation.


**Figure 4-3: CHEM Highway Rest Stop iCharging Charging Station**

▼ CHEM has been continuously contributing to the use of solar energy for green power generation. In 2023, the three solar power plants in Tainan, Tien-Ching, Tien-Chong, and Tien-Peng (Figures 4-5), with a total of about 320 million kWh of green power generated from the installations, were fully bartered to the Taiwan Power Company Limited (TPC), which is equivalent to a reduction of 158,551 tons of $CO_2e$ (kWh generated*0.495).

▼The Group has also obtained the ISO 14001 environmental management system certification for environmental management, as shown in Figure 4-6.

**Figure 4-4:** The charging pole service helped reduce carbon emissions equivalent to carbon emissions of 2.5 Daan Forest Parks in 2023.

**Figure 4-5: Solar Power Plants by CHEM In Chigu, Tainan**


**Figure 4-6: ISO 14001 Environmental Management System Certificate for Linko (North) Plant and Nanke (South) Plant**

## 4.3 Energy Management

CHEM mainly produces heavy electrical products, electric meter products, system air-conditioners, power generators and hydrogen products, etc., which use electricity in their manufacturing processes. In order to reduce greenhouse gas emissions, the company promotes various energy-saving actions, implements in weekday behavior of employees, forms an energy-saving and carbon reduction culture, and seeks to optimize equipment with high energy consumption, such as air-conditioning and lighting systems, to enhance the efficiency of their use. Meanwhile, in order to comply with the regulations of the Bureau of Energy and the Taoyuan City Government's vision of promoting a low-carbon and green city, we have installed solar power in our Linko (North) Plant and South Plant, with a total capacity of 2,500 kWp.

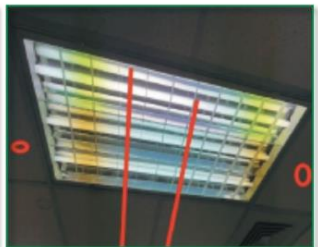
Self-Built Solar Power Device - Energy Installation in Linko North Plan and Nanke South Plant

In addition, CHEM is also actively involved in the green energy business, systematically planning processes and programs for the development of hydrogen and energy storage products, as well as promoting the use of hydrogen products from the company's hydrogen energy unit throughout the country, contributing to the global net-zero carbon emissions. CHEM invested $7,142.550 thousand in 2023, with a total benefit of saving 1,601,100 kWh of electricity and an assessed carbon reduction of 792.5445 tons/year, which is mainly for the replacement of the lamps in the Linko office and production areas. The organization's energy-saving actions in 2023 and their performance are shown in the table below

**Energy Conservation Action Plan and Energy Conservation Performance ▼2023**

| Action Programs | Power Saving (Unit: kWh) | Reduction of energy consumption (Unit: MJ) | Reduction of greenhouse gas emissions (Unit: ton$CO_2$ e) |
|---|---|---|---|
| 1. Replace ceiling light (30~126W) with downlight (15~40W) 162pcs.<br>2. Replace 340 mercury lamps and fortification lamps and mercury lamps (86~500W) with 132 patio lamps (150W). | 1,601,100 | 5,763,960 | 792.5445 |

CHEM's Hydrogen Energy R&D Projects and Energy Storage Solution





1. Before Change: 450~500Lux -Annual electricity consumption 2,292 kWh
2. After Change: 600~800 Lux - Annual electricity consumption of 800 kWh

**Example of energy saving planning for an office (based on 2,000 hours of usage per year)**



**400W~1000W High Patio Lights Mercury Wall Lights Converted to 150W~240W LED Lights**

Full replacement of offices and restaurants with 20W or flat panel lights

Meanwhile, in order to meet Taiwan's overall goal of net-zero carbon emissions by 2050, CHEM, after careful internal discussions, has gradually established the Group's energy management program starting this year, which is divided into three phases: short-term: 0-3 years (2022-2025), medium-term: 4-10 years (2026-2032), and long-term: 10-30 years (2033-2050). Three phases will be promoted. Starting from power saving, water saving, and waste reduction, we plan to reduce the Group's carbon emissions, as well as planning for the future use of low-carbon or green power, and choosing cleaner energy use options. For details, please refer to Table 4-5 below.

Table 4-5: Group Energy Management Objectives

| Group Energy Management Objectives | | |
|---|---|---|
| **Stages** | Objectives | Programs |
| **Short-term: 0~3 years (2022~2025)** | Planning of measures to conserve electricity, water and non-hazardous waste within the Group:<br>1. 3% annual electricity saving<br>2. 3% annual water consumption savings<br>3. Annual reuse rate of non-hazardous waste: >80% | Promote measures to conserve electricity, water and non-hazardous waste within the Group:<br>1. 1% energy saving in 2023 compared to 2022. As the LED light energy saving program in the plant was completed by the end of 2023, the benefits have not been fully demonstrated, and the energy saving program will be continuously evaluated and implemented in 2024.<br>2. 3% water consumption savings in 2023 compared to 2022.<br>3. Non-hazardous waste reuse rate: 82% in 2022; 82% in 2023. |
| **Medium term: 4~15 years (2026~2032)** | 1. Adopt corresponding energy saving and carbon reduction measures in line with the national target of reducing greenhouse gas emissions by 20% in 2030 compared with the base year 2005.<br>2. Identify carbon emission hotspots in the plant through carbon inventory and propose solutions to reduce emissions. | 1. Evaluate the energy-saving solution of the manufacturing process, as well as the feasibility of using green power and the proportion of usage.<br>2. Since the main carbon emission hotspot of the factory is Scope 2 Emission, the factory will gradually replace equipment or lamps with poor energy efficiency according to the evaluation results, and replace them with high-efficiency equipment, such as inverter air conditioners and inverter air compressors. |
| **Long term: 15~30 years (2033~2050)** | 1. Adopt corresponding energy saving and carbon reduction measures in line with the national target of reducing greenhouse gas emissions by 50% in 2050 compared with the base year 2005.<br>2. Continuously review energy usage based on carbon inventory results and find clean energy solutions. | 1. Continuing to conserve energy, reduce carbon emissions, reduce waste, and reduce emissions has become the mission of the Group.<br>2. Continuously evaluating how to improve the efficiency of energy use, or planning to increase the use of green power, based on energy use. |

**Energy consumption statistics**

▼ CHEM's Energy Consumption in the Past Three Years: As can be seen from Tables 4-6 below, the LPG, purchased electricity and tap water consumption related to energy consumption have mostly been decreasing year-on-year at the Linko Plant and the South Plant, and the increase in diesel fuel consumption at the Linko Plant and water consumption at the South Plant is mainly due to the increase in production volume.

**Table 4-6: Activity Data of Major Energy Consumption Factors for Linko Plant and South Plant**

| | Scope | Project | unit | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| **Linko (North) Plant** | Scope 1 | liquefied petroleum gas | kilogram (kg) | 19,620 | 19,570 | 18,830 |
| | | diesel fuel | liter | 126,000 | 126,000 | 141,368 |
| | Scope 2 | Electricity usage | kWh | 9,324 | 9,195 | 9,013 |
| | Scope 3 | Tap water usage | cubic meter | 22,028 | 21,606 | 20,822 |
| **Nanke (South) Plant** | Scope 2 | Electricity usage | kWh | 1,717.92 | 1,752.80 | 1,672.80 |
| | Scope 3 | Tap water usage | cubic meter | 4,532 | 4,090 | 4,184 |

▼ CHEM's Energy Intensity in the Last Three Years: Converting the energy consumption in the last three years into energy units also shows that the total energy usage in the last three years has been decreasing year by year. If the energy used is divided by the total turnover of each year, we will get Energy per million turnover as shown in Table 4-7 below. It can be seen that while the turnover increases, the energy consumed per million turnover decreases year by year, and in 2023 compared to 2022, although the total energy consumption decreased by only 0.96%, the energy consumed per million units of turnover decreased by 17.05%.

Table 4-7: Energy Consumption and Intensity of Energy Consumption per Million Dollar Turnover of Linko (North) Plant and South Plant in the Past Three Years

| Item | Unit | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Total energy consumption of Linko Plant and South Plant (Note 1) | MJ | 44,719,171 | 44,378,952 | 43,954,824 |
| Comparison of Total Energy Usage of Linko Plant and South Plant with the Previous Year | % | -1.10 | -0.76 | -0.96 |
| Annual turnover (Note 2) | million | 18,027.267 | 18,546.885 | 22,144.872 |
| Energy intensity per million dollars of turnover (Note 3) | MJ/ million | 2,481 | 2,393 | 1,985 |
| Energy intensity per million dollars of turnover compared to the previous year | % | -15.56 | -3.55 | -17.05 |

Notes:
1. The energy calorific value coefficients refer to Table 6.0.4 of the Environmental Protection Administration's Greenhouse Gas Emission Factor (GGEM) Management System: liquefied petroleum gas (LPG) 6,635 Kcal/L; diesel fuel 8,400 Kcal/L. The conversion factor of Kcal to KJ is 4.18 KJ/Kcal; and the coefficient of electrical energy is 3.6 MJ/kWh.
2. Annual revenue is based on consolidated revenue. 2021 revenue is slightly revised due to financial report adjustment.
3. Energy intensity per million dollars of turnover (MJ/million dollars) = Total energy usage (MJ) / Company turnover (million dollars).

## Greenhouse Gas Emission Statistics

In order to comply with the Climate Change Response Act in Taiwan, CHEM conducts its own greenhouse gas inventory, promotes greenhouse gas emission reduction measures and establishes a corresponding energy conservation system.

▼ Total GHG Emissions of CHEM in the Last Three Years: Converting Energy Consumption into Carbon Dioxide Emission Equivalents to Evaluate GHG Emissions. As shown in Table 4-8, there is only a 1.97% decrease in 2023 compared to 2022, but because the turnover has increased by 19.40% compared to 2022, the emission intensity per million dollars of turnover has decreased by 17.90%. From the statistics, it can be seen that in the past three years, the unit GHG emissions per million dollars of turnover of the Company have been decreasing, indicating that the measures taken to reduce carbon emissions have shown significant results.

Table 4-8: List of GHG Emissions and GHG Emissions per Million Turnover in North (Linko) Plant and South Plant

Note: The turnover per million NTD is based on consolidated revenue; tCO2e: metric ton of carbon dioxide equivalent

| | Scope | Item | unit (of measure) | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|
| North Plant (Linko) | Scope 1 | liquefied petroleum gas | $tCO_2e$ | 34.4338 | 34.3462 | 33.0382 |
| | | diesel fuel | $tCO_2e$ | 329.497 | 329.4971 | 347.1509 |
| | Scope 2 | Electricity usage | $tCO_2e$ | 4,745.90 | 4,680.30 | 4,587.70 |
| | Scope 3 | Tap water usage | $tCO_2e$ | 3.547 | 3.479 | 3.352 |
| South Plant | Scope 2 | Electricity usage | $tCO_2e$ | 874.4 | 892.2 | 851.4548 |
| | Scope 3 | Tap water usage | $tCO_2e$ | 0.73 | 0.658 | 0.674 |
| Linko Plant (Scope 1 + Scope 2 + Scope 3) and South Plant (Scope 2 + Scope 3) combined | | Greenhouse Gas Emissions | $tCO_2e$ | 5,988.51 | 5,940.48 | 5823.3693 |
| | | Comparison of greenhouse gas emissions with the previous year | % | -1.74 | -0.80 | -1.97 |
| | | GHG Emission Intensity per Million Dollar Turnover | $tCO_2$ e/million dollars | 0.33224 | 0.3203 | 0.2630 |
| | | GHG Emission Intensity per Million Dollar Turnover Compared to the Previous Year | % | -16.10% | -3.59% | -17.90% |

## 4.4 Pollution Control

### 4.4.1 water management

CHEM's headquarters, the Linko (North) Plant, draws its water mainly from groundwater and municipal water plants, with groundwater accounting for more than 70% of the Company's water withdrawal and municipal portable water accounting for nearly 30% of the Company's water withdrawal. According to the World Resources Institute's "Atlas of Ferry Tank Water Risks," the risk of water resources in the entire region of Taiwan is classified as Low - Medium (1-2), which is not an area of water stress. Therefore, there is no risk of impact on water withdrawal in the local area for the time being. Meanwhile, the Company strives to conserve resources. In 2023, a total of 102.566 million liters of water were withdrawn from the Company site, with the increase in water consumption due to the expansion of the plant and the addition of new air-conditioning equipment increasing by 11.170 million liters as compared with that of the previous year.

CHEM is required by law to discharge both wastewater and domestic sewage from the plant into the wastewater treatment plant in the industrial area and to cooperate with the management center in taking samples for testing on a regular basis. In early 2020, CHEM completed the replacement of the dosing pipeline of the wastewater plant in the plant and the renewal of the motor, which will help to enhance the ability of the plant to treat the quality of the water in the plant so as to control the compliance with the standard of wastewater treatment and discharge in the wastewater treatment plant.

In order to implement water pollution prevention and control, the Company submits water pollution prevention and control plans and related documents to the competent authorities for review and approval in accordance with governmental announcements. All of our plants have water pollution control facilities in accordance with regulations, and are included in the pipeline system of the industrial area to discharge wastewater, which meets the local regulations and standards before being discharged into the receiving water body. In addition, there are wastewater treatment personnel who are responsible for keeping daily records of the amount of water withdrawal, the characteristics of water withdrawal quality, the amount of pharmaceuticals used in discharging water, the type and amount of pharmaceuticals used in the water discharge and the amount of electricity consumed, etc., which will be used as the basis for setting and reviewing annual energy-saving targets.

▼ Water withdrawal at CHEM's Linko Plant in the past three years (in millions of liters)

| source of water withdrawal | 2021 | 2022 | 2023 |
|---|---|---|---|
| surface water | 66.915 (75.23%) | 69.79 (76.36%) | 81.308 (79.27%) |
| municipal portable water | 22.028 (24.77%) | 21.606 (23.64%) | 21.258 (20.73%) |
| Total | 88.943 | 91.396 | 102.566 |

From the table shown on the left, it can be seen that due to the rapid increase in demand for orders form heavy power business in 2023, 3 new power supply plants have been added to the Linko Plant in a year, resulting in an increase in the use of underground water compared to the previous year.

▼ Monitoring Results of Wastewater Discharge from CHEM's Linko Plant in the Past 3 Years

| year | 2021 | 2022 | 2023 |
|---|---|---|---|
| Water Discharge (millions of liters) | 17.028 | 19.196 | 17.151 |
| Proportion of water discharge in water consumption (%) | 19.14% | 21.00% | 16.72% |
| COD (mg/L) | 39.9 | 58.4 | 79.3 |
| SS (mg/L) | 33.8 | 2.6 | 5.9 |

1. Local regulatory standards Chemical Oxygen Demand (COD) value has to reach 800 ppm and 600 ppm for the Suspended Solids (SS) value
2. The COD and SS values for the year 2022 are the maximum values reported in the test report.

In line with the government's green energy policy, the factory has been actively improving the existing manufacturing process to reduce the generation of wastewater, so that the wastewater discharge in 2023 was reduced by 2.045 million liters compared to 2022.

### 4.4.2 Waste Management

CHEM entrusts the removal of waste to a privately owned waste removal and disposal organization that has been licensed by the competent authority to remove and dispose of such waste off-site. All waste removal and treatment companies confirm the legality of their licenses and the proper handling of waste materials. All factories and sites are equipped with different types of waste collection points, where waste is categorized for storage, removal, recycling, and handling, A dedicated unit coordinates the management of waste, with the first priority being on waste reduction at the source, followed by consideration of reuse and treatment. Finally, the operation and inspection of the storage, removal, and disposal of business wastes are recorded and kept for inspection.

In order to effectively control business waste, the Company classifies, collects, stores, manages, and removes waste, in accordance with environmental laws and regulations. The Company will increase the frequency of waste transportation and reduce the amount of waste stored in the current month.

Other relevant management measures are set out below:

In accordance with environmental protection laws and regulations and the requirements of ISO 14001 environmental management system, the factory has a plan for cleaning up industrial waste, and in accordance with its laws and regulations, 22 items of waste, such as waste oil mixtures, waste metals, and general waste from industrial activities, etc., are entrusted to a government-approved professional manufacturer for removal and disposal, as well as to report the direction of the waste flow on the Internet in accordance with the law in order to comply with the standards of the Waste Disposal Act. Before entrusting the treatment and transportation, the Company has set up a two-stage pre-processing, the first stage is to collect waste classification at the production line end, and the second stage is to inspect and confirm the weight and flow direction of waste classification in accordance with the signboards set up in the temporary storage area of the plant to comply with the Waste Disposal Law.

Waste removal and treatment contracts stipulated and signed, and citizen-run waste removal and treatment organizations licensed by the competent authority are entrusted to handle the related operations.

Waste removal and disposal operations are carried out in accordance with the provisions of the Act by means of network transmission for waste removal and reporting operations, and the final disposal status of waste is tracked and confirmed within the prescribed period of time.

Manufacturers are required to reduce the package material, solid material is delivered directly to the factory for processing, gas, liquid transported in drums, and waste disposal and transportation by the units focused on the original supply of manufacturers with space recycling bags, space bags can be recycled over and over again, significantly reducing an estimated amount of 10 metric tons of waste.

The total amount of waste in Linko Plant in 2023 was 1052.0063 metric tons, of which 5.1663 metric tons was hazardous waste and 1046.84 metric tons was non-hazardous waste.

The amount of industrial waste transferred from disposal was 858.016 metric tons, accounting for 81.5% of the total waste. Among them, 858 metric tons were pallet recycling, 0.016 metric tons were mercury bulb recycling, and 5.15 metric tons were chromium and its compounds (total chromium).

Direct disposal of industrial waste was 131.5103 metric tons, accounting for 18.5% of the total. Among them, 131.51 tons were general industrial wastes and 0.0003 tons were medical equipment wastes directly disposed of by incineration.

About 1000 liters of diesel fuel from the decommissioned boiler room was recycled and used in the diesel forklift.

The company's environmental management staff conducts site visits to waste treatment plants from time to time to ensure that the waste removal and treatment processes comply with relevant regulations.

**CHEM 2023 Total Waste and Disposal Method Weight (Metric Tons)**

| | Waste generation | Disposal and transfer of waste | Direct disposal of waste |
|---|---|---|---|
| Hazardous waste | 5.1663 | 5.1503 (99.994%) | 0.0003 (0.006%) |
| Non-Hazardous Industrial Waste | 989.51 | 858 (86.71%) | 131.51 (13.29%) |
| Total Waste | 994.6606 | 863.1530 (86.78%) | 131.5103 (13.22%) |

**CHEM 2023 Waste Disposal Transfer and Direct Disposal (Unit: Metric Tons)**

| Type of waste | Recycling | Total off-site handling | Disposal | Total off-site handling |
|---|---|---|---|---|
| Hazardous waste | Reuse Preparation | ------ | ---- | ----- |
| | Recycling & Reuse | ------ | ----- | ------ |
| | Other recycling operations | 5.1663 | Other Disposal Operations | 5.1663 |
| Non-hazardous waste | Reuse Preparation | ------ | ----- | ------ |
| | Recycling & Reuse | 858 | incineration | 858 |
| | Other recycling operations | 131.51 | Other Disposal Operations | 131.51 |
| | Total | 994.6606 | Total | 994.6606 |

Notes:
1. Reuse: The reuse of a product or component that was intended to become waste for the same purpose as the original through inspection, cleaning, or repair.
2. Recycling: The process of reprocessing products or components that have become waste into new materials.
3. On-site: Self-disposal of waste.
4. Off-site: Waste is disposed of by outsourcing.

From the two tables above, we can see CHEM produced little hazardous waste during the manufacturing process, and almost 99.99% of it is professionally recycled and utilized by qualified manufacturers; and almost 86.71% of non-hazardous waste was recycled and disposed of by qualified vendors, leaving only about 13.22% of non-hazardous waste to be incinerated.

### 4.4.3 Air Pollution Prevention

In order to implement air pollution prevention and control, the Company has set up air pollution programs for all manufacturing processes with stationary pollution sources as listed in the official announcements by the central competent authority with applied establishment license and operation license approved by competent authorities to ensure the manufacturing compliance of operation with the license. In 2023, all air pollutants were discharged in compliance with legal standards. In addition, all jurisdictions do not engage in combustion, grinding, transportation, or other operations that result in the generation of significant particulate pollutants to prevent air pollutants from being dispersed into the air. Jurisdictions are also required to take appropriate precautions against the placement, use, baking, and storage of organic solvents or other volatile substances in construction, granular stockpiles, and transportation of construction materials, wastes, or other work, so as to prevent the generation of offensive odors, and to ensure that pollution prevention equipment is maintained and operated in a proper manner.

In terms of air pollution prevention, CHEM continues to invest in research and development to reduce direct emissions and fugitive pollutants from manufacturing processes, and to improve the efficiency of air pollution equipment for exhaust treatment to a level better than the legal standard. Since 2020, CHEM has begun to gradually replace wet scrubber towers with dry activated carbon towers, achieving a rate of 100%. In 2021, the construction of two activated carbon adsorption towers will be completed, and the activated carbon adsorption of the carbon towers will be used to treat emissions in 2023, with the quality of adsorption capacity exceeding 0.3 kilograms of VOCs per kilogram, which is superior to the statutory standard of 0.2 kilograms of VOC per kilogram.

**Report on the Testing Results of Stationary Sources of Pollution at CHEM's Linko Plant for the Past Three Years (Unit: Kilograms)**

| Year | 2021 | 2022 | 2023 |
|---|---|---|---|
| Nitrogen Oxides (NOx) | 46160 | 45710 | 48150 |
| Sulfur Oxides (SOx) | 4450 | 3610 | 3789 |
| Volatile Organic Compounds VOCs | 19446.6 | 15248.4 | 11582.91 |

From the table above, it can be seen that CHEM has been decreasing NOx, SOx, and VOCs from stationary pollutants year by year in the past three years, gradually reducing air pollution emissions and contributing to the environment.

### 4.5 Material Management

In order to minimize the impact of its operations on the environment and society, CHEM has constructed a green supply chain through multi-directional planning, including local procurement, green procurement, recycling, research and development of renewable energy, and banning the use of conflict minerals. In terms of raw material use, CHEM prioritizes products and suppliers granted with "environmental labels certified by the former Environmental Protection Administration", products that are reusable and recyclable, produce little pollution, and resource-saving, and suppliers certified with the Green Building Label to minimize the impact of the supply chain on the environment. Since the selection of suppliers, we have adopted the requirement that no conflict minerals from conflict zones should be included, and we have taken the initiative to investigate and confirm specific materials (gold, tantalum, tin, and tungsten), sign a consent form for the prohibition of conflict minerals, or provide a declaration to our existing suppliers, in accordance with due diligence methods, in order to fulfill our corporate social responsibility.

**Weight of Materials Used by CHEM in the Last Three Years (Unit: Metric Tons) (GIS Not Included)**

| Year | Renewable materials | | | Non-renewable materials | | | | Total Material Usage |
|---|---|---|---|---|---|---|---|---|
| | Carton Boxes | wooden pallet | crate | Metalwork, Sheet Metal, Tubes and Pipes | loanword | Compressor | Others | |
| 2022 | 10.70 | 15.72 | 0.00 | 1,120.77 | 594.00 | 13.00 | 253.32 | 2,007.50 |
| 2023 | 2.26 | 5.76 | 1.78 | 566.84 | 457.00 | 5.00 | 201.87 | 1,240.51 |

**Weight of recycled materials used by CHEM in the last three years (unit: metric tons) (GIS not included)**

| particular year | Total use of recycled materials | Total Material Usage | Percentage of materials used that are recycled |
|---|---|---|---|
| 2022 | 26.42 | 2,007.50 | 1.3161% |
| 2023 | 9.80 | 1,240.51 | 0.7900% |

**Weight of CHEM's Recycled Products and Their Packaging Materials in the Last Two Years (Unit: Metric Tons) *GIS, Hydrogen & Fuel Cell Division not included.***

| Year | Total amount of recovered products and packaging materials | Total volume of products sold (tons) | Percentage of recovered products and their packaging materials |
|---|---|---|---|
| 2022 | 18.35 | 1,394.67 | 1.3161% |
| 2023 | 10.01 | 1,266.69 | 0.7900% |

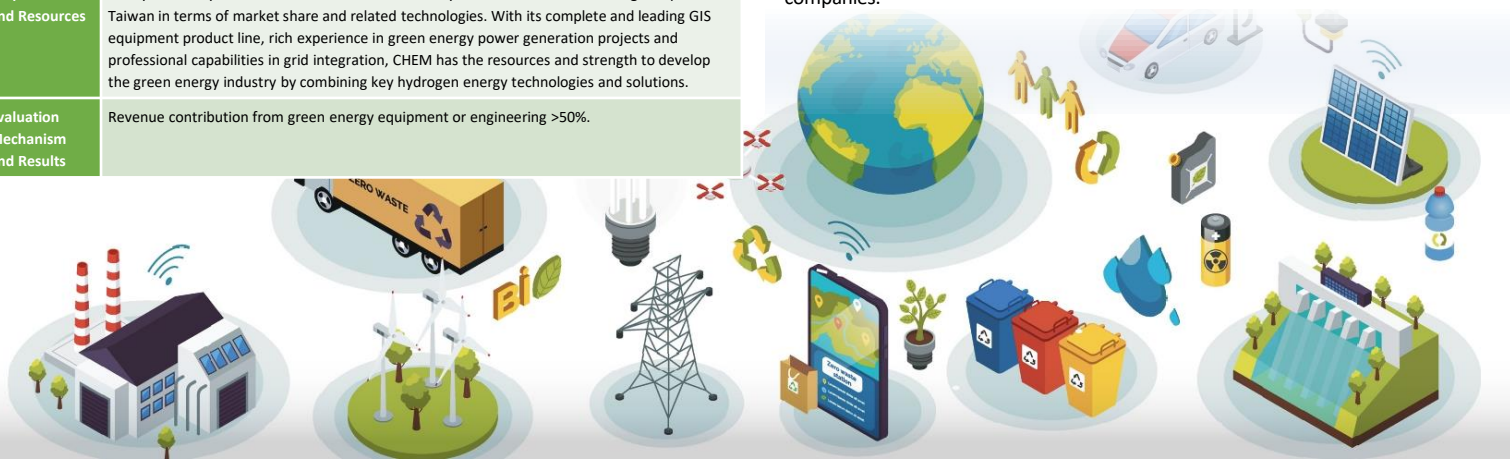
## 4.6 Green Products

Elements of CHEM's Management Approach for its 2023 Major Theme "Green Products" and Its Evaluation

| Major Themes | Green Products |
|---|---|
| Corresponding GRI Indicators | Custom Themes |
| Policies and Commitments | Adhering to the beliefs of product and project quality as well as the promotion of green energy and environmental protection, we are committed to investing in the domestic green power generation infrastructure and actively promoting green products and services, such as the hydrogen energy series products and iCharging, in order to provide environmentally friendly products and services that comply with various environmental protection standards as our mission. |
| Goals and Objectives | Short-term objectives<br><br>Actively promote green energy products and solutions to help customers save energy and reduce carbon emissions.<br><br>Medium and Long Term Goals<br><br>Supporting Taiwan's green energy industry plays an important role in the government's vision of promoting energy security, a green economy and environmental sustainability. |
| Responsibilities and Resources | Heavy Electricity is the fundamental national industry. CHEM is one of the leading companies in Taiwan in terms of market share and related technologies. With its complete and leading GIS equipment product line, rich experience in green energy power generation projects and professional capabilities in grid integration, CHEM has the resources and strength to develop the green energy industry by combining key hydrogen energy technologies and solutions. |
| Evaluation Mechanism and Results | Revenue contribution from green energy equipment or engineering >50%. |

CHEM mainly produces products for power system protection, switching, regulation, power supply and metering purposes, including GIS (Gas-Insulated Switchgear), GCB (Gas Circuit Breaker), GCS (Gas-Insulated Switchgear), GIL (Gas Insulated Line), load start/stop switch (LBS), underground four-way automatic line switch, and so on, have passed the evaluation by Taipower, and have been widely used by IPP power plants, large scale public works, and large power users in the industrial sector. In particular, our company has been awarded the Golden Quality Award for Public Works by the Executive Yuan for several times and the honor of Taipower's excellent green construction site, and the quality of our products and projects have been recognized and trusted by our customers.

CHEM has established the Power Engineering & Construction Division, which includes power generation, power transformation, electrical control, and automation engineering, in order to meet the needs of wind, thermal, and solar power generation projects, hydroelectric power generation projects, substation projects, power plant renewal and expansion projects, feeder automation projects, E&M fire protection for highway tunnels of the General Administration of Highways, and the new construction of substations for large power users/energy companies.



**(A) Power generation projects: Since 2003, we have obtained the following new turnkey projects for hydroelectric power, thermal power, solar power and wind power generation respectively.**

a. Hydropower Rehabilitation E&M Projects: (9 units, total installed capacity 609.327MW)

b. Thermal Power Generation New Construction: (6 units, total installed capacity 26MW)

----- Lanyu and Green Island Power Plant Units 3 and 4, each of 1,500 kW class, were awarded in 2022.

c. Wind Power New Construction: (85 units with a total installed capacity of 142.66MW)

----- Yunlin Taisi Wind Turbine New Construction - 4 parts with a total installed capacity of 9.2MW, obtained the bid in 2011.

d. New construction and operation and maintenance of solar energy plants

------ In line with the government's promotion of the "Solar Power 2-Year Promotion Plan" and in support of the development of the green energy industry in Taiwan, TSMC has released unsuitable land for the construction of solar power generation facilities. The Company has acquired a total of 216.0576MWp of solar power generation facilities in the Tainan District of Area B (Seven Unit Site) for the formal sale of power in 2022, with 20 years of maintenance from the initial power generation date.

------In 2022, the Company was awarded the procurement and installation of solar and wind turbines at the Nuclear Power Plant No. 3, and will construct 45.9097MWp of solar power generation facilities and 12.6MW of wind power generation facilities.

**(B) Substation works:**

a. Power generation from additional gas-fired combined-cycle units at the Datan Power Station. The 161kV switchyard turnkey project is scheduled to be completed in February 2025 for acceptance.

b. Renewal of GIS (Gas-Insulated Switchgear) in Switchyard of Kinmen Tashan Power Plant to 23kV turnkey project, scheduled for completion and acceptance in February, 2011.

c. T16F Turnkey project for Lunbei Township Wind Farm in Yunlin County, completed and accepted in October, 2012.

d. Taiyuan Power (Co.) Co. 161kV Booster Station - Consolidated Taixi Substation Project, started to warranty in June, 2023

e. Warmblood Morinaga Energy Storage 161kV (200MW+100MW) Booster Station turnkey project, scheduled for completion and acceptance in February, 2024

f. The project of 161kV booster station and 161kV external pipeline of Yunlin Douliu Taitron Energy Storage Project is scheduled to be completed in October 2024 for acceptance.

g. Donggang Wind Power Miaoli Energy Storage 161kV Booster Station Turnkey Project, November 2023, bid obtained.

h. Offshore Wind Power Grid Enhancement Phase I Project New 161kV reactor, GIS, cable, and auxiliary equipment for Meihu Line of Daitan Power Plant.

**(C) Automation engineering aspects:**

a. Hing Ta Power Plant Gas Unit Renewal and Reconstruction Project 345/161kV Switchyard Supervision and Control (SCADA) Protection and Auxiliary Power Equipment Turnkey Project Scheduled for July 2025 Completion and Acceptance.

電力設備統包工程，預定 2025 年 9 月竣工驗收。

b. Taichung Power Plant New Gas Unit Program 345/161kV Switchyard Control (SCADA)
Protection and Auxiliary Power Equipment Turnkey Project, scheduled for completion and acceptance by September 2025

# 5 Friendly Workplace

## V. Friendly Workplaces

| | Material Issue | Strategic Direction 2023 | 2023 Implementation effectiveness |
|---|---|---|---|
| 1. | **Occupational Health and Safety** | - Deepening the Culture of Occupational Health and Safety Risk Management in Enterprises<br>- Constructing a safe workplace and continuously implementing source management of machinery and equipment to eliminate unsafe hazards.<br>-Preventing and controlling the COVID-19 epidemic in practice | -Number of consultations with occupational medicine practitioners reaches 142<br>99% of health checkups<br>- The equipment safety check should be based on compliance with IEC or IEEE standards before the machine is procured in 2023.<br>-Increase vaccination coverage to protect 2,000 families and ensure 100% health. |
| 2. | **Talent Acquisition and Retention** | - For external talents, we are deeply committed to discovering and cultivating them on campus.<br>- For internal talents, a smooth mobility pipeline and encouragement of cross-disciplinary and cross-boundary work will encourage talents to serve for a long period of time. | - The manpower gain rate increased by 3.08% (vs. 2022).<br><br>-Reduction in staff turnover rate by 1.93%. |
| 3. | **Talent Development and Training** | - Implementing unit performance appraisals to ensure fairness and impartiality in performance assessment<br>-Diversified Expertise" Talent Training<br>-Training and social responsibility at the same time | -Women and men have the same promotion opportunities and their development is not restricted by gender, the company promotes gender equality.<br>-The curriculum emphasizes on general education and special expertise training to achieve diversified development.<br><br>-Achieved 100% of the annual training program, but reduced the average number of training hours compared to 2022 due to increased production capacity.<br><br>-Energy saving, carbon reduction, waste reduction, and emission reduction are the main themes of all training and proposal awards. |

### Declaration on Respect for Human Rights

CHEM respects human rights and is guided by the United Nations Global Compact (UNGC), the United Nations Guiding Principles on Business and Human Rights (UNGP), the Responsible Business Alliance (RBA), the International Labor Organization (ILO), and the International Labor Executive Direction (ILO). Based on the principle of fair treatment and respect for individual differences, we have formulated the "Code of Conduct on Corporate Social Responsibility for Suppliers" to require our suppliers or service providers to comply with the same code of conduct and provide a safe and healthy working environment for all of our stakeholders.

### We commit to the following:

| | | |
|---|---|---|
| 1 | Prohibition of human trafficking, forced labor and child labor | The use of enslaved or trafficked human beings, forced labor, child labor, or any other form of involuntary employment of labor is prohibited. |
| 2 | Protection of the rights to freedom of association and collective bargaining | Respect the right of all employees to organize and participate in unions of their choice, to bargain collectively, and to participate in peaceful assemblies in accordance with local laws. |
| 3 | Equal Employment Opportunity Treatment and Non-Discrimination | CHEM recognizes diversity and equality of opportunity and does not discriminate in hiring or treatment on the basis of nationality, race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, creed, political affiliation, community membership, or marital status. |
| 4 | Against Inhumane Treatment and Harassment | CHEM prohibits harsh and inhumane treatment of employees, including any form of sexual harassment, any form of harassment, bullying, sexual assault, corporal punishment, mental or physical oppression, or verbal abuse, or the threat of any such behavior. The company provides a channel for employees to file complaints and leave messages regarding human rights, labor, sexual harassment, harassment of any kind, bullying, etc. The Human Resources Department will handle the complaints and supervise the responsible unit to handle the cases as scheduled and propose improvement plans. In the case of sexual harassment, the Sexual Harassment Complaint Handling Committee will evaluate whether the case is substantiated or not, and the related personnel will be penalized according to the severity of the case. |
| 5 | Provide a safe and healthy working environment | We follow the international environmental safety management system to build a healthy and safe environment and reduce occupational hazards. |
| 6 | Meet customer requirements | Regularly review and evaluate customer requirements and content-related systems and behaviors, and adjust and update management methods in a timely manner. |

## 5.1 Happy Workplace

### 5.1.1 Human Resource Structure Analysis

The diverse abilities and creativity of employees are the fundamental driving force for the sustainable development of an enterprise. CHEM takes care of employees and their families as its first mission, hoping to create a workplace with diversity, inclusiveness and happiness, and to provide employees with abundant resources so that they can show their talents and make progress together with the company.

As of the end of 2023, CHEM had a total of 1,899 employees, including 221 supervisors/managers and 1,678 general employees. Due to the nature of the industry and the content of their duties, which are mostly engineers and technical operators, 1,526 male employees accounted for 80.4% of the total, while 373 females accounted for 19.6%; a total of 1,738 employees were of Taiwanese nationality, accounting for 91.5%, and 161 employees were non-nationals, accounting for 8.5%. In addition, 150 migrant workers were employed through intermediaries, 5 industrial trainees were employed through industry-academia cooperation, and 33 university interns were employed.

**Information on CHEM employees and other workers (unit: persons; %)**

| Year | Major Categories | | male | | | | female | | | | Subtotal | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Nationals | | Non-nationals | | Nationals | | Non-nationals | | | |
| | | | Number of persons | percentage | Number of persons | percentage | Number of persons | percentage | Number of persons | percentage | Number of people | percentage |
| 2021 | Employment Contracts | Non-fixed-term contracts | 1,232 | 73.42% | 1 | 0.06% | 304 | 18.12% | 0 | 0..00% | 1,537 | 91.60% |
| | | Regular contract | 51 | 3.04% | 76 | 4.53% | 6 | 0.35% | 8 | 0.48% | 141 | 8.40% |
| | | Subtotal | 1,283 | 76.46% | 77 | 4.59% | 310 | 18.47% | 8 | 0.48% | 1,678 | 100.00% |
| | Type of Employment | Full-time | 1,279 | 76.22% | 77 | 4.59% | 310 | 18.47% | 8 | 0.48% | 1,674 | 99.76% |
| | | Part-time | 4 | 0.24% | 0 | 0.00% | 0 | 0.00% | 0 | 0.00% | 4 | 0.24% |
| | | Subtotal | 1,283 | 76.46% | 77 | 4.59% | 310 | 18.47% | 8 | 0.48% | 1,678 | 100.00% |
| | Employee Type | Direct | 579 | 34.51% | 76 | 4.53% | 53 | 3.15% | 8 | 0.48% | 716 | 42.67% |
| | | Indirect | 704 | 41.95% | 1 | 0.06% | 257 | 15.32% | 0 | 0.00% | 962 | 57.33% |
| | | Subtotal | 1,283 | 76.46% | 77 | 4.59% | 310 | 18.47% | 8 | 0.48% | 1,678 | 100.00% |
| 2022 | Employment Contracts | Non-fixed-term contracts | 1,252 | 71.71% | 4 | 0.23% | 328 | 18.79% | 0 | 0.00% | 1,584 | 90.72% |
| | | Regular contract | 35 | 2.00% | 115 | 6.59% | 5 | 0.29% | 7 | 0.40% | 162 | 9.28% |
| | | Subtotal | 1,287 | 73.71% | 119 | 6.82% | 333 | 19.07% | 7 | 0.40% | 1,746 | 100.00% |
| | Type of Employment | Full-time | 1,275 | 73.02% | 119 | 6.82% | 332 | 19.01% | 7 | 0.40% | 1,733 | 99.26% |
| | | Part-time | 12 | 0.69% | 0 | 0.00% | 1 | 0.06% | 0 | 0.00% | 13 | 0.74% |
| | | Subtotal | 1,287 | 73.71% | 119 | 6.82% | 333 | 19.07% | 7 | 0.40% | 1,746 | 100.00% |
| | Employee Type | Direct | 575 | 32.93% | 117 | 6.70% | 61 | 3.49% | 6 | 0.34% | 759 | 43.47% |
| | | Indirect | 712 | 40.78% | 2 | 0.11% | 272 | 15.58% | 1 | 0.06% | 987 | 56.53% |
| | | Subtotal | 1,287 | 73.71% | 119 | 6.82% | 333 | 19.07% | 7 | 0.40% | 1,746 | 100.00% |
| 2023 | Employment Contracts | Non-fixed-term contracts | 1,313 | 69.14% | 3 | 0.16% | 357 | 18.80% | 0 | 0.00% | 1,673 | 88.10% |
| | | Regular contract | 61 | 3.21% | 149 | 7.84% | 7 | 0.37% | 9 | 0.48% | 226 | 11.90% |
| | | Subtotal | 1,374 | 72.35% | 152 | 8.00% | 364 | 19.17% | 9 | 0.48% | 1,899 | 100.00% |
| | Type of Employment | Full-time | 1,343 | 70.72% | 152 | 8.00% | 360 | 18.96% | 9 | 0.48% | 1,864 | 98.16% |
| | | Part-time | 31 | 1.63% | 0 | 0.00% | 4 | 0.21% | 0 | 0.00% | 35 | 1.84% |
| | | Subtotal | 1,374 | 72.35% | 152 | 8.00% | 364 | 19.17% | 9 | 0.48% | 1,899 | 100.00% |
| | Employee Type | Direct | 596 | 31.38% | 149 | 7.85% | 77 | 4.06% | 9 | 0.48% | 831 | 43.77% |
| | | Indirect | 778 | 40.97% | 3 | 0.15% | 287 | 15.11% | 0 | 0.00% | 1,068 | 56.23% |
| | | Subtotal | 1,374 | 72.35% | 152 | 8.00% | 364 | 19.17% | 9 | 100.00% | 1,899 | 100.00% |

### 5.1.2 Talent recruitment and staff retention

In 2023, CHEM had a total of 412 new employees including 338 males and 74 females. As for employee retention, the turnover rate for the current year was approximately 10.37% (compared to 12.31% in 2022), and the voluntary turnover rate was approximately 7.28%, which was a significant improvement compared to last year's (2022) turnover rate of 12.31%. The Company continues to strengthen work-life balance, enhance the competence of supervisors and provide employees with career development opportunities to promote employee retention.

**Total number and ratio of new employees and departed employees by age group and gender**

| | Main categories | age group | Male | | Female | | Subtotal | |
|---|---|---|---|---|---|---|---|---|
| | | | Number of people | percentage | Number of people | percentage | Number of persons | percentage |
| 2021 | New Employee | 18-30 years old | 95 | 35.98% | 24 | 41.38% | 119 | 36.96% |
| | | 31-50 years old | 69 | 11.71% | 14 | 9.15% | 83 | 11.19% |
| | | Over 51 years old | 36 | 7.10% | 6 | 5.61% | 42 | 6.84% |
| | Subtotal of new employees | | 200 | 14.86% | 44 | 13.84% | 244 | 14.66% |
| | Departing Employees | 18-30 years old | 48 | 18.18% | 11 | 18.97% | 59 | 18.32% |
| | | 31-50 years old | 62 | 10.53% | 16 | 10.46% | 78 | 10.51% |
| | | Over 51 years old | 79 | 15.58% | 8 | 7.48% | 87 | 14.17% |
| | Subtotal of departing staff | | 189 | 14.04% | 35 | 11.01% | 224 | 13.46% |
| 2022 | New Employee | 18-30 years old | 119 | 41.32% | 25 | 47.17% | 144 | 42.23% |
| | | 31-50 years old | 104 | 16.43% | 29 | 15.85% | 133 | 16.30% |
| | | Over 51 years old | 43 | 8.87% | 5 | 4.81% | 48 | 8.15% |
| | Subtotal of new employees | | 266 | 18.92% | 59 | 17.35% | 325 | 18.61% |
| | Departing Employees | 18-30 years old | 55 | 19.10% | 15 | 28.30% | 70 | 20.53% |
| | | 31-50 years old | 76 | 12.01% | 14 | 7.65% | 90 | 11.03% |
| | | Over 51 years old | 45 | 9.28% | 10 | 9.62% | 55 | 9.34% |
| | Subtotal of departing staff | | 176 | 12.52% | 39 | 11.47% | 215 | 12.31% |
| 2023 | New Employee | 18-30 years old | 181 | 52.46% | 32 | 50.00% | 213 | 52.08% |
| | | 31-50 years old | 120 | 17.34% | 35 | 17.41% | 155 | 17.36% |
| | | Over 51 years old | 37 | 7.57% | 7 | 6.48% | 44 | 7.37% |
| | Subtotal of new employees | | 338 | 22.15% | 74 | 19.84% | 412 | 21.70% |
| | Departing Employees | 18-30 years old | 69 | 20.00% | 14 | 21.88% | 83 | 20.29% |
| | | 31-50 years old | 55 | 7.95% | 17 | 8.46% | 72 | 8.06% |
| | | Over 51 years old | 38 | 7.77% | 4 | 3.70% | 42 | 7.04% |
| | Subtotal of departing staff | | 162 | 10.62% | 35 | 9.38% | 197 | 10.37% |

Note:
1. Percentage of new recruits = Number of new recruits in each category / Total number of employees at the end of the period in that category
2. Percentage of departed workers = Number of departed workers in each category / Total number of employees at the end of the period in that category

**5.1.3 Equality in the Workplace and Access to Employment**

In order to create a diversified and inclusive employment environment, CHEM employs 5 physically and mentally challenged people in FY2023. In addition, in order to encourage senior colleagues to pass on their work experience, give full play to their self-worth, and bring more energy to the company, CHEM was selected by the Taoyuan City Government as the “2021 continuing to employ elderly people as an excellent enterprise" after hiring 11 employees who were 65 years old in 2021. In 2023, we employed 15 more employees who would reach the age of 65 in the current year. In addition, 163 migrant workers were hired through intermediaries; 5 industrial trainees and 33 senior year interns were hired through industry-academia cooperation.

**Designing job content in response to demand**

In order to provide barrier-free employment for physically and mentally challenged employees, improvement of working machines and design of relevant assistive devices have been carried out to make them more competent in their work. In addition, suitable job contents have been arranged for physically and mentally challenged employees, and promotion opportunities for physically and mentally challenged employees have been equalized with those for ordinary employees.

**Providing opportunities and stabilizing employment**

These physically and mentally challenged employees work in different departments or workplaces. The company's staff care and human resources units provide timely care and assistance to the physically and mentally challenged employees in terms of their adaptability to the work environment and working conditions, or in case they encounter difficulties at work.

**Recognize performance to create a win-win situation**

Staff with physical and mental disabilities perform well and are able to work harmoniously with other staff in terms of interpersonal relationship. The stable and hardworking attitude of our staff with physical and mental disabilities in their work performance has enabled them to maximize their strengths and achieve a win-win situation.

**5.1.4 Happy Company Recognized by Voting**

In 2019, nearly 9,000 office workers voted for the happiest companies in the "Happiness Survey of Manufacturing and Construction Distribution Category" online poll organized by 1111 Human Resources Bank. CHEM was selected as one of the top 20 happy companies in the precision machinery category of the manufacturing industry. 2023, CHEM was once again honored with the "2023 Happy Company" poll organized by 1111 Human Resources Bank. CHEM's dedication to building a happy and friendly workplace has been recognized by the workforce.


## 5.2 Remuneration and benefits

▼ Elements of CHEM's Management Approach to the 2023 Major Theme "Compensation and Benefits" and Its Assessment

| Major Themes | Remuneration and benefits |
|---|---|
| Corresponding GRI Indicators | GRI401 Labor-Employment Relations |
| Policies and Commitments | The Company has established a sound compensation and reward system to ensure that employees are rewarded for their abilities and performance. Salary and compensation and related bonuses and benefits are due. |
| Goals and Objectives | Short-term objectives<br>The Company adjusts and enhances benefits in a timely manner based on current year's performance.<br>To increase the maternity allowance, expand diversified welfare activities and invite family members to participate to promote interactive learning among families and departments.<br>Comparison and adjustment are made in accordance with the relevant industries in the market in a timely manner, so as to match the salary level of the market and ensure the competitiveness of the company.<br>Medium and Long Term Goals<br>To include more performance evaluation items to assess the rate of salary adjustment based on the overall performance, so as to enhance the satisfaction and centripetal force of the employees' salary.<br>To increase the number of benefit programs to respond to the needs of our employees. |
| Responsibilities and Resources | Management Division – Human Resource Unit |
| Evaluation Mechanism and Results | With the benefits superior to those of the Labor Standards Law, the company was again honored with the "Gold Award" in the category of "2023 Happiness Enterprise Manufacturing" in 2023 organized by 1111 Human Resource Bank. |

### 5.2.1 Payroll management

In addition to the annual salary adjustments fixed for colleagues with outstanding performance, CHEM has conducted comprehensive salary adjustments for its employees in 2020 and 2022 respectively, in view of the year-on-year increase in the price level in recent years and in order to improve the living standards of its employees. CHEM was founded more than 69 years ago and has a complete salary, benefits, and retirement system that has been implemented. The Company takes care of its employees and their families as its first duty, and offers competitive salaries to recruit and retain the talents needed for the Company's operations. We emphasize the value of equal pay for equal work, and there is no disparity in salary between employees based on gender, and the ratio of basic salary and compensation between men and women in FY2023 was 1:1, which is in line with our policy of equal pay.

Average & median salaries of full-time employees (not in supervisory positions)

| Year | 2021 | 2022 | 2023 |
|---|---|---|---|
| Average Salary | 809,000 | 870,000 | 907,000 |
| Median salary | 702,000 | 769,000 | 773,000 |

Note:
1. Non-supervisory positions refer to titles below managers.
2. Currency: NTD

Average Monthly Salary of Basic Staff in CHEM

| | Gender/Year | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Average standard salary of junior staff | male | 32,368 | 34,395 | 34,041 |
| | female | 31,694 | 34,632 | 34,321 |
| Average standard salary of junior staff / Local minimum salary | male | 1.349 | 1.362 | 1.348 |
| | female | 1.321 | 1.372 | 1.359 |

Note: The local minimum monthly salary was$24,000 in 2021; $25,250 in 2022; and $26,400 in 2023. 2. The standard salary for junior staff in the position of Associate Engineer (included) or below includes recurring production bonuses and excludes special bonus increases.

**Percentage of Female in Management at Mid and High Levels in CHEM**

| year | 2023 |
|---|---|
| Mid-Level | 11.8% |
| High-Level | 16.2% |

Note: "Senior Manager" is defined as Director (including Deputy Director) or above. 2. "Mid-Level Manager" is defined as Manager or Deputy Manager.

**Employment of Local Residents as Senior level Management at CHEM at major business locations**

| year | 2021 | 2022 | 2023 |
|---|---|---|---|
| Total Senior Executives | 31 | 31 | 36 |
| Number of local residents employed as senior executives | 31 | 31 | 36 |
| proportions | 100% | 100% | 100% |

Note: "Senior Executives" are at the level of Director (or above). 2. “Major Business Locations" and "Local Residents" refer to the Taiwan area.

### 5.2.2 Labor relations

**Smooth Communication Channel**

In order to promote harmonious labor-management relations, CHEM holds four labor-management meetings per year and sets up a mailbox for employee complaints on the company's internal website, among other communication channels, to understand the needs of employees and respond to their expectations.

CHEM regularly holds labor-management meetings with the labor union of the Company in accordance with Article 83 of the Labor Standards Act, and may convene interim meetings when necessary. The labor-management meetings focus on promoting labor-management cooperation, coordination of labor-management relations, improvement of labor conditions, and planning of labor welfare, and other issues for two-way communication and consultation.

On February 26, 1979, the Company entered into a group agreement with a labor union to promote labor-management harmony and enhance labor welfare, and to discuss labor-management issues such as members' labor conditions, welfare measures, occupational safety, and the use of labor union organizations' operating activities. Subsequently, upon the expiration of each group agreement, both parties negotiate and sign a new group agreement, and the latest group agreement is valid from the date of signing to October 20, 2024. in 2023, the total number of employees covered by collective bargaining agreements signed by the Company's labor unions was 1,432, which accounted for 75.4% of the total number of employees.

For employees not covered by the collective bargaining agreement, we implement the provisions of Article 13 of the Collective Agreement Act, which states that 'without just cause, adjustments to the labor conditions stipulated in the collective agreement shall not be made for workers who are not part of that collective agreement.' Additionally, statutory labor rights will be the basic conditions of employment.

The company's senior executives participate in union activities twice a year to fully communicate with colleagues and resolve work-related issues. In addition, there are "Employee's Mailbox" and "Anonymous Report Mailbox" for employees to raise any work, management, environmental or other issues in a protected manner and the company's senior executives will receive direct replies. The "Anonymous Report Box", which can be accessed by clicking on the link on the Company's external website (https://www.chem.com.tw/tc/contact.aspx), has received 152 complaints since its inception in 2023, which have been resolved.

CHEM values the feedback of employees to the company and therefore conducts employee satisfaction surveys every year. The surveys cover a variety of topics such as satisfaction with job content and work environment, interaction with coworkers and supervisors, sense of accomplishment at work, and outlook on the future development of the company, etc. The actual feedback from employees serves as a reference for continuous improvement of the management of labor-management communication. The following is the actual implementation situation in the last three years. Statistical data shows that employees' satisfaction with the company has been increasing year by year.

**Employee Satisfaction Survey in the Recent Three Years**

| year | 2021 | 2022 | 2023 |
|---|---|---|---|
| average score | 3.92 | 3.96 | 3.96 |

Full Score is 5 points.

**Protecting Labor Rights and Interests**

**CHEM Labor Rights Policy: Prohibition of Employment Discrimination, Prohibition of Forced Labor, Prohibition of Child Labor**

**Human Rights Policy**

CHEM attaches importance to human rights and treats all employees and applicants fairly and respectfully, regardless of race, religion, color, nationality, origin, party affiliation, ideology, place of birth, age, gender, sexual orientation, marital statues, appearance, physical or mental disability, or union membership, etc. CHEM prohibits any undue discrimination in hiring and employment, strictly prohibits the hiring of child laborers under 16 years of age, and prohibits forced labor. Suppliers are also required to follow international standards.

In addition, the Company has established the "Sexual Harassment Prevention and Control Measures, Complaints and Sanctions Program", which is posted on the Company's website, to prohibit any sexual harassment in the workplace and to maintain a safe and healthy working environment.

By the end of 2021, CHEM started the planning to introduce the RBA (Responsible Business Alliance) in some departments such as the Precision Machinery Plant No. 2 and the South Plant, and underwent the CMA (Customer Managed Audit) in 2022 to ensure that the departments comply with the RBA code of conduct, and to ensure that the company can protect labor rights, maintain employee health and safety, and establish a management system that complies with environmental and ethical norms.

In 2023, neither the Company nor its suppliers had any significant risk of child labor or forced labor. There were also no violations of employees' rights to freedom of association and collective bargaining, and no major labor disputes.

**Labor Relations**

In the event that the Company is about to undergo a significant change in its operations that may seriously affect the labor conditions of its employees, CHEM will comply with Article 16 of the Labor Standards Act and exercise the minimum notice period for termination of labor contracts in accordance with the law in order to protect the employment rights of its employees and to minimize the impact on them. During the reporting period, there were no significant changes in the Company's operations.

**5.2.3 Multiple Benefits**

In order to provide employees with a safe and healthy workplace, CHEM has taken great care to create a place where employees can truly work happily. The Employee Assistance Program helps solve problems related to work, life and health that may affect the work efficiency of our employees, so that they can devote themselves to their work with a healthy body and mind. CHEM has promoted the Employee Assistance Program since 2016 and has established a warm and caring work environment through a wide range of supplementary measures in the areas of health care, medical care, law, tax, finance, and childcare to improve the overall quality of work and life and level up the employees' sense of unity and cohesion towards the company.

CHEM provides a comprehensive welfare system for full-time employees. In addition to basic rights such as labor and health insurance, special leave, maternity leave, and parental leave, CHEM also provides life insurance, medical insurance, disability insurance, pensions, emergency assistance, wedding and childbirth gifts, funeral subsidies, and dormitories for employees, as well as subsidies for parental leave and children's scholarships, and allocates welfare funds in accordance with the law. In order to continuously strive for the welfare of its employees, the Employee Welfare Committee is formed by labor and management representatives, and each employee is entitled to approximately NT$20,000 in welfare funds per year. CHEM also provides employees with more support and care in the areas of family life, learning and growth planning, creating a healthy and friendly work environment and continuously enhancing the centripetal force towards the company.

For example, we provide exclusive parking spaces for pregnant employees, offer occasional consultation and care from the nurse's office, and set up breastfeeding rooms. Leisure equipment is placed on each floor of the company to provide employees with the opportunity to relax in teams or individually after work. We sympathize with our employees for their overtime work, and increase the overtime incentives to a level higher than the legal requirements. The company has built a large number of lighting/surveillance equipment to protect the safety of employees at work. In accordance with the employees' consultation with the occupational physician, health information is announced from time to time, and the staff nurses and supervisors guard the employees at the same time.

◆ **CHEM's Total Employee Salary and Benefit Costs for the Past Three Years (in NTD)**

| 2021 | 2022 | 2023 |
|---|---|---|
| 1,579,694,363 | 1,783,543,081 | 1,843,638,822 |

Note: The cost in 2023 increased by NTD 60,095,741 (3.36%) compared to that in 2022.

**CHEM's Employee Welfare Measures**

**1. Life balance**

■Birthday Gift: Employees who have been on the job for one year or more will receive a birthday gift of $2,000 per year.

■Travel subsidy: Domestic and overseas travel subsidy: $2,000 for those who have been on the job for more than one year and less than two years; $4,000 for those who have been on the job for more than two years and less than three years; and $6,000 for those who have been on the job for more than three years.

**2. Family care**

Flexible working hours: In order to meet the needs of employees' families or to pick up children, employees can apply for flexible working hours and adjust their working hours freely.

■Childcare: We have signed a childcare contract with the legal childcare organizations in the vicinity of our company, such as the Po Sum Childcare Center (Turtle Hill District, Taoyuan City, and Taishan District, New Taipei City), and in addition to offering discounts to our colleagues, we also visit the childcare status of the contracted organizations from time to time to ensure that our employees have peace of mind about their childcare needs.

■ **Scholarships for each semester**

| Employee's Children's Scholarship Assistance | | | |
|---|---|---|---|
| Group | Research Institutes & College / University | Senior High School | Junior High School |
| Scholarships | 3,200 | 2,400 | 1,600 |
| Grants | 800 | 600 | 500 |

**3. Health Promotion**

■ Vaccination: Encourage employees to get vaccinated against the epidemic by inviting health units to the factory to administer vaccines to employees.

■ Health promotion activities:

CHEM has a diversified work mode, and we expect our colleagues to have more joyful interactions while they are engaged in their work. The smiles in the eyes and on the faces of our colleagues have always been the most important thing we care about, and it is also the goal we strive for, and even if it is just for a short time, it will form a long-lasting memory, so that we can have a family-like emotion and warmth.

Annual planning and implementation of employee health promotion programs, including: employee health screening, smoking cessation, weight loss, health seminars, stress relief activities and other activities to promote employee health.

■ CHEM "Get Up and Go" Campaign:

In order to make our employees stretch their muscles and promote their health, we implement the daily morning health exercise "Wake Up Call" program, which is a five-minute national health exercise played automatically through the broadcasting system at 8:00 a.m. every morning before starting work, encouraging employees to do the exercise with us. At the same time, we aim to achieve the goals of healthy employees, happy families, and effective work.

**Indoor stretching and stress relief activities:**
Professional fitness trainers were hired to conduct a series of stretching exercises for sedentary and manual workers in limited space.

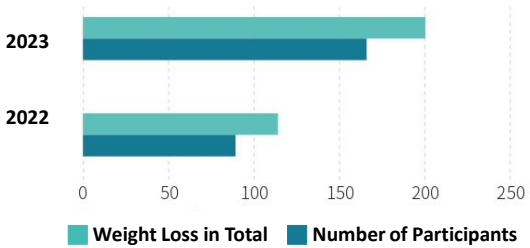

**Health Promotion - Exercise Program:**
In addition to specialized gyms, online and physical exercise classes are also available, allowing for more choices and convenience.


**Weight-loss activities:**

Continuously assisting “weight-watchers” to maintain good weight management and healthy eating and exercise habits, and organizing annual weight-loss activities. The medical office is equipped with a body fat meter to facilitate exchanges on weight management with colleagues at any time. During the activity period, correct information on healthy weight loss was sent to individuals by e-mail every week, while foreign colleagues asked an intermediary to assist in translating their weight measurements.

**Photos at Glance – Linko (North Plant)**


**Results & Comparison**




| Year | Number of Participants | Weight Loss in Total |
|---|---|---|
| 2022 | 90 | 166.3 |
| 2023 | 116 | 199.7 |

**Photos at Glance – South Plant**

**Setting up a stress relief corner - Providing colleagues with a stress relief and entertainment corner**

The company advocates more movement and more water intake, in addition to the offices are equipped with adequate drinking water facilities, and there is also a stress relief corner to provide a basketball machine, soccer machine, pool table and enough space, so that employees can take breaks for recreation and stress relief or play badminton and other light exercise.

**CHEM Singing Competition Activity**

Music can embrace yourself and inspire others, sing a song when you are happy, or sing out your sorrows when you are sad. Our company organizes singing activities to allow employees to sing their own voices, show their voices and get prizes, so we can sing together.


| Awards | Bonus |
|---|---|
| first place | $10,000 |
| second place | $5,000 |
| third place | $3,000 |
| Best of Show (2 winners) | $2,000 |
| Best Creativity Award (2 winners) | $2,000 |
| Participation Award (27) | $500 |


**Colleague Networking Event**

**Handmade Bakery Cake DIY Event**

**The happy staff activities allow colleagues to meet leisurely across departments and make cakes by cutting fruits, and whipping cream. Waiting for the fragrant cakes to come out of the oven results in a great sense of accomplishment.**






**Halloween Festival**


**Winter Solstice Gathering and Eating Sweet Rice Dumplings**


**4. Club activities**

Diversified clubs: There are bowling clubs, badminton clubs, hiking clubs, billiards clubs, charity clubs, women's clubs and other clubs, which combine the resources and facilities of the village community to encourage employees to participate in leisure activities.

■Social activities not only have the function of stress relief and sports, but also promote cross-departmental colleagues to know and interact with each other, whether in work or life, enhance mutual care and mutual assistance spirit, promote teamwork, welcome family members to participate in social clubs in addition to increase the number of sports and life skills can promote parent-child exchanges.

| Club | Introduction |
|---|---|
| Hiking club | Organize various hiking and trekking activities to embrace nature. |
| Dance club | Specializing in social dance such as the National Standard Dance. |
| Badminton club | To develop team spirit by playing with each other, and to improve skills by playing friendly matches with other companies. |
| Bowling Club | Organize bowling tournaments for bowling enthusiasts to enhance their friendship. |
| Shrimp Fishing Club | Promote friendship and stress relief through shrimp fishing activities. |
| Bicycle Club | Bicycling as a base of exercise and friendly interaction with other cycling groups |
| Billiards Club | Promote interaction among colleagues of different organizations by learning from each other and improving their skills. |
| Women's Club | Enhance women's life skills, promote women's intellectual beauty and values, and organize activities such as beauty salon, handmade soap, dried flower art, cooking sharing, etc. |
| Coffee Lover's club | Learning, researching and exchanging all kinds of coffee knowledge and brewing techniques, and savoring the mellow flavor of coffee with fellow coffee drinkers. |
| Charity Society | Identify cases (regardless of nationality) in need of help, and provide care and assistance through donations and visits: gather the small love of colleagues into the power of greater love, and bring sunshine-like warmth to families trapped in dark corners due to poverty and illness. |

**Charity Society**
**We are giving hands to those in-need**


**Billiards Club**
**Excitement from contests and laughter from games!**

**Hiking Club**
**Mountain-lovers gathering together to enjoy the peach and calmness.**
**Excellent choices for whole-body exercises and bond-creating.**

**Shrimp-Fishing Club**
**Excellent for bonding, and the favorite for parents-children time.**

**Women's Club**

**We enjoy baking, painting, and soap-making from various skills and choices. It's the time for creating enjoyment, achievement and laughter.**

**Photos at Glance – Baking and Dessert-Making Class**


**Photos at Glance – Coaster-Painting**

**Photos at Glance – handmade beauty soap**

**Badminton Club**
**We gather together to enjoy this excellent choices for whole-body exercise and team-bonding.**

**5. Broadening the pool of talents**

■Talent Recommendation: In order to encourage colleagues to recommend excellent personnel to join the company, we provide employees with a talent recommendation bonus of $3,000.

■Staff Dormitory: the Company provides foreign colleagues who are seeking employment to move in and settle down.

**6. Retirement system**

CHEM's retirement system is governed by the Labor Standards Law and the Company's Employee Work Rules, and is divided into two types of retirement: self-appointed retirement and mandatory retirement.

In accordance with the law, the Company contributes 2% of salaries and wages to a monthly pension fund, which is deposited in the Bank of Taiwan's Trust Department for safekeeping, and pays pensions to retired employees in accordance with the regulations.

For those who are subject to the new pension system under the Labor Pension Act, a monthly contribution of 6% of their wages will be deposited in the Labor Pension Individual Account set up by the Bureau of Labor Insurance in accordance with the law.

**7. Various Subsidies and Reimbursement**

■Meal subsidy: $45 for ordering a meal at noon in the company, and meals are provided in the evening and overtime on holidays.
■ Medical subsidies: hospitalization of employees for more than 3 days will be provided with a condolence payment of NT$1,000; hospitalization of employees on sick leave for more than 7 days will be provided with a hospitalization condolence payment of 50% of the daily salary; and hospitalization medical subsidies will be provided for the employees themselves or their dependents, with the maximum subsidy up to NT$10,000.
■ Maternity benefits: Employees receive $10,000 for the first child and $8,000 for the second child.
Death benefits: $5,000 for the death of the employee and $2,500 for the death of the employee's dependents.

**5.2.4 Gender equality**

**Maternal Health Protection Program**

Since CHEM's founding 69 years ago, the company has continuously revised its salary and benefit system to fully protect the rights and interests of its employees. In order to advocate SDGs Goal 5, "Gender Equality," all salaries, benefits, positions, and promotions do not differ based on gender, thus realizing gender equality in the workplace.

In addition, in order to implement the maternity protection policy, we provide personal health counseling and individual hazard assessment for female employees who are expected to be pregnant, in the midst of pregnancy, within one year after delivery, or breastfeeding, and assist them in improving their work environment when necessary. At the same time, we provide pregnant employees with "priority parking spaces for pregnant women", allowing pregnant women to park near the fixed parking spaces in their work areas to alleviate the burden on employees. In line with the breastfeeding policy of the Department of Health of the Executive Yuan, we have set up a breastfeeding room, and those who make appointments for breastfeeding are provided with a key to the room, which makes it convenient for female workers to continue breastfeeding after giving birth.

**CHEM's baby-sitting & parental leave statistics**

| | 2021 | | | 2022 | | | 2023 | | |
|---|---|---|---|---|---|---|---|---|---|
| **Gender/Total** | male | female | Total | male | female | Total | male | female | Total |
| **Number of applicants eligible to stay for baby-sitting** | 54 | 16 | 70 | 56 | 18 | 74 | 57 | 28 | 85 |
| **Actual number of applicants who applied for staying with their babies in that year** | 3 | 6 | 9 | 2 | 4 | 6 | 1 | 5 | 6 |
| **Estimated number of baby-sitting staff to be reinstated in the current year** | 2 | 1 | 3 | 3 | 2 | 5 | 1 | 1 | 2 |
| **Actual number of babysitters resuming duty in the current year** | 2 | 1 | 3 | 3 | 2 | 5 | 1 | 1 | 2 |
| **Reinstatement rate of babies in the current year** | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% | 100% |
| **Number of applicants who applied for reinstatement in the previous year's maternity leave suspension** | 1 | 2 | 3 | 2 | 1 | 3 | 1 | 1 | 2 |
| **Number of applicants who had continued to work for one year after applying for reinstatement from baby-sitting leave in the previous year** | 1 | 2 | 3 | 2 | 0 | 2 | 0 | 1 | 1 |
| **Infant retention rate in the current year** | 100% | 100% | 100% | 100% | 0% | 67% | 0% | 100% | 50% |

Note: The number of applicants eligible to stay for baby-sitting is estimated based on the number of employees who applied for maternity leave or paternity leave over the past 3 years (2021~2023).

### 5.3 Learning & Development

▼ Elements of CHEM's 2023 Major Theme "Talent Cultivation" Management Approach and Its Evaluation

| Major Themes | | Talent Cultivation |
|---|---|---|
| Policies/commitments | | Create a favorable environment for employees' career development and establish effective training programs for career development. |
| Corresponding GRI Indicator | | GRI 404 Training and Education |
| Objectives | short-term | Enriching colleagues' knowledge and functions, cultivating colleagues' ability to think differently and be creative, with the hope of changing work methods and improving work efficiency. |
| | medium to long term | Diversified system to cultivate talents and enhance individual's professional knowledge in a wide range of areas to strengthen the competitiveness of the team. |
| Responsible Department/ Complaint mechanism | | We have dedicated staff responsible for pre-employment and on-the-job training of our staff, the team organizes various training activities from time to time. |
| Resources invested during the year | | Average hours per employee of training and development in 2023 is 5.65 hours, with the average number of training hours for male colleagues being 5.94 hours and for female colleagues 4.45 hours.<br>A language learning subsidy is provided to encourage employees to improve their job-related language skills. To support employees in pursuing a degree, a total of $1,155,672 has been provided over the past five years. |
| Evaluation Mechanism and Results | | Upon the arrival of new employees, the HR department conducts training for new employees, providing them with an introduction to the company, knowledge of employees, and a study of quality and environmental policies.<br>New employees are provided with health and safety guidelines and other appropriate education and training by each unit in accordance with relevant procedures or operating standards before they enter the workplace.<br>Staff training includes management training, departmental function training, and self-development training, and a variety of courses are offered depending on the needs of employees.<br>Incentive payments are made to employees who have passed the National Technician Higher Examination and the National Technician Skills Certification. |

**Performance Appraisal Management**

CHEM has adopted a performance appraisal system to improve the performance of the organization and individuals. In order to immediately and appropriately reward the results of the company's staff's operational efforts and to encourage staff morale, CHEM approves the performance bonuses for each unit in conjunction with the company's and unit's operational performance, and evaluates the performance of the employees for the current year in accordance with the company's established evaluation practices and other methods for approving the granting of individual bonuses, which include the following: Individual KPIs, organizational functions, quantitative and qualitative achievement, execution, and innovation. Quantitative and qualitative achievement, execution, and innovation.

By using the evaluation results as a reference for reward differences and promotions, employees are effectively motivated to achieve the team's and the company's operational goals.

| Staff of the 2022 Review | | Number of Employee Appraised | Total number of employees | % |
|---|---|---|---|---|
| gender | male | 1386 | 1406 | 98.58% |
| | female | 335 | 340 | 98.53% |
| Staff Category | Direct | 749 | 759 | 98.68% |
| | Indirect | 972 | 987 | 98.48% |
| **Staff of the 2023 Review** | | **Number of Participants** | **Total number of employees** | **%** |
| gender | male | 1412 | 1526 | 92.53% |
| | female | 361 | 373 | 96.78% |
| Staff Category | Direct | 802 | 831 | 96.51% |
| | indirect | 971 | 1068 | 90.92% |

Note: Employee performance appraisal excludes new employees with less than 6 months of service.

**Enrichment of Training Resources**

In the staff training section, there are dedicated staff responsible for pre-employment and on-the-job training of staff, and various training activities are organized from time to time.

On-the-job training includes management training, departmental function training, and self-development training. There is also a language learning subsidy to encourage employees to improve their job-related language skills, support employees to pursue a degree, and provide incentives for employees to take the *National Technical Staff Higher Examination* or *the National Technical Skills Certification* related to the job content of their respective units, providing them with technical licenses, with a cumulative total of more than $1,155,672 in subsidies over the past five years.

◆ **Number of hours of training and gender ratio of CHEM employees by level.**

| Year | Staff Category | Total training hours (hours) | | Average number of training hours per person (hours) | |
|---|---|---|---|---|---|
| | | male | female | male | female |
| 2021 | Non-supervisory staff | 12,877 | 2,845 | 11.06 | 9.95 |
| | Supervisors | 556 | 104 | 2.85 | 3.15 |
| 2022 | Non-supervisory staff | 19,244 | 2,215 | 15.77 | 7.26 |
| | Supervisors | 913.5 | 163 | 4.91 | 4.66 |
| 2023 | Non-supervisory staff | 7923.83 | 1540.67 | 5.98 | 4.61 |
| | Supervisors | 1144.33 | 118.33 | 5.69 | 3.03 |

Note: Average number of training hours per person in each gender = Total number of training hours in each gender / Number of staff in each gender in the current year

**Provision of Continuing Employment Program for Colleagues**

In order to create a friendly employment environment, CHEM provides a retirement re-employment program for senior retired employees who have made long-term contributions to the company and have grown through their experiences, if they are willing and able to do so, so that they can continue to work for the company or its affiliates, that they can continue to give full play to their professional knowledge and skills after their retirement, pass on their valuable skills and experience, and assist in the development of the company's organization.

For those employees who have left the company, we ask them to transfer to other departments or affiliates of the company through exit interviews, and if they agree to do so, we arrange for them to receive vocational training in order to ensure that they adapt to the new working environment and job responsibilities.

# 6 Workplace Health and Safety

6.1 Occupational Safety Policy and Management
6.2 Occupational Health Service
6.3 Worker Health Promotion

## VI. Occupational Health and Safety (403)

### 6.1 Occupational Health and Safety Policy and Management

In order to create an excellent working environment, CHEM pays great attention to the health and safety of its employees and aims to comply with domestic safety and health regulations and standards, and to strengthen the intrinsic safety design to prevent occupational accidents and promote the safety and physical and mental health of its employees. At the same time, we strengthen communication and cooperation with customers, suppliers, and outsourcers to improve the safety and health performance of the supply chain, and evaluate the effectiveness of implementation in a timely manner.

#### 6.1.1 Occupational safety and health management system

In order to maintain employee safety and prevent occupational hazards and to maintain the effectiveness of the ISO 45001 Occupational Safety and Health Management System in 2023, the activities of this system require the participation of all employees, including the policy oversight of the Board of Directors, the promotion of the system by the top and various levels of management, and the participation and cooperation of all employees. The workplace covered by the ISO45001 is CHEM's North (Linko) Plant and South Plant, and the scope of validation covers 100% of the business locations, regulating related workers and production activities.

In addition, in accordance with the Occupational Safety and Health Act and related regulations, the "Occupational Safety and Health Code of Practice" and the "Occupational Safety and Health Management Plan" have been formulated, and each department has set up occupational safety and health units, management personnel and first aiders in accordance with the law, and has provided safety and health education and training every year.

▼ Workers Covered by ISO 45001

| | Staff | | Non-staff | |
|---|---|---|---|---|
| Workplace | Number of people | Proportion | Number of people | Proportion |
| Linko Plant | 1579 | 100% | 0 | 0 |
| South Plant | 91 | 100% | 0 | 0 |

Note: A non-employee worker is defined as a worker whose work and/or workplace is not controlled by the organization.

▼ CHEM's Linko (North) Plant and South Plant Passed ISO 45001 Occupational Health and Safety Management Certification




**Occupational Safety and Health Committee**

In order to protect the rights and interests of employees, the Company has established an **Occupational Safety and Health Committee** in accordance with the requirements of the Occupational Safety and Health Administration Regulations. The Safety and Health Committee consists of a total of **22** members, including **2** medical personnel, **2** engineering and technical personnel related to occupational safety and health, and **13** departmental supervisors, supervisors, and conductors, of which **5** are labor representatives, with the proportion of labor representatives being more than one-third.

The duties of the Occupational Safety and Health Committee are to enhance the standard of safety and health management through planning, implementation, and evaluation and improvement of the occupational safety and health environment, and to realize the safety management objectives. **The Occupational Safety and Health Committee** meets on a quarterly/annual basis. During the meetings, the committee will discuss the identification and elimination of hazards, risk assessment, accident investigation and auditing, as well as the development and management of auditing standards for contractors and suppliers, in addition to publicizing the occurrence of violations.

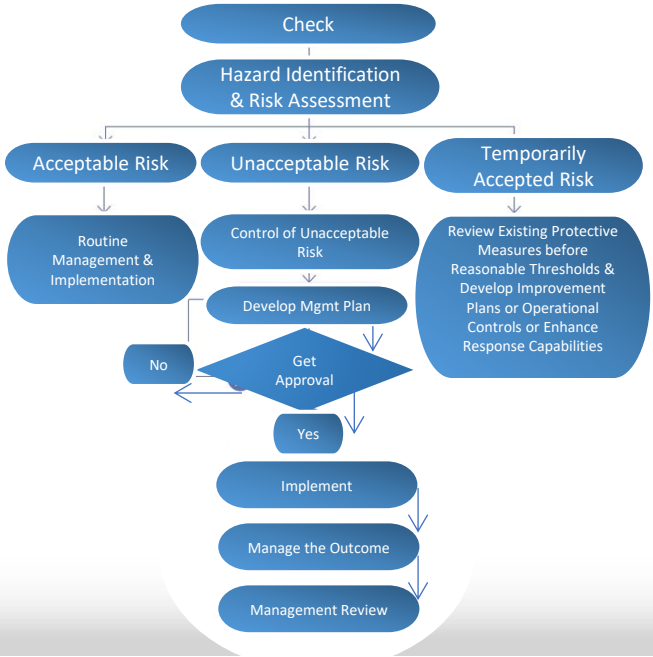
**Allocation of Responsibilities of the Occupational Safety and Health Committee**

- Safety and Health Office: Prepare the Hazard Identification Risk and Opportunity Assessment Procedures.
- Safety and health personnel in each factory: Identify and evaluate safety and health hazards in accordance with the "Hazard Identification Risk and Opportunity Evaluation Procedures".
- Supervisor of each factory: Responsible for reviewing the safety and health hazards identified and evaluated by each unit.
- Plant Directors: Approval of Hazard Identification Risk and Opportunity Assessment.
- Management Representative: Responsible for reviewing our "Safety and Health Hazard Identification Risk Assessment Form".


### 6.1.2 Hazard Identification and Risk Assessment

CHEM has formulated the "Hazard Identification Risk and Opportunity Assessment Procedures" through the Safety and Health Office, in the hope that through planning safety and health hazard identification risk assessment, the safety and health hazards and risks that may be caused by CHEM's various operational activities, employees, facilities, and the workplace environment can be identified, supplemented by the formulation of objectives, operational controls, emergency response measures, or education and training, and targeting the contractors for contracted operational workplaces to inform the hazards to reduce the risk of employees and all workers from occurring occupational safety and health hazards. We also inform contractors of workplace hazards in order to minimize the risk of occupational safety and health hazards to employees and all workers. The scope of these procedures includes all safety and health hazards that may affect our Linko Plant and South Plant operations, employees, potential emergency situations, and visitors and contractors outside the plants.

▼ CHEM Hazard Identification Risk Assessment Procedures

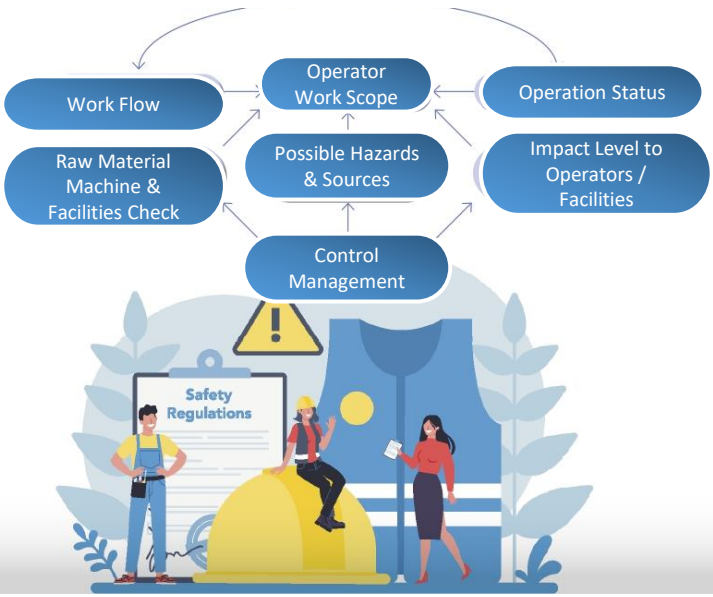


**Execution Methods**

Hazard identification and risk assessment will be carried out by the identification and assessment team, which will divide the operation into areas under the jurisdiction of each unit, and record the operation flow, operation content, operation status (routine and non-routine activities), raw materials used, types of machinery and equipment, possible hazardous items, the degree of impact caused by personnel and equipment, and the current control in the "Hazard Identification Risk Assessment Form", which will be used as the basis for the implementation of the risk assessment of safety and health. The risk assessment form is used as the basis for implementing the safety and health risk assessment.

Improvement plans based on risk and opportunity identification must be completed in the "Safety and Health Management Program Schedule", with specific implementation methods, authority and responsibility units, and appointed improvement agendas. The content of the "Safety and Health Management Program Schedule" shall be submitted to the General Manager for approval after review by the supervisors of each level, and each unit of authority and responsibility shall carry out the improvement work in accordance with the approved management program.

**CHEM Hazard Identification and Risk Assessment Implementation**




**Control**

CHEM conducts safety and health risk assessment based on the "Safety and Health Hazard Identification Risk Assessment Form", which is used as a basis for formulating policies and objectives. In the Safety and Health Hazard Identification Risk Assessment Form, relevant data are filled in according to the frequency of exposure, occurrence rate, probability of results, and severity of consequences. Finally, through the risk classification table, corresponding risk control measures are formulated according to the risk level.

▼ CHEM's Risk-Leveling Control Measures

| Risk Level | Nature of Risk | Countermeasures |
|---|---|---|
| 1 | **Very high risk (unacceptable risk)** | Immediately review the integrity of existing protective measures and implement engineering, management improvement programs, or operational controls as soon as possible, and enhance response capabilities. |
| 2 | **High Risk (unacceptable risk)** | Immediately review the integrity of existing protective measures and undertake engineering, management improvement programs or operational controls and enhance response capabilities before a reasonable period of time. |
| 3 | **Medium to high risk (risk accepted for the time being)** | Acceptable for the time being, subject to the availability of more effective protective measures or the adoption of appropriate operational procedures, controls and safety measures. Items identified for improvement at the Risk Appraisal Meeting will be reviewed for completeness of existing protective measures and engineering, management improvement programs or operational controls will be implemented within a reasonable period of time to enhance resilience. |
| 4 | **Medium Risk (risk accepted for the time being)** | Temporarily acceptable for continuous monitoring in the existing manner. |
| 5 | **Low risk (risk acceptable)** | Acceptable, continuous monitoring in the existing manner. |

**Accident Investigation**

CHEM has established the "Incident Notification, Handling and Investigation Management Procedures" to standardize the process of incident notification and investigation. Through the investigation of accidents, we can find out the causes of the accidents, the potential risks in the working environment and the types of injuries that may be caused by our colleagues, which can be used as preventive and improvement measures in the future to reduce the likelihood of recurrence of accidents.

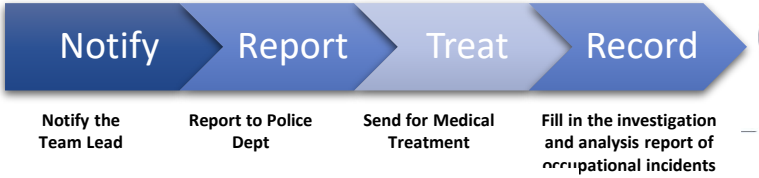
### 6.1.3 Performance measures

**Occupational Injuries**

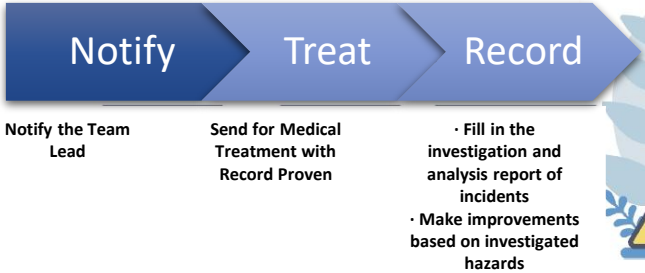
The main types of occupational injuries sustained by CHEM electricians and contractors are falls, entrapment, collisions, cuts and abrasions, falls, sprains and crushes, etc., with fall hazards being the ones that pose a serious risk of occupational injuries. When an occupational injury occurs, the machine is shut down first, and simple troubleshooting is performed. Operators are advised to pay attention to the condition of the machine and to minimize the risk. The following calculations cover all workers.

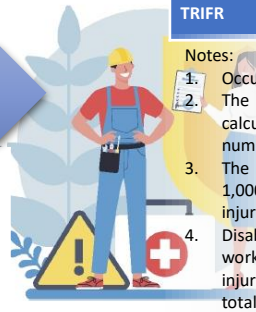
In the event of an occupational disaster, the Company's notification process is as follows:

▼Traffic accidents outside the plant




▼Traffic accidents inside the plant



**Occupational Injuries to Employees at CHEM's Linko Plant in the Past Three Years**

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Working hours | 2,912,517 | 3,331,406 | 3,513,634 |
| Number of minor occupational injuries | 3 | 3 | 4 |
| Minor Occupational Injury Rate | 1.03 | 0.9005 | 1.1384 |
| Number of serious occupational injuries | 0 | 0 | 0 |
| Disabling frequency rate | 1.03 | 0.9005 | 1.1384 |
| LTIFR | **0** | **0** | **0** |
| Number of deaths | 0 | 0 | 0 |
| Fatality rate | 0 | 0 | 0 |
| Number of recordable occupational injuries | 3 | 3 | 4 |
| TRIFR | 1.03 | 0.9005 | 1.1384 |

Notes:

1. Occupational Disaster Statistics Benchmarks **Exclude** Commuting Disasters
2. The contractor's historical working hours are estimated at an average of 8 hours per day, calculated by the following formula: (number of workers entering the factory per month × number of working days per month) × 8 for a full-year data estimate.
3. The rate of minor occupational injuries is the number of minor occupational injuries per 1,000,000 working hours, which is calculated by the formula: Number of minor occupational injuries × 1,000,000/total number of working hours.
4. Disabling Injury Frequency Rate (FR) is the total number of disabling injuries per 1,000,000 work hours. The total number of disabling injuries is calculated as the total number of disabling injuries including death, permanent total disability, permanent partial disability, and temporary total disability. The calculation formula is: total number of disabling injuries × 1,000,000/total number of working hours.
5. Lost Time Injury Frequency Rate (LTIFR) refers to the number of occupational injuries resulting in death or permanent disability per one million working hours in a workplace. The calculation formula is: Number of serious occupational injuries (number of fatal or permanent disability injuries) x 1,000,000 / total number of working hours.
6. Total Recordable Injury Frequency Rate (TRIFR) refers to the number of recordable occupational injuries per 1,000,000 work hours, which is calculated as follows: Number of recordable occupational injuries (including minor occupational injuries, serious occupational injuries, and fatalities) x 1,000,000 / total number of working hours.

▼ **Employees Covered by the Occupational Safety and Health Management System**

| Management System/Regulations | Type | Number of people | Proportion (Number of checks/company-wide) | Remarks |
|---|---|---|---|---|
| Occupational Safety and Health Act | Internal Audit | 2 | 0.0012 | |
| | Labor Inspection | 5 | 0.0030 | |
| ISO 45001 | Internal Audit | 4 | 0.0024 | |
| | External verification | 3 | 0.0018 | Scope of Inspection: Linko Plant, South Plant |

**6.2 Occupational Health Services**

**6.2.1 Employee Health Check**

In order to protect the physical and mental health of workers, CHEM has set up a medical office, which conducts annual health checkups for workers with special health hazards based on the results of the monitoring of the operating environment and implements graded health management in accordance with the law. CHEM provides employees, dependents, and vendors with a general health checkup once every two years that is better than what the law regulates, and carries out health checkups that include multi-organ ultrasound, bone density, intraocular pressure, audio-visual machine hearing test, intraocular pressure, blood cancer screening, fecal occult blood, muscular strength test, and screening for four types of cancers, and other health checkups. The number of health check-up items for high prevalence diseases has been increased year by year, and health check-ups for employees aged 65 or above and special work types are conducted once a year.

In order to prevent the main type of occupational disaster, "noise hearing damage", CHEM employees throughout the plant use audio machines to test their hearing, and each high-decibel noise factory area is labeled at the entrance to warn entrants that they need to wear earplugs before entering, and all workers in noisy operations are set up with a yearly hearing comparison chart, and relevant arrangements are made based on the changes in hearing loss over the years, such as occupational medicine interviews and on-site inspections of the work hazards and the state of using and wearing of protective gear. We also provide health education on the use and hazards of protective gears, and purchase a variety of protective gears for workers to choose and use according to their physiological structure and working conditions, in order to promote the willingness of workers to wear protective gears and their degree of cooperation.

Since 2022, in view of the psychological pressure brought about by the Covid-19 Epidemic and the gradual change in the pace of society, causing many people to have physical and mental exhaustion, anxiety, and further derivation of widespread anxiety phenomena and other problems, CHEM has arranged for psychologists to assist colleagues during employee health checkups, and for those who are in need of such assistance, one-on-one independent space for autonomic nerve testing and psychological counseling.

**The Rights to Know**

What are the meanings and statuses of the health check items and the successive changes of the numbers? How to improve? Only after understanding can we pay attention to them. CHEM arranges one-on-one health check consultation and hygiene education by medical examiners for those who need it after the health check, and for those who are not in the factory or their family members, they can make an appointment for online consultation on the day of the outpatient clinic.

In addition to the doubts about health check results, many colleagues want to take nutritional supplements due to their busy lives or lack of balanced diets, but they do not know what to take, or how to choose? In order to answer the common doubts of our colleagues, and to choose the right supplements for their own condition without waste, we have invited pharmacists and nutritionists from the Pharmacy and Dietetics Bureau to provide consultation services on medication and nutritional supplements.

**Post-examination health care, data monitoring and adjustment**

After the health check, in order to allow colleagues to continue to review the relevant data, the company has assisted high-risk or colleagues-in-need to purchase blood pressure monitors and blood glucose machines to monitor changes and provide detailed dietary and everyday hygiene education.

| 姓名 | 金額 |  OMRON 歐姆龍 型號：JPN616T<br>優惠價每台 3,700 元（含變壓器）<br>官網：https://www.omronhealthcare.com.tw/product/ins.php?index_prm_id=0&index_id=115 |  雅博電子式血壓計 型號：BPM602<br>優惠價每台 1,350 元（10 台以上 $1,250 元）<br>官網：https://tw.wellell.com/zh-tw/products/BPM602-Upper-Arm-Digital-Sphygmomanometer |  福爾必康 GD60 藍芽血糖機＋試紙組<br>內含：血糖試紙（50 入）、針（50 入）、酒精棉片（50 入）、血糖機（1 台）<br>團購優惠價每台 900 元<br>* 血糖機非人為損壞故 |  福爾必康 GD60 試紙組<br>內含：血糖試紙（50 入）、針（50 入）、酒精棉片（50 入）<br>團購優惠價每組 800 元 |
|---|---|---|---|---|---|
| 趙 | $5,400,000 | 1 | | 1 | 1 |
| 李 | $4,600,000 | 1 | | 1 | |
| 李 | $1,350,000 | | 1 | | |
| 謝 | $1,350,000 | | 1 | | |
| 涂 | $1,350,000 | | 1 | | |
| 陳 | $1,350,000 | | 1 | | |
| 蔡 | $1,350,000 | | 1 | | |
| 潘 | $3,400,000 | | | 2 | 2 |
| 聶 | $900,000 | | | 1 | |
| 謝 | $1,700,000 | | | 1 | 1 |

**Encourage family members and manufacturers to participate in group inspections**

CHEM not only cares about the health of its employees, but also upholds the first duty of "taking care of employees and their families" and "cooperating with our partners as a family", and opens the door for employees' family members and partner companies to participate in the group examination, while those with abnormalities are still assisted in seeking medical treatment by the medical office's telephone interviews to avoid the leakage of privacy.

Our medical office actively encourages the relevant personnel to be examined, the number of participants has grown year by year from less than 100 people at the beginning to over 300 people every year, and in 2022, more than 500 family members and vendors have joined the health check activities, among them, many people through the health check immediately found malignant lesions, and emergency medical treatment was able to control the condition, and restore health, In the future, CHEM will continue to encourage our employees' family members to participate in health checkups and emphasize on health.

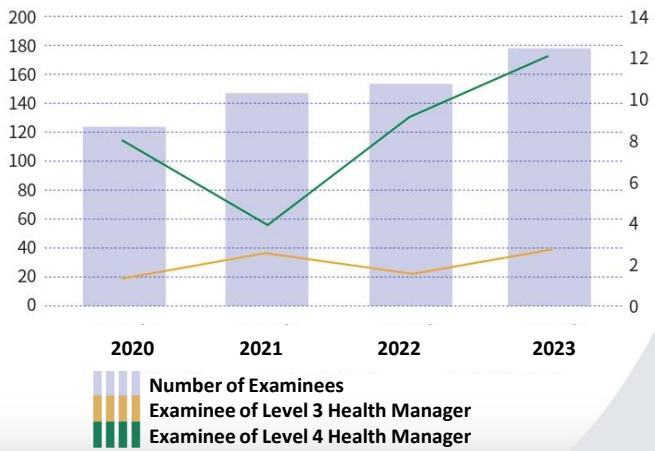
**Health Check Grading Management**

After the employee health check, the occupational nurse and occupational medicine specialist will implement health education, health tracking check and other related assistance based on the results of the health check report.

**▼ CHEM's graded management of employees' special operation health check in the past three years.**

| Year | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Number of Examinee | 124 | 149 | 152 | 179 |
| Level 3 Health Managers | 18 | 34 | 27 | 37 |
| Level 4 Health Managers | 8 | 4 | 9 | 12 |

**▼ Special Examination for Impact from Noise Level 2023**




**6.2.2 On-Site Medical Officer Service**

CHEM provides three times a month the service of occupational specialist doctors in the factory, and employs two specialists in occupational medicine to carry out health education for the second-level personnel of the special examination and on-site health services and other services related to occupational safety and health. In response to various symptoms and sports injuries that are common among modern people, we patiently and professionally assist our employees in identifying the problems and teaching them what to consult in the future or how to rehabilitate themselves at home.

Pre-retirement assessment and consultation on medical and surgical problems and medication are conducted for colleagues, in addition to professional and patient explanation and assistance in medical treatment, such as assistance in finding the appropriate department and doctor and registration and other medical resources.

**6.2.3 Assessment and training in the use of protective equipment**

In order to effectively eliminate the risk of hearing damage caused during noise in work process, CHEM provides a variety of earplugs, earmuffs, and other protective gear of different specifications and sizes according to the convenience of employees' work operations and the needs of individual physiological conditions, allowing workers to choose the most suitable gear for themselves to increase the rate of accurate fitting and reduce the risk of occupational accidents; at the same time, CHEM organizes lectures on understanding the hazards of work, as well as on the introduction of various types of gear and trying them on, based on the unit of the factory. In addition, for foreign migrant workers, we provide intermediaries or agencies of various countries to translate course contents and related health education documents on a national basis, and ask intermediaries or agencies to assist with online translation during outpatient clinics to enhance understanding and promote medical exchanges, so as to protect the health, safety, and rights of all employees.

**6.2.4 AED Setup and Education and Training**

According to the Ministry of Health and Welfare's statistics on the top ten causes of death in recent years, heart disease ranks high among the top ten causes of death, and deaths caused by heart disease, many of which occur in the form of sudden cardiac arrest, such as AED resuscitation, which can reduce the mortality rate of this type of injuries to the pre-hospital mortality rate, CHEM has set up an AED in the factory area and has trained colleagues to obtain an AED certification course.

### 6.3 Worker Health Promotion

CHEM expects to promote work-life balance among employees, and therefore actively integrates internal and external professional service resources. In addition to the aforementioned professional occupational health services, CHEM also cares about the physical and mental health of its employees. The company's occupational health care practices "walk-around management", through active care for employees and concern for their physical and mental conditions. At the same time, the company also provides a dedicated hotline "5880", and security personnel are also assigned to take the initiative to notify the company of the situation at external locations, so as to take a multi-pronged approach to safeguard the health of employees physically and mentally.

#### 6.3.1 Walk-around Management and Proactive Care

In the course of "walk-around management" in the plant, if staff nurses find any health hazards (e.g., poor work posture, close proximity to bright light, incorrect work habits), they will immediately discuss the issue with the relevant operators, senior colleagues in the same plant, supervisors, occupational safety and health administrators, and the resident physician, and carry out courses on the understanding of the hazards of the plant, prevention and hygiene, or look for the purchase of appropriate hardware and equipment. In order to remove the human burden in operation, we will intervene appropriately in handling and counseling; in the case of depressed colleagues, we will also communicate and care for them in the process of walking around management and give them positive energy.

For example, a colleague in the company who had suffered from chronic alcoholism and liver disease for many years successfully quit drinking in 2023 under the continuous care and encouragement of his healthcare and supervisors, and the efforts of the staff concerned have been positively rewarded.

#### 6.3.2 Quit Smoking and Lose Weight for a Healthy Workplace

CHEM has been continuously promoting smoking cessation and weight loss activities for many years, and its effectiveness has been honored with the "Healthy Workplace Certified Health Promotion Label" from the National Health Service of the Ministry of Health and Welfare.

▼ CHEM Receives Healthy Workplace Accreditation Continuously (2024)

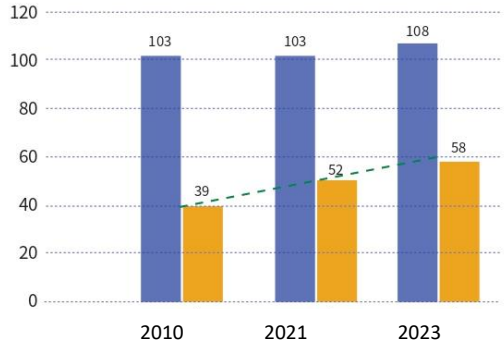

#### 6.3.3 Provision of multiple vaccinations for influenza and many other vaccines

CHEM has been providing influenza vaccination for several years. With the strong support and encouragement from CHEM, the enthusiasm of our colleagues to receive the vaccine has been doubled, and in 2020, CHEM was awarded the Corporate Influenza "Epidemic Prevention Vigilante Silver Medal Award" by Taiwan Vaccine Promoters Association.

Starting from 2022, in addition to the quadrivalent influenza vaccine, the program expands to include vaccines related to new coronary pneumonia or vaccines against major diseases (e.g., Hepatitis A and B vaccines, chickenpox, pneumococcal vaccine, herpes zoster, etc.), and provides multiple vaccinations to serve our colleagues, so that they can conveniently receive higher quality in extensive protection.




▼ Number of Vaccination Taken from Recent 3 years.




Number of Participants with Vaccination Taken (Government-funded)
Number of Participants with Vaccination Taken (Self-Funded)
--- Trend (Self-Funded)

# 7 Social Care

## VII. Social Care (203)

Social responsibility is an important part of CHEM's mission. CHEM is committed to charity through social welfare, industry-academia cooperation, scholarships and internships for outstanding students, donations to neighboring elementary schools, and regular blood donation activities.


**1. Community Investment**

Since its establishment, CHEM has always been committed to giving back to the community. In many important moments of social need, such as the 921 Earthquake, the 88 Typhoon, and the Covid-19 Epidemic, CHEM has enthusiastically participated in the hope that the community will be more perfect.

At an important moment of the 50th anniversary of CHEM's founding, CHEM looks back on the company's transformation process and feels the social problems caused by social changes, such as the increase in the number of single-parent and disadvantaged families, and the growing gap between the rich and the poor, etc., and establishes the "CHEM's Public Welfare Trust for Charity Fund" with the spirit of "People Hunger for Others", so as to make CHEM's responsibility to the society to be realized, and also expects that those who are facing difficulties receive more definite assistance and overcome the difficulties with the help of the Trust Fund immediately. It is also hoped that those who are facing difficulties will be able to receive more concrete assistance and tide over their difficulties with the help of the Trust Fund. In addition, the Company's Compassionate Society has been established for more than 30 years, and over the years, in addition to donating to public welfare organizations, it has also made occasional visits to nursing homes and homes for the elderly to show its care and concern. The main funding directions of CHEM Charitable Trust are as follows:

**(1) Major Disease and Disaster Subsidies**

Due to the excessive pressure in modern society, many people neglect the importance of health in order to make a living. In the current cases subsidized by the Fund, the source of family income is suffering from major illnesses such as cancer, kidney disease, hypertension and complications, etc., which puts the family in a difficult situation. The foundation cares for and considers the living conditions of the people in need when deciding whether to provide assistance including financial support.

**(2) Livelihood support**

This subsidy mainly focuses on the hardship of living with regular payments. At present, the Foundation has already provided assistance to families with relatives who have suffered from serious illnesses and need to incur huge medical expenses, and those whose family members have suffered from serious illnesses or deaths, resulting in family hardship, by providing a fixed monthly subsidy of NT$3,000-20,000 for each family, so as to enable these families in difficulty to tide over the difficult times.

**(3) Other grants**

In addition to family or disease relief and over-utilization of physically and mentally challenged people, we also provide support to disadvantaged families and children, such as World Vision and the Family Support Foundation, etc. In addition, we also make regular visits and donations to the Hong-Hwa Home for Boys and Girls, the International Children's Village, and the Cosmos Nursery School, as well as subsidize school fees, lunch expenses, and daily necessities of the children from disadvantaged families; we also adopt disadvantaged children and help the children grow up in peace and happiness addition, we also organize second-hand clothes, shoes, books and vegetables donation activities for all employees to donate resources to the needy.

## 7.2 Community and Neighbors

CHEM adheres to the principles of "being kind to one's neighbors" and participates in local activities to promote goodwill and neighborliness. In addition to encouraging the promotion of neighboring residents and opening company activities to residents, we also provide support to community associations, schools, and institutions.... In addition to encouraging the employment of neighborhood residents, the company opens its activities to residents, etc., it also sponsors activities for community associations, schools, and institutions in the hope of coexisting and prospering with the local community.

In recent years, CHEM has provided resources to a number of schools to help underprivileged students develop their professional skills and vocational abilities, as well as night-time tutorials, in order to respond to the medium- and long-term needs of the community and to show its concern for the community.

**(1) Hualien County Meilun Junior High School Soccer Players' Lounge:** The Meilun Junior High School soccer team, located in the back of Taiwan, has been established for nearly 30 years. Although Hualien is not as rich in resources as schools in the metropolitan area, the players have developed amazing strength in a difficult environment and have won the National Junior Cup and the Secondary Schools Soccer League Championships several times, and they have even produced numerous players for the national representative team.

CHEM has been investing in solar power infrastructure in the Hualien area since 110 years, and has gained an in-depth understanding of the urban-rural differences in education in Taiwan's backcountry. Among them, Meilun Junior High School has won many awards on the soccer field, and in order to train closely and cultivate tacit understanding among the young players, most of them live in the school. However, with the use of classrooms converted into dormitories, the originally narrow dormitories have become old, simple, and insufficient for many years of use.

In order to support the domestic sports environment, give the players a more comfortable rest and accommodation environment, and fulfill its corporate social responsibility, CHEM has renovated the players' dormitory for Meilun Junior High School at no cost, and renewed the bed frames, beddings, desks and other equipment inside the dormitory. At the opening ceremony of the new dormitory, CHEM expressed its hope that through this renovation, the young players can have a comfortable environment for studying and resting, and a warm "home" in the school after practicing hard on the field.

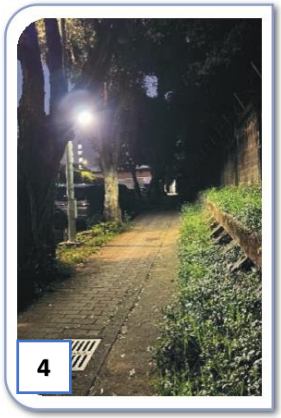
**(2) Tainan City Chigu District Chu Chiao Junior High School**: Chu Chiao Junior High School is located in the Chigu District of Tainan City. Although the Chigu District is rich in natural landscapes and humanistic resources, due to the fact that it is situated in the coastal fishing villages of Tainan, the population has moved out of the area and the aging phenomenon is serious, so Chu Chiao Junior High School has fewer than 100 students, and its learning resources are relatively less than that of students in the urban area.
CHEM has been stationed in Chigu District since 2019 to launch a solar-powered green energy power generation project. While promoting local employment opportunities, CHEM has also realized that the disparity between the urban and rural areas has resulted in the lagging behind and insufficient education resources in the district. Therefore, we have invested funds to subsidize the school to set up evening classes, introduce the "Autonomous AI Intelligent Learning Platform" curriculum and build a cantaloupe technology greenhouse and other teaching facilities to shorten the gap between the city and the countryside and make up for the phenomenon of low academic achievement among young people from disadvantaged families.

**(3) Contributed to the emergency relief fund of Dacheng Township, Changhua County**
Dacheng Township in Changhua County is located at the mouth of the Cho-shui River. Due to geographical and climatic constraints, most of the local residents rely on agriculture, which has resulted in an increasing exodus of young people from the area. CHEM deeply understands that economic development is not easy in remote areas, and in order to support the disadvantaged families in the area, and to help them tide over their difficulties, CHEM donated NT$3 million to the social assistance fund account of Dacheng Township, Changhua County, in the hope that it will bring warmth to the dark corners of society.

**(4) Da Gang Junior High School, Turtle Mountain District, Taoyuan City**: Da Gang Junior High School is located in the Turtle Mountain District of Taoyuan City, near CHEM's headquarters. In order to assist the school's underprivileged students with their schoolwork and to cultivate their vocational skills, CHEM has been subsidizing the school to offer after-school classes such as "Beauty Salon Classes," "English Speaking Classes," and "Classroom Enhancement Classes," to help young people turn their lives around and enhance their self-fulfillment.
**(5) Donation of streetlights in Linko Industrial Park:** Some sections of the road in Linko Industrial Park are not adequately illuminated, which may affect the safety of driving and strolling, and upon the instruction of the CEO, we donated streetlight installations, which promote the safety and beautification of the environment of the surrounding public areas, and received a certificate of appreciation from the park.

**(6) Signed a Memorandum of Understanding (MOU) on Disaster Prevention with the Chung Wo District Office:** Actively participate in relevant disaster prevention drills, educational seminars on disaster prevention, and participate in various disaster prevention activities to strengthen our own skills in disaster prevention and to increase interactions with the community, to give full play to the spirit of being a good neighbor, and to become a model for the tripartite cooperation of the government department, the enterprise, and the community in disaster prevention and relief in order to protect the people's safety.





感謝狀
茲感謝 中興電工機械股份有限公司
承蒙貴公司捐贈本工業區路燈，
並善盡維護之責，為促進產業園
區公共區域安全及景觀貢獻良多
特頒此狀，以表謝忱。
主任 林文香
中華民國 112 年 4 月 28 日



新北市中和區公所與中興電工機械股份有限公司
加強企業防災合作備忘錄

1.Donated to build a cantaloupe science and technology greenhouse at Tainan City Jhuciao Junior High School to help children learn farming skills.
2.Donated to the emergency relief fund in Dacheng Township, Changhua County to help disadvantaged families.
3.Donated to Taoyuan City Guishan District Dagang Junior High School to set up a "Beauty Salon Class“ for cultivating skills.
4.Donation of streetlights to the Linko Industrial Park promotes environmental safety and beautification of the surrounding public areas and received a Certificate of Appreciation from the Park.
5.Signing of Memorandum of Understanding on Disaster Prevention Cooperation with the Chung-Ho District Office (Pacific News Service)

## 7.3 Scholarships & Internships

Since 1994, we have been offering scholarships to young students who are motivated and interested in studying, ranging from NT$20,000 to NT$40,000 per semester for bachelor's courses and NT$50,000 to NT$100,000 per semester for master's courses. In addition, due to the current lack of domestic power manpower, in order to cultivate more electrical talents, in addition to setting up scholarships to help outstanding poor electrical and mechanical students to complete their studies, and with a number of universities such as the Taipei University of Science and Technology, Lung Hwa University of Science and Technology, National Chung Cheng University, Lee-Ming Institute of Technology, Hu-Wei University of Science and Technology, Far Eastern University of Science and Technology, Jian Hsing University of Science and Technology, Chang Gung University, the City University of Science and Technology of Taipei and so on, for the production of learning and internship cooperation. In 2007, we also cooperated with the Taipei University of Science and Technology in organizing a master's degree program in quality power supply industry to do our part in cultivating the next generation of excellent electrical talents, and the items of cooperation with various schools in the field of industry and internship are listed in the table below:

### CHEM's Industry-Academia Collaboration Programs with Universities

| Item | University | Collaborative Projects | Date |
|---|---|---|---|
| 1 | Taipei University of Technology | Letter of Intent for Cooperation on Industry College Fit Talent Training | 2014.03.28 |
| | | Co-operation Contract for Employment (Internship) (Department of Energy and Refrigeration and Air Conditioning Engineering / Department of Mechanical Engineering) | 2014.07.14~2021.06.30 |
| | | Tripartite Agreement on Industry-Academy-Training Cooperation (Department of Energy and Refrigeration & Air Conditioning Engineering) | 2016.06.23 |
| | | Practical Training Contract for Employment (Department of Energy and Refrigeration Engineering / Department of Mechanical Engineering) | 2020.07.01~2022.06.30 |
| 2 | Long Hua University of Science and Technology | Consent Form for Workplace Experience (Department of Mechanical Engineering) | 2021.7.5~2022.8.31 |
| | | University-Industry Cooperation Agreement (Department of Mechanical Engineering) | 2023.7.3~2024.6.30 |
| | | Tripartite Agreement on Industry-Academic Training (Department of Electrical Engineering) | 2022.03.21~2024.06.15<br>2023.03.20~2025.06.15 |
| 3 | Chung Cheng University | Letter of Intent for Collaboration with the Center for Advanced Research on Forward-Looking Manufacturing Systems (CARD) | 2012.6.1~2015.5.31<br>2017.1.1~2019.12.31 |

### Provision of internships – Internships outside campus ▼

| item | Schools | Collaborative Projects | dates |
|---|---|---|---|
| 1 | Lee-Ming Institute of Technology | Contract with Student Internship Organization (Mechanical Engineering and Electrical Engineering) | 2012.7.2~2015.8.31 |
| | | Student Internship Contract (Department of Electrical Engineering) | 2020.2.1~2021.12.31 |
| | | Contract for Off-campus Internship (Department of Electrical Engineering) | 2023.1.9 to 2023.6.8<br>2023.9.1~2024.5.31 |
| 2 | National Formosa University | Student Summer Off-Campus Internship Contract (Department of Power Mechanical Engineering) | 2015.7.1~2015.8.31 |
| 3 | Long Hua University of Science and Technology | Student Internship Contract (Department of Mechanical Engineering, Department of Electrical Engineering, Department of Industrial Management, Department of Information Management) | 2012.7.2~2023.6.30 |
| | | Student Internship Contract (Department of Mechanical Engineering, Department of Electrical Engineering, Department of Electronic Engineering, Department of International Business) | 2023.7.3~2024.6.30 |
| 4 | CTBC University of Technology (formerly as Far Eastern University of Science and Technology | Off-campus Internship Contract (Department of Mechanical Engineering) | 2017.7.3~2017.8.31 |
| 5 | **Chien Hsin University of Science and Technology** | Off-site Internship Contract | 2018.7.1~2019.6.15 |
| 6 | Chang Gung University | Contract for Educational Collaboration (Department of Electrical Engineering) | 2016.7.4~2019.8.23 |
| | | Student Internship Contract (Department of Mechanical Engineering) | 2023.7.3~2023.8.25 |
| 7 | Tungnan University | Contract for University-Industry Collaboration (Refrigerated Air Conditioning) | 2019.7.1~2023.6.30 |
| 8 | Taipei City University of Science and Technology | Student Internship Contract (Department of Electrical Engineering) | 2022.7.1~2023.6.30 |
| | | Contract for Off-Campus Internship (Department of Electrical Engineering) | 2023.7.3~2024.6.30 |
| 9 | Taiwan Normal University | Professional and Technical Training Contract (Bachelor of Science in Vehicle and Energy Engineering) | 2023.7.3~2024.6.30 |

### 7.4 Contributions to Disadvantaged Groups

Note: For families with members who have suffered from serious diseases, or whose breadwinners have suffered from serious diseases or difficulties, a fixed monthly subsidy of NT$3,000 to NT$20,000 will be provided to each of such families to help them tide over the difficult times.

| Name of organization | Details |
|---|---|
| Second Spring of Love Cultural and Educational Foundation | Sponsor the Little Pearls Sponsorship Program to help remote students build self-confidence and foundational skills to become responsible, contributing citizens. |
| Taoyuan Taigang National Middle School Custodial Fund Account | Donated to Taoyuan City's Da Gang Junior High School to set up "Hairdressing and Beauty Salon", "English Speaking Class", and "Classroom Enhancement Class" in order to help disadvantaged students with their homework and vocational skills, and to guide young people to turn their lives around for self-fulfillment. |
| Tainan Municipal Chu-chiao National High School Collection Accounts | Donated to the Tainan Municipal Chu Chiao Junior High School to set up evening classes, introduce the "Autonomous AI Intelligent Learning Platform" program, and build cantaloupe technology greenhouses and other teaching facilities to shorten the gap between urban and rural areas and to compensate for the low achievement of young people from underprivileged families. |
| Children's Welfare League Cultural and Educational Foundation | The Alliance has developed a number of emerging direct service programs, including foster care, missing child services, abandonment protection, and special circumstance child protection work, as well as creating anti-bullying issues, launching services for divorced parents, and assisting families impacted by epidemics. Through advocacy and service, the organization is moving towards its original goal of "creating a better world with children". |
| Taiwan Foundation for Children and Families | An international non-profit organization that cares for disadvantaged children and their families, using professional social work methods to enable children to enjoy proper family care, physical and mental safety protection, a healthy environment for growth, full access to education, and a happy learning life. |
| World Vision Taiwan | Through the professional services and profound experience of about 600 social workers throughout Taiwan, World Vision Taiwan devotes itself to the ministries of education and nutritional support, family development and community training, child protection, disaster relief and family assistance, etc. Each year, World Vision Taiwan accompanies about 45,000 disadvantaged children and their families to walk through difficulties, and encounters the hope of change together with them. |
| Dandelion Hope Foundation | Continuously caring for 1. people of all ages who are depressed or have a tendency to depression, 2. the character of disadvantaged youth, and 3. people who are affected by environmental hazards, we develop the concept of "rich life, easy living and balanced ecology", and cultivate hope for the future with such a concept. |
| Lee Shing Social Welfare Foundation, Inc. | In the spirit of Christian love and justice, Lai Shing prevents and eliminates the harms of gender violence and creates a gender-friendly society through service and advocacy. |
| Christian Rehabilitation Fellowship | To preach the gospel of Jesus Christ to all inmates of the nation, to lead them to repentance and conversion, to renew their lives by the Holy Spirit, and to help them to live a Christian life, so that they will not sin again after their release from prison, and to promote peace and tranquility in the nation and society. |
| Pingtung Bethany House | With the belief of "Respecting the Creator's gift of life", we take care of the mentally retarded and multi-handicapped people, to inspire their potential functioning and enhance their social adaptability. |
| Private Taitung Christian Anisefer Children's Home, Inc. | To promote the spirit of love of Jesus Christ and to help children and youth who are physically and mentally challenged, poor and deprived, abused or subjected to other improper behaviors in the society. |
| Tsz Wan Social Welfare Foundation | It actively organizes parenting seminars, growth workshops, and various child and juvenile protection and crime prevention activities, youth growth study activities, leisure counseling, growth activities, and crime prevention promotional activities in the hope of enhancing positive family interactions and parent-child communication, as well as strengthening children's and juveniles' general knowledge of the law, interpersonal communication, and emotional management, in order to prevent and minimize juvenile maladaptive behaviors in the society. |
| Others | Emergency Relief (Note) |

**7.5 Blood Donations**

Donate a bag of blood, save a life! For more than 20 years, CHEM has been organizing blood donation activities every year, inviting all colleagues to roll up their sleeves and donate blood for the public good! Every year when we organize blood donation, no matter it is hot, cold or stormy, we can always see our colleagues lining up and rolling up their sleeves to donate blood, even though they may have to go to a meeting or business trip immediately after donating blood, they are still willing to contribute their love to the society. At the same time, the company also provides "hot tea for nourishing vital energy" after blood donation to comfort colleagues' effort, and invites Lions Clubs to support the program, so that our colleagues take away small gifts from Lions Clubs after donating blood.




**7.6 Gift from Goodwill - Use of Sheltered Workshop products as souvenirs for shareholders' meetings**

In order to fulfill its corporate social responsibility and help the physically and mentally challenged to have stable employment opportunities and income, CHEM has selected the handmade soap products produced by the sheltered workshop as souvenirs for the annual shareholders' meeting since 2023, with an annual order quantity of more than 40,000, so as to combine corporate operation with social welfare, and to make each souvenir for the shareholders' meeting full of gratitude from CHEM and the producer.

In addition, the Company also reduces unnecessary multiple packaging materials on the packaging of souvenirs for the shareholders' meeting in order to fulfill its environmental responsibility and do its part to care for the earth's environment!


**– Handmade Soup by Sheltered Groups, purchased to support as souvenir give-away in shareholders' meeting**

**7.7 Other Charitable Activities- Hair Donation**

Every year, tens of thousands of cancer patients in Taiwan face the plight of hair loss due to treatment. Seemingly ordinary hair is the key to affecting the self-confidence of cancer patients and supporting them on the road to recovery, CHEM encourages colleagues to respond to the hair donation campaign by sending the collected hair to the recipient organization, the "Association of Cancer and Oncology Patients in the R.O.C.", to help collect hair for the cancer patients.

**– Donation of Children's books, hair and support for farm produce**


**Produce from Farms & CHEM**

In the remote village of Nantou, an elderly farmer with limited mobility was unable to go to the market to sell their lemons due to aging concerns and sudden illness, and because their lemons were planted in an organic way, without pesticides or chemical fertilizers, the outer skin of his lemons was quite unattractive, which resulted in the fruit dealers being reluctant to buy and they were not selling for returns. CHEM initiated the Purchase from the Farm. The Farmers later sent appreciation via family members.

# Appendices

-GRI Index
-TCFC Index
-Climate-Related Information for Listed Companies

**Please refer to the Chinese Version of this Report For full Version of the Appendices to avoid discrepancy.**

**2. Energy-Saving and Carbon Reduction Achievements**

(1) **Energy Consumption**:

As shown in Table 1, the total energy consumption for 2023, which includes Linko (North) and South Plants, was 43,954,824 [MJ]. Compared to 2022, energy consumption only decreased by 0.96%. However, due to a 19.40% increase in revenue from the previous year, energy consumption per million NTD of revenue decreased by 17.05%. The statistical data shows that over the past three years (2021–2023), the company's operational energy use density has continued to decrease, indicating that while total revenue has increased, energy consumption has been continuously optimized.

**Table 1: Comparison of Energy Use Density**

| Item | Unit | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| Total Energy Consumption | MJ | 44,719,171 | 44,378,952 | 43,954,824 |
| Annual Revenue | Million | 18,027.267 | 18,546.885 | 22,144.872 |
| Energy Consumption per Million Dollars of Revenue | MJ/Million | 2,481 | 2,393 | 1,985 |
| Comparison with the Previous Year | % | -15.56% | -3.55% | -17.05% |

(2) **Greenhouse Gas Emissions**:

As shown in Table 2, the total equivalent greenhouse gas emissions from both Linko (North) and South Plants in the past year were 5,823.4 tons of $CO_2e$. While this represents a 2.0% decrease compared to the previous year, the 19.40% increase in revenue means that emissions per million dollars of revenue decreased by 17.90%. The statistical data shows that in the past three years (2021–2023), the company's operational greenhouse gas emissions density has consistently declined, meaning that while total revenue has increased, the company has simultaneously improved its greenhouse gas emissions performance.

**Table 2: Comparison of Greenhouse Gas Emissions Density**

| Item | Unit | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| $CO_2$ equivalent emissions | $CO_2e$ | 5,988.51 | 5,940.48 | 5823.3693 |
| Annual Revenue-Emission Consumption Density | $tCO_2e$/Million | 0.33224 | 0.3203 | 0.2630 |
| Comparison with the Decrease or Increase from the Previous Year | % | -16.10% | -3.59% | -17.90% |

(3) **Energy-Saving Actions**:

Through energy-saving actions, Linko (North) and South Plants together saved 262,000 kWh of electricity and 690 kWh of water last year compared to the year before, and reduced greenhouse gas emissions by 1,298 tons of $CO_2e$.

(4) **Electric Vehicle (EV) Charging Stations and Services**:

Since February 2022, the CPO unit of CHEM has been providing charging services. To date, 74 charging stations have been established at highway rest stops and *Dodohome* parking lots nationwide, capable of charging 113 electric vehicles. In total, 1,963,357 kWh of electricity was supplied in 2023, equivalent to a reduction of 981.7617 tons of $CO_2e$ emissions, which is roughly equivalent to the carbon sink of 2.5 Daan Forest Parks in one year.

(5) **Solar Power Generation**:

In 2023, the three solar power plants in Tainan (Tian-ping, Tian-chong, and Tian-Peng) generated approximately 320 million kWh of electricity, all of which was sold to Taiwan Power Company Limited (TPC). This is equivalent to a reduction of 158,551 tons of $CO_2e$ emissions, which is the same as the annual carbon absorption of about 411 Daan Forest Parks.

(6) **Pollution Prevention and Energy-Saving at Plants**:

CHEM continues to implement pollution control and energy-saving measures at its plants in 2023. In order to reduce greenhouse gas emissions, in addition to implementing energy-saving solutions at the plants, the company has improved the efficiency of air conditioning and lighting systems. In line with the Bureau of Energy's regulations and the Taoyuan City Government's vision of promoting a low-carbon and green city, the company has installed solar power systems at the Linko (north) Plant, South Plant, and Chiayi Plant, with a total installed capacity of 4,502.83 kWp. In 2023, these solar installations are expected to generate 5,428,233 kWh of green power, all of which will be sold to Taiwan Power Company Limited, reducing $CO_2e$ emissions by approximately 2,686.975 tons.

## Whistleblower – Report a Misconduct

- At CHEM, we are committed to upholding the highest standards of integrity and ethics in all areas of our business. To ensure we maintain these standards, we strictly follow **the ISO 37001 Anti-Bribery Management System, the Company Code of Business Integrity, the Bribery Prevention and Management Policy, Dishonest Behavior Report**, **Human Rights Policy and Sexual Harassment Prevention and Control Measures, Complaints and Investigation and Handling Methods**. This reporting channel can be used to complain about corruption, bribery, harassment or all forms of harassment, discrimination, bullying, human rights (child labor, forced labor), and other unlawful acts. We believe that ethical behavior is essential for our success, and we encourage all employees, clients/customers, suppliers, business partners, and relevant stakeholders to report any suspicious or improper behavior promptly. To facilitate this, we have made reporting easy and accessible through several channels, including email, a dedicated hotline, and an online reporting form. Once a report is made, it will be handled confidentially by a designated person, who will provide guidance, clarify, investigate and prove for the reported issue. We take confidentiality seriously and offer the option to report anonymously, ensuring that the privacy of all whistleblowers is protected. Additionally, we have a strict non-retaliation policy in place. Any individual who reports concerns in good faith will not face retaliation or any adverse consequences as a result of their report. By promoting a culture of openness and accountability, we ensure that all employees can contribute to maintaining a safe, ethical, and legally compliant workplace.

- **How To Report**

Email: service@chem.com.tw
Hotline: +886-3-3280811 (24hr)
Submit an Online Form (QR Code)
Business Operation Department
Ms. Jin-Feng Lai

Scan to Report

File A Complaint

報告不當行為
在 CHEM，我們致力於在業務的各個方面保持最高標準的誠信和道德。作為這一承諾的一部分，我們嚴格遵守 ISO 37001 反賄賂管理系統、公司道德行為準則、賄賂預防和管理政策、不誠實行為報告、人權政策和性騷擾預防和控制措施、投訴和調查處理方法，這些都指導我們預防、發現和處理組織內的任何不法行為。 點選連結以檢視我們的公司治理頁面，以取得主要政策、行為準則及管理守則的完整版本 Link 1, Link 2.

Reporting Misconduct

At CHEM, we are committed to maintaining the highest standards of integrity and ethics in all aspects of our business. As part of this commitment, we strictly adhere to the ISO 37001 Anti-Bribery Management System, Company Code of Ethical Conduct, Bribery Prevention and Management Policy, Dishonest Behavior Report, Human Rights Policy and Sexual Harassment Prevention and Control Measures, Complaints and Investigation and Handling Methods, which guides us in preventing, detecting, and addressing any unlawful conduct within the organization. Click the links to see our Corporate Governance Page for Full Version of Major Policies, Guildlines and Codes for Management. Link 1, Link 2.

本問卷適用於This Report Card is Applicable

The Company's emp... stakeholders.

回報可疑行為的重


中興電工
Chung-Hsin Electric & Machinery Mfg. Corp.