



SHIN ZU SHING CO.,LTD.

ESG Report

Environment | Social | Governance

2023



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About This Report

We welcome you to read SHIN ZU SHING CO., LTD. (hereinafter referred to as "SZS")' s 2023 Sustainability Report of the transparent, real-time, complete, and interactive information in this Report covers policies, management, and results of various material and general topics, and indicates how SZS is committed to strengthening its corporate values and demonstrating its commitment to business continuity.

Previous issue: June 2023

Current issue: June 2024

Next issue: Scheduled for June 2025

Reporting Period & Scope

Information disclosure period: January 1, 2023 to December 31, 2023.

Report scope: Including all substantial operating companies in the consolidated financial report

Headquarters	SHIN ZU SHING CO., LTD.	No. 174, Junying St., Shulin Dist., New Taipei City
Subsidiaries	SHIN ZU SHING PRECISION ELECTRON (SUZHOU) CO.,LTD.	No. 1, Hongyun Rd., Economic Development Zone, Luzhi Town, Suzhou City, Jiangsu Province, China
	SHIN ZU SHING PRECISION ELECTRON (CHONGQING) CO., LTD.	2F, Building F6, No. 33, Xishan Rd., Biquan St., Bishan Dist., Chongqing City, China
	KUNSHAN JENGJEA COMPUTER FITTINGS CO., LTD.	No. 118, Nangang Fuli Rd., Zhangpu Town, Kunshan City, Jiangsu Province, China
	REDSTAR PRECISION ELECTRON (FUQING) CO., LTD.	1F and 2F, Building 5, Stiger Industrial District, Optoelectronics Technology Park, Rongqiao Economic Development Zone, Fuqing City, Fujian Province, China
	DONGGUAN CHENGYUE COMPUTER FITTINGS CO., LTD.	No. 58, Shenlong Rd., Shixiaxian Village, Dalang Town, Dongguan City, Guangdong Province, China

The information disclosed herein is related to the Company's operations and activities, and focuses on the management and performance of various material topics, including:

1. Implement sustainable development policies, systems, or related management guidelines, as well as promotion plans and objectives;
2. Disclose major stakeholders and any issues that they are concerned about; and
3. Improve the economic performance, promote environmental sustainability, maintain public welfare, ensure, and review the effectiveness of corporate governance.

Basis of Preparation

Released by	Standards and Regulations
The Global Reporting Initiative, GRI	GRI Sustainability Reporting Standards 2021
Taiwan Stock Exchange	Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies
United Nations	Sustainable Development Goals, SDGs
TCFD	Recommendations of the Task Force on Climate-related Financial Disclosures
Sustainability Accounting Standards Board (SASB)	SASB Industrial Machinery & Goods standard

This Report was compiled, proofread, revised, and finalized by the Sustainable Development Team, reviewed by executives, and approved by the Board of Directors on August 2, 2024 for publication. Part of the information contained herein was only adjusted and disclosed in accordance with the relevant rules and standards for the preparation of ESG reports. Additional information for the data and description of each section was provided to improve the quality. There were no combinations, mergers, acquisitions, and changes in the reporting period, nature of business, and measurement method. No restatements of information were made for this Report.

Information Quality

Item	Standards	Verification Body
ESG report	AA1000 v3 Assurance Standard: Type 1 Medium Assurance	BSI Group Singapore Pte. Ltd. Taiwan Branch
Annual financial report	International Financial Reporting Standards (IFRS)	Deloitte Taiwan
Greenhouse Gas Inventory	ISO 14064-1:2018	TÜV SÜD Taiwan

Other relevant management systems include: ISO 9001:2015 Quality Management Systems, IATF 16949:2016 Automotive Quality Management Systems, ISO 27001:2013 Information Security Management Systems, ISO 45001:2018 Occupational Health and Safety Management Systems, IECQ QC080000 Hazardous Substance Process Management (HSPM) System, and ISO 14001:2015 Environmental Management Systems, all of which have been certified (verified) by third-party organizations.

Contact Information

If you have any suggestions or feedback on this Report, please contact us in the following ways:

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Official website: <https://www.szs-group.com/>



Message from Management

The year 2023 was still a restless year for the world. In addition to the Russian-Ukrainian war with no end in sight and the unsettled Israeli-Palestinian war, the overall global economic environment continued to deteriorate. As a result, Taiwan's merchandise exports decreased by 9.9% year-on-year, leading to a continuous downward revision in the GDP. Moreover, with soaring prices, inflation exceeded the inflation target of 2% for two years in a row. All these changes affected the performance of corporate sustainable management. 2023 was also the hottest year on Earth. Global warming caused by climate change continued to accelerate. The European Union's (EU) climate monitoring institute, the Copernicus Climate Change Service, officially announced in December that 2023 will surpass 2016 to become the hottest year on record on Earth. The global average temperature will increase by 1.5 degrees Celsius compared to the average temperature before the industrial revolution, approaching the threshold of 1.5 degrees Celsius stipulated in the Paris Agreement. These changes have brought multiple challenges to SZS, and have become the touchstones of the Company's business resilience and continuous transformation.

Over the past 58 years, SZS has experienced various challenges. This year was a year of active transformation and expansion for the Company. As an addition to our business locations, we built a new plant designed based on the concept of a green building in Vietnam. For product R&D, with sustainable operations and green manufacturing as the core, we have innovated and developed low-carbon products, selected eco-friendly materials, planned low-carbon processes with smart manufacturing modules to improve energy efficiency and reduce operating costs in a way that breaks through traditional thinking. We have focused on “going green, low-carbon, and smart” to drive the green transformation of the entire Group. Meanwhile, in terms of investment, we have also started to invest in the energy storage industry, and used green financing funds to purchase various energy-saving equipment to create a business environment with sustainability embedded in its DNA.

In 2023, SZS was committed to introducing the science-based carbon reduction method of the Science Based Targets initiative (SBTi) in response to the international trend of energy saving, carbon reduction, and net-zero, as well as the expectations of customers. In terms of environmental aspects, greenhouse gas (GHG) emissions inventory has been conducted for all plants of the Group, and we have optimized the EMS system and analyzed various emission data to identify the largest source of carbon emissions and implement carbon reduction plans in the most cost-effective manner. For waste disposal in our plants, we review the flow of all waste and, through compliance management, inspections, and audits, confirm that waste reduction, recycling, and energy use processes are compliant with the requirements of landfill waste diversion claim validations (UL-2799). For social efforts, SZS cares for the well-being of all stakeholders with the “people-oriented” philosophy, particularly for the health and safety and career development of employees. We strive to build a diverse and inclusive workplace environment, and take the core value of integrity in business operations and management as part of our corporate governance principles, motivating SZS to focus on the core business and move step by step toward a better world of sustainable operations.

CEO of SZS Sheng-Nan Lu

General Manager Juan Chao-Tsung



Business Continuity

Sustainability Management Structure and Organization

Since its establishment half a century ago, SZS's founder has defined the business ideas and management philosophy and created the corporate culture of "integrity, innovation, professionalization, and harmony" to keep pace with the times in consideration of international sustainable development trends. Being people-oriented, diversification, innovation, low-carbon production, and social inclusion have been defined as SZS's sustainable vision. SZS's five sustainability strategies have been developed based on three major aspects (environment, social, and corporate governance) to expand the corporate influence and respond to the Sustainable Development Goals (SDGs) adopted by the UN.

SZS's Five Sustainability Strategies



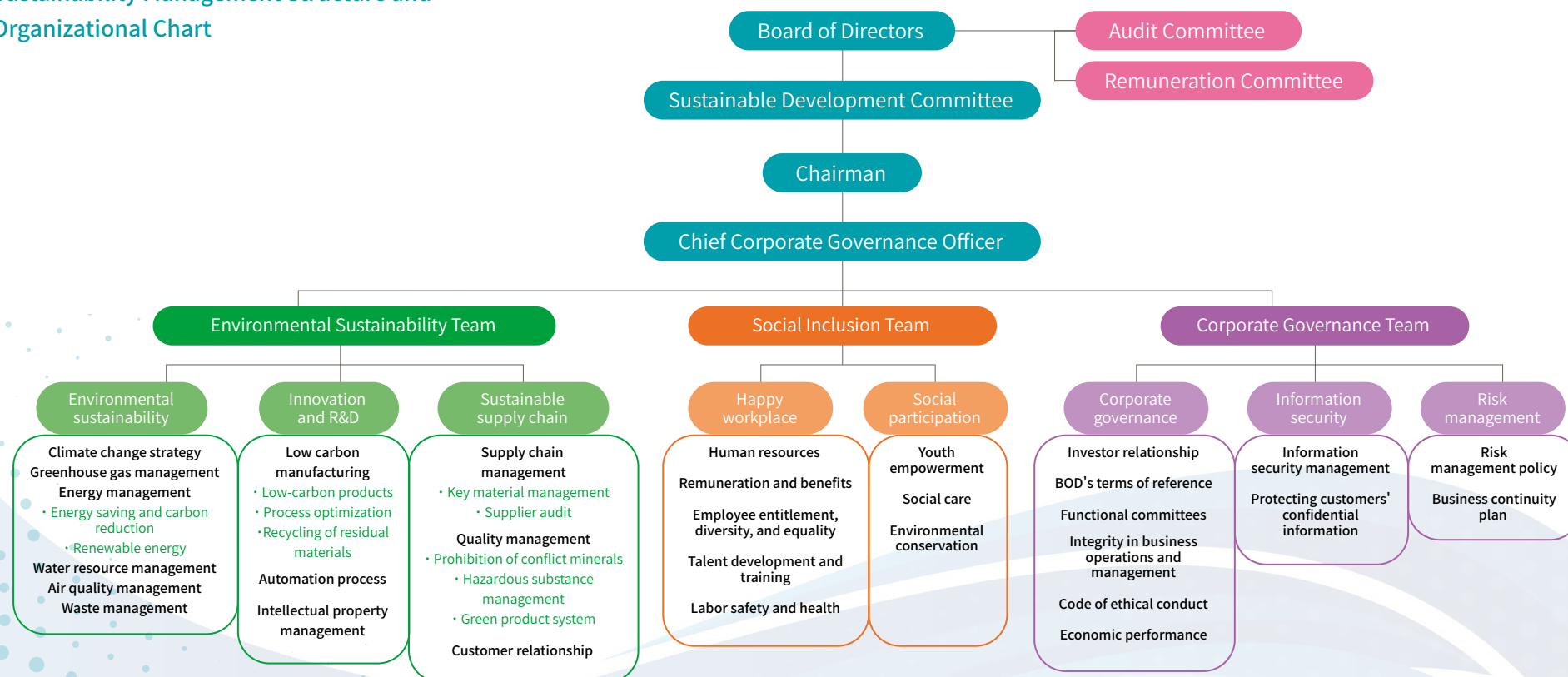
In order to ensure the implementation of sustainable development policies, strengthen the Company's operating system, commit to environmental conservation practices, and fulfill the corporate social responsibility (CSR), SZS formulated the Organization Regulations of SZS Sustainable Development Committee in December 2021 to implement key decisions on sustainable development and incorporate sustainable development into the Company's operating activities.

The Sustainable Development Committee (SDC) is subordinate to the Board of Directors (BOD). In August 2022, the SDC members for the first session were elected, consisting of one director and two independent directors, and the General Manager (GM) was appointed as the chairman. Each responsible department has participated in the "Environmental Sustainability Team" (EST), "Social Inclusion Team" (SIT) or "Corporate Governance Team" (CGT). The sustainability team meets from time to time to report to the GM, collects the information on operational activities, formulates strategies and goals. The Chief Corporate

Governance Officer reports to the BOD on an annual basis on implementation results and future plans. On December 20, 2023, the management representative reported to the BOD the implementation results of 2023 ESG and the 2024 implementation plans (including the material topics of the 2023 ESG Report). Besides, the greenhouse gas inventory and verification schedule are also reported to the BOD on a quarterly basis. In principle, the SDC meets at least once a year, and an ad hoc meeting may be held if necessary. Its terms of reference include the following:

1. Establishment of sustainable development policies, goals, and management systems;
2. Planning and execution of tasks related to sustainable development;
3. Review, tracking and revision of the implementation effect of sustainable development projects;
4. Preparation and distribution of sustainability reports; and
5. Annual submission of the sustainable development project plan and budget for the next year to the BOD.

Sustainability Management Structure and Organizational Chart



Sustainability Performance Conference

In June 2023, SZS held the first sustainability performance conference. Through this event, all departments were able to demonstrate their commitment and efforts in sustainable development. From R&D to production, each department presented its sustainability plans, goals, and actual results. The manufacturing departments emphasized measures to reduce energy consumption and waste generation, including the introduction of more efficient processes and the use of recycled raw materials. The supply chain departments proposed plans to promote the sustainable development of suppliers to ensure the overall sustainability of products. Through these efforts, we have not only achieved our own sustainability goals, but also actively contributed to society and the environment. We firmly believe that unremitting commitment to sustainable development is the mission of SZS and our responsibility to future generations.

Unit	Topic	Content
Business Unit 1	Gauge and jig design and recycling	• Designing multi-functional products • Using recycled and remanufactured materials. • Modularization
Business Unit 3	Standardization of SZS engines	• Standardization of engines
Business Unit 5	Acceleration of back pressure cooling for vacuum sintering furnaces	• Reducing sintering time and power consumption
Manufacturing Unit 1	Recycling of residual materials/ cutting tools and equipment reconditioning	• Recycling of cutting tools • Recycling of residual materials • Equipment reconditioning • Component recycling
Manufacturing Unit 2	Heat recovery, waste reduction, and reduction of press gas consumption	• Waste heat recovery • Reducing waste oil mixtures • Reducing wire EDM waste • Reuse of waste oil • Reducing the air volume for presses
Automation Center	Innovative research and development of oil mist recovery machines	• Reducing power consumption • Increasing the recycling rate of cutting oil
Group-level Logistics Division	Supply chain sustainability management	• Letter of Commitment to Non-Use of Environmentally Hazardous Substances • Letter of Commitment to REACH • Letter of Commitment to Supplier Social Responsibility (RBA) • Letter of Commitment to Integrity • Prohibition of conflict minerals • Green procurement • Key material management
Group-level Quality Assurance Division	Sustainability performance report	• Hazardous substance control (RoHS, REACH) • Management of conflict minerals • B2B green product system (SDS)
Group-level IT Department	Information security and customer privacy	• Information security management system establishment • Certification to ISO 27001:2013 • Paperless operations • Replacing old equipment with energy-efficient air conditioners to improve the power efficiency of the data center

Sustainability DNA - Establishing the SZS Sustainability Seed Team

To incorporate sustainable development into the Company's new culture, we have established a sustainability seed team across domestic and overseas departments. The team consists of members and managers from various departments, and has played a key role in promoting the sustainable development of the Company. They have not only promoted sustainable measures in their respective departments, but also connected and built sustainability awareness within the Company, integrating the concept of sustainability into the Company's daily operations.

In addition to assisting in the collection of departmental information and the promotion of sustainable plans and goals, the SZS Sustainability Seed Team organizes internal education and training from time to time, participates in external courses, and regularly releases sustainability newsletters and shares relevant information on social media, in order to inject sustainability into the DNA of SZS, bringing more stable and sustainable development to the Company.

Participation in Associations and International Initiatives

SZS actively joins various industry associations to grasp the industry trends and information and also participates in international initiatives and activities regarding corporate sustainability and climate changes. The Carbon Disclosure Project (CDP) Supply Chain Questionnaire has been conducted to disclose the information on climate change response and water resources.

International Initiatives



In 2023, for both the CDP climate change and water security questionnaires, SZS received a B rating. According to CDP, a company with a B rating indicates that it has the ability to manage the impacts of climate change. In the formulation of various business policies of SZS, carbon reduction and sustainable operations are the top priorities to best prepare for the Company's competitiveness in a low-carbon economy.



In order to meet the expectations of brand customers and consumers, the headquarters and subsidiaries obtained the silver label of the RBA Validated Assessment Program (VAP) in 2023 (Chongqing Plant was certified in 2024). In the future, we will continue to implement our corporate social responsibility (CSR) practices and work with customers and suppliers to create a high-quality sustainable supply chain.



In September 2023, SZS Group submitted the SBTi Commitment Letter. Once approved, the Company must set reduction targets based on the SBTi-recommended or self-developed methodology and submit the targets to the SBTi for review within two years. In the future, we will accelerate the formulation of carbon reduction plans and KPIs, apply scientific methods to analyze the opportunities and risks of the challenge of climate change facing SZS, and take corresponding actions to cope with these risks and opportunities.

Domestic Associations and Initiatives



Taiwan Climate Partnership | Member



Taiwan Automation Intelligence and Robotics Association (TAIROA) as Corporation Aggregate | Member



Taiwan Spring Industry Association | Member



Taiwan Mold & Die Industry Association (TMDIA) | Member



Taiwan Bicycle Association | Member (Level 1)



New Taipei Importers & Exporters Chamber of Commerce, Taiwan | Member



New Taipei City Industrial Association | Member



COMPAL's ONE+N Electronic Supply Chain Net-Zero Acceleration Program | Members

Identification of Material Topics

Definition of Materiality

According to the GRI Universal Standards_GRI 3 Material Topics 2021 announced by the Global Sustainability Standards Board in 2021, we conducted a materiality analysis and defined our material topic measurement principles as follows:

- **High stakeholder concern**
- **Significant impact on the Company's operations**
- **Priority of SZS' s sustainability management and development goals**

Identification Process



Organizational Context

According to the definition of SZS Group’s sustainable development framework, individuals or groups that have a significant impact on our operations or are significantly impacted by our operations are our critical stakeholders. We identified seven types of critical stakeholders in 2023, namely shareholders/investors, customers, suppliers/contractors, employees, government agencies, media, and communities/social groups.

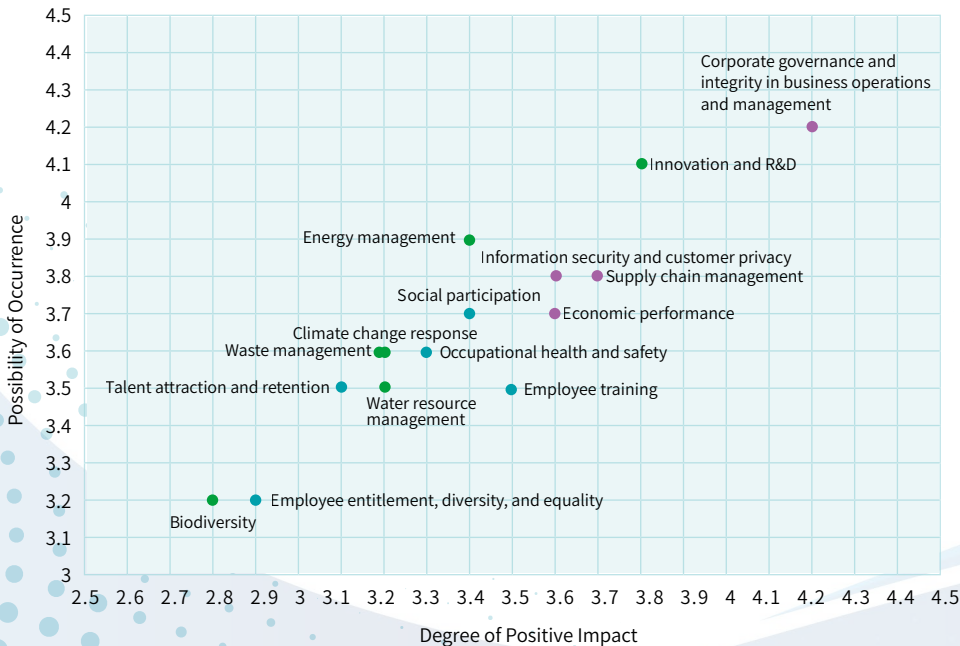
Identification of Impacts and Levels of Significance

In the process of identifying the significance of impacts, we assessed positive and negative impacts. The considerations for positive impacts include actual impacts (scale and scope) and the potential possibility of occurrence. For negative impacts, the considerations include actual impacts (scale, scope, irreversibility) and the potential probability of occurrence.

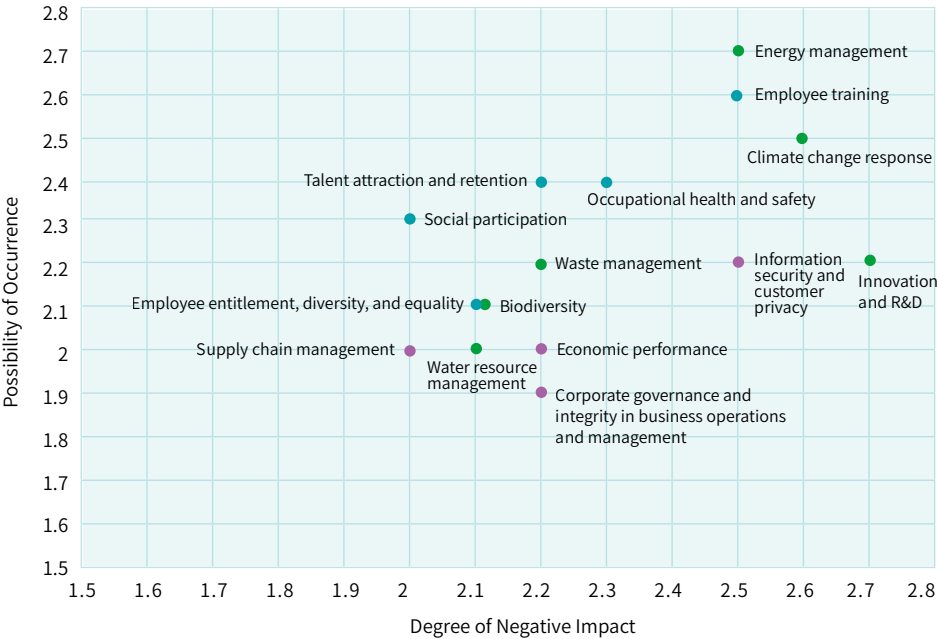
According to the GRI Standards, SASB Standards, market trends, and industry characteristics, we collected 15 ESG issues related to SZS and asked critical stakeholders their level of concern about each topic through questionnaires. The number of questionnaires returned was 22 for shareholders/investors, 4 for customers, 55 for suppliers/contractors, 278 for employees, 1 for government agencies, 3 for the media, and 7 for communities/social groups, making a total of 370. 10 executives of the Company identified the level of impacts, including “actual” and “potential” “positive and negative” impacts.

2023 Issue Impact Assessment Matrix

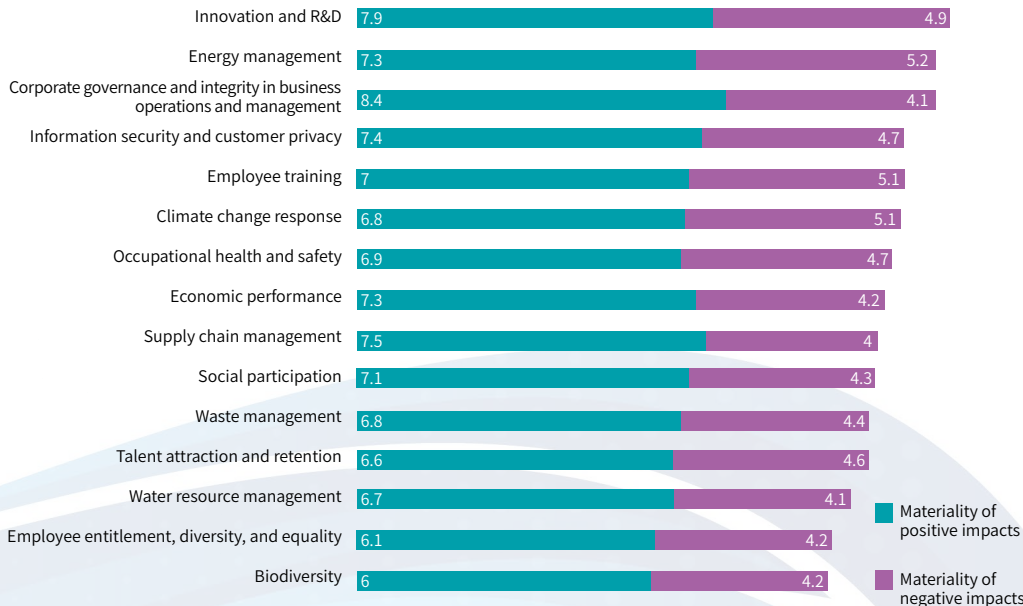
Positive Impact



Negative Impact



Statistics on the Impacts of Material Topics in 2023



Confirming Material Topics

After analyzing the questionnaires from 370 stakeholders and 10 executives and taking into account the priority of SZS' s sustainable development goals, eight material topics were determined as the reporting focuses of this Report: innovation and R&D, energy management, climate change response, talent attraction and retention, occupational health and safety, economic performance, information security and customer privacy, corporate governance and integrity in business operations and management. Other minor sustainability issues were also disclosed simultaneously to demonstrate the Company's commitment to sustainability.

Aspect	Issue	Level of Concern (Weight)	Impact on Operations	Having Priority in Corporate Sustainable Development	Material Topics for 2023
(E)	Energy management		V	V	V
(E)	Climate change response		V	V	V
(E)	Water resource management				
(E)	Waste management				
(E)	Innovation and R&D	V	V	V	V
(E)	Biodiversity				
(S)	Talent attraction and retention	V		V	V
(S)	Occupational health and safety	V	V	V	V
(S)	Employee training	V	V		
(S)	Employee entitlement, diversity, and equality	V			
(S)	Social participation				
(G)	Economic performance	V	V	V	V
(G)	Information security and customer privacy	V	V	V	V
(G)	Corporate governance and integrity in business operations and management	V	V	V	V
(G)	Supply chain management				

Changes in Material Topics from the 2022 Report

Material Topics for 2022	Material Topics for 2023	Content	Explanation of differences from 2022
Energy management	Energy management	Internal/external energy consumption, energy intensity, and energy conservation measures of the Company; the percentage of renewable energy consumption in the total energy consumption; the percentage of outsourced electricity consumption in the total energy consumption	Maintained
Climate change response	Climate change response	Assess and monitor major risks and opportunities to the Company due to climate changes; develop and implement strategies to mitigate risks and seize opportunities; and assess the financial impact of risks and opportunities.	Maintained
Innovation and R&D	Innovation and R&D	Invest resources in development of new products, processes, technologies, and materials.	Maintained
Talent attraction and retention	Talent attraction and retention	Management and actions of talent recruitment, welfare system, career growth, labor-management communication, performance assessment system, and promotion system	Maintained
Occupational health and safety	Occupational health and safety	Occupational safety and health management actions, education and training, measures to improve employee health and related statistical data; explain those practices concerning how to assess, monitor, and reduce employee exposure to hazardous substances that may endanger human health.	Maintained
Employee training	-	Career development system, education and training topics and hours for employees	Deleted
Economic performance	Economic performance	Performance of financial information such as the Company's operations, expenses, profits, and financial subsidies from the government	Maintained
Information security and customer privacy	Information security and customer privacy	Identify information/network security risks; develop preventive measures and drills for information/network security risks; conduct information security education and training; protect customers' personal data; and verify complaints about infringement upon customer privacy or loss of customers' data.	Maintained
-	Corporate governance and integrity in business operations and management	"Integrity in business operations and management" is the foundation of sustainable operations and the corporate culture that we take most seriously. We are committed to formulating sound corporate governance regulations and management processes, as well as continuously monitoring and improving processes, to fulfill our responsibilities as a corporate manager and protect the legal rights of shareholders and the interests of other stakeholders.	Newly added

Management Practices

Material Topics for 2023	Management Practices
Energy management	Please refer to page 33 of this Report
Climate change response	Please refer to page 32 of this Report
Innovation and R&D	Please refer to page 16 of this Report
Talent attraction and retention	Please refer to page 58 of this Report
Occupational health and safety	Please refer to page 59 of this Report
Economic performance	Please refer to page 15 of this Report
Information security and customer privacy	Please refer to page 17 of this Report
Corporate governance and integrity in business operations and management	Please refer to page 14 of this Report

Stakeholder Engagement

The Company interacts with stakeholders through multiple communication channels to understand the issues of their concern, which are used as an important reference for management policies and implementation plans, and responds to stakeholders in this Report. The methods and frequency of communication with the seven major types of stakeholders are as follows:

Object	Significance to SZS	Issue of concern	Engagement method (communication frequency)	Engagement result for 2023 (communication effectiveness)
Shareholder/ Investor	Capital investment represents the trust and support of shareholders/investors in and to SZS, enabling the Company to grow vigorously and operate prosperously.	- Economic performance - Innovation and R&D - Corporate governance and integrity in business operations and management - Supply chain management - Occupational health and safety	- Shareholders' meeting (per year) - Investor seminars, also known as investor conferences (at least one session per quarter) - Monthly revenue announcement (per month) - Quarterly financial report (per quarter) "Investors" tab on the official website (real time information) Contact: Deputy General Manager Sheng-Huan Cho Tel: (02) 2681-3316 Email: sh.cho@szs.com.tw	1 shareholders' meeting - Invited to attend a total of 7 investor conferences 21 major news and 11 announcements
Customer	The Company considers customers as its close business partners. We strive to improve product quality, meet customers' needs, and pursue growing together.	- Occupational health and safety - Information security and customer privacy - Talent attraction and retention - Waste management - Employee entitlement, diversity, and equality	- Customer satisfaction survey (per year) - Cooperate with customers for product, environment, responsibility and other requirements and checks, and assist in prevention and continuous improvement (several times per year). Contact: Deputy General Manager Li-Ching Liao Tel: (02) 2681-3316 Email: gene@szs.com.tw	95% of customers gave more than 80 points in the satisfaction evaluation. - Cooperate with customers' product, environment, responsibility requirements and checks for a total of 16 times.
Supplier/ contractor	As important partners of the Company, suppliers provide energy-saving and sustainable raw materials that meet international environmental protection requirements and thus can be used to manufacture environmentally friendly products.	- Occupational health and safety - Information security and customer privacy - Corporate governance and integrity in business operations and management - Supply chain management - Economic performance	- Supplier conference (per year) - Assessment and scoring for third-party vendors (per quarter) - Sign a number of letters of commitment, such as the Letter of Social Responsibility Commitment and the Letter of Environmental and Hazardous Substance Commitments (new suppliers are required to do so). Contact: Deputy General Manager Li-Chuan Yu Tel: (02) 2681-3316 Email: venus@szs.com.tw	- One supplier conference - Third-party vendors audited 19 suppliers on the site and 42 suppliers in writing. - There were 10 new suppliers in 2023, and all of them have signed the Letter of Commitment to Non-Use of Environmentally Hazardous Substances, Letter of Commitment to REACH, Letter of Commitment to Supplier Social Responsibility, and Letter of Commitment to Integrity.
Employee	Employees are important assets of SZS and the key to the business continuity of the Company. We provide comprehensive remuneration, benefit and training systems to create a workplace environment that can give their potential into full play.	- Talent attraction and retention - Occupational health and safety - Employee entitlement, diversity, and equality - Information security and customer privacy - Employee training	- Education and training (arranged as per the annual plan) - Performance assessment (every six months) - Employee grievance mailbox (at any time) - Management discussion (per quarter) - Labor-management meeting (per quarter) - Annual staff meeting (per year) Contact: Assistant Manager Meng-Hui Tsai Tel: (02) 2681-3316 Email: tina.tsai@szs.com.tw	- The number of average training hours for the Company's employees in Taiwan was 8.07, and the number of average training hours for subsidiaries' employees was 10.55. 2 annual performance assessments - A total of 4 management discussions - A total of 4 labor-management meetings
Government agency	The Company's relevant governance policies and actions are all subject to the guidance and supervision of the competent authorities. We have complied with laws and regulations, and also actively participated in implementing and responded to policies proposed by the government.	- Social participation - Corporate governance and integrity in business operations and management - Information security and customer privacy - Water resource management - Waste management	- Official documents (unscheduled) - Market Observation Post System (MOPS) (real time information) - On-site verification (at any time) - Telephone/email/letter inquiry (unscheduled) - Conference for policy statements (unscheduled) Contact: Assistant Manager Meng-Hui Tsai Tel: (02) 2681-3316 Email: tina.tsai@szs.com.tw	Submitted onto the MOPS as scheduled by policies and measures
Media	The media is a bridge for SZS to communicate with the outside world. It is also a good partner to supervise and urge the Company's progress.	- Energy management - Climate change response - Innovation and R&D - Economic performance - Talent attraction and retention	- Press release (unscheduled) - Media interviews and exposure (unscheduled) Contact: Assistant Manager Meng-Hui Tsai Tel: (02) 2681-3316 Email: tina.tsai@szs.com.tw	A total of 10,600 news releases
Community/ social group	The Company's development requires the support of community partners and social groups. We also hope to prosper and grow with communities and cities. We believe that when we do things that are beneficial to society, it will naturally give back to the Company.	- Water resource management - Waste management - Corporate governance and integrity in business operations and management - Social participation - Occupational health and safety	- Organizing social welfare activities and sponsoring community welfare activities - Environmental cleaning for good neighborhood relationships Contact: Assistant Manager Meng-Hui Tsai Tel: (02) 2681-3316 Email: tina.tsai@szs.com.tw	- Weekly: Sponsoring a meal for the elderly at the site of the plant. - Annually: Sponsoring social welfare activities and arts and cultural exhibitions, such as the Beauty of Shulin: Spring Lantern Event.

2023 Performance Highlights

Environmental

Carbon Management

- Scope 1 carbon emissions decreased by 52% across the group.
- Scope 2 carbon emissions decreased by 16% across the group.
- Total Scope 1 + 2 carbon emissions decreased by 18% across the group.
- Carbon emissions intensity decreased by 4%.

Water Resources

- Total water withdrawal decreased by 13% across the group.
- Recycled water volume decreased by 4% across the group.

Energy Management

- Energy consumption decreased by 15% across the group.
- Energy intensity decreased by 0.3%.

Waste Management

- Hazardous waste generation decreased by 30%.
- Total waste generation decreased by 4%.

In September 2023, we submitted commitments to SBTi, CDP Climate Change Questionnaire, and Water Security Questionnaire, achieving a double 'B' rating.

Governance

Awards

- Received the **TCSA** Sustainability Report Award (Electronics Manufacturing) **Bronze** Award for two consecutive years in 2022 and 2023.
- Awarded **the Innovation Management Award** at the 11th Outstanding Taiwanese Businessmen in China Selection.
- Ranked in the top **21%~35%** of listed companies in the 2023 Corporate Governance Evaluation.

Governance Optimization

- Appointed a Corporate Governance Officer.
- Compiled English versions of the Shareholders' Meeting Handbook, Annual Report, and Annual Financial Report.
- Attended at least one investor conference each quarter, with a total of 7 investor conferences attended in 2023.

Risk Management

- Both the Taiwan and Suzhou plants obtained **ISO 27001** Information Security Management System certification.
- The 2023 Supplier RBA Risk Assessment Questionnaire had a **100%** response rate; on-site supplier evaluations were deemed low risk.

Social



Awards/Certifications

- Ranked in the top **10%** in the "Proactive Evaluation of Occupational Health and Safety Indicators in Corporate Sustainability Reports" by the Ministry of Labor's Occupational Safety and Health Administration in 2023.
- The entire group received the **RBA VAP Silver Certificate**.

Inclusive Workplace



- The number of occupational injuries decreased by **44%**.
- The proportion of female managers increased to **29.3%**, surpassing the market average of 26%.



Talent Development

- Implemented an **E-Learning** digital learning management system.
- The average training hours per employee increased by **1.7** hours.

Social Responsibility



- Donations benefited **12,950** people.
- Established the **SZS** volunteer team, with a total of **112** hours of service.

CHAPTER

01

Operations and Governance

- 1.1 Company Profile
- 1.2 Corporate Governance
- 1.3 Sustainability and Corporate Governance
- 1.4 Integrity in Business Operations and Management
- 1.5 Economic Performance
- 1.6 Innovation and R&D
- 1.7 Information Security and Customer Privacy



Material topic: Corporate governance and integrity in business operations and management

Materiality

"Integrity in business operations and management" is the foundation of sustainable operations and the corporate culture that we take most seriously. We are committed to formulating sound corporate governance regulations and management processes, as well as continuously monitoring and improving processes, to fulfill our responsibilities as a corporate manager and protect the legal rights of shareholders and the interests of other stakeholders.

Goals

Short-term goals

- Establish a comprehensive identification and assessment mechanism for integrity risks and connect it with the existing internal control system and operating regulations.
- Improve information transparency and publish the annual financial report within two months after the end of each fiscal year.
- Be ranked in the top 20% of listed companies in the "Corporate Governance Evaluation" of the Taiwan Stock Exchange.

Medium and long-term goals

- Establish a unit subordinate to the BOD to promote integrity in business operations and management and report regularly (at least once a year) to the BOD on the status of its policies for integrity in business operations and management and plans to prevent unethical conduct, as well as supervision of implementation.



Policy and commitment

- Our corporate culture of "integrity, innovation, professionalization, and harmony" adopts integrity and fairness as the Company's code of conduct.



Assessment mechanism

- Ranking among listed companies in the "Corporate Governance Evaluation" of the Taiwan Stock Exchange.
- BOD performance evaluations
- Incidents of business integrity violations



Action plan

- Continue to organize internal and external education and training on integrity in business operations and management
- Regularly arrange for directors and supervisors to participate in corporate governance courses to enhance their ability to supervise and govern the Company
- Regularly conduct BOD performance evaluations



Grievance mechanism

- Whistleblowing e-mail: szsappeal@szs.com.tw
- Whistleblowing hotline: 02-2684-3592

Material Topic: Economic Performance

Materiality

In recent years, the overall global economic and industrial environment are severe and volatile, affecting changes in the consumer market. With the active response of all colleagues, we have effectively managed and controlled related operating expenses, conducted excellent supply chain management, and achieved the best operating performance in this severe environment with superior production costs.

Goals

Short-term goals

- Build strength, strengthen R&D and innovation, strive for breakthroughs and changes, and actively diversify the business layout.
- Through organizational integration and mergers and acquisitions (M&A), develop a lean production model, improve planning and management capabilities, reduce raw material risks, and reconstruct the cost structure to facilitate the development of more diverse products.

Medium and long-term goals

- Expand the range of products; be active in development and manufacturing of various production or inspection equipment; and reduce procurement costs through strategic alliances to maximize profits.



Policy and commitment

- Make operational plans, strive to achieve business goals, and create value-added business continuity.



Assessment mechanism

- Overall operational performance assessment and product market share
- Regularly communicate and discuss with accountants and the Audit Committee members.
- Financial performance statistics in the annual financial report



Action plan

- Modular intelligent production
- Improve manufacturing and operating capabilities.
- Establish a sound tax management system and tax-saving plans.



Grievance mechanism

- Business Management Committee
- The "Stakeholders" tab provides communication channels for stakeholders, including employees, suppliers, customers and shareholders (please refer to the "Stakeholder Engagement" section for more details).

Material Topic: Innovation and R&D

Materiality

The materiality of innovation to a company cannot be ignored. Companies with the spirit of innovation are more likely to maintain a leading position, attract and retain top talents, and adapt to changing market conditions. SZS is always committed to the research and development of new technologies and products, persistently develops new products and technologies with market potential, and actively deploys important inventions and new patents, all of which have led to its technological superiority.

Goals

Short-term goals

- Develop new materials and fine processing technologies, as well as products with market niches.
- Improve automation rate and optimize logistics management to reduce costs.
- Cooperate with domestic and overseas universities and research institutes to jointly develop new technologies.
- Research and develop low-carbon products, improve product utilization values, and use cycle.
- Strengthen the protection of intellectual property rights and the management of patents and technology authorization.
- Increase the customer satisfaction score to 80.

Medium and long-term goals

- Strengthen the forward-looking R&D team and launch new product lines.
- Build a flexible manufacturing system.
- Promote green manufacturing, reduce environmental pollution and energy waste.



Policy and commitment

- Transform innovation capabilities into high-quality products and solutions.
- Establish technical thresholds and actively deploy a global patent certification map.
- On the basis of close industry-academia cooperation, jointly develop emerging technologies and improve technological capabilities.



Assessment mechanism

- Product R&D meetings
- Industry-academia collaboration with colleges and universities
- Internal audits
- Number of patent applications
- innovation and R&D budget as a percentage of total revenue



Action plan

- Focus on the manufacturing efficiency of our core product, hinges, and continue to develop automated processes.
- Apply for patents to ensure comprehensive protection for R&D achievements.
- Establish a patent protection and management system and formulate relevant management regulations and systems for the protection of trade secrets.
- Consult various industry experts, grasp the needs of the end market, and exceed customer expectations.
- Conduct a customer satisfaction survey every year.



Grievance mechanism

- BOD
- Technology Management Committee
- Technologies: The top supervisor of the product research and development unit and the directors of each research and development department are responsible for suggestions or questions about product innovation or improvement.
- Patents: The head of the Company's Legal Department is responsible.

Material Topic: Information Security and Customer Privacy

Materiality

The Group is committed to protecting the privacy and confidential information of customers by strengthening overall system defenses and enhancing employees' awareness of information security, in order to protect the information security of the Group and the rights and interests of customers.

Goals

Short-term goals

- Pass annual external certification for ISO27001 Information Security Management Systems.
- Conduct annual email social engineering drills.
- Perform annual vulnerability scans of host systems and network devices.
- Provide annual information security education and training for employees.
- Comply with various laws and regulations to ensure no violation of relevant laws and regulations.

Medium and long-term goals

- Continuously strengthen the Company's information security, ensure the confidentiality, integrity, and availability of information, and comply with relevant laws and regulations, so as to protect the rights and interests of the Company's customers, shareholders, employees and suppliers, and ensure the continuity of the Company's important businesses.



Policy and commitment

- Implementation of the Information Security Declaration: To ensure the information processing process, all employees must implement the Information Security Declaration to protect the rights and interests related to information security and personal data protection.
- Strengthen information security education and training: Organize annual information security education and training to make colleagues understand the importance of information security and urge them to abide by the Information Security Declaration, so as to improve emergency response capabilities and reduce information security risks.
- Ensure business continuity: Ensure that information services can operate safely and effectively without interruption; regularly hold emergency response and recovery drills for information security incidents; acquire the prevention, detection and response capabilities related to information security to achieve the goal of business continuity.



Action plan

- Appoint an impartial third party for verification under ISO27001 Information Security Management Systems.
- Establish an information security promotion organization; organize and allocate appropriate manpower; and assume the responsibility for promoting, coordinating, supervising, and reviewing information security management matters.
- Perform annual vulnerability scans of host systems and network devices, and repair major and high-risk vulnerabilities.
- Carry out annual social engineering drills on email to enhance employees' awareness of information security.
- SZS has joined the TWCERT/CC (an information security information sharing organization) to obtain any early warning information on information security, information security threats and weaknesses, and improve the quality of information security protection.



Assessment mechanism

- Pass annual international standard certification for ISO 27001 Information Security Management Systems.
- Information Security Department - Information Security Executive Team has selected appropriate treatment and control measures against information security risks based on the risk assessment results.
- The leader of the information security promotion team has appointed dedicated personnel to assist in tracking and evaluating the implementation effectiveness of various activities regarding the information security management system every year and recorded the tracking results in the Information Security Performance Assessment and Effectiveness Measurement Form.
- The leader of the information security promotion team has reported the information security performance assessment results to the Information Security Management Review Committee at the management review meeting.



Grievance mechanism

Group Information Security Department:
sec_admin@szs.com.tw

1.1 Company Profile

1.1.1 Organizational Chart of SZS Group

SHIN ZU SHING CO., LTD. (SZS) was founded in 1965 and mainly specializes in research and development, design, manufacturing, and marketing of hinges and assembly parts (including stampings and springs), metal injection molding (MIM), and various precision processing products. Our products are sold around the world. As for production bases, in addition to the headquarters in Taiwan, SZS has also set up manufacturing plants in Suzhou, Kunshan, Dongguan, Fuqing, and Chongqing in the Chinese Mainland. The groundbreaking ceremony of Vietnam Plant was held on March 12, 2024. As of the end of 2023, the Group had approximately 3,561 employees. SZS is currently a main supplier of notebook hinges and a manufacturer of precision parts in the world.

Global Business Locations



Stock Code

3376

Company Name

SHIN ZU SHING CO., LTD.

Industrial Classification

Electronic parts/components industry

Paid-in Capital

NT\$1,877,483,460

Operational Headquarters

No. 174, Junying St., Shulin Dist., New Taipei City

Business Locations

Please refer to the map of global business locations

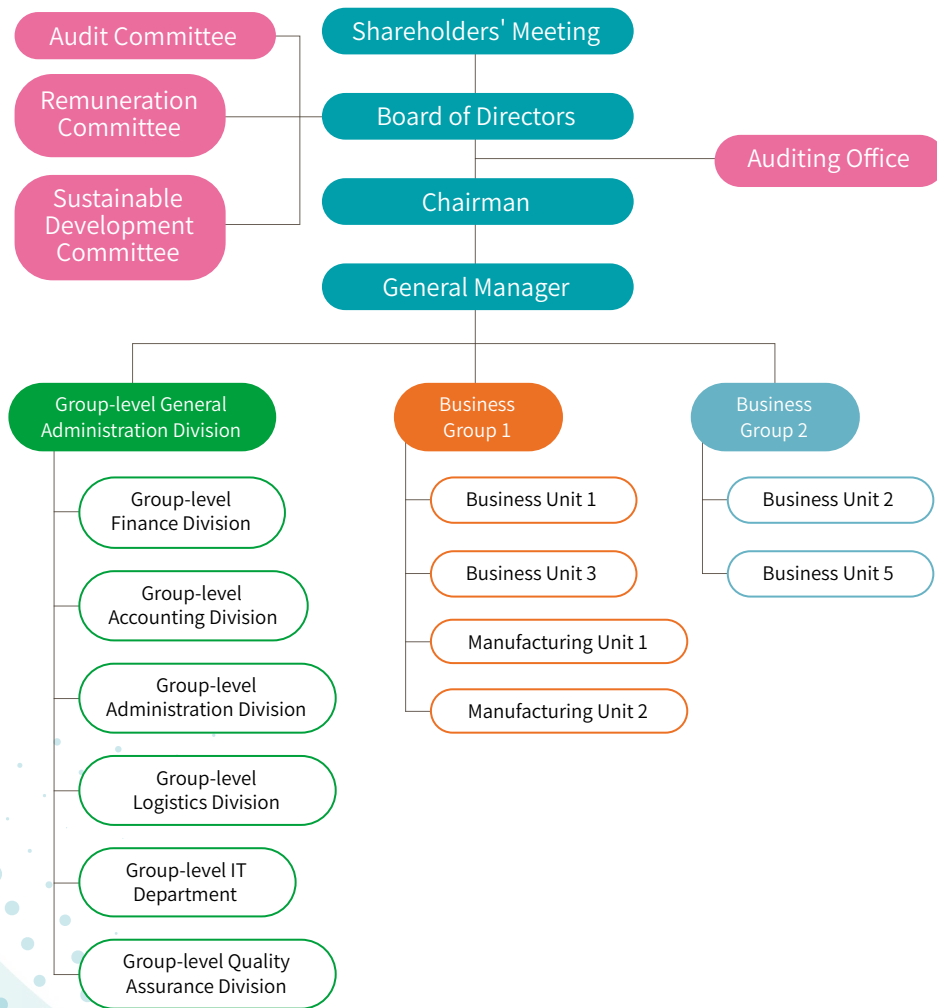
Chairman

Mr. Sheng-Nan Lu

General Manager

Mr. Juan Chao-Tsung

1.1.1 Organizational Chart of SZS Group



1.1.2 Main Products and Services

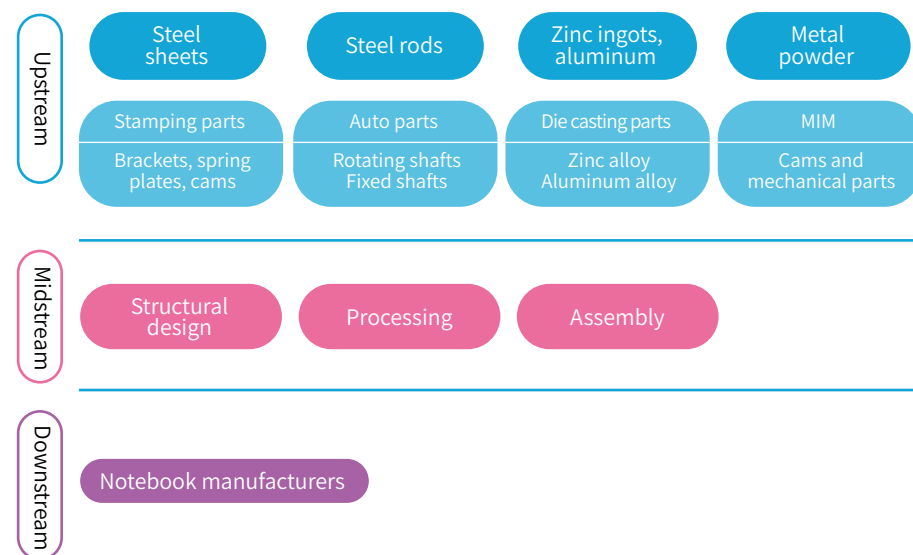
Main Product Category	Important Uses and Functions
Hinges	Hinges mainly used as connectors in applications such as notebook computers, tablet computers, LCD monitors, mobile phones, digital video cameras, digital cameras, electronic information, other electronic products, and headphones/ audio accessories.
MIM parts (Metal injection molding)	Combining powder metallurgy and metal injection molding technologies, they are suitable for manufacturing various products with high strength and highly complex shapes; they can be applied to various electronic, medical, and automotive products, etc.
Turning and milling products	Turning and milling products with a diameter between 2 mm and 42 mm can be manufactured. They are mainly used in various computers, electronic products, electric scooter parts, medical products, and so on.
Stampings and springs	Various precision-processed stampings and springs are mainly used in switch connectors for computers, electronics, optical products, home appliances, information and communication products, instruments, automobiles, and other products.
Other precision-processed customized products	Design and manufacturing of mold, fixtures, and inspection jigs; design and marketing of customized automation equipment

Year	2022			2023		
Item	Shipment (thousand pcs)	Revenue (NT\$ thousand)	As a percentage of total revenue (%)	Shipment (thousand pcs)	Revenue (NT\$ thousand)	As a percentage of total revenue (%)
NB hinges	52,051	3,061,606	26	39,440	2,079,565	21
LCD hinges	12,412	3,445,171	29	8,090	2,226,334	22
Electronic product hinges	12,468	855,861	7	9,342	630,688	6
MIM	19,746	826,949	7	9,749	353,062	4
Others	171,801	3,635,111	31	201,392	4,778,098	47
Total revenue	268,478	11,824,698	100	268,013	10,067,747	100

Manufacturing and trading of various hinges accounted for the highest proportion (about 49%) of the Company's business, of which the hinges applied to LCDs accounted for 22% and the shipment decreased by 34.8% compared to the previous year, amounting to 4,322,000 pcs. The shipment of the notebook hinges (hereinafter referred to as NBs) decreased by 24.2% compared to the previous year, and the shipment of electronic product (wearables or headphones) hinges decreased by 25.1% compared to the previous year.

SZS mainly specializes in hinges, metal injection molding (MIM) parts, lathe products, and various precision-processed parts and products. In the field of NB industry, we are an upstream hinge parts manufacturer. In order to follow the changes in the global NB industry supply chain, we have fulfilled vertical integration successfully. We have also worked with downstream customers to develop structural design solutions and assemble finished hinges. We play in the midst of the industry. The upstream and downstream structures of the hinge industry are shown in the following figure:

Structure Chart of Industry Upstream, Midstream and Downstream



1.2 Corporate Governance

1.2.1 BOD Operation

BOD Composition and Diversity

According to SZS' Articles of Incorporation, the BOD has nine directors (including three independent directors) who serve a term of three years. The nomination and selection of BOD members shall follow the Company's Articles of Incorporation and adopt the candidate nomination system. In addition to evaluating the education, experience, and qualifications of each candidate, we take into account the opinions of stakeholders, and abide by the "Rules Governing the Election of Directors" and the "Corporate Governance Best Practice Principles" to ensure the diversity and independence of board members.

In order to establish a good BOD governance system for SZS, Chairman Mr. Sheng-Nan Lu does not concurrently serve as the general manager of the Company. To help the Company' s stakeholders better understand the Company' s ethical standards, the "Code of Ethical Conduct of SHIN ZU SHING CO., LTD." has been formulated to regulate the behavior of directors and managers, thereby preventing conflicts of interest and seeking personal gain. We also provide appropriate channels for directors or managers to voluntarily explain whether there is a potential conflict of interest between them and the Company.

The composition of SZS' s BOD is diversified, and an appropriate diversity policy has been formulated based on the Company' s operations, business type, and development needs. All BOD members possess the necessary knowledge, skills, and attainments to perform their duties. To achieve the ideal goal of corporate governance, more than half of the independent directors for the current term are required to serve no more than three consecutive terms. In 2022, one female independent director with rich experience and expertise in finance, commerce, and operational management was elected. Please refer to [the Corporate Governance tab on the Company's official website](#) for information on the diversity of the Company's board members and their industry expertise and background. Our diversity policy and achievement of the Corporate Governance Blueprint 3.0 are as follows:

Management Objectives

- ✓ **Appoint independent directors that account for one-third of the total number of directors**
- ✓ **Make sure that the number of directors who are not concurrently the Company's managers does not exceed one-third of the total number of directors**
- ✓ **Add one more female director**
- ✓ **Appoint a Chief Corporate Governance Officer**
- ✓ **Prepare English versions of the shareholders' meeting handbook, annual report, and annual financial report**

Term of office of the current BOD: June 16, 2022 to June 15, 2025. A total of six meetings were held by the end of 2023. The Company offered continuing education for directors in accordance with the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies" of the Taiwan Stock Exchange, with a continuing education completion rate of 100%. Please refer to the Corporate Governance tab on SZS' s official website for the attendance of directors and their directors' continuing education.

1.2.2 Functional Committees

Audit Committee

After the shareholders' meeting for 2019, SZS established the Audit Committee. The committee consists of three independent directors, and the one with a CPA license serves as the chair and convener.

In order to perform its duties, the Audit Committee is empowered to conduct any appropriate review and investigation according to its charter and communicate with the Company's internal auditors and CPAs through separate meetings. For details, please refer to the Corporate Governance tab on SZS' s official website.

The term of office of the current committee is from June 16, 2022 to June 15, 2025. The Audit Committee held two meetings in 2023, with a 100% member attendance rate.

Remuneration Committee

The Remuneration Committee is responsible for formulating and regularly reviewing policies, systems, standards and structures for the performance evaluation and remuneration of directors and managers, as well as periodically assessing and determining the remuneration of directors and managers.

The committee consists of three independent directors, with one of them serving as the chair and convener. The members of the Remuneration Committee are appointed by the resolution of the BOD. The committee faithfully fulfills the following terms of reference with due care of a good administrator, and submits its recommendations to the BOD for discussion. The Remuneration Committee meets at least twice a year.

The term of office of the current committee is from June 16, 2022 to June 15, 2025. The Remuneration Committee held two meetings in 2023, with a 100% member attendance rate.

Sustainable Development Committee

In order to ensure the implementation of the sustainable development policy, strengthen the Company's operational structure, strive for environmental conservation, and fulfill corporate social responsibilities, we established the Sustainable Development Committee in December 2021. It consists of three directors (including two independent directors) and their terms of reference include:

1. Establishment of sustainable development policies, goals, and management systems;
2. Planning, execution, and review of tasks related to sustainable development;
3. Tracking and review of the implementation of sustainable development projects to make revisions;
4. Preparation and distribution of ESG reports; and
5. Annual reporting on plan implementation and the goals and plans for the next year to the BOD.

Implementation of the Sustainable Development Committee: The current term is from August 5, 2022 to June 15, 2025. Two meetings were held in 2023 with an attendance rate of 100%.

	Members	Important Resolutions in 2023	Attendance Rate in 2023
Board of Directors	Chairman Mr. Sheng-Nan Lu, Director Mr. Juan Chao-Tsung, Director Mr. Yu-Chi Lu, Director Mr. Ying-Fu Mao, Director Mr. Cheng-Han Hsieh, Director Mr. Po-Ming Yang, Independent Director Mr. Chih-Fa Cheng, Independent Director Mr. Yuan-Lung Chang, Independent Director Ms. Mei-Hui Li	Passed the proposal for assessment of the independence and competence of the Company' s CPAs. Passed the proposal for the Company to increase the capital of Subsidiary Smart Point Ltd. and make investments. Passed the proposal to change the Company's managers. Passed the proposal to audit CPA fees. Passed the proposal for the Company to increase the capital of Subsidiary Smart Point Ltd. and make investments. Passed the proposal concerning the year-end bonuses for the Company's managers for 2023 and their remuneration for 2024.	98.1%
Audit Committee	Independent Director Mr. Chih-Fa Cheng Independent Director Mr. Yuan-Lung Chang Independent Director Ms. Mei-Hui Li		100%
Remuneration Committee	Independent Director Mr. Chih-Fa Cheng Independent Director Mr. Yuan-Lung Chang Independent Director Ms. Mei-Hui Li	Examined the proposal concerning the employee remuneration (managers) and director remuneration for 2022. Passed the proposal to appoint the Company's Chief Corporate Governance Officer. Passed the proposal to change the Company's managers. Reviewed the proposal concerning the year-end bonuses for managers for 2023 and their remuneration for 2024. Passed the proposal concerning the allocated remuneration for directors for 2023 and the estimated total director remuneration for 2024.	100%
Corporate Sustainable Development Committee	Director Mr. Po-Ming Yang Independent Director Mr. Yuan-Lung Chang Independent Director Ms. Mei-Hui Li	Passed the proposal concerning the Company's net-zero emissions strategy and SBTi target setting. Passed the budget for the Company's 2024 ESG project. Passed the identification of material issues for the Company's 2023 ESG report.	100%

On May 7, 2019, the BOD approved the "Rules Governing the Performance Evaluation of the Board of Directors" to stipulate that the performance evaluation of the BOD, BOD members, and functional committees shall be conducted at least once a year and that the performance evaluation shall be completed before the end of the first quarter of each year and reported to the BOD. 2023 performance evaluation results: The BOD's performance evaluation weighted score was 97.49 and board members' self-evaluation weighted score was 97.69, with an "Excellent" evaluation result. The Audit Committee' s performance evaluation weighted score was 93.83, and the Remuneration Committee' s performance evaluation weighted score was 94.17, both of which had an "Excellent" evaluation result. In the future, the Company will continue to enhance the effectiveness of the BOD's operation and facilitate directors' participation in and communication about the Company's operations.

1.2.3 Director's Remuneration Policy

According to Article 19 of the Company's Articles of Incorporation, SZS shall appropriate no more than 2% of the profit before tax (before deducting employee remuneration and director remuneration) in the current year (if any) for directors' remuneration and, according to SZS's "Rules Governing the Allocation of Remuneration to Directors," pay reasonable remuneration to directors, with the Company's operating results and their contribution to the Company's performance taken into account.

Procedures to Determine Remuneration

The performance evaluation and the reasonableness of remuneration for directors and managers are subject to annual assessment and review by the Remuneration Committee and the BOD. We take the individual's performance achievement rate and contribution to the Company, the Company's overall operating performance, and future industry risks and development trends into consideration and timely review the remuneration system based on the actual business status and in accordance with relevant laws and regulations. In addition, with comprehensive consideration to the current corporate governance trend, we provide reasonable remuneration to strike a balance between the Company's sustainable operations and risk control. The actual amount of remuneration distributed to directors and managers for 2023 was reviewed by the Remuneration Committee and then submitted to the BOD for approval.

Correlation with Business Performance and Future Risks

The review of the payment standards and systems related to SZS' s remuneration policy takes the overall operating status of the Company as the main consideration. We have determined the payment standards based on the performance achievement rate and contribution in order to improve the overall organizational effectiveness of the BOD and managerial departments. We also refer to industry remuneration levels to ensure that the remuneration of the Company's management is competitive in the industry, so that outstanding management talent can be retained.

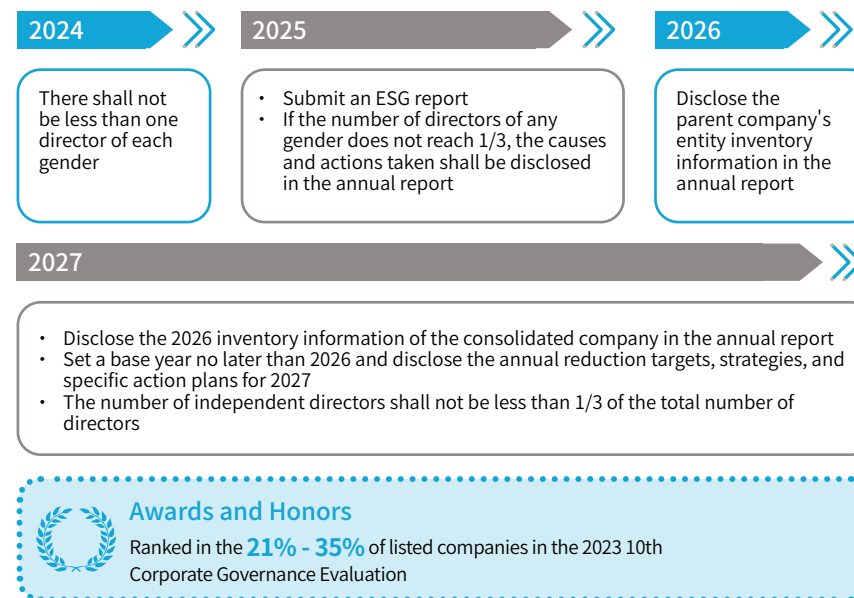
All performance targets for professional managers are integrated with "risk control" to ensure that possible risks within their terms of reference are managed and prevented. The evaluation results based on their actual performance are linked to the related human resources and salary and remuneration policies. SZS' s important management decisions are made after balancing various risk factors. The performance of related decisions is reflected in the Company's profitability, and thus, the management' s remuneration is correlated with risk control performance.

1.3 Sustainability and Corporate Governance

With a commitment to becoming a sustainability benchmark in the industry, SZS is actively promoting various environmental, social, and governance (ESG) strategies. Currently, we have achieved a number of goals planned to be achieved by 2030 in our sustainable development roadmap and action plans. This has not only enhanced our internal ESG strategy, but also demonstrated our high commitment to sustainable development.

SZS' s sustainable development strategy and corporate governance roadmap show our comprehensive commitment to environmental protection, social responsibility and corporate governance. We will continue to improve the Company' s corporate governance evaluation results and engage in innovation, hoping that the Company can lead the industry and make excellent performance in domestic and international sustainability evaluations.

SZS' s Sustainability and Corporate Governance Roadmap



1.4 Integrity in Business Operations and Management

1.4.1 Integrity in Business Operations and Management and Legal Compliance

To ensure sound management of integrity in business operations and management, SZS has established the "[Ethical Corporate Management Best Practice Principles](#)," "[Code of Ethical Conduct](#)," and "[Management Regulations for Integrity in Business Operations and Management](#)" to specify the policies and practices for integrity in business operations and management and prohibit and prevent unethical conduct. These regulations have been announced on the Company' s intranet, so that all employees can clearly understand and comply with professional ethics.

1.4.2 Implementation of Insider Trading Prevention

In accordance with the management and control operations for insider trading prevention under SZS' s internal control system, current directors, managers, and employees are required to receive education on the "Management Regulations for Insider Trading Prevention," the "Procedures for Handling Material Inside Information," and related laws

and regulations at least once a year. Education is arranged for new directors and managers within three months after they take office, and new employees are provided with education by HR personnel during pre-service orientation. In 2023, a total of 2,348 employee attended relevant education and training courses, and the total number of course hours was 4,376.

In 2023, a total of 16 directors and managers were sent monthly e-mails on insider trading prevention, including the regulations on equity transfers and the prohibition of insider trading. In 2023, a total of four directors attended courses on the prevention of insider trading, with a total of 12 hours. In 2023, there was no insider trading violation by directors, managers or other insiders.

In order to prevent insider trading, SZS prohibits directors from trading the Company's shares during the closed period of 30 days prior to the publication of an annual financial report and 15 days prior to the publication of an quarterly financial report in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies."

On January 31, 2023, the Company informed directors of the dates for the five BOD meetings in 2023, as well as the closed period prior to the publication of each quarterly financial report, in order to prevent them from violating this provision by mistake.

Recusal for Conflicts of Interest

As we take recusal for conflicts of interest seriously, we have added interest control points in the internal control system. For example, if a director or manager has a conflict of interest or has interests in a proposal at a board meeting, it must be disclosed.

In addition, the "Ethical Corporate Management Best Practice Principles" and other relevant regulations stipulate that the Company's external monetary or physical donations and sponsorships shall comply with relevant laws and regulations and internal operating procedures, and shall not be used to seek commercial gains or transaction advantages. In 2023, no financial donations were made to political parties, think tanks, political initiatives, or other initiatives.

External Promotion Mechanism

SZS requires all suppliers to sign the "Supplier Letter of Commitment to Integrity" and "Letter of Commitment to Supplier Social Responsibility," adhere to integrity in business operations and management, and conduct transactions in an open and transparent manner to avoid involvement in unethical transactions. In addition, the Company holds a supplier conference every year, at which we communicate with suppliers about our anti-corruption policies and procedures and convey the importance of anti-corruption.

Education and Training on Integrity in Business Operations and Management

We continue to educate current managers and employees on integrity in business operations and management, ethical conduct, scope of material information, confidentiality, disclosure, and handling of violations. Course handouts are also posted on the Company's intranet for colleagues to access online.

1.4.3 Whistleblowing and Protection

- 1

The Company has established the "Employee Grievance Procedures" and set up grievance channels.

 - Hotline: (02) 2684-3592
 - Group-level Administration Division's email for suggestions: szsappeal@szs.com.tw
 - Employee suggestion box
 - Agency interpreters and dormitory managers (for foreign employees).
- 2

To encourage the reporting of illegal acts or violations, we established a comprehensive whistleblower protection system through the "Whistleblower Protection Management Regulations" and "Procedures for the Whistleblowing of Unethical Conduct" in 2016.
- 3

In order to implement integrity in business operations and management and prevent conflicts of interest, the Company regularly evaluates suppliers in accordance with the "Supplier Communication and Management Procedures" and "Supplier Management Procedures," and includes an ethical conduct clause in contracts with counterparties if necessary.

In 2023, SZS were not engaged in any cases involving fraud, insider trading, anti-competitive practices, market manipulation, or other violations related to integrity in business operations and management, nor did the Company incur any monetary losses as a result of any legal proceedings for violating anti-competitive laws. SZS Group had no major violations resulting in fines in 2022 and 2023. (Definition of major violations: Violations on which a fine of over NT\$500,000 is imposed)

1.5 Economic Performance

1.5.1 Financial Performance

As the post-pandemic boom came to an end, the demand for notebooks was weak in the high inflation environment. Inventory adjustments were made for PCs/NBs in 2023, resulting in a decrease in the revenue in 2023 compared to 2022. In this economic environment, SZS has actively expanded the application of products in recent years, including the metal parts of bicycles and optical inspection equipment, which has begun to bear fruit in 2024 and is expected to inject new momentum into the Company's operations.

Economic Value Distribution of the Group

Unit: NT\$ thousand

Item	Content	2022	2023
Direct economic value generated		11,944,816	10,284,323
Income	Net sales Interest/dividend/rent/royalty income Asset disposal income (tangible/intangible)	11,944,816	10,284,323
Economic value distributed		9,610,186	8,733,877
Operating costs	Costs generated from operating activities, including cash paid to external parties for raw materials, product parts, venues, facilities, and services	5,593,789	4,957,754
Employee salary and benefits	Employee salaries, dividends, bonuses, benefits (pensions, insurance, subsidies, allowances)	2,345,472	1,961,139
Payments to investors	Interest expenses, dividends paid, preferred stock dividends	968,031	1,145,790
Payments to governments by country	Taxes (business tax, income tax, property tax; excluding deferred tax), fines	701,020	667,016
Community investments	Donations to charitable organizations, non-governmental organizations, and research institutions; funds to support community infrastructure; direct costs of social activities	1,874	2,179
Retained economic value = Direct economic value generated - Economic value distributed		2,334,630	1,550,446

Group Profitability Analysis

Item	Content	2022	2023
Financial structure	Debt-to-assets ratio (%)	25.93	27.83
	Ratio of long-term capital to property, plant and equipment (%)	286.05	298.69
Solvency	Current ratio (%)	254.39	227.83
	Quick ratio (%)	219.14	194.90
	Times interest earned	20,352.84	5,081.46
Profitability	Return on assets (%)	7.80	3.84
	Return on equity (%)	10.57	5.14
	Ratio of income before tax to paid-in capital (%)	120.81	61.95
	Net profit margin (%)	14.03	8.02
	Earnings per share (NT\$)	8.68	4.30

Financial Subsidies Received from the Government by SZS Group in 2023

Plant	Year	2022	2023
Plants in Taiwan	SZS	21,130,512	18,395,649
Plants in China	SZS (SUZHOU)	1,609,265	1,581,919
	SZS (CHONGQING)	0	106,326
	JENGJEA	210,267	10,888
	CHENGYUE	1,272,160	0
	REDSTAR	967,444	96,790
Total		25,189,649	20,191,572

Note 1: All figures above are in NT dollars

Note 2: RMB-NTD rate: NT\$4.4218 on average in 2022; NT\$4.3956 on average in 2023.

1.5.2 Business Development Plan

There are still many uncertainties in the development of the global economy, coupled with the continuous confrontation between the United States and China and the Russia-Ukraine war showing no sign of an armistice, followed by the Israeli-Palestinian conflict. The impact of geopolitical risks on the industry continues to escalate. In the face of these challenges, SZS' s management team has built up an innovation and development base in Taiwan to the Company' s R&D and business innovation capabilities, and accelerated the construction and operation of the Company' s production site in Vietnam of Southeast Asia, providing customers with more timely service and higher manufacturing quality. On the other hand, as we have implemented in-depth customer management and technology development, in 2024, SZS will be more actively involved in the development of folding products for various applications. At the same time, we will accelerate cross-industry development, and make proper use of working capital to enter new industries, such as the electric bicycle and energy storage product/system technology industries having the potential to be a green industry.

In a rapidly changing environment, talent is critical to value creation and enhancement for companies. Therefore, SZS is committed to establishing stable employee relations in order to provide an environment where the right person is placed in the right position. We also offer complete education and training to achieve talent retention and cultivation. At the same time, the Company is also recruiting a wide range of talent and hiring talent with great vision, creativity, and execution skills. We hope that our employees will gain insights into various industries with a forward-looking lens, give full play to their creativity, execution skills, and technical skills, and grow together with SZS to achieve a win-win situation.

In terms of overall future development, in addition to the pursuit of operational excellence, to cope with the environmental impact brought about by climate change, SZS is determined to develop more competitive products that are conducive to environmental development, introduce low-carbon production processes, and restore the value of waste through recycling for sustainable development. With the vision of people orientation, environmental symbiosis, and social prosperity, we integrate the ultimate goal of various ESG promotion actions into our business operations, and we have also formed alliances with various supply chains to strengthen supply chain management, achieving mutual benefits and sustainability.



The groundbreaking ceremony of our new plant in Bac Giang of Vietnam was held in March 2024. The plant will be designed and constructed in accordance with the US LEED (Leadership in Energy and Environmental Design) green building standards.

1.5.3 Tax Governance

Upholding thorough tax compliance and fulfillment of corporate social responsibilities, we have formulated a sound tax management system and legal tax-saving plans to complete various tax operations through prompt processing procedures, with the aim of creating corporate value and improving tax risk management. We have developed the following tax governance policies to further enhance corporate value, fulfill our corporate social responsibilities, perform our obligations as a corporate citizenship, and implement sustainable corporate development.

- **Comply with local tax laws and regulations, calculate taxes correctly, and declare and pay taxes within the statutory time limit.**
- **Ensure that tax assessments involving decision-making are conducted jointly by a professional internal tax team and external experts with appropriate qualifications and experience.**
- **Ensure the transparency of tax reporting information, e.g. by submitting country-by-country reports, master files, and transfer pricing reports to tax authorities according to the regulations of each country.**
- **Transactions between affiliated companies comply with the transfer pricing principles announced by the Organization for Economic Co-operation and Development (OECD) and the relevant requirements of the Base Erosion and Profit Shifting (BEPS) project.**
- **Ensure the commercial substance of the corporate structure and transactions and do not carry out structure planning and transaction arrangements with the main purpose of tax reduction.**
- **Use legal and transparent tax incentive policies and do not use methods that violate the spirit of law to enjoy tax exemptions.**
- **Interact with the tax authorities of each country in an honest, upright, respectful, and fair manner based on mutual trust, information transparency, and legal compliance, and proactively raise material tax issues to help improve the tax environment and system.**

In 2023, SZS entered into a Sustainable Time Deposit agreement with Standard Chartered Bank. The funds will be used for loans and projects in line with the Standard Chartered Group's sustainable development initiatives, including renewable energy, sustainable infrastructure, and microfinancing for the developing and low-to-middle income markets, collaborating with the bank for green transformation and sustainable operations.

1.6 Innovation and R&D

1.6.1 Creation of Proprietary Products

We made good use of the field know-how and manufacturing capacity accumulated as an OEM to further enhance our product design and development capabilities for differentiated competitiveness, successfully transforming into an ODM. Although being an OEM brought a considerable amount of revenue to the Company, in careful response to changes in the industrial structure, we thought outside the box and started a journey of upgrading and transformation, successfully designing and developing our own products.

High-efficiency Oil Mist Recovery Filters and Air Filters

With a focus on mechanical processing, SZS takes the working environment of plants extra seriously. Oil mist is one of the common sources of pollution in industrial environments. It not only poses a health hazard to employees, but also may lead to malfunction and damage of production equipment. Oil mist can also increase the risk of unsafe workplaces as it is usually one of the main causes for slippery floors. In order to improve the working environment, SZS has developed an intelligent purification equipment series, including high-efficiency oil mist recovery filters and air filters, to create a good green cycle for the industry.

The entire interior of our filters uses a non-consumable design and is equipped with a stainless steel filter screen to filter out 99% of particulate matters (PM2.5 μ m), with a 30% oil mist recovery rate. The recovered oil mist can be further treated and reused, helping reduce waste generation. According to actual measurements, our oil mist recovery filters not only perform well, but also have a suction capacity of 660 m³/hr at 0.18 HP, with only 0.48 A of power consumption, significantly reducing power consumption by over 50%. Our filters with high efficiency, low power consumption, and zero consumables meet customers' requirements for budgets and performance. They can also recover the oil, mist, smoke, and dust impurities generated during turning, milling, and grinding at one time.



Torque Screwdrivers

- “Improved Structure of Torque Screwdriver” Obtained a Taiwanese patent (M645470) and a Chinese patent (CN218358252U).
- Designed using axis interference technology
- Torque accuracy within $\pm 8\%$
- Having a normal service life of more than 50,000 times and can be used with air-powered or electric-powered tools.



1.6.2 Smart Manufacturing

The electronic components industry is going through an era of drastic changes. Automation, AI applications, and intelligent transformation have become the key elements driving the industry forward. Since many years ago, we have invested our efforts and talent in the promotion of smart manufacturing. Automated production lines enable continuous production to complete tasks with extreme precision and speed, not only reducing errors and saving costs in production, but also greatly improving production efficiency. Automated equipment can handle highly repetitive and tedious tasks, freeing employees to focus on more creative and challenging activities.

(1) Transfer and picking/placing:

Robotic arms are used for basic production line applications, such the transfer and picking/placing of materials for automated production lines.



(2) Force sensing:

A force sensor using quartz piezoelectric technology can accurately and stably sense minute forces in six axes for the development of related applications to realize more accurate and quantifiable contact testing.



(3) Vision applications:

Research is conducted on machine vision algorithms and how to apply machine vision technology to smart manufacturing to achieve the automated detection and classification of objects and workpieces in the manufacturing process.



(4) Data analysis:

A data collection and storage system has been established to perform real-time monitoring and data collection on robotic arms. The data is then classified and retained to provide a foundation for subsequent data analysis and mining.



(5) Human-robot collaboration:

The R&D of smart manufacturing with robotic arms also involves research on human-robot collaboration technology to achieve a more efficient and safer manufacturing process.



(6) Remote monitoring:

The development of a remote monitoring system can realize remote monitoring of robotic arms, including the monitoring of data such as arm motion trajectory, speed, and strength, as well as the real-time alarm and handling of abnormal conditions.



In line with Suzhou City's "Three-Year Action Plan for the Development of Robotics and Intelligent Manufacturing for Wuzhong District (2021-2023)," "Work Plan to Accelerate the Promotion of Intelligent Transformation and Digital Transformation of the Manufacturing Industry in Wuzhong District," and other policies, SZS Group's Suzhou Plant built a smart workshop, and won the first place in the competition for demonstration smart workshops in Wuzhong District. The transformation results have become a model for local enterprises. Suzhou Plant's smart workshop was also recognized as an intelligence reform project by the "2022 Project to Promote the High-quality Industrial and Economic Development of Wuzhong District, Facilitate the Improvement and Development of the Robotics and Smart Manufacturing Industries, Advance Intelligence Reform and Digital Transformation in the Manufacturing Industry, and Accelerate the Improvement and Development of the Biomedical Industry in Wuzhong District." Through the construction of a smart workshop, SZS (SUZHOU) has reduced the number of workshop workers by 30%, increased the per-line production capacity by 75%, improved the output value by 34.28%, and reduced the product defective rate by 2.76% and the energy consumption by 20%.

1.6.3 Internal Innovation Mechanism

The "Procedures for Incentives for Employees' Proposals to Improve Operations" have been established to encourage employees to unleash their creativity in processes, management, and administration and propose improvement suggestions to enhance work efficiency and product quality, reduce costs, and build a positive corporate culture. In 2023, we commended 83 employees and distributed bonuses totaling NT\$504,000.



Internal Proposal Improvement Statistics Report for the Group over the past two

Year	2022			2023		
Proposal Type/Region	Plants in Taiwan	Plants in China	Total	Plants in Taiwan	Plants in China	Total
Reducing operating costs	326	211	537	217	187	404
Improving product quality	207	112	319	197	110	307
Enhancing workplace safety	145	41	186	120	46	166
Energy conservation and carbon reduction, waste reduction, and recycling	29	27	56	28	26	54
Improving production technology	276	13	289	205	16	221
Optimizing operating processes	330	119	449	198	161	359
Optimizing management efficiency	984	75	1,059	809	69	878
Total number of improvement proposals	2,297	598	2,895	1,774	615	2,389
Number of people commended	60	4	64	67	16	83
Total bonuses for outstanding performance proposals (NT\$)	577,000	2,800	579,800	469,500	34,925	504,425

1.6.4 Intellectual Property Management

The Company has formulated an intellectual property management plan linked to the business strategy, and makes a report to the BOD every year. The Company promotes localized intellectual property development by establishing an intellectual property management system, providing intellectual property resources, and maintaining and continuously improving the mechanism to implement local intellectual property development. We also fulfill our corporate social responsibility by sharing intellectual property achievements.

1. Patent protection and management system:

SZS is always committed to the research and development of new technologies and products and actively deploys important inventions and new patents, all of which have led to its technological superiority. To protect the Company's R&D achievements and the rights thereto, a patent search system has been established to facilitate patent search and analysis. The "Regulations for Patent Applications and Incentives" has also been formulated to regulate the patent application process, patent maintenance, and incentive payment in detail in order to protect the Company's rights and reward R&D employees. In recent years, the Company has accumulated a large number of patents. In view of this, the Company will implement a more comprehensive patent management system to move towards the goal of improving the quality of patents.

- Patent application strategy: Reward applications for various patents to continuously enhance technological advantages.
- Patent application process: Update the patent application form and classify proposal evaluation results.
- Patent maintenance process: Regularly review patent retention and invalidation and carry out precise patent cost input.

2. Regulations and systems related to trade secret protection:

The Company values the protection of trade secrets and adopts protection measures and management systems covering the aspects of people and things.

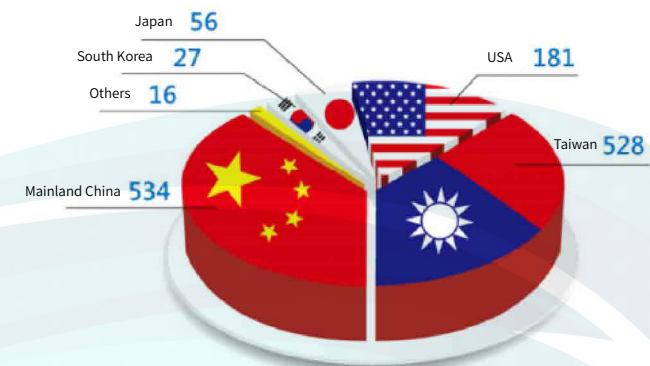
- The "Employment Contracts" signed with new employees contain clauses related to business secrets, such as confidentiality clauses and clauses for non-use of illegal software and hardware and keeping business secrets.
- All suppliers are required to sign the "Non-Disclosure Agreement," "Mold Custody Agreement," and other contracts.
- In-service personnel are provided with information security awareness-raising sessions and trade secret education and training from time to time.
- We have established the "Regulations for the Management of Trade Secrets" to assign permissions to access, read, and use the Company's confidential information according to the confidentiality level.
- We have established the "Privacy and Confidentiality Procedures" to properly protect the sensitive and confidential information, documents, and business secrets of our customers, partners, suppliers, and even the Company in order to prevent any leakage from affecting the Company's goodwill.

3. Trademark management and maintenance:

- According to product category, we have applied for exclusive trademark rights for 18 trademarks in Taiwan, 10 trademarks in China, and trademarks in Japan, the United States, the European Union, and other countries and regions.
- We regularly review the term of exclusive use of trademarks, and apply for an extension if necessary for the continued use of the trademarks.

The Company continues to accumulate great R&D capacity and actively expands the global patent portfolio. As of December 31, 2023, we have obtained a total of 1,342 patents around the world, and 16 patent applications have been in process. Our patents are across Taiwan, the United States, China, Japan, and South Korea. In the future, we will continuously enhance patent R&D, encourage colleagues to unleash their creativity, and apply for patents in various countries, so as to enhance the competitiveness and operating capability of SZS in the international market.

Number of the Company's Granted Patents around the World



1.7 Information Security and Customer Privacy

1.7.1 Information Security Policy and Statement

SZS' s information security policy is: "implementing the Information Security Declaration, strengthening information security education and training, and ensuring business continuity." To ensure the normal, secure, and stable operation of information system services, the Company has formulated the highest guidelines for the information security management system to ensure the confidentiality, integrity, and availability of information assets as well as compliance with regulatory requirements. The Company regularly conducts information security business continuity drills and information security education and training to strengthen the information security awareness and vigilance of employees, reduce information security risks, and thereby protect the rights and interests of information system service users.

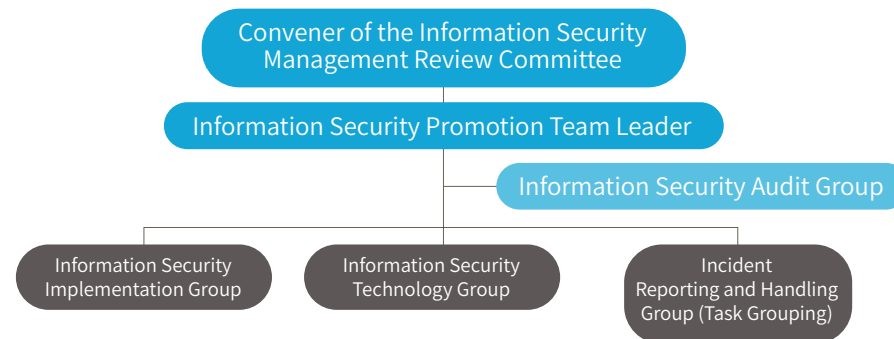
In 2023, SZS passed information security audits with no major deficiencies and received no confirmed complaints about breaches of customer privacy or loss of customer data.

1.7.2 Information Security Unit and Promotion Organization

In order to strengthen the information security management mechanism of public companies, the Financial Supervisory Commission (hereinafter the FSC) has amended the "Regulations Governing Establishment of Internal Control Systems by Public Companies" to classified listed companies into three levels. The Company is classified as Level 2. According to the FSC' s information security management mechanism requirements for Level 2 companies, the companies shall deploy appropriate information security manpower. Before the end of 2023, SZS completed the establishment of a dedicated unit in charge of information security - the Information Security Department to be exclusively responsible for information security affairs.

The "Information Security Department" is responsible for developing information security policies, formulating and reviewing information security objectives and information security control mechanisms, directing the implementation of the information security policies, reviewing the Group's information security governance policy, and supervising the operation of information security management, hoping to establish a comprehensive information security protection mechanism and enhance the information security awareness of colleagues in order to reduce the information security risks that may be faced in the future. SZS officially renamed the "Information Security Management Committee" as the "Information Security Management Review Committee" on February 1, 2023. In accordance with the "Guidelines on Cybersecurity Control for Listed Companies," the Company has gradually planned an information security management system, established a cyber security policy and a promotion organization, assessed the importance of critical systems and their maximum tolerable period of disruption (MTPD), recovery time objective (RTO), and recovery point objective (RPO), implemented risk management and information security management, and adopted cybersecurity protection and control measures.

Information Security Promotion Organization



1.7.3 Protection of Customer Confidentiality and Privacy

With the diversification of cybercrime and the increasing frequency and complexity of cyberattacks, it is even more important to strengthen information security protection. Protecting customer confidential data and privacy is our commitment to customers, shareholders, and employees. After obtaining customer data, SZS archives and stores it in accordance with relevant operating regulations, and strictly controls access to the data. Except for use and retention within the Company's business scope, unauthorized personnel are not allowed to access customer data. In addition, to ensure the confidentiality, integrity, and availability of customer data, we have deployed a defense-in-depth enhancement and prevention mechanism for information security in accordance with the information management principles, and adopted next-generation highly secure firewalls, supplemented by comprehensive antivirus systems, to protect information systems and avoid destruction by illegal intrusion and malware.

1.7.4 Information Security Management Measures and Implementation Results

Deploying Defense in Depth for Information Security

To continuously enhance the Company's information security and protect customer privacy and confidential information, we began to implement ISO 27001:2013 information security management systems in July 2022, formulated information security policies and ISMS Level 4 management documents, and established an information security management system (ISMS) for confidentiality, integrity, and availability. To strengthen the security protection of application systems, annual host equipment vulnerability scans are performed on a regular basis, and medium- and high-risk vulnerabilities are patched to prevent attacks by hackers and viruses and ensure the normal operation of information systems, equipment, and networks. We have introduced a computer asset management system, email filtering, an email data breach (DLP) systems, and two-factor authentication (MFA) to strengthen account and password management and reduce the risk of forgery or theft of system accounts and passwords. We have also adopted a log management system to monitor traffic management, analyze abnormal user behavior, and collecting and analyze log records to reduce potential information security threats.

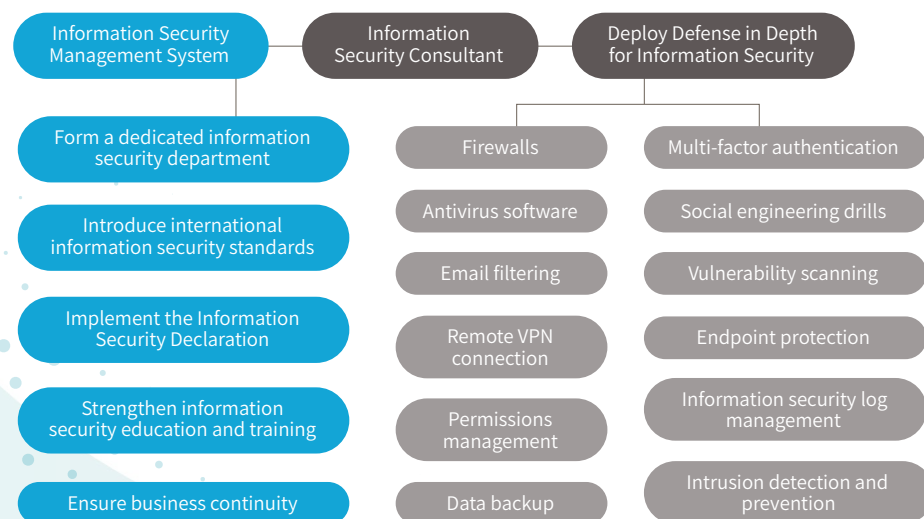
Information Security Training and Social Engineering Drills

All new employees of SZS are required to complete information security education and training courses. Our in-service employees are required to receive at least two hours of information security education and training per year and participate in information security awareness-raising sessions from time to time. Annual social engineering drills are conducted regularly to enhance employees' awareness of social engineering attacks. In 2023, a total of 1,004 employees participated in information security education and training (including on social engineering and phishing website fraud warnings, ransomware attack prevention and emergency handling principles, and malware prevention) and awareness-raising sessions to enhance the overall information security awareness of employees.

Endpoint Protection Management

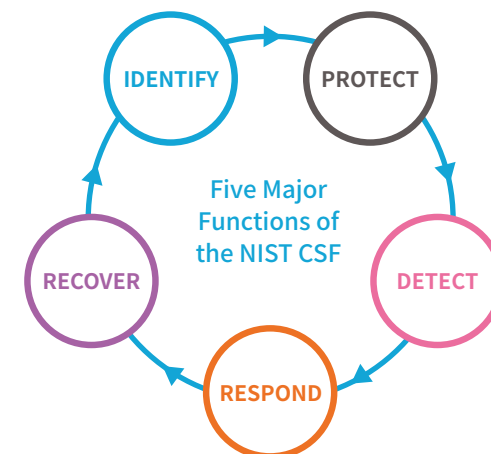
The information security problems caused by endpoints in recent years include network resource abuse, internal leaks, and external security threats. We will deploy endpoint management to fully control endpoint computers and their peripherals to not only eradicate insecure use of computers and the Internet, but also record complete operation logs, to proactively protect intellectual assets and prevent the leakage of important files. To effectively manage data flow channels, we control access to documents and record operation logs to track the flow of documents and ensure the security of confidential information. Endpoint management is deployed for endpoint device protection to avoid unauthorized network access by devices and prevent theft, leakage or malicious deletion/modification of important documents.

Information Security Management System and Corresponding Measures



Gradually Strengthening the Information Security Framework

Based on the five major functions of the NIST (National Institute of Standards and Technology) CSF (Cybersecurity Framework): Identify, Protect, Detect, Respond, and Recover, SZS have made practically feasible information security protection plans for pre-event prevention, in-process monitoring, and post-event response and, according to the information security PDCA (Plan-Do-Check-Act) cycle, created the measurable "Information Security Performance Evaluation and Effectiveness Measurement Table" to regularly review and assess the goal achievement rate.



Information Security Protection Framework

Pre-event Prevention

Management

- Introduce ISO 27001 Information Security Management Systems
- Strengthen information security awareness, education and training



Testing

- Host equipment vulnerability scanning
- Email DLP protection
- Email social engineering



In-process Monitoring

Monitoring

- Log management
- Maintenance and reporting
- Incident investigation and handling
- Endpoint control
- Document operation control
- Application control strategy
- External device and equipment control



Post-event Response

Forensics

- Information security incident handling
- Digital forensics
- Digital evidence preservation
- Business continuity management
- Protective measure improvement



Strengthening Internal Information Security Audits

The Information Security Audit Team of the Information Security Department conducts an internal information security audit once a year, and all auditors have received relevant audit training courses. The audit is carried out in accordance with the "Information Security Internal Audit Checklist," and the audit content complies with the requirements of the ISO 27001 standard. The auditors summarize the audit results and submit the "Internal Information Security Audit Report," and the implementation unit assesses the corrective measures and completion time within the deadline. The Information Security Audit Team will regularly track the implementation of the "Information Security Corrective Action Form," evaluate its effectiveness, and report the improvements made to the Chief Information Security Officer at the information security management review meeting.

Continuous Information Security Protection Improvement

To reinforce proactive defense, SZS joined the TWCERT/CC information security alliance in October 2022. With the TWCERT/CC joint information security defense mechanism, information security and cyber threat intelligence are obtained from time to time for threat intelligence sharing to gain industry experience and timely give internal information security warnings. We also review our internal equipment and system updates to improve the Company's overall information security defense breadth and capability.

Business Continuity Management Policy

We have implemented our business continuity management policy and established a business continuity plan. In addition to the management of day-to-day information security operations to ensure the Company's ability to respond to changes in critical times, an "Incident Reporting and Handling Team" has been formed in the information security promotion organization to plan and carry out "business continuity drills" for critical systems every year. The team simulates information security incidents according to the script to verify whether the recovery time objective (RTO), recovery point objective (RPO), maximum tolerable period of disruption (MPTD) of critical systems can be achieved. Through these drills, we can also detect and exert our response capabilities and grasp potential risks.

Introduction of International Information Security Standards for the Implementation of Management Systems

SZS completed an external third-party ISO 27001:2013 audit in March 2023, and was recommended for certification. We continue to conduct annual follow-up reviews and plan to transition to ISO 27001: 2022 in order to maintain the validity of the certificate. By implementing management systems according to international information security standards and effectively monitoring information security risks, we have further enhanced our information security management system.

Certified to ISO/IEC 27001: 2013 Information Security Systems



SZS

SZS(SUZHOU)

CHAPTER

02

Sustainable Environment

- 2.1 Climate Change Response
- 2.3 Greenhouse Gas Management
- 2.2 Energy Management
- 2.4 Water Resource Management
- 2.5 Waste Management



Material Topic: Climate Change Response

Materiality

Climate change has significant impact on society and environment, increasing the risk of business operations. For example, rising temperatures and extreme climate events may affect operational activities such as resource acquisition and business activities, subsequently affecting the Company's financial conditions and the health and safety of employees.

Goals

Short-term goals

- Subdivide energy conservation and carbon reduction goals and assign them to the supervisors of each level.
- Plan and formulate SBTi goals, as well as desired international audits.
- Formulate relevant carbon emission reduction plans in accordance with the Sustainable Development Action Plans for TWSE and TPEx Listed Companies.
- Develop low-carbon products with new processes and new technologies to step into new markets.

Medium and long-term goals

- Drive the supply chain to disclose GHG emissions and set emission reduction goals to avoid the risk of chain breakage.
- Develop action plans for carbon emission reduction, and respond to the government's 2050 net-zero emissions pathway.



Policy and commitment

- Reduce greenhouse gas (GHG) emissions and improve energy efficiency.



Assessment mechanism

- Formulate the Group's GHG reduction and energy conservation plans and conduct the annual performance review via the Sustainable Development Committee.
- Conduct the inventory review for the Group's GHG emissions and energy consumption every year according to ISO 14064-1:2018.



Action plan

- Carry out inventory and verification of GHG emissions.
- Lead the supply chain for common participation.
- Introduce ISO 14064-1:2018 (GHG Inventory Management System).
- Connect relevant climate indicators to the approach for setting KPIs for managers.



Grievance mechanism

- BOD, Corporate Sustainable Development Committee

Material Topic: Energy Management

Materiality

As the energy crisis has impact on the global economy, energy conservation has become one of the top priorities for all enterprises with the consensus of carbon emission reduction. For Taiwan which is inherently deficient in energy resources, it is more important to improve energy efficiency and reduce energy consumption of enterprises and products.

Goals

Short-term goals

- Following the reduction pathway that conforms to the SBTi's Business Ambition for 1.5 ° C campaign; the emission of Scope 2 will reduce linearly by 4.2% per year. Meanwhile, formulate process improvement and energy conservation measures through energy efficiency assessment to reduce energy waste and energy costs.

Medium and long-term goals

- Further carry out process improvement and energy conservation measures; additionally, introduce more efficient energy conservation technologies and equipment, strengthen the establishment of an energy management system, and gradually achieve comprehensive and systematic energy management. Strengthen energy conversion and recycling economy, etc., and realize the combination of economic, social and environmental benefits through the use of green electricity and expanded use of renewable raw materials. It is planned that the use of green electricity will account for $\geq 50\%$ in 2030, so as to achieve the goal of net zero in 2050.



Policy and commitment

- Reducing energy consumption and GHG emissions is an continuous effort of SZS to enhance the Company's competitiveness. SZS continuously tracks emissions through the GHG inventory, plans and sets energy conservation strategies for optimal use of energy.



Action plan

- Develop a plan for installing the intelligent monitoring system within manufacturing plants.
- Add remote alarm to the continuous control system for air compressors within manufacturing plants.
- Make a power consumption plan, reduce personnel errors, and eliminate peripheral equipment with poor energy efficiency.
- Process and equipment optimization
- Introduction of innovative management methods
- Conduct GHG inventory in accordance with ISO 14064-1:2018 or the standards specified by competent authorities.
- Continuously promote GHG reduction measures.



Assessment mechanism

- The GHG inventory is carried out by the sustainable team every year; performance review is conducted through the sustainable development committee every quarter; carbon emission reduction plans are formulated and reported to the BOD.
- Comply with the relevant regulations of the Energy Administration, the Industrial Technology Research Institute (ITRI), and the Ministry of Economic Affairs (MOEA).
- In January of each year, the energy inspection result of the Company in the production sector shall be reported every year; the Company's energy conservation rate is 1%.



Grievance mechanism

- Sustainable Development Committee

2.1 Climate Change Response

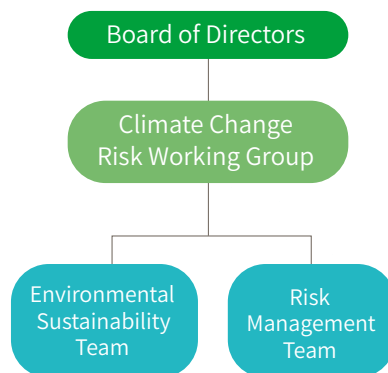
In this era of extremely challenging climate change, corporate sustainable development has gradually become an indispensable part of investment decisions and business operations. Over the past few years, we have witnessed the frequent occurrence of natural disasters and the escalating severity and impact of climate events, which have significantly impacted corporate operations and financial markets. These events not only have a direct impact on a company's assets and supply chain, but also bring about uncertainties to its long-term value and sustainability. Therefore, assessing and disclosing climate-related financial risks and opportunities is critical to a company's long-term success.

By reference to the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, we have disclosed four core elements in accordance with our climate-related financial information: "governance", "strategy", "risk management", "indicators and goals", established a risk framework, identified major risks and opportunities that may affect operations, and proposed relevant countermeasures. We initiate a comprehension assessment every three years, review updates every year, and integrate them into our corporate strategy and business operations. Through this measure, we hope to provide investors and stakeholders with more information on how SZS assesses and manages climate-related risks and opportunities, thereby enhancing transparency, reliability, and comparability.

Governance

In December 2021, SZS established the "SZS Sustainable Development Committee Charter," and elected the first Sustainable Development Committee in August 2022. The Sustainable Development Committee is subordinate to the BOD and includes one director and two independent directors. We have designated the General Manager as the chair, and appointed the Chief Corporate Governance Officer along with the environmental sustainability team and risk management-related departments to form a cross-departmental climate change risk task force. In accordance with the TCFD Recommendations, the team identifies the risks and opportunities caused by climate change, assesses and responds to climate impacts within the scope of each competence, and incorporates the implementation results and plans into the KPIs of the management team. The team makes at least one report to the BOD annually.

In addition, the other functional committees are also responsible for the governance of some climate-related issues:



The "Audit Committee" regularly listens to the internal audit department's report on the internal control system design for climate-related risks, as well as audit findings.

The "Remuneration Committee" evaluates and reviews the remuneration of managers for ESG-related performance (including climate change-related issue management) based on the KPIs of each manager. By linking the reward system to climate change management results, the management is motivated to not only improve their individual performance, but also bring profit to the Company and achieve the Company's sustainable operation goals, bringing more benefits to investors and stakeholders.

Strategy

SZS has initially listed the impacts of climate-related risks and opportunities in business operations, strategy and financial planning based on the TCFD's risk and opportunity types. Current major climate risks mainly come from customers and investors and other important stakeholders' requirements for corporate GHG reduction and compliance with product energy efficiency standards; opportunities arising out of climate changes mainly exist in products and services. The Company's diversified product lines are expected to respond to market demands and develop new markets with energy-saving and low-carbon products. In terms of physical risks, water shortage and high temperature are considered; and for transformation risks, laws and regulations and customers' requirements for ESG are considered, in order to examine any potential impacts of climate changes, make early response, and reduce the impact of risks. Meanwhile, SZS also has followed the ESG trend, developed low-carbon products, and enhanced the corporate competitiveness.

In terms of climate change management strategies, SZS considers different climate-related scenarios by referring to the 1.5° C scenario announced by the International Energy Agency (IEA) to simulate and analyze the impact of future climate change, and sets up SBTi targets and estimates future carbon reduction accordingly, which are used as a reference for the adjustment of business strategies. We actively develop solutions, hoping to reduce the operational and financial impacts caused by climate change and enhance organizational climate resilience. We define short-term as three years or less and medium-to-long term as more than three years, assess the potential operational and financial impacts of climate-related risks and opportunities on the Company, and proactively plan response measures. The relevant impacts are summarized as follows:

Risk type defined by TCFD		Risks	Potential financial impact	Response
Physical risk	Immediate risk	The water shortage stress affects plant operations.	Taiwan experienced a severe drought in 2021, and many places entered the third stage of water restriction. Short-term risk: The area where SZS is located has not yet entered the third stage of water restriction, and there is no possibility of affecting operations for the time being. Medium and long-term risks: Scarcity of water resources will result in operational pressure and impact, and supplier chain breakage will occur, which will lead to increased operating costs.	In order to reduce the impact of drought events, relevant plants have gradually strengthened the recycling of water resources, considered installing a water reclamation system with a budget of NT\$ 16,000 thousand, and formulated emergency response plans to reduce operational losses caused by the disaster risk.
	Long-term risk	Average temperature rise	With the trend of global warming, the average temperature in Taiwan is rising year by year. Short-term risk: As high temperatures increase the utilization rate of air conditioners and electricity prices go up, the electricity bill will increase accordingly. Medium and long-term risks: The increase in energy consumption of equipment within manufacturing plants (such as the increase in power consumption of cooling equipment) and the increase in carbon emissions will lead to an increase in operating costs.	We promote the replacement of old air-conditioning equipment with new ones and adopt a number of energy-saving plans and management measures such as the smart monitoring of air-conditioning, air compressors, and electricity. Currently, we have completed an electrical EMS system at a total input cost of NT\$12,000 thousand, and then we will perform energy-saving improvement works for air conditioning and air compressors.
Transformation risk	Policies and regulations	Price increases for GHG emissions (caps/carbon taxes/energy taxes)	After the Climate Change Response Act was approved, the Financial Supervisory Commission (FSC) issued the Sustainable Development Guidemap for TWSE and TPEX Listed Companies on March 3, 2022. SZS has continuously and actively promoted the sustainable corporate development, resulting in an increase in its operating costs. Short-term risk: Increased operating costs due to electricity tariff hikes Medium and long-term risks: Response to regulations and international initiatives, as well as increased the utilization rate of renewable energy, resulting in increased operating costs	In order to cope with the risk of changes in relevant laws and regulations and green standards, besides actively complying with the relevant international regulations, SZS is also committed to planning to reduce the risk of renewable energy costs and constructing LEED Silver-rated green buildings for new plants, and the construction cost is currently being assessed.
	Market	Stakeholders' requirements for sustainable development	It has become an international sustainable development trend in recent years that customers require the supply chain players to participate in carbon emission reduction actions. Short-term risk: If you do not actively take sustainable actions, you will lose customers' orders and investors' trust. Medium and long-term risks: Response to customers' requirements, as well as increased the utilization rate of renewable energy, resulting in increased operating costs	SZS is actively involved in sustainable actions. In addition to efforts in emissions reduction, energy conservation, water saving, and waste disposal, we have also made continuous investments in research and development of low-energy consumption products and reduced carbon footprints of products, so as to meet customers' expectations and strengthen their trust in us.
	Products and services	Development of low-carbon products	Some models of products use recycled materials to develop low-carbon products or transition to a low-carbon economy. Short-term risk: Introduce alternative recycled raw materials and increase the cost of product development materials. Medium and long-term risks: Make continuous investments in R&D technologies, introduce low-carbon products, and increase the cost of R&D technology transformation.	Reinforce our low-carbon product design capability, develop modular products to meet customers' carbon reduction needs, enhance corporate brand value, and make customers willing to accept the increased carbon reduction costs reflected in product prices, which are expected to increase R&D expenses by NT\$115,575 thousand.

Opportunity type defined by TCFD		Opportunity project	Potential financial impact	Response
Opportunity	Resource efficiency	Carry out more efficient production.	Increase the production capacity and revenue and reduce operating costs. Short-term opportunity: Introduce automated processes to improve the production efficiency and reduce operating costs. Medium and long-term opportunities: Improve productivity and product quality, thereby increasing operation revenues.	Improve the performance of process equipment and adopt various design methods (such as automation and standardization) and planning measures to improve the production efficiency, reduce the production space and process complexity, and improve the utilization efficiency of resources, which are expected to increase revenue by NT\$500,000 thousand.
	Products and services	Development of low-carbon products	Meet customers' expectations and strengthen customer relationships. Short-term opportunity: Customers' demand for low-carbon products increases, thereby increasing operating revenues. Medium and long-term opportunities: Improve market competitiveness and reduce costs.	The use of recycled materials is one of SZS's development directions. Product design is based on the life cycle consideration and combined with 4R principles (Reduce, Reuse, Recycle, Recovery) to develop energy-saving, low-carbon, and environmentally friendly products, as well as oil mist recovery equipment, which is expected to generate NT\$114,000 of revenue.
	Market	Enhance the brand value.	Reputation improvement and increase in the product demand Short-term opportunity: Gain the trust of customers, increase market share, and then increase product prices and corporate profits. Medium and long-term opportunities: Enhance the brand value, increase investors' long-term investment willingness and reduce the probability of great stock price fluctuations.	The Company's long-term development for sustainability has laid a solid foundation and has maintained a close relationship of trust with customers for many years. We have invested in research and development based on the market demand. Therefore, with the trend of sustainability, we will have the opportunity to meet customers' needs and increase revenue.
	Market	Access to new markets	Enter new markets to increase revenues. Short-term opportunity: Access to new markets may lead to new revenues and customer bases, thereby increasing revenues. Medium and long-term opportunities: Optimization of resource allocation and management can be carried out for new markets, thereby increasing the Company's profits.	As climate changes, low-carbon products will become the trend in the future. SZS uses the existing precision processing equipment and technology to reduce the investment in capital expenditure (CAPEX), and steadily marches towards the electric bicycle industry with new manufacturing processes and technologies to reduce the impact of excessive industrial concentration.

Financial Impacts of Extreme Climate Events

After discussion by the Environmental Sustainability Team and the Risk Management Team, SZS has come to the conclusion that due to the scarcity of water resources, some of the processes in the supply chain are highly dependent on water resources. As a result, the Company is faced by the physical risks of operational pressures and impacts and supplier chain disruptions, which lead to increased operating costs. In addition, in persistently high temperatures, the utilization rate of air conditioners and equipment energy consumption in the plants will increase, coupled with continuous rises in electricity bills and increased greenhouse gas emissions, resulting in higher operating costs and carbon reduction costs. The Company will continue to refine physical risk analysis and strengthen the management and strategic planning of climate events.

Financial Impacts of Transition Actions

In order to cope with the impact of climate change, we have assessed its transition risks, and concluded that we will face a wide range of changes in policies, regulations, technologies, and markets. The speed and variation of changes are different depending on the speed of climate change and the schedule of relevant plans. According to assessment results, changes in greenhouse gas caps, carbon fees and taxes, and renewable energy laws and regulations may cause increased business costs in the transformation of the Company. Currently, SZS is actively developing low-carbon products and, with the design principles of these products, developing a diversified product line to enter different markets. However, as these products are still at the R&D stage, the R&D cost will increase. In spite of that, with other business strategies, the impact on sales will not be material. Therefore, our focus will be on the analysis of product costs and introduction of energy-saving and carbon reduction projects to minimize costs for operations and the supply chain, as well as the improvement of energy efficiency and water recycling efficiency, proper use and management of reclaimed water, and sound waste disposal procedures to reduce the increase in operating costs caused by climate impacts.

Risk management

The BOD is the highest decision-making unit for risk control within SZS Group and directly supervises various risk governance frameworks within the Group. To improve risk assessment and strengthen management, the Sustainable Development Committee has formed the Environmental Sustainability Team and the Risk Management Team to identify various risks to corporate operations, including the physical and transition risks that may be brought about by climate change to the Company, and be in charge of planning relevant countermeasures. These task forces identify and analyze risks in five major aspects: operations, finance, compliance, information security, and sustainable operations according to each department's business scope. The identification results are provided to the general manager of each business unit to plan and formulate countermeasures, and then are presented at the monthly general manager meeting. The risks that may affect operations and profitability and the response plans are consolidated during the meeting. A risk control report is submitted to the BOD at least once a year in order to strengthen the corporate structure.

Indicators and goals

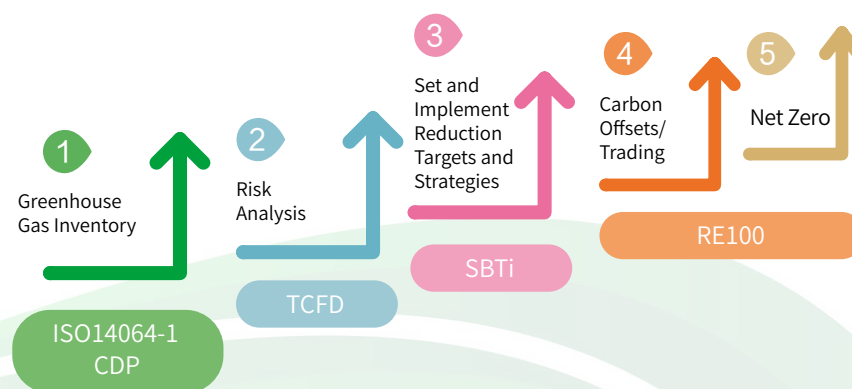
In order to achieve net-zero emissions, we have formulated a low-carbon transition plan that will focus on reducing direct emissions from operating activities (Scope 1), indirect emissions from energy use (Scope 2), and indirect emissions from the value chain (Scope 3-5).

The implementation includes:

- 1 Plan and set SBTi targets, and pass international audits.
- 2 Follow the reduction pathway that conforms to the SBTi's Business Ambition for 1.5 °C campaign; reduce Scope 2 emissions linearly by 4.2% per year.
- 3 Strengthen energy conversion and recycling economy, etc., and realize the combination of economic, social and environmental benefits through the use of green electricity and expanded use of renewable raw materials. It is planned that the use of green electricity will account for $\geq 50\%$ in 2030.

2.2 Greenhouse Gas Management

SZS Carbon Management Roadmap



In 2023, SZS joined the Science Based Targets initiative (SBTi) and submitted a letter of commitment in September. We expect to complete the submission of our SBTi targets by 2024, and are gradually making plans to move towards the medium-to-long-term goal of achieving net-zero by 2050. We aim to achieve our SBTi targets by:

2.2.1 Establishing a Baseline of GHG Emissions

SZS has been conducting voluntary inventory since 2015. In 2021, we started to carry out group-wide GHG inventory. In 2023, we included SZS (CHONGQING) (established at the end of 2022) in the organizational carbon inventory, and the coverage rate of the annual greenhouse gas inventory was 100%. The entire Group has been verified by a third party to meet the ISO 14064-1:2018 organizational greenhouse gas emissions inventory standard.

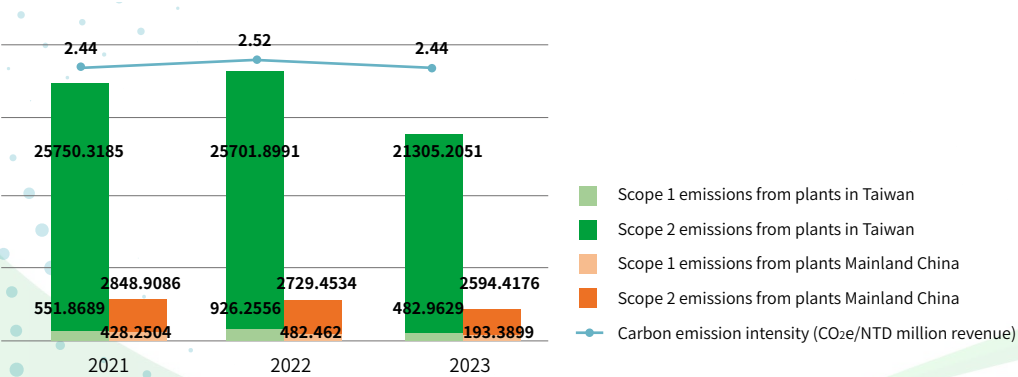
The Group’ s GHG Emissions from 2022 to 2023

Plant/Scope	2022			2023		
	Scope 1	Scope 2	Scope 1+2	Scope 1	Scope 2	Scope 1+2
Plants in Taiwan	926.2556	25,701.8991	26,628.1547	482.9629	21,305.2051	21,788.1680
Plants in Mainland China Note 1	482.462	2,729.4534	3,211.9154	193.3899	2,594.4176	2,787.8075
合計	1,408.7176	28,431.3525	29,840.0701	676.3528	23,899.6227	24,575.9755
Group’s GHG emission intensity	2.52			2.44		

Note 1: The plants in China include SZS (SUZHOU), SZS (CHONGQING), KUNSHAN JENGJEA, DONGGUAN CHENGYUE, and REDSTAR (FUQING). The emissions in 2022 exclude those from Chongqing Plant.

Note 2: The above are in metric tons CO₂e

Note 3: The Group’ s GHG emission intensity = metric tons CO₂e/NT\$ million of revenue; data coverage: Scope 1 + 2.

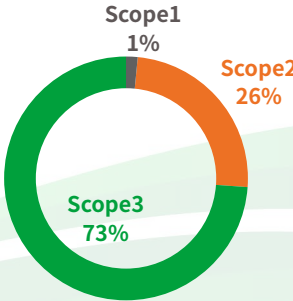


Key Performance

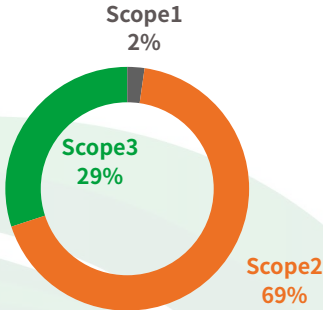
Since 2021, SZS Group has conducted an annual organizational GHG inventory in accordance with ISO 14064-1:2018 and passed ISO 14064-1 verification. In 2023, the Group's direct GHG (Scope 1) emissions were 676.3528 tCO₂e; the energy indirect GHG (Scope 2) emissions were 23,899.6227 tCO₂e; and the indirect GHG (Scope 3) emissions were 66,916.1431 tCO₂e. The Group's carbon emission intensity was 2.44 tCO₂e/NT\$ million of revenue, decreasing by 3.17% compared to 2022. Scope 2 emissions accounted for most of the carbon emissions of our plants in Taiwan. Therefore, energy conservation is the top priority for reducing carbon emissions. The Company also actively evaluates renewable energy installations and collects information from the local green electricity market, hoping to reduce Scope 2 carbon emissions by improving energy efficiency and using renewable energy. The Scope 3 carbon emissions of overseas subsidiaries were much higher than those of other scopes. Therefore, all overseas plants are committed to supply chain management. By strengthening the control of the carbon factor of raw materials by suppliers, the procurement and design departments of each plant also source and design products from the source to replace existing materials with green materials, minimizing the environmental impact. For carriers, the carbon emission factor is also taken as a key consideration to realize low-carbon transportation and business travel, and the Company will continue to build a low-carbon value chain in the future together with suppliers. [Refer to 2.2.3 Developing Carbon Reduction Actions below for details]

Group Scope 1 Carbon Emissions ↓ 52%
Group Scope 2 Carbon Emissions ↓ 16%
Total Group Carbon Emissions (Scope 1 + 2) ↓ 18%
Carbon Emission Intensity ↓ 4%

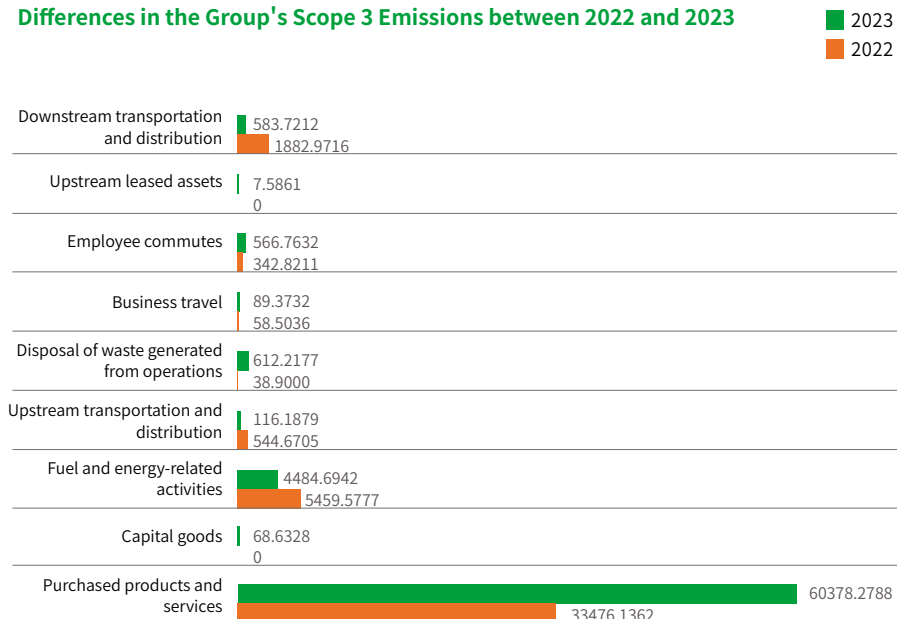
Percentage of Group-wide Scope 1, 2, and 3 Carbon Emissions in 2023



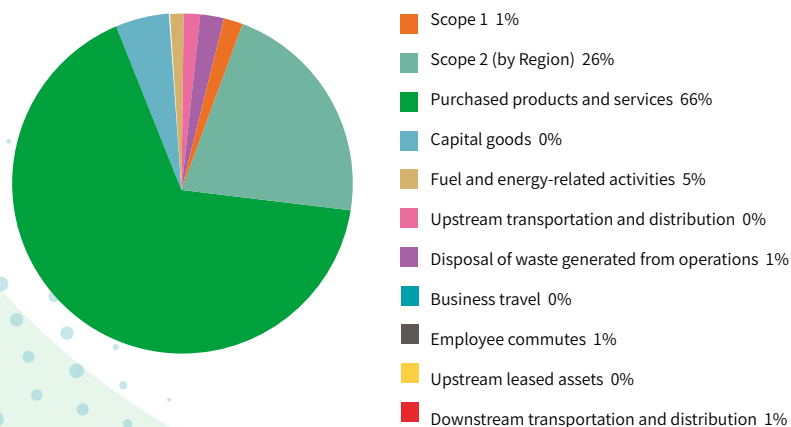
Percentage of the plants in Taiwan Scope 1, 2, and 3 Carbon Emissions in 2023



Differences in the Group's Scope 3 Emissions between 2022 and 2023

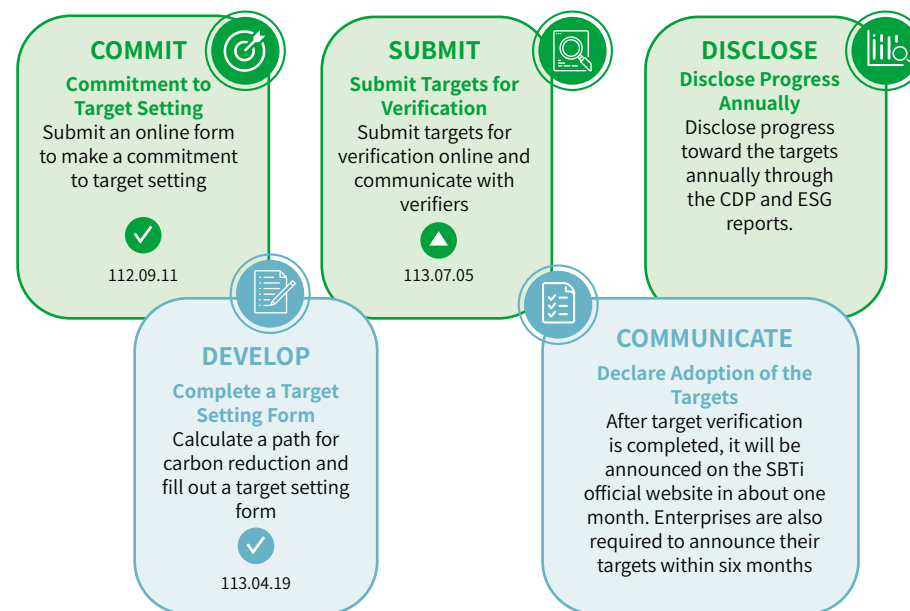


Distribution Group-wide Carbon Emissions in 2023

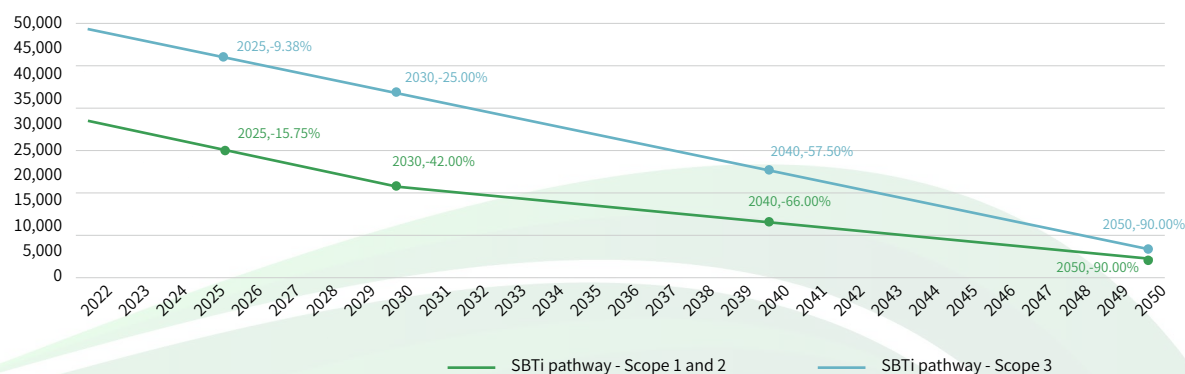


2.2.2 Setting SBTi Targets

As part of SZS's sustainable development journey, the Company officially submitted a letter of commitment to the Science Based Targets Initiative (SBTi) in September 2023. This letter of commitment represents SZS's commitment to addressing climate change and affirms our great determination to reduce GHG emissions.



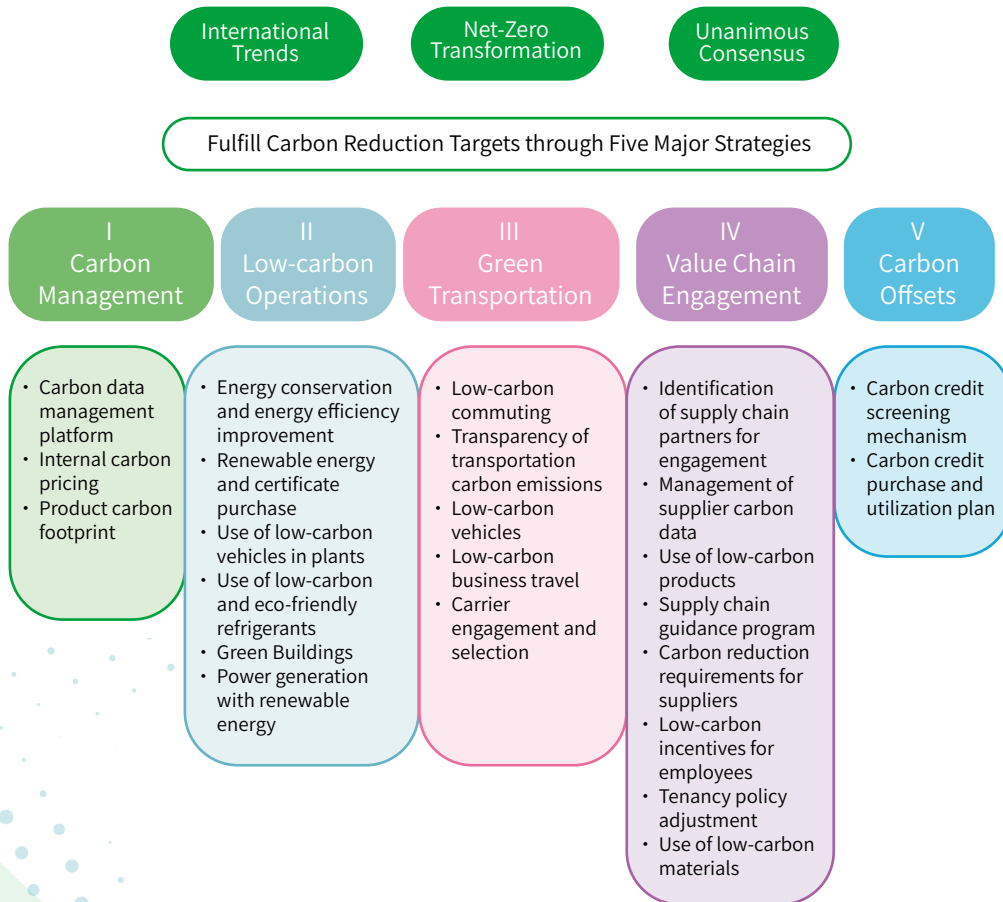
SZS Net-Zero Goal and Roadmap



2.2.3 Developing Carbon Reduction Actions

SZS developed five major strategies with a total of 24 action plans, which were divided into short-, medium- and long-term plans depending on the Group's current status and operational priorities. After communication with relevant departments, KPIs are set to review each action from time to time and make timely adjustments based on the actual situation.

Carbon Reduction Strategy Blueprint



Scope 1 - Reduction of Direct Emissions from Plants

- Reduce fuel consumption and direct carbon emissions through the electrification of vehicles and the use of alternative fuels
- Gradually replace refrigerants with low-carbon eco-friendly refrigerants to reduce fugitive emissions

Scope 2 - Renewable Energy Acquisition and Efficiency Improvement

- Gradually increase the use of renewable energy, either through self-generated energy or purchased green electricity
- Invest in the research and development of low-energy consumption processes to improve energy efficiency and reduce total electricity consumption.

Scope 3 - Strengthening Supply Chain Management

- Identify key suppliers, set supplier carbon reduction targets, and include them in the annual supplier audit items
- Control the carbon factors of suppliers' raw materials, and gradually reduce the carbon content of products to reduce Scope 3 emissions.



Awards and Honors

Received a B rating for both the CDP climate change and water resource questionnaires in 2023

2.3 Energy Management

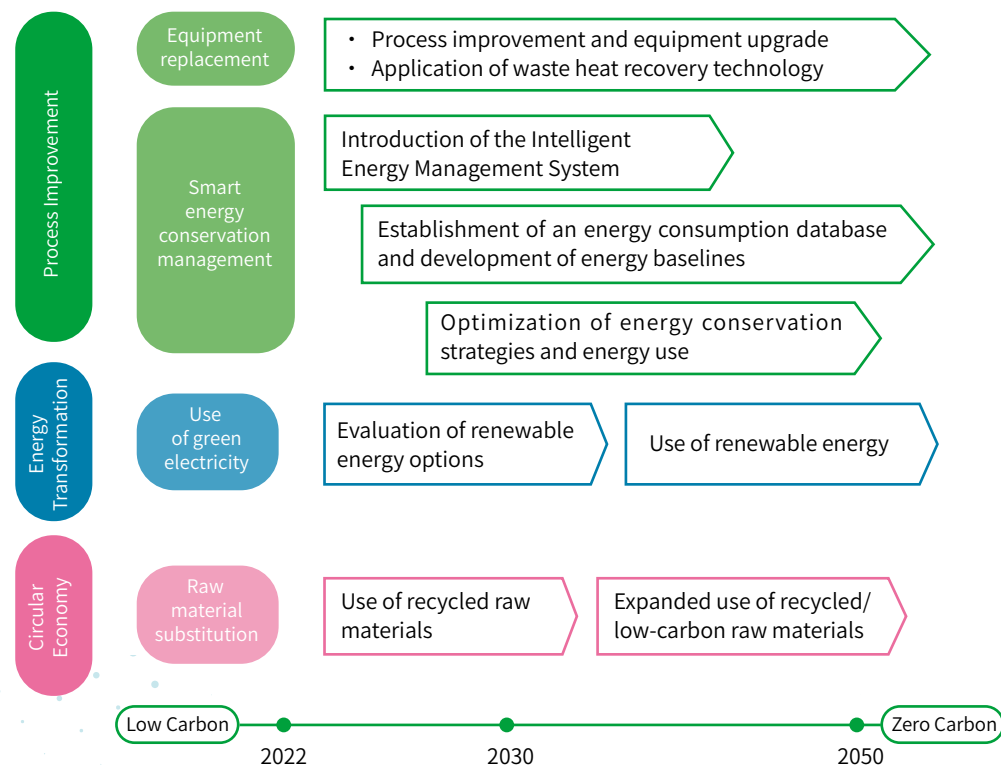
2.3.1 Energy Policy

For our energy management policy, besides upgrading equipment and adopting high-efficiency energy-saving equipment to reduce energy consumption, we also optimize production processes and reduce waste to improve the energy utilization rate. The introduction of advanced automation technology is also key, which not only improves production efficiency, but also significantly reduces energy usage.

In terms of energy transition, SZS actively increases the proportion of renewable energy use, e.g. by installing solar panels and energy storage equipment and considering other renewable energy options, in order to reduce the dependence on fossil fuels. In addition, energy recovery technology is implemented as much as possible in the manufacturing process to convert waste heat into useful energy and further improve energy efficiency.

In recent years, SZS has put continuous efforts to reduce energy consumption, prolong the life of materials, and reduce waste through procurement, the use of renewable raw materials, and the promotion of a circular economy, thereby achieving efficient energy management and reducing carbon emissions.

Energy Management Roadmap

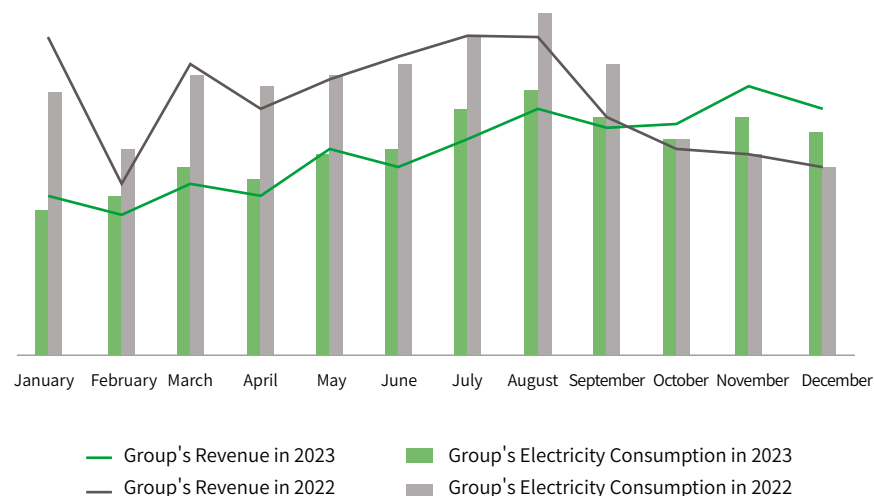


SZS actively promotes energy reduction measures, and has developed an energy management roadmap as a carbon reduction indicator in three major aspects: process improvement, energy transition, and circular economy.

To ensure the effective implementation of the policy, SZS regularly conducts energy analysis and performance evaluation, and has established a dedicated energy management department to monitor and optimize energy use. Employee training and awareness raising are also important. The Company regularly organizes training and awareness-raising activities to improve employees' energy conservation awareness and skills.

2.3.2 Energy Use

The Group's Electricity Consumption



Note 1: The above are in kWh

Note 2: The scope of the statistics covers SZS Group, including the headquarters and overseas subsidiaries.

In 2022 and 2023, SZS Group's power consumption was correlated positively to the revenue, which means that with the expansion of the Company's business, the utilization rate of production lines and equipment increased, and the power consumption also increased accordingly. This positive correlation reflects the Company's continuous demand for energy for production and operating activities.

Although there was a positive correlation between power consumption and revenue, the Company is aware of the importance of energy management. Therefore, we will continue to be committed to implementing energy-saving measures and technological innovation to improve energy efficiency. By using more energy-efficient equipment, optimizing production processes, and strengthening employee training, we will strive to decouple power consumption from revenue and achieve sustainable development of operations, which will help reduce production costs and enhance competitiveness while minimizing the environmental impact for a win-win situation.

Internal Energy Consumption and Intensity

Energy		2022		2023	
		Plants in Taiwan	Plants in China	Plants in Taiwan	Plants in China
Indirect energy	Purchased electricity	181,692.73	17,221.16	154,871.19	15,768.00
Direct energy	Natural gas	396.74	0	43.87	0
	Liquefied petroleum gas	2,777.68	28.92	1,744.31	30.20
	Car gasoline	1,049.71	242.59	1,077.08	253.11
	Diesel fuel	198.57	950.00	179.26	730.47
Subtotal (Unit: GJ)		186,115.43	18,442.67	157,915.71	16,781.78
Revenue (NT\$ million)		8,567.00	3,255.00	7,367.00	2,701.00
Internal energy intensity (total energy used/revenue)		21.72	5.67	21.44	6.21
Difference from 2022		-	-	Decreased by 1.29%	Increased by 9.52%

Note 1: The above are in GJ (gigajoule)

Note 2: The scope of the statistics covers the headquarters in Taiwan and overseas subsidiaries.

Note 3: The heating value of energy is quoted from the "2015 Annual Energy Statistics Report - Heat Content of Energy Products." Electricity: 860kcal/kWh, natural gas: 9,000 kcal/M3, LPG: 12,062 kcal/kg, gasoline: 7,800 kcal/L, diesel 8,400 kcal/L. 1 kcal is equal to 4.184KJ (kilojoule).

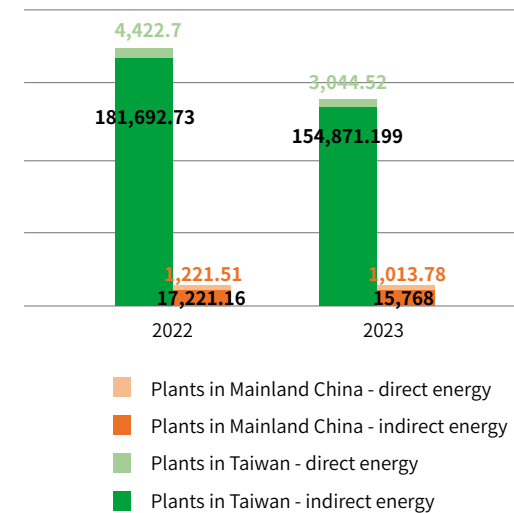
Note 4: Currently, as the installation of renewable energy is in process, no renewable energy is used. There is also no sale of energy.

Note 5: Total energy consumption includes heating consumption and cooling consumption.

Note 6: Organization-specific metrics (denominators) are per NT\$1 million of revenue.

Note 7: The energy consumption within the organization is adopted. Total energy consumption includes heating consumption and cooling consumption.

Energy Distribution in 2022 and 2023



Performance Highlights

Group Energy Usage ↓ 15% Energy Intensity ↓ 0.3%

2.3.3 Energy Conversation Plans

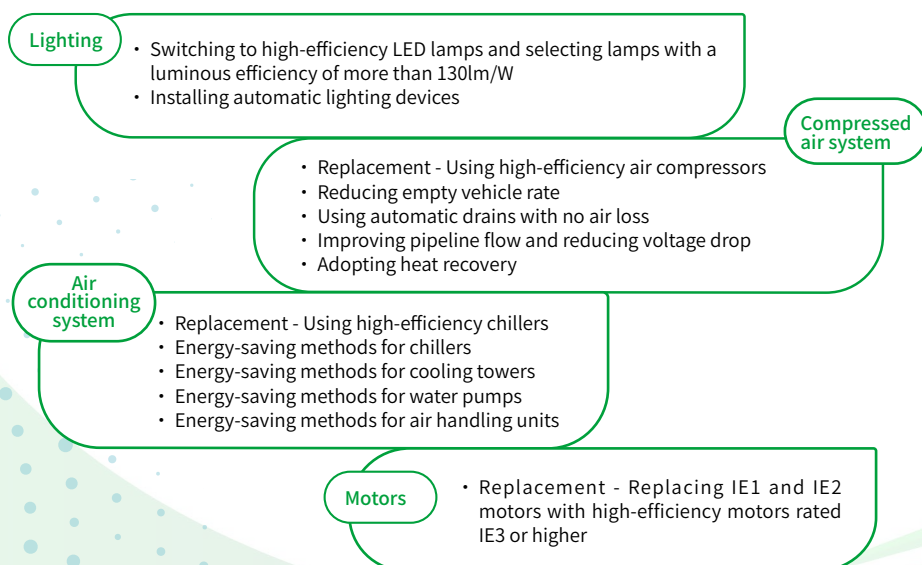
In the Energy Conservation Action Plan, SZS Group aims to reduce energy consumption, improve energy efficiency, and achieve energy conservation and emissions reduction by reviewing the efficiency of four major plant measures: lighting, compressed air system, air conditioning system, and motors.

First, lighting is an integral part of the daily production activities of enterprises, but traditional lighting systems have the problem of wasting energy. In order to solve this problem, in recent years, we have upgraded the lighting systems of our plants in Taiwan and China by replacing traditional lighting equipment with energy-efficient LED lamps. LED lamps with longer service life, lower energy consumption, and higher luminous efficacy can significantly reduce the energy consumption of lighting systems, improve lighting quality, and create a more comfortable working environment.

Secondly, compressed air systems are important energy consumers in the electronic parts manufacturing industry. We reduce the energy consumption of compressed air systems by replacing old systems with new ones, regularly inspecting and maintaining air compressors, and optimizing the operating parameters of air compressors. We also install energy-saving equipment, such as inverters and heat recovery devices, to further improve the energy efficiency of compressed air systems.

In addition, air conditioning systems are considered for replacement after 10 or more years of service, and often cause energy waste in manufacturing industries. To improve the energy efficiency of air conditioning systems, we plan to implement energy-retrofits, including cleaning and replacing the filters in the air conditioning equipment, adjusting the operating parameters of the air conditioning system for optimal performance, installing an intelligent control system for precise regulation, and adjusting the indoor temperature and humidity based on actual needs, in order to further reduce energy consumption.

Lastly, motors play a key role in many industrial manufacturing processes, but they often suffer from low energy utilization efficiency. Therefore, in addition to selecting energy-efficient motor equipment, it is even more important to ensure the implementation of regular motor inspection and maintenance to detect and handle abnormalities in a timely manner so as to reduce energy waste and effectively lower operating costs.



Energy Conservation and Carbon Reduction Actions in 2023

Power conservation

- Plants in Taiwan - The program for acceleration of back pressure cooling for vacuum sintering furnaces saved 136,091 kWh (489.69 GJ) of electricity in 2023.
- Plants in Taiwan - The introduction of a heat pump system into manual lines replaced eight heaters for full power heating.
- Suzhou Plant - Non-modular core switches were replaced. The monthly electricity consumption of the old switches was 1,440 kWh and the new ones' was 504 kWh, saving 65%, with a monthly electricity saving of 936 kWh and an annual electricity saving of 11,232 kWh (40.42 GJ).
- Suzhou Plant - The fixed frequency air conditioners in the plant were replaced with inverter air conditioners to save electricity consumption by 20%, with a monthly electricity saving of 8,237 kWh and an annual electricity saving of 98,844 kWh (355.66 GJ).

Heat energy

- Plants in Taiwan - A heat energy recovery introduction device was added to transfer the water in the degreasing tank to the furnace mouth for heating through a pipeline and then guide it back to the degreasing tank to reduce the electricity consumption of the heater.

Low-carbon vehicles for business travel

- Chongqing Plant - High-speed rail (public transportation) is used to replace company cars for business travel.

Electric vehicles in plants

- Chongqing Plant - Electric forklifts are used to reduce the use of fossil fuels.

Low-carbon and eco-friendly refrigerants

- Chongqing Plant - All air conditioners and refrigerators were replaced with those using eco-friendly refrigerants (R32, R410A).

Management model

- Chongqing Plant - Partition walls are added in the workshop, and lighting and air conditioning fans are not used in unopened areas to reduce power consumption.

Note 1: GJ means gigajoule

2.3.4 Future Renewable Energy Planning

Although SZS is not yet a "large electricity consumer" as defined in the "Renewable Energy Development Act" of the Ministry of Economic Affairs, we are committed to developing diversified energy management plans in order to reduce our environmental impact, effectively attain the Company's carbon reduction goals, and achieve corporate sustainable development. Our renewable energy plans currently under evaluation include:

1. Installing renewable energy power generation equipment: Installing solar power equipment in the existing plants or land.

2. Installing energy storage equipment: Installing solar energy and energy storage equipment to effectively overcome the disadvantages of renewable energy such as volatility and intermittency.

3. Purchasing green electricity and renewable energy certificates:

3-1 Purchasing green electricity from renewable energy providers and wheeling the green electricity through Taipower.

3-2 Purchasing green electricity from renewable energy sellers and wheeling the green electricity through Taipower.

2.4 Water Resource Management

The impact of extreme climate events in recent years on water resources has led to unstable supply, deterioration of water quality, and increased risks in the production and operation of manufacturing industries, such as frequent alternation of floods and droughts. The adequacy and quality of water resources are critical to the production efficiency and product quality of manufacturing industries. Therefore, how manufacturing industries improve water resources management to maximize the benefits of available water resources without causing environmental burdens and reduce the risk of water supply and production disruptions is a major challenge for companies in various countries, and it is also the direction that SZS has been paying attention to and working hard in over the years.

As a multinational manufacturing business, to address the potential risk of water shortages, SZS Group has gradually introduced management practices such as conservation and recycling, actively identified weak points in water use, and proactively increased water conservation and equipment recycling benefits. The Group has also progressively identified and analyzed the water risk factors of each site and explored the possibility of reducing the impact on the surrounding water environment, so that each site of the Group can effectively reduce costs, comply with regulatory requirements, enhance the brand image, and reduce environmental impacts according to local water resources.

2.4.1 Risk Identification, Analysis and Response

Establishing a Risk Identification Mechanism to Assess Impact

In order to grasp the water resource risks of each production area of the Group, we used the Aqueduct water risk tool developed by the "World Resources Institute," an environmental protection think tank based in the US, to conduct water resource risk analysis for major plants as a basis for SZS' s responses to water crises, such as formulating own decisions, ensuring the organization's response measures and capabilities, and identifying and setting preventive measures in advance. SZS will continue to evaluate, propose, and adjust strategies for the supply chain and high-risk production areas in the future. According to the identification results in 2023, the water resource risk level of the plants in Taiwan was

low-medium, while of the five production areas in China, one had a low-medium risk level, two had a medium-high risk level, and two had a high risk level. The World Resources Institute' s report released in 2023 indicated that half of the world's population (about four billion people) experiences "high" water shortage for at least one month every year and predicted that by 2050, the proportion of the affected population will increase to nearly 60%, showing it is still necessary to take water resource risks as a consideration for corporate sustainable actions.

Plant	Risk Classification				
	Low (0-1)	Low-medium (1-2)	Medium-high (2-3)	High (3-4)	Very high (4-5)
Plants in Taiwan		●			
SZS (SUZHOU)				●	
SZS (CHONGQING)		●			
KUNSHAN JENGJEA				●	
REDSTAR (FUQING)			●		
DONGGUAN CHENGYUE			●		

Taiwan Headquarters and Business Locations

Currently, most of our business locations in Taiwan are located in New Taipei City. According to risk analysis, the risk of water shortage in these areas is low, that is, about a 20%-40% chance of water shortage in a year.

According to the analysis results, although there is no risk of water shortage for the time being, the Company will evaluate current and future water consumption and water shortage conditions to continuously improve water resource utilization and resistance to water shortages, thereby achieving the goal of sustainable water use.

We continue to assess and revise strategies and increase improvement approaches based on the risks faced by each plant annually. We have increased process water recycling efficiency by improving the recycling system, expanded the density and utilization rate of reclaimed water pipelines or reduced the dependence on tap water through rainwater harvesting, and gradually improved the wastewater system to minimize environmental impacts, so that optimal adjustments can be made before risks strike to achieve water resource sustainability.

Overseas Business Locations

Our overseas business locations are in Suzhou, Kunshan, Dongguan, Fuqing, and Chongqing in China. Suzhou and Kunshan are located at the end of the Yangtze River Basin, and due to climate change, the rainfall has decreased by about 40% since 2022, and the tributaries of each drainage system are in danger of drying out. As a result, the water risk level of these two plants has reached High, which means there is about a 60%-80% chance of water shortage in a year.

Based on the analysis results, it was found that plants with a high water shortage risk have higher water use intensity than the Group as a whole. Therefore, strategies should be immediately formulated to analyze the current water consumption status of the business locations, and improvement plans should be made based on the water consumption characteristics and water sources of the plants.

It is expected that data on the exact water use status and proportion will be available next year. Depending on the characteristics of each plant, we can focus on the reclamation and recycling of water. On the premise of complying with local laws and regulations, we should reduce the water consumption demand of each plant and cope with major droughts in advance to realize business continuity.

2.4.2 Water Resource Utilization Analysis and Implementation Results

Implementing Water Use Management

In order to achieve the UN's SDG 6 "Water and Sanitation" and SDG 13 "Climate Action," SZS has integrated the environment, economic development, and employee well-being for discussion, and is making every effort to give all employees and stakeholders access to clean water and discharge water in an eco-friendly way.

1. Ensuring water hygiene

100% of the drinking water in the Company's plants in Taiwan is tap water filtered and boiled three times to ensure compliance with the drinking standards stipulated by local laws. The drinking water fountains are cleaned once a month, and third-party water quality testing bodies are commissioned at least quarterly to conduct water quality testing (for *Escherichia coli*).

Result description: Drinking water is widely available in each plant, and employees feel safe drinking.

2. Water conservation

Based on the environmental management systems (ISO 14001:2015), SZS Group continues to implement water resource management in its production areas in Taiwan and China. Through data-based and systematic control, the water resources of all production plants are under control and managed. The Group will continue to promote measures to improve water quality and conserve water resources.

In addition to replacing old pipelines and improving the efficiency of wastewater recycling and reuse measures, our headquarters and production areas in Taiwan also continue to improve processes to reduce the wastewater generated, and use water from the same source as that for the respective processes in cleaning operations without affecting product yield, gradually fostering a water use culture among employees.

For our production areas in China, relevant countermeasures have also been initiated for Chongqing Plant and Suzhou Plant, where the risk of water shortage is higher, including reusing air-conditioning condensate water not in contact with production for plant cleaning and maintenance to reduce water use. In addition, Suzhou Plant discovered leaks in the underground pipelines during the water resource inventory process. After the repair, the annual water consumption can decrease by about 30%. Each production plant has also included daily management and education as their water resource goals. For items that consume a large amount of water, such as production and domestic water, relevant recycling measures will be implemented and a reclaimed water system will be used. These are SZS Group's goals at this stage.

Result description:

Recycling

- Plants in Taiwan - Used for the washing tank after degreasing, with 2.4 tons of wastewater recycled every day.
- Chongqing Plant - 74.88 metric tons of air-conditioning condensate water is stored per year for cleaning and reuse to reduce water consumption.

Wastewater reduction

- Plants in Taiwan - Pure water equipment were updated to reduce wastewater generation by 10%.

Water consumption reduction

- Suzhou Plant fixed the leaking underground firefighting pipeline to prevent the loss of 2,200 metric tons of fire fighting water every month.

3. Pollution monitoring

In addition to water meters in wastewater equipment, the plants in Taiwan installed water meters for evaluation in process areas and pipelines, gradually completing the operations before the installation of a water balance system in the respective plants. Water meter reading is performed every day during production to control water consumption.

In wastewater and reclaimed water, the pollution items that have a greater impact on water quality (chemical oxygen demand, suspended solids, nickel) are analyzed and recorded every day to ensure that the quality of discharged water complies with the laws and regulations and keep track of trends in pollution values to look for areas for continual improvement.

Result description: We review pollution trends and improve water consumption efficiency through regular meter reading and water quality analysis to reduce unnecessary waste.

4. Gradual reduction

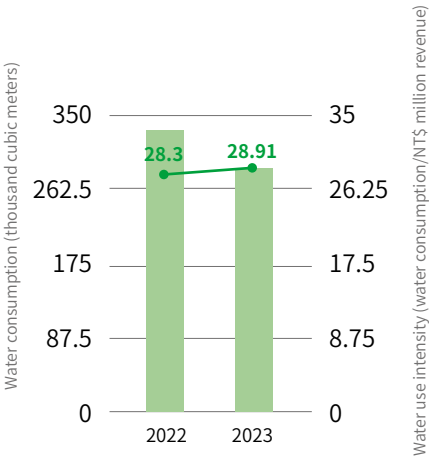
Our plants in Taiwan analyze key pollution items on a daily basis through pollution monitoring and use the analysis results as an important indicator for improving water quality and mitigating pollution. They conduct analysis and make adjustments based on known trends to gradually optimize the use of equipment and achieve the best removal rate. By doing so, the plants can handle the irregular discharge of unfixed amounts of water at various concentrations from the production line to reduce the negative ecological impact caused by sewage release.

Result description: A third party is regularly commissioned to perform wastewater, reclaimed water, and rainwater testing to ensure that the load and impact on the surrounding water bodies are minimized.

Water Use Intensity

In 2023, tap water was the main water source for our headquarters and production areas in Taiwan, which was mainly used for non-contact cooling water, cleaning water, and domestic water (about 70%), and the proportion of process wastewater and reclaimed water was relatively low (about 30%). In 2023, the total water withdrawal of the entire Group was 291.090 thousand cubic meters, the total water discharge was 50.46 thousand cubic meters, and the total water consumption was 136.234 thousand cubic meters. There was a slight increase in the group-wide water use intensity, but overall, the difference from 2022 was not significant, which also conforms to the description in the water consumption survey, indicating that when the process and production capacity decrease, the utilization rate of manpower, required cleaning water, and cooling water also decrease. Therefore, in the future, we can focus on non-contact cooling water, cleaning water, and domestic water to make improvements for more pronounced water-saving effects.

Water Consumption and Water Use Intensity during 2022-2023



Performance Highlights

Total Group Water Withdrawal ↓ 13% Group Water Reuse ↑ 4%

Water Reclamation Performance

In line with the Group's phased water resource management plan, we gradually improve water resource utilization efficiency. At the current stage, we continue to use the membrane filtration technology to produce reclaimed water for process cleaning water in our plants in Taiwan. Two sets of water reclamation systems, also known as DCI systems, are installed in the plants for the purpose of reusing process wastewater.

SZS' s reclaimed water comes from chemical plating washing water. To reduce water consumption and lower the impact of wastewater on the environment, the reclaimed water is produced by the DCI systems and used as washing water in the vibration grinding area and as water for toilet flushing.

Comparison of Process Wastewater Reclamation in the Past Two Years

Year	Wastewater volume (thousand cubic meters/year)	Reclaimed water volume (thousand cubic meters/year)	Percentage of process reuse	Percentage of non-process reuse
2022	57.06	4.91	26%	74%
2023	55.59	5.13	20.71%	79.29%

This year's overall production capacity decreased due to global trends. Both the wastewater volume and the percentage of process reuse decreased with the reduction in production capacity. To increase the reclaimed water production efficiency, we have added multiple monitoring points to the front-end tank of water reclamation systems in order to check the electrical conductivity before reclamation, and initiate operation when the desired reclamation efficiency can be achieved. This can not only reduce the cost of replacing consumables, but also improve the reclaimed water production efficiency. Therefore, although the time of use of reclaimed water in 2023 was less than that in 2022, the volume of reclaimed water produced in 2023 was higher than 2022. In addition, as the results of additional water quality monitoring showed that the reclaimed water quality was declining, in order not to affect product yield and personnel health, the DCI membrane tubes of the filtration body were replaced. It is estimated that after the replacement, the water reclamation efficiency can be improved by more than 5%, and the produced water quality can further meet effluent standards, greatly reducing personnel and environmental pollution. About NT\$6 million was invested in wastewater pollution prevention and mitigation this year.

This year, the proportion of non-process reuse of reclaimed water for toilet flushing in our plants in Taiwan increased, making the plants' water consumption fall below the threshold of large water users as defined by the Water Resources Agency, Ministry of Economic Affairs. To step towards sustainable development, we will continue to promote water resource measures, take rainwater harvesting into consideration, set up electronic water meters for pipelines connecting the water source to the endpoint, and plan the connection of these meters, hoping to effectively manage water resources and create sustainable circular value.

Waste/Sewage Management

None of SZS Group's production areas in China produce process wastewater. Currently, only our two production areas in Taiwan, Shulin Manufacturing Plant and Sanjun Manufacturing Plant, are required to obtain water pollution permits under regulations. We will continue to voluntarily follow requirements stricter than laws and regulations. In view of the importance of water resources management, besides installing chemical plating wastewater reclamation equipment, we collect highly polluting wastewater such as chemical polishing, pickling, vibration grinding, and degreasing wastewater for treatment, pump treated water through the calibrated and approved flow meter, and discharge it into the waste/sewage treatment facilities set up in the plant. Every year, we continue to invest in improvements and implement environmental protection measures. In addition to commissioning a third-party impartial organization for testing, we also regularly make reports according to environmental protection laws and regulations to ensure that there is no significant impact on the environmental load of surrounding water bodies.

To achieve the goal of sustainable operations and meet stakeholders' expectations, the Company continues to optimize and consider operator safety, continuously improves wastewater treatment efficiency, and strives for water resources management. In 2023, to enhance the removal rate of nickel, a major pollutant, we worked with pharmaceutical companies to adjust chemical ratios for a comprehensive chemical change without altering the main composition. This allows Shulin Manufacturing Plant with higher wastewater discharge to have an effluent concentration of nickel far below effluent standards despite of an increase in water discharge. After the chemical change, the chemical oxygen demand (COD) and

suspended solids (SS) are also far below the effluent standards, achieving the goal of reducing environmental load.

With our efforts, we did not incur fines for violation of water pollution-related laws and regulations in 2023. We will continue to prevent and mitigate potential leakage or overflow risks, hoping to be more friendly to the environment and meet stakeholders' expectations. We aim to pass the permit review of government agencies to ensure that the wastewater operations in our plants comply with the regulations.

Discharge of Process Wastewater in the Past Two Years

Year	Plant	Process wastewater (thousand cubic meters)	Effluent concentrations (mg/L)			Effluent standards	Treated by	Receiving water body
			Chemical oxygen demand (COD)	Suspended solids (SS)	Total nickel (Ni)			
2022	Shulin Manufacturing Plant	Water discharge 44.49	23.60	5.22	0.23	COD:100 SS:30 Ni:0.7	Treated internally	Dahan River
	Sanjun Manufacturing Plant	Water discharge 12.30	49.45	<1.25	ND		Treated internally	Taliaokeng River
2023	Shulin Manufacturing Plant	Water discharge 50.46	16.1	3.8	0.1		Treated internally	Dahan River
	Sanjun Manufacturing Plant	Water discharge 7.81	13.7	12.7	ND		Treated internally	Taliaokeng River

Punishment date	Punishment notice no.	Regulatory provisions violated	Punishment description	Estimate of expenses that could be incurred currently and in the future	Countermeasures
111/01/06	New Taipei City Environmental Inspection Document No. 1102525466 Disciplinary notice no. 30-111-010006	The suspended solids value of the water discharged from the Company's Shulin Manufacturing Plant did not meet the effluent standards, which was in violation of Article 7, Paragraph 1 of the Water Pollution Control Act and Article 2 of the Effluent Standards.	A fine of NT\$252,000	NT\$252,000	The Company engaged an external contractor to cut off external drainage to mitigate the violation.

As shown in the table above, in 2023, SZS's plants in Taiwan did not receive any fines from the competent authorities for violating environmental protection laws and regulations, and the violation with punishment in 2022 was mitigated. In addition, as the fine paid accounted for a small percentage of the Company's operating revenue or shareholder equity, there was no significant impact on the Company's finance and business.

2.5 Waste Reuse

2.5.1 Reuse and Recycling

In view of reusing sustainable resources, the Company adheres to the circular economy concept of 4R (Reduce, Reuse, Recycle, and Recovery) as the foundation of waste generation and control.

We use ISO 14001 management systems for goal setting, execution, tracking, and improvement. By effectively tracking waste sources and generation, we promote various waste management measures (including resource utilization in plants and the selection of qualified waste disposal vendors and companies with reuse capabilities) through waste reduction and resource recycling. To ensure proper disposal of waste, high-risk waste disposal vendors are audited annually to determine permit validity, treatment equipment integrity, flows, and CSR performance or operational risks to make sure that they comply with the Waste Disposal Act and relevant environmental protection laws and regulations, as well as adhere to the spirit of ISO management, reducing the potential impact on the surrounding environment. In 2023, we completed waste clearance as well as disposal vendor assessment and changing based on the Company's contracting model to maintain the validity of waste contracts. This year, we assessed a total of 200 waste disposal vendors and contracted with eight vendors according to the law.

In the future, in addition to continuously promoting source reduction and waste recycling in plants, we will work hard towards the reuse rate target of 80%. With the ultimate goal of zero landfill and zero incineration, we will work together with the overall supply chain to reduce raw material costs, mitigate damage caused by the production process to the environment, and continue to implement the circular economy concept with innovative environmental protection technology projects.

External Reuse

The Company has taken the lead in the industry to prioritize ways to reuse various types of waste at the end of treatment, including extracting nickel oxide from nickel-containing sludge, recycling waste lubricating oil into fuel oil, using waste solvents as auxiliary fuels, and recycling metal. Implementing reuse can effectively mitigate the direct pollution and impact of waste on the environment and reduce the mining of raw materials, which is very helpful for the overall environment.

Comparison Table for Reuse in Plants in Taiwan

Item description	2022	2023
Hazardous waste reused (metric tons)	50.9045	65.65
General waste reused (metric tons)	678.198	542.74
Total waste reused (metric tons)	729.103	608.39
Total waste generated (metric tons)	792.053	762.18
Overall reuse rate	92.05%	79.82%

Note: In 2023, the global electronics industry was affected by the post-pandemic effect, labor shortage, material shortage, and high inventory, the overall orders declined, which also affected the proportion of waste metal reused (about 75%-80%, highest among all types of waste) by SZS Group. As a result, this year's overall waste reuse rate did not reach the set target of 80%, but the overall waste volume was also reduced.

Reuse achievements:

1. Reuse of damaged pallets

- Suppliers are asked to use pallets made of reusable materials, and pallets are returned for reuse after each delivery.
- Damaged pallets are recycled or reused to reduce environmental impact.



11.87 metric tons of damaged wooden pallets were disposed of through reuse



1.98 metric tons of plastic pallets were disposed of through reuse

2. Reuse of clean trays

- We use recyclable materials and consider designs using recyclable materials.
- Clean trays are recycled or reused to reduce environmental impact.

13.99 metric tons of trays were reused



3. Reuse and recycling of metal scraps

- We recycle metal scraps.



402.63 metric tons of metal materials were recycled

Recycling in Plants

In order to recycle the cutting oil additionally produced by the Company in the manufacturing of electronic parts and components across all plant processes, impurities are continuously filtered out to prolong the service life of the cutting oil and machines. We replace the cutting oil at the annual maintenance or when the tolerable production quality threshold is reached, and give it to legal reuse vendors for recycling into fuel oil. As the oil and water derived do not meet the criteria for reuse due to water content, they are given to disposal vendors for disposal of using other methods. Therefore, we have effectively reduced the consumption of cutting oil materials as well as the amount of waste, optimizing resource use and achieving the goal of source reduction.

1. Reuse of waste oil

- We recycle and reuse the used oil from high-precision electric discharge machines for rough electric discharge machines.
- We introduced a "quenching oil filter." When quenching oil enters the centrifuge through an auxiliary pump, the impurities in the quenching oil are separated at high speed and adhere to the inner wall of the cylinder. The treated quenching oil is then sent back to the circulation tank. This can reduce the cost of purchasing quenching oil and the cost of transportation and disposal of waste oil mixtures and waste lubricating oil.

2. Recycling of cutting tools. In 2023, the amount of waste tungsten steel decreased by a total of 692.2 kg.

Item	Tungsten steel and plastic boxes saved (pcs)	Weight of tungsten steel reduced (kg)	Weight of plastic boxes reduced (kg)	Reduction in purchase amounts (NT\$10,000)
Cutting for recycling	21,423	501.3	128.5	179.5
Saw blade, burnishing roller, and face recycling	5,510	128.9	33.1	205.8
Pin gauge grinding	2,428	62.0	15.9	83.5
Total	29,361	692.2	177.5	468.8

3. Recycling of residual materials



4. Disassembly and recycling of high-value materials after scrapping

- High-value recyclable materials, such as PLCs, servomotors, and power supplies, are disassembled for recycling after they are scrapped.



5. Transfer and reuse of trays within plants

- In the future, we may consider designing reusable trays to unify design specifications and dimensions.
- Only trays that can no longer be used or are damaged are disposed of through the reuse process.



Recycling by Suppliers

1. Recycling and reduction of waste chemical containers

- We assess the feasibility of recycling existing chemical containers.
- All chemical containers that cannot be reused are recycled to avoid environmental pollution.



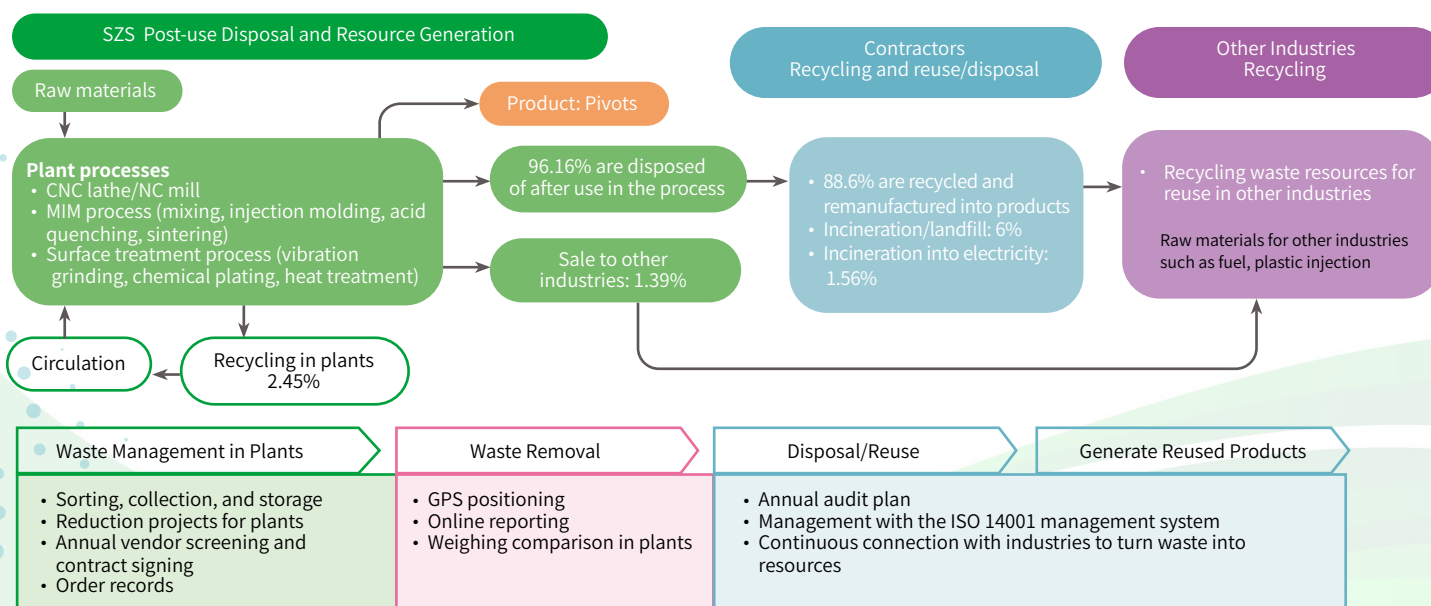
1.98 tons of plastic chemical containers were recycled and reused.

2.5.2 Results of Waste Management and Reduction Implementing waste management

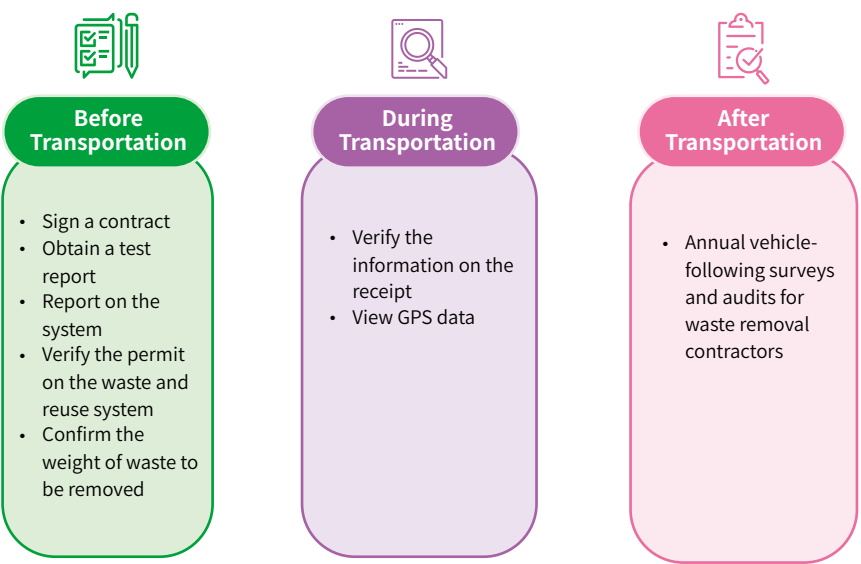
For the sustainable use of resources and the implementation of proper waste disposal, SZS continues to subdivide the waste generated by plants in an attempt to identify recyclable resources. Besides external reuse, we also explore options for a circular industrial chain. With controls for Zero Waste to Landfill under UL-2799, we only dispose of waste through energy production by incineration when necessary, and all the other waste is recycled and reused. The diversion rate of the plants in Taiwan has reached more than 90%.

SZS Group continues to implement various waste reduction measures, including the reuse of oil products, the reuse of packaging materials, and the adjustment of processes to reduce the use of raw materials and the generation of waste oil. For the waste generated by each plant, we select qualified third-party clearance and disposal organizations for each removal through the annual supplier screening model. The plants also report temporary storage, generation, and manifests online on time and according to regulations.

Circular Waste and Resource Management Process



Explanation of the Management Process for Third-party Garbage Disposal



Waste Generation Distribution

In 2023, the total amount of waste removed from SZS’ s plants in Taiwan was 762.18 metric tons. 608.39 metric tons were recycled and reused, accounting for 79.82% of the total waste. The total amount of waste treated by third parties was 153.79 metric tons. The waste intensity was 10.35metric tons/NT\$ million of revenue, with an increase of 11.9% compared to 2022 (9.25 tons/NT\$ million of revenue). The reason was that the Company’s production capacity decreased and the quantity of metal-related raw materials used reduced, and metals are heavier, leading to this year’ s decreased reuse volume and an increase in the overall intensity compared to 2022.

Volume of Waste Removed from Plants in Taiwan in 2023

Hazardous waste	Generation (metric tons)	Recycling (metric tons)	Direct disposal (metric tons)
Electroplating sludge	65.65	65.65	0
Waste solvents	5.06	0	5.06
Waste acid solutions	0	0	0
Subtotal	70.71	65.65	5.06

General waste	Generation (metric tons)	Recycling (metric tons)	Direct disposal (metric tons)
Waste lubricating oil	21.22	21.22	0
Waste oil mixtures	59.04	59.04	0
Inorganic sludge	3.95	3.95	0
Domestic waste generated from offices	147.71	0	147.71
Scrap iron	402.63	402.63	0
Recycling	22.13	22.13	0
Wooden pallets	11.87	11.87	0
Plastic pallets	1.98	1.98	0
Chemical containers	5.93	5.93	0
Clean trays	13.99	13.99	0
Dirty trays	1.02	0	1.02
Subtotal	691.47	542.74	148.73

Performance Highlights

Hazardous Waste Generation ↓ 30%

Total Waste Generation ↓ 4%

Source Reduction Results

1. Change of the mold design and removal of processes using stamping oil.
- 20% reduction in stamping oil consumption

CHAPTER

03

Common Good for the Value Chain

3.1 Supplier Management
and Evaluation

3.2 Supplier Risk Assessment

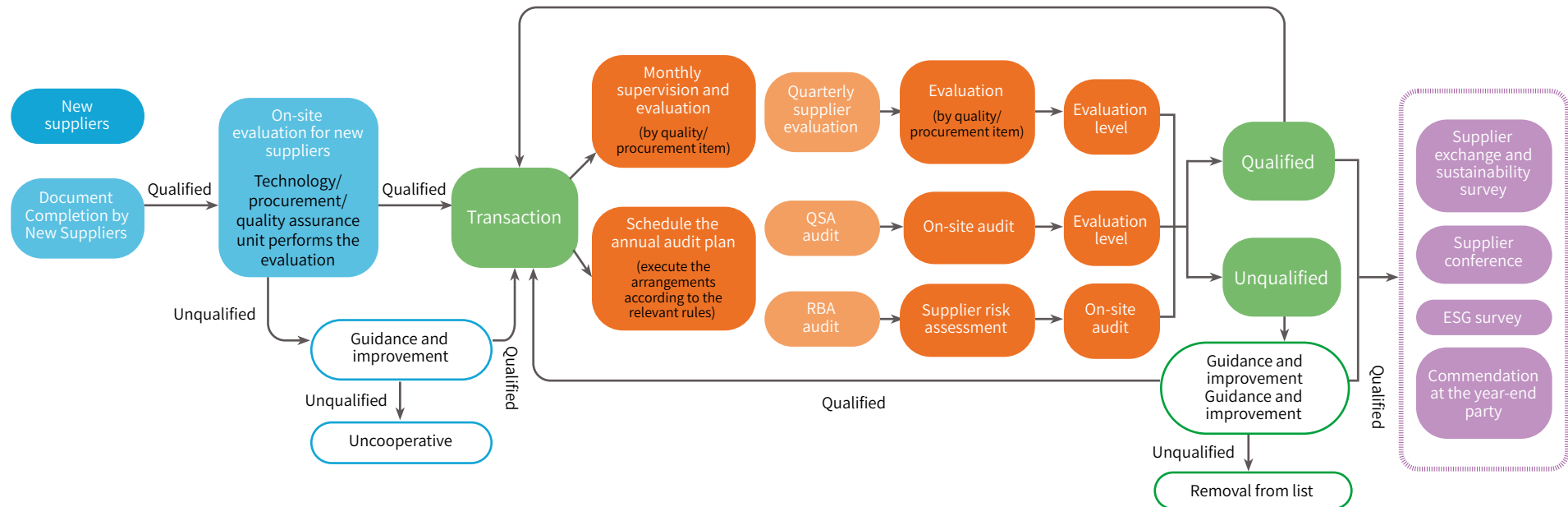
3.3 Sustainable Supply Chain

3.4 Quality Assurance System



3.1 Supplier Management and Evaluation

SZS produces products that are widely trusted by customers. Benefiting from suppliers' high-quality raw materials, materials, consumables, and related services, we have established a partnership with professional division of work and mutual cooperation. As the international market and society pay more attention to suppliers on ESG issues, SZS has further collaborated with suppliers to reduce potential social and environmental risks. This is our top priority in developing green operations.



3.1.1 Management of New Suppliers

According to SZS' s "RBA Supplier Communication and Management Regulations," new suppliers are required to sign letters of commitment based on their supply categories, such as the Letter of Commitment to Non-Use of Environmentally Hazardous Substances and the Letter of Commitment to REACH, to undertake that the products or parts and components they supply, including accessories, packaging materials, and other accessories related to product delivery, meet the requirements. If there is any violation of relevant regulations, SZS may claim termination or rescission of the contract, urging supplier partners to jointly address environmental and social issues and fulfill corporate social responsibility. In 2023, we had 10 new suppliers, and all of them signed the corresponding letters of commitments.

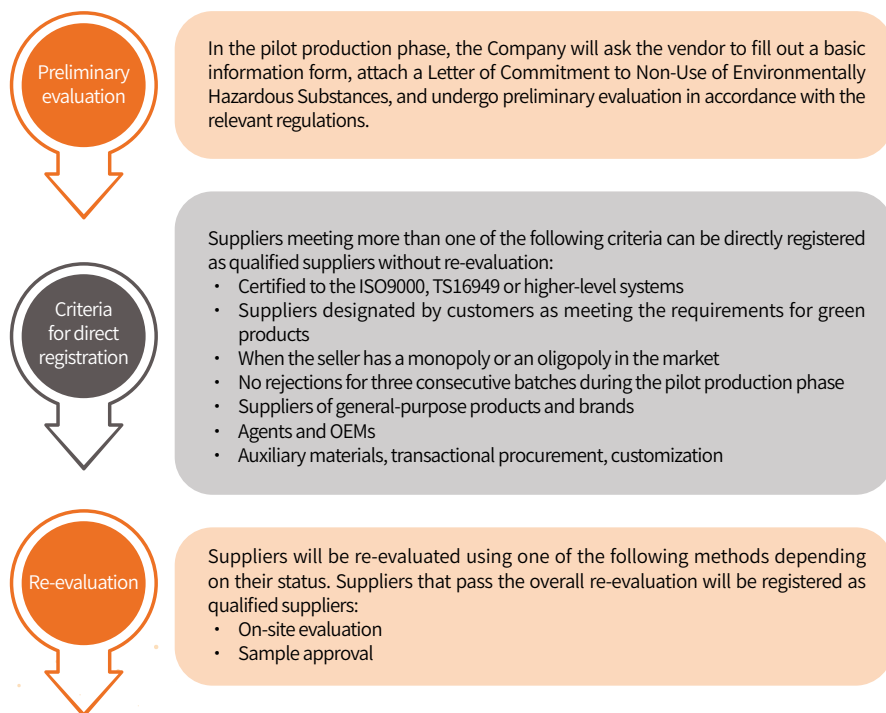


Sign the relevant commitment documents according to the supplier type:

- ◆ Non-disclosure agreement (NDA)
- ◆ Restriction of Hazardous Substances (RoHS) Directive
- ◆ Letter of Commitment to Non-Use of Environmentally Hazardous Substances
- ◆ Letter of Commitment to REACH
- ◆ Letter of Commitment to Supplier Social Responsibility
- ◆ Letter of Commitment to Integrity

Suppliers of raw materials, packaging materials, process aid materials, parts/components, outsourced finished (semi-finished) products, and surface treatment are subject to preliminary evaluation in the pilot production phase according to relevant regulations, and then are re-evaluated in accordance with the regulations. If a supplier passes the overall re-evaluation, it will be considered a qualified supplier; otherwise, the Company will provide guidance for improvement and conduct on-site evaluation again. If the supplier still fails the evaluation, we will cease collaboration with the supplier.

Supplier Evaluation Process



3.1.2 Supply Chain Management

To strengthen supply chain management, SZS has formulated relevant management regulations to conduct annual and quarterly evaluations for suppliers, and the evaluation team carries out written or on-site evaluations.

- Quarterly supplier evaluation

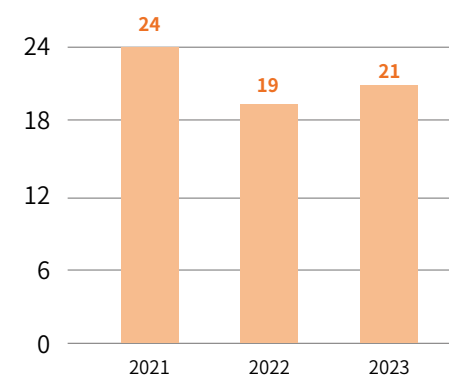
SZS conducts monthly supervision and assessment as well as quarterly evaluations in accordance with relevant regulations. The evaluations are mainly based on "quality items" and "procurement items," and ratings are given. If a supplier does not meet the standard, we will provide guidance to the supplier for improvement and conduct review at the supplier evaluation meeting.

- Annual supplier audit

For the annual audit of qualified suppliers, the Group-level Logistics Division determines which suppliers will undergo on-site audits in the following year according to the three criteria of "being in the top 80% in terms of the annual transaction amount," "having quality abnormalities," and "having abnormalities under environmental standards." The audit team consisting of the quality assurance and procurement groups will conduct on-site QSA audits. If there are any deficiencies, after receiving guidance for improvement, the supplier shall submit an improvement report within two weeks and undergo a second on-site audit for the deficiencies found in the previous audit. If the supplier fails two consecutive on-site audits, we will cease collaboration.

In 2023, we expected to and did conduct on-site QSA audits for 21 suppliers and written audits for 29 suppliers, with a supplier audit completion rate of 100%. According to the audit results, no major deficiencies and risks were found.

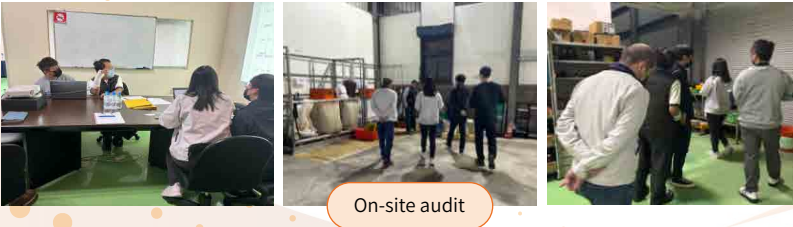
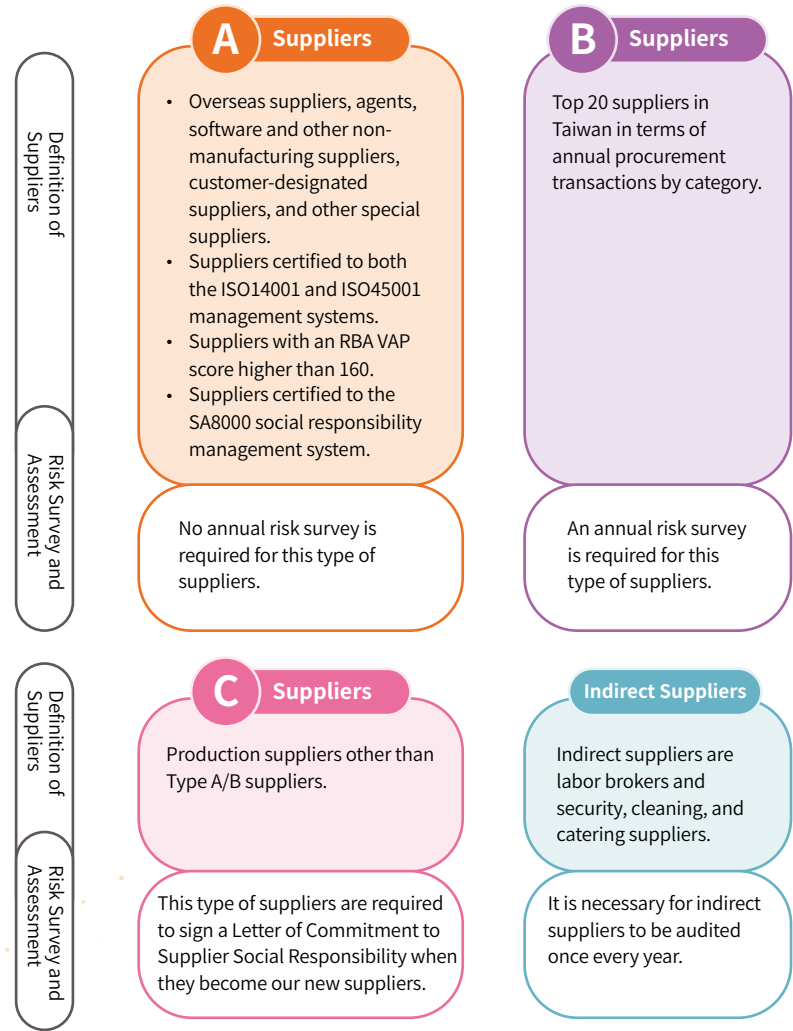
Number of Suppliers Audited On-Site during 2021-2023



In 2023, SZS obtained an RBA silver certificate. In compliance with the RBA management regulations, we classify suppliers based on the previous year's purchase amount, supplier type, and relevant ISO certifications under RBA standards and send a supplier RBA risk assessment form according to the classification to determine which suppliers will undergo on-site RBA audits in the following year. In addition, the Company requires indirect suppliers such as labor brokers and security, cleaning, and catering companies to undergo an on-site audit once a year. If a supplier is found to have major deficiencies in an audit, the Company will follow up on the deficiencies according to the evaluation results, provide guidance for the implementation of improvement work, and propose improvement plans and related information.

In 2023, a sample survey of 37 suppliers was conducted, and they were requested to reply to the "Supplier RBA Risk Assessment Form," with a response rate of 100%. 11 suppliers also underwent on-site evaluation, and the results showed that the suppliers were generally at low risk.

RBA Standards



3.1.3 Supplier Conference

In order to strengthen supply chain management, exert influence, and lead suppliers to implement corporate sustainable development, SZS holds a supplier conference at least once a year to promote the latest compliance matters and environmental requirements, and other regulations. The topics cover non-disclosure agreements and related clauses, quality policies and improvements, corporate social responsibilities, a brief introduction of SZS’ s hazardous substance standards, and the GP policy, and other important matters.



3.1.4 Supply Chain Technology Symposiums

SZS regularly discusses and exchanges with suppliers on issues related to technology, quality regulations, and environmental improvements. A total of five supplier exchange lectures were held in 2023, with 266 colleagues participating for exchange and discussion.



2023	Topic	Number of participants
March	Overview of Powder Metallurgy	67
April	Overview of Plastic Molding	63
July	Laser Welding Engineering Achievements and Technical Capacity	59
August	An Ongoing 3D Printing Design Movement in Taiwan	43
October	Introduction to FSC Certification	34

3.1.5 Commendation for Suppliers

In addition, based on the results of the annual audit and quarterly evaluation, we select the outstanding suppliers of the year and commend them at the year-end dinner party to demonstrate the importance we attach to the quality of supply chain management.



3.2 Supplier Risk Assessment

Since 2006, all products of SZS have been compliant with the EU RoHS directive. We have introduced the IECQ QC 080000 HSPM (Hazardous Substance Process Management, HSPM) standard process and management system and passed IECQ verification to ensure the effective management of prohibited and restricted substances in the green product process and make sure that all products are halogen-free (HF) and do not contain substances of very high concern (SVH) specified by the REACH regulations. We also require suppliers to attach a RoHS test report, the Letter of Commitment to Non-Use of Environmentally Hazardous Substances, Letter of Commitment to REACH, and Conflict Minerals Survey Form to be qualified as our supplier.

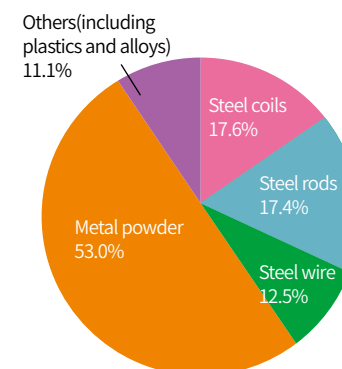
Prohibition of Conflict Minerals

SZS' s conflict minerals policy specifies that the Company must conduct due diligence in accordance with the OECD Guidelines and requires suppliers not to procure and use conflict minerals and to comply with RBA requirements. We have also established the "Supplier Management Procedures" to require suppliers to sign the "Conflict Minerals Declaration" to ensure that the minerals used in products: tantalum, tin, tungsten, gold, cobalt, mica, etc. do not bring economic benefits to countries and regions engaged in armed conflicts or illegal mining by exploiting human rights or using the worst forms of child labor. If any suppliers use the said minerals, they shall disclose the source of the minerals to ensure that effective improvements can be made with the suppliers on the use of conflict minerals in the future. At present, this policy has been incorporated as an imperative into supplier procurement management and product design. In 2023, we found that the materials from 13 suppliers contained tin, tantalum, tungsten, and gold, and all of them were required to respond to the "Conflict Mineral Declaration," with a 100% response rate.

Key Material Management

The key materials of SZS are steel coils, steel wires, steel rods, and metal powder, of which metal powder accounted for 53% of the overall raw material purchases. Monthly production and sales meetings are held to discuss the stability of material supply, supply volume, cost fluctuations, and regulatory restrictions to determine whether there is a raw material supply risk. If there is any sign of risk, we will make a response plan or implement planned material preparation to prevent production from being affected by late supply.

Distribution of Key Material Procurement in 2023



3.3 Sustainable Supply Chain

Sustainable Procurement

With rigorous supply chain management, we hope to promote the "quality" of local suppliers and prompt a leap forward in the "quantity" of local procurement. The proportion of raw materials purchased in Taiwan was more than 90% both in 2022 and 2023, namely 94% and 91%, respectively. Unless customers have designated overseas suppliers and in rare cases, we can obtain better procurement costs by directly purchasing from overseas manufacturers, the Company prioritizes purchases from local suppliers to reduce the risks of exchange rate fluctuations and goods being stuck in transit, as well as transportation costs and carbon emissions.

We consider the various impacts that purchased products have on the environment throughout their life cycle, and prioritize purchasing products that meet green procurement requirements and, in particular, are eco-labeled, including LED lamps, printer paper that meets the FSC standard, and cartons used as packaging materials. In 2023, the Company's green procurement amount was approximately NT\$8.91 million. We will continue to promote green procurement to demonstrate our firm determination to fulfill corporate social responsibilities, protect the Earth and the environment, and continue on the road to corporate sustainability.

Green Procurement Indicators

Domestic Marks and Labels							
Green Mark	Type II Green Mark	Carbon Footprint Label	Carbon Reduction Label	Energy Label	Water Efficiency Label	Green Building Material Label	Taiwan Wood Label
							

Foreign Marks and Labels			
Energy Star	FSC	PEFC	Countries that have signed mutual recognition agreements with Taiwan for eco-labeled products (such as the United States, Japan, Korea, the European Union, and Thailand)
			    

Green Procurement Items and Amount during 2021-2023

Year	LED lamps	Air conditioning	Markers	Air compressors	Printer paper	Cartons	Total
2021	311,435	8,493,573	30,722	6,378,189	157,997	1,032,492	16,404,408
2022	368,151	5,658,652	43,604	251,300	161,598	1,391,238	7,874,543
2023	305,470	2,277,186	26,832	5,244,790	114,931	941,725	8,910,934

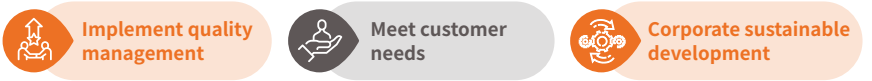
Note 1: All figures above are in NT dollars

SZS' s medium-to-long term supply chain management goal is to help suppliers obtain ISO certification, improve production efficiency, enhance the safety of employees' work environment, and effectively control product quality, working together towards corporate sustainability.

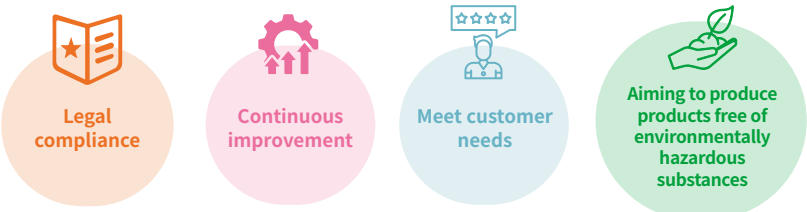
3.4 Quality Assurance System

We value product quality and customer needs. We have formulated a quality policy and a hazardous substance policy in the Quality Management Manual, striving to produce high-quality products free of hazardous substances.

Quality Policy



Hazardous Substance Policy



Quality Management System Certification

In September 2017, SZS Group was certified to the ISO 9001: 2015 QMS revision, and passed the regular follow-up audit in August 2023. The plants in Taiwan obtained certification for the IATF 16949: 2016 Automotive Quality Management System in April 2020. For the certificate renewal in March 2023, the certification was conducted by SGS and the certificate was successfully renewed. In terms of hazardous substance management, the Group was certified to the IECQ QC 080000: 2017 Hazardous Substance Process Management System revision in August 2019, and passed the regular follow-up audit in August 2023.



Certificates

Quality Inspection Equipment

The Company has complete equipment from advanced brands around the world for quality inspection, making us ahead of domestic peers, in order to meet customers' requirements for high-end products.



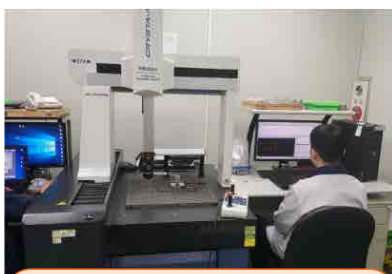
Industrial 3D computed tomography (CT)



3D optical profiler



High-precision optical measurement system



Three-dimensional measuring instrument



Roundness tester



BOWMAN coating thickness gauge



Roughness profiler



Life tester



Fluorescence spectrometer

SHIN ZU SHING PRECISION ELECTRON (CHONGQING) CO., LTD., which was just established in September 2022, obtained ISO 9001: 2015 Quality Management Systems certification and IECQ QC 080000: 2017 Hazardous Substance Process Management System certification in March 2023. Our headquarters in Taiwan started to plan for ISO 13485: 2016 Medical Device Quality Management System certification in the second half of 2023, hoping to expand the Company's product range.

In 2024, as the development of new models increases, SZS Group has invested NT\$25 million in the purchase of quality inspection equipment and reliability laboratory equipment, as well as the upgrade of fluorescence spectroscopy equipment for hazardous substance detection to meet the various inspection needs of customers. Following the pace of customers' global expansion, SZS Group has set up a production base in Vietnam, and Vietnam Plant is expected to obtain quality management system certification in 2024.

CHAPTER

04

Happy Enterprise

4.1 Workforce Overview

4.2 Talent Attraction and Retention

4.3 Employee Entitlement, Diversity,
and Equality

4.4 Employee Development and Training

4.5 Occupational Health and Safety



Material Topic : Talent Attraction and Retention

Materiality

SZS firmly believes that talent is the cornerstone of sustainable corporate development. The Company promotes employees' self-improvement with comprehensive training courses, benefit systems, and remuneration packages, and actively facilitates a friendly, diversified, and safe workplace environment. We hope to achieve sustainable operations for the Company through effective talent management measures.

Goals

Short-term goals

- Talent retention rate $\geq 70\%$
- Turnover rate of all employees $< 10\%$
- Care for employees $\geq 80\%$

Medium and long-term goals

- Talent retention rate $\geq 80\%$
- Turnover rate of all employees $< 8\%$
- Care for employees $\geq 85\%$



Policy and commitment

Employees are the Company's most important asset and also our partners in our growth. In addition to creating a safe work environment and protecting employees' human rights, we also use diverse talent recruitment channels to gain access to the right talent at the right quantity at the right time for the organization, in order to ensure that we have the talent required for the Company's long-term development and business growth. We also improve our employees through training and development to enrich our talent pool, thereby enhancing the competitiveness of the Company.



Assessment mechanism

- Refer to the public information on remuneration and benefits disclosed by the same industry every year for assessment on the remuneration rationality.
- The annual rate of care for employees from the HR Department is up to 80% to understand employees' needs, conduct analysis and evaluation for continuous improvement.
- The retention rate upon expiration of industry-academia internship is up to 50%.



Action plan

- Remuneration and benefit system: Comply with labor laws and regulations and provide employees with a remuneration system that is competitive in the market.
- Good employee benefits: Provide employees with a good work environment and a safe workplace, including staff canteens and vending machines, as well as comprehensive health care and labor retirement plans.
- Continuously cooperate with colleges and universities, and provide scholarships and internship opportunities for outstanding students to ensure the opportunity for cultivating talents; besides, cooperate closely with schools and vocational training units to ensure the smooth transfer and inheritance of manufacturing technologies and experience.



Grievance mechanism

Work meetings, labor-management meetings, employee complaint box, employee care questionnaire, and management discussions.

Material Topic : Occupational Health and Safety

Materiality

After the COVID-19 storm, the production of each department has increased and the equipment and production lines have been upgraded and automated, making it more important to reckon with the control of the employee safety and health risk management system.

Goals

Short-term goals

- Abnormal rate of working environment monitoring $\leq 4\%$
- Employees with abnormal workload account for 30% of the total employees cared
- Organize safety and health-related education and training activities for 100% of employees
- Disabling injury frequency < 4.29
- Disabling injury severity rate < 35

Medium and long-term goals

- Disabling injury frequency < 1.8
- Disabling injury severity rate < 20
- Obtain a workplace health promotion site certificate



Policy and commitment

Zero injuries and zero accidents in the workplace! Employees are important assets of the Company. Their lives and health cannot be compromised. We ensure that employees work with peace of mind by strengthening safety awareness and creating a healthy, friendly, and safe working environment.



Assessment mechanism

- Implement annual internal audits under the ISO 45001 system, and review or revise the implementation direction.
- Receive regular third-party certification or irregular customer or government audits under the ISO 45001 system.



Action plan

- Improve the working environment of personnel, reduce the hazards of physical/chemical factors, check various hazard factors and implement control methods.
- Focus on caring for people with abnormal workload to reduce occupational injuries of muscles and skeletons caused by overwork; when occupational medical doctors care for people, give priority to the Company's employees with abnormal workload.
- Enhance the safety and health risk assessment awareness of each unit before purchasing equipment or chemicals.
- Increase internal audit methods and efforts, urge units to implement management and control, and strengthen publicity of safety awareness to reduce the frequency and severity of occupational accidents.



Grievance mechanism

Explain the implementation results to the top leadership and both employees and the management and convey health and safety-related control methods at the quarterly Occupational Health and Safety Committee meeting and the annual management review meeting.

4.1 Workforce Overview

4.1.1 Workforce Structure

As a steadily developing company engaged in knowledge and technology innovation, we are well aware that employees are our most important and core assets for sustainable operations. Thus, we are actively concerned about employees' rights and interests, human rights, ethics, and other issues, develop employees' professional capabilities and required skills according to business strategies, promote various learning activities and talent development projects, and attract and retain outstanding talent in various fields for mutual growth with the Company.

The Company respects the human rights of all employees and provides equal work opportunities to candidates and employees that are based on their capabilities. As of the end of 2023, the total number of employees in SZS Group has grown significantly from 3,028 to 3,561, with 1,577 male employees (about 44%) and 1,984 female employees (about 56%). The number of employees in the Group has grown by 17.6%, with employees in Taiwan accounting for 60% and employees in China accounting for 40%.

Workforce Overview of SZS Group

Category	Subcategory	2022						2023					
		Male		Female		Subtotal		Male		Female		Subtotal	
		Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage	Number	Percentage
Employee Category	Managerial roles	182	12.4%	73	4.7%	255	8.4%	176	11.2%	73	3.7%	249	7.0%
	Non-managerial roles	1290	87.6%	1483	95.3%	2773	91.6%	1401	88.8%	1911	96.3%	3312	93.0%
Age	<30 years old	421	28.6%	367	23.6%	788	26.0%	510	32.3%	575	29.0%	1085	30.5%
	30-49 years old	942	64.0%	1063	68.3%	2005	66.2%	963	61.1%	1270	64.0%	2233	62.7%
	≥ 50 years old	109	7.4%	126	8.1%	235	7.8%	104	6.6%	139	7.0%	243	6.8%
Education	Ph.D.	2	0.1%	0	0.0%	2	0.1%	2	0.1%	0	0.0%	2	0.1%
	Master's degree	87	5.9%	30	1.9%	117	3.9%	88	5.6%	31	1.6%	119	3.3%
	University (junior college)	561	38.1%	348	22.4%	909	30.0%	595	37.7%	461	23.2%	1056	29.7%
	Senior high (vocational) school	386	26.2%	348	22.4%	734	24.2%	533	33.8%	650	32.8%	1183	33.2%
	Below senior high school	436	29.6%	830	53.3%	1266	41.8%	359	22.8%	842	42.4%	1201	33.7%

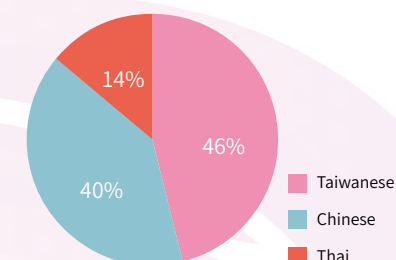
Note 1: Managerial roles refer to supervisors at the section head level and above

As of the end of 2023, SZS' s plants in Taiwan had a total of 2,136 employees, including 1,960 non-managerial employees and 176 managerial employees. These employees were full-time employees, and no temporary or part-time employees were hired. There were a total of 1,425 employees in SZS' s plants in Mainland China.

Based on factors such as the characteristics of the industry and the job market, the gender ratio of the overall workforce was even last year. In recent years, we have adopted diverse employment as our sustainable policy, and the proportion of females has continued to increase. In 2023, the proportion of female employees increased by 2.7% compared to 2022.

In response to the trends of aging and fewer births, the government's promotion of employment policies for middle-aged and elderly people, as well as a diversified and friendly workplace, the Company continues to pay attention to middle-aged and elderly people and put them in important positions to pass on experience and facilitate intergenerational cooperation, jointly promoting the economic development of SZS. We also actively cooperate with national policies to protect and promote the employment of people with physical and mental disabilities. We have hired 16 people with disabilities. By providing job opportunities, we protect their quality of life and enable them to exert their strengths and work with peace of mind.

Distribution of Employees in SZS Group in 2023



Statistics on the Number of Employees in SZS Group's Plants in Taiwan

Type	2022						Total
	Male			Female			
	<30 years old	30-49 years old	≥ 50 years old	<30 years old	30-49 years old	≥ 50 years old	
Managerial roles	1	107	28	0	30	12	178
Non-managerial roles	294	613	31	261	715	69	1983
Total	295	720	59	261	745	81	2161

Type	2023						Total
	Male			Female			
	<30 years old	30-49 years old	≥ 50 years old	<30 years old	30-49 years old	≥ 50 years old	
Managerial roles	1	105	29	0	27	14	176
Non-managerial roles	236	594	38	281	726	85	1960
Total	237	699	67	281	753	99	2136

Note 1: The above headcount does not include external contractors, e.g. security, catering, and cleaning companies. Details are as follows:

- There were 14 security personnel, and their duties were to control the access of people and vehicles into and out of plants and conduct plant inspections.
- There were 18 catering personnel, and their duties were to provide catering services for employees and clean the canteen.
- There were six cleaning personnel, and their duties were to keep public areas clean.

Note 2: The difference in the number of non-employee workers between 2022 and 2023 was that the number of security personnel in 2023 was two less than that in 2022, which was not significant.

4.1.2 New Hire and Turnover

We value the development of every employee and help them maintain their growth momentum to keep pace with the times. We recruit and train new employees to maintain the Group's growth momentum, and assign work instructors to help new employees quickly familiarize themselves with the work environment and fit into the company culture.

In 2023, SZS Group had 3,828 new hires (1,508 males and 2,320 females), with an increase of 220 from the previous year. In the same year, the Group continued to recruit students on campus, provide student internships, and support the government's efforts to find employment for middle-aged and elderly people. We actively recruit students, fresh graduates, and middle-aged and elderly people to join us, hoping to inject new talent into the Company every year.

Region	Item	Age	2022						2023					
			Male		Female		Total		Male		Female		Total	
			Number	Number of male employees as a percentage in this age group (%)	Number	Number of female employees as a percentage in this age group (%)	Number	Percentage (%)	Number	Number of male employees as a percentage in this age group (%)	Number	Number of female employees as a percentage in this age group (%)	Number	Percentage (%)
Taiwan	Number of new employees and hire rate	<30	152	28.9	107	20.3	259	49.2	96	20.47	132	28.14	228	48.6
		30-49	139	26.4	120	22.8	259	49.2	108	23.03	126	26.87	234	49.9
		>50	6	1.1	2	0.4	8	1.5	6	1.28	1	0.21	7	1.5
	Subtotal		297	56.5	229	43.5	526	100	210	44.78	259	55.22	469	100
	Number of resigned employees and turnover rate	<30	172	24.2	104	14.6	276	38.8	113	22.87	71	14.37	184	37.2
		30-49	221	31.0	207	29.1	428	60.1	158	31.98	133	26.92	291	58.9
		>50	3	0.4	5	0.7	8	1.1	10	2.02	9	1.82	19	3.8
Subtotal		396	55.6	316	44.4	712	100	281	56.88	213	43.12	494	100	

Region	Item	Age	2022						2023					
			Male		Female		Total		Male		Female		Total	
			Number	Number of male employees as a percentage in this age group (%)	Number	Number of female employees as a percentage in this age group (%)	Number	Percentage (%)	Number	Number of male employees as a percentage in this age group (%)	Number	Number of female employees as a percentage in this age group (%)	Number	Percentage (%)
Mainland China	Number of new employees and hire rate	<30	748	24.3	815	26.4	1563	50.7	864	25.7	1072	31.9	1936	57.6
		30-49	461	15.0	1034	33.5	1495	48.5	431	12.8	978	29.1	1409	41.9
		>50	13	0.4	11	0.4	24	0.8	3	0.1	11	0.3	14	0.4
	Subtotal		1222	39.6	1860	60.4	3082	100	1298	38.6	2061	61.4	3359	100
	Number of resigned employees and turnover rate	<30	987	24.4	980	24.2	1967	48.6	704	25.1	877	31.3	1581	56.4
		30-49	655	16.2	1385	34.2	2040	50.4	397	14.2	785	28.0	1182	42.2
		>50	16	0.4	25	0.6	41	1.0	17	0.6	21	0.7	38	1.4
	Subtotal		1658	41.0	2390	59.0	4048	100	1118	39.9	1683	60.1	2801	100

Note *1: Percentage of new employees in an age range = Number of new employees in the age range/Subtotal number of new employees

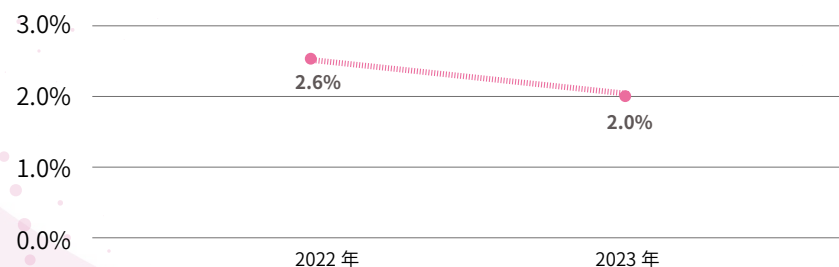
Note *2: Subtotal percentage of new employees = Total number of employees by gender/Total number of new employees

Note *3: Percentage of resigned employees in an age range = Number of resigned employees in the age range/Subtotal number of resigned employees

Note *4: Subtotal percentage of resigned employees = Total number of employees by gender/Total number of resigned employees

SZS strictly complies with the relevant provisions of various labor laws and regulations, and is aware of the completion notification procedures as required by the laws and regulations. In 2023, the turnover rate was 2.0%, down 0.6% from the previous year. In order to continuously reduce employee turnover, we proactively take various countermeasures to understand the thoughts and feedback of employees through multiple channels, including the employee communication email address, interviews, and satisfaction surveys, in order to optimize the work environment and employee benefits, stabilizing the supply and demand of manpower.

Turnover Rate in the Past Two Years

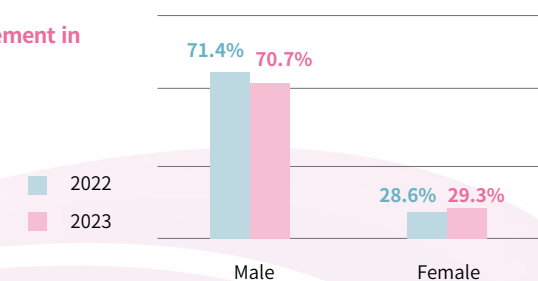


Note: Turnover rate = Total number of employees resigned in the year ÷ (Total number of in-service employees in the year + Total number of employees resigned in the year)

4.1.3 Female Development and Training Programs

To support Core Goal 5 of the "Taiwan Sustainable Development Goals," "Achieve gender equality and empower all women and girls," and the promotion activities of the Stock Exchange on corporate governance or corporate social responsibility, all listed companies are encouraged to appoint females as managers. In recent years, SZS has been paying attention to and promoting this issue and is committed to the promotion and implementation of talent development. In 2023, SZS Group had 1,984 female employees and 1,577 male employees, demonstrating the importance we place on gender balance. In addition, we have been increasing the proportion of female supervisors every year. In 2023, female management accounted for 29.3% of the management team, showing an increase from the previous year. We will continue to provide diversified training programs and career development opportunities to nurture more female leaders. Our training programs include leadership training and cross-departmental rotation to ensure that females receive more leadership opportunities and career development support in the workplace. These efforts demonstrate our commitment to creating an inclusive, diverse and equal workplace.

Percentage of Female Management in the Past Two Years



Performance Highlights

The proportion of female managers increased to **29.3%** (Outperforming the market average of 26%)

4.2 Talent Attraction and Retention

SZS firmly believes that talent is the cornerstone of sustainable corporate development. The Company promotes employees' self-improvement with comprehensive training courses, benefit systems, and remuneration packages, and actively facilitates a friendly, diversified, and safe workplace environment. We hope to achieve sustainable operations for the Company through effective talent management measures.

4.2.1 Talent Recruitment

Since SZS' establishment, we have focused on the sustainable development of talent by providing employees with quality job opportunities and a safe and healthy work environment to enhance their engagement and sense of belonging to the Company. Through diverse talent recruitment channels, the organization gains access to the right talent at the right quantity at the right time, ensuring that we have the talent required for the Company' s long-term development and business growth. When implementing recruitment activities, SZS links industry, government, and academia resources and integrates various recruitment activities through schools, vocational training agencies, and employment service stations to obtain excellent talent, create job opportunities, and convey our philosophy of sustainable development. Our talent recruitment achievements in 2023 are as follows:

Item	Description	Results in 2023
Internships for graduate school/ college students	We provide young students who are interested in developing their career in SZS with the opportunity to experience working in a workplace through internships during their senior year in colleges and universities, encouraging them to develop a correct work attitude in advance and enhancing their adaptability and competitiveness in the workplace.	A total of 6 graduate school/ college students were hired.
Industry-academia training and internship	We provide young students with the opportunity to work and be trained in SZS by linking the school system, the vocational training unit, and the employment needs of SZS.	We cooperated with the department of engineering science of a university of science and technology to hire two students.
Scholarships	We provide young students who are interested in developing their career in SZS with credit fee, tuition and miscellaneous subsidies in order for them to experience working in a workplace while taking care of their studies.	We provided about NT\$97,800 of scholarships to subsidize credit, tuition and miscellaneous fees.
Campus recruitment	We increase brand exposure on campus to expose students to the Company's brand as early as possible in order to have a higher chance to promote the employer brand through students and get the opportunity to invite outstanding candidates to join the Company.	We applied to a total of 15 schools for campus recruitment.
Government's talent recruitment activities	We recruit talent through the vocational training and employment service stations set up by the Workforce Development Agency, Ministry of Labor, invitations to vocational training sessions, and employment service stations. We also cooperate with the government' s talent recruitment activities to invite talent to join the Company.	- Three training sessions hosted by vocational training agencies for talent recruitment - Four talent recruitment sessions in employment service stations

4.2.2 Remuneration System

SZS offers salaries and remuneration that are competitive in the market. The overall remuneration includes base salary, allowances, bonuses, and employee dividends. The Company pays employees competitively based on factors such as performance, education and experience, core competencies, market conditions, the Company's future development, and the retention of employees with outstanding performance. The overall remuneration of all employees does not differ based on gender, age, race, skin color, nationality, religion, political stance, marital status, sexual orientation, physical and mental disabilities, blood type, etc. Regardless of employee level, the ratio of basic salary and remuneration of women to men is 1:1, demonstrating that we take equal pay for equal work seriously. The Company also regularly reviews the level of basic pay every year to grasp the dynamics in different regions and of benchmark companies so as to ensure that the Company' s overall employee pay is competitive in the market.

Information on the Salary of Non-managerial Full-time Employees in Plants in Taiwan

Unit: NT\$ thousand

Year	Average salary	Median salary
2022	634	566
2023	602	535

Note 1: Non-managerial full-time employees: Total number of full-time employees (including Taiwanese and foreign employees), excluding managerial employees, part-time employees, employees of overseas branches, and personnel meeting the criteria for exclusion from statistics

Average Employee Benefit Expense and Salary of Employees in Plants in Taiwan

Unit: NT\$ thousand

Year	Average benefit expense	Average salary
2022	666	581
2023	658	558

Note 1: The calculation formulae are as follows:

(1) Average employee benefit expense = (Total employee benefit expenses - Director remuneration)/(Number of employees according to information in the notes to financial statements - Number of directors not concurrently serving as an employee)

(2) Average employee salary expense = (Salary expenses) / (Number of employees according to information in the notes to financial statements - Number of directors not concurrently serving as an employee)

Note 2: The calculation of the number of employees is based on the average number of employees in Taiwan. The above data does not cover the plants in China.

Ratio of the Annual Total Remuneration of the Highest Paid Individual in Plants in Taiwan to the Median of the Annual Total Remuneration of the Other Employees

Year	2022	2023
Ratio	9.36 times	8.01 times

Note 1: In 2023, the ratio of the annual total remuneration of the highest paid individual in the plants in Taiwan to the median of the annual total remuneration of the other employees decreased by 14.4% compared to 2022.

Note 2: The annual total remuneration of the highest paid individual in 2023 decreased by 19.13% compared to 2022.

Note 3: In 2023, the median salary of the other employees (all employees excluding the highest paid individual) decreased by 5.48% compared to 2022.

4.2.3 Planning of Diverse Rewards and Promotion Channels

In addition to offering competitive salaries, we have established a diverse reward and incentive system to stimulate employees' potential and make them play important roles in the Company's operations. This is our motive for distributing dynamic incentive bonuses. We also hope to reward and affirm employees' hard work in order to grow and enjoy profits together with them. The relevant items are as follows:

Year-end bonus

Year-end bonuses are distributed to thank employees for their contributions to the Company and share business results, and are directly related to the Company's operational performance, team performance, and individual performance.

Employee dividends

Part of the earnings is allocated as employee dividends every year to thank employees for their contributions, and the dividends are directly related to the Company's operational performance, team performance, and individual performance.

Annual pay raise/promotion

Based on the Company's operating status, employee performance, etc.

4.2.4 Employee Benefits and Care

To allow all full-time employees to work with peace of mind and give full play to their strengths, SZS continues to uphold the philosophy of "seeing employees as family members" and considers the long-term welfare of employees to actively plan various comprehensive benefit systems.

Well-established Pension System

(1) Defined contribution plan:

The pension system under the "Labor Pension Act" is a defined contribution retirement plan managed by the government, where a pension contribution equal to 6% of an employee's monthly salary is made to his/her personal account in the Bureau of Labor Insurance. Employees may also make voluntary contributions.

(2) Defined benefit plan:

The pension system under the "Labor Standards Act" of the Republic of China that is applicable to SZS is a government-managed defined benefit retirement plan. Employee pensions are calculated based on the length of service and average salary for the six months prior to the approved retirement date. SZS makes an employee pension contribution of 6.45% of employees' monthly gross salary, which is deposited by the Supervisory Committee for Labor Retirement Reserve into a special account with the Bank of Taiwan in the name of the Committee. If it is estimated that the balance of the special account will not be sufficient to pay pensions to employees who are expected to meet the retirement criteria in the following year before the end of the current year, an additional contribution will be made to make up the deficiency by the end of March of the following year.

At the same time, we plan fully-subsidized comprehensive group life insurance for employees to enhance the overall life and safety protection for them, and work together with them to create a worry-free retirement life.

Employee Welfare Committee and Diverse Activities and Subsidies

In order to implement the concept of caring for employees, the Employee Welfare Committee distributes cash gifts or physical gifts on important festivals (Labor Day, Dragon Boat Festival, Mid-Autumn Festival) and birthday cash gifts to colleagues. Subsidies for gatherings, births, company trips, funerals, and children's education, as well as various benefits are also offered.



Legal Leave System and Flexible Working Hours

The Company actively implements and protects employees' leave entitlement and takes their physical and mental rest seriously. We provide paid leave in accordance with the Labor Standards Act, including maternity leave, sick leave, and bridge holidays, and adopt partial flexible working hours to achieve work-life balance in the workplace.

Healthy Workplace

The physical and mental health of employees is one of the Company's top priorities. The Company provides one free employee health checkup every two years. In addition to the basic items, ultrasound and electrocardiogram examinations are provided. We implement health checkup and classification management for employees performing special tasks in order for them to control their health conditions. We also work with specific medical institutions to offer medical care services such as professional on-site doctor visits, and provides employees with various health promotion knowledge and activities.

Catering Services and Meal Subsidies

To take care of the diet and health of employees, SZS strictly selects group catering suppliers with food safety, hygiene and calorie management as top considerations, and provides delicious and diverse meals as lunch and dinner for employees to enjoy while taking care of their health. We also offer meal subsidies.

Encouraging Childbirth and Childcare, Protecting Related Rights, and Assisting in Returning to the Workplace

SZS is committed to creating a friendly and equal workplace by encouraging male employees to share the responsibility of looking after children and increasing childcare subsidies and substantial support in line with the government's policy. In 2023, the percentage of male employees applying for unpaid parental leave was 60%, increasing by 5.5% from 54.5% in 2022. This demonstrates that the willingness of male employees to apply for unpaid parental leave has increased significantly, allowing women to balance work and life and effectively achieving the ideal goal of substantive gender equality.

Year	2022			2023		
Item	Male	Female	Total	Male	Female	Total
Number of employees eligible to apply for unpaid parental leave (A)	22	23	45	15	25	40
Number of employees who actually applied for unpaid parental leave in the year (B)	12	34	46	9	38	47
Number of employees required to be reinstated from unpaid parental leave in the year (C)	9	13	22	7	22	29
Number of employees reinstated from unpaid parental leave in the year (D)	4	7	11	4	15	19
Number of employees reinstated from unpaid parental leave in the previous year (E)	2	13	15	4	7	11
Number of employees who continued working for one year after reinstatement from parental leave in the previous year (F)	1	10	11	2	5	7
Unpaid parental leave reinstatement rate in the year % (D/C)	44.0%	54.0%	50.0%	57.1%	68.2%	65.5%
Unpaid parental leave retention rate in the year % (F/E)	50.0%	77.0%	73.0%	50.0%	71.4%	63.6%

Note:

A. Employees eligible to apply for unpaid parental leave: Employees who have taken maternity leave and paternity leave in the year

B. Number of employees who actually applied for unpaid parental leave in the year: Employees who actually applied for unpaid parental leave in the current year

C. 46 employees applied for unpaid parental leave in 2022, of which 26 were eligible before 2022 and postponed their applications to 2022. 47 employees applied for unpaid parental leave in 2023, of which 30 were eligible before 2023 and postponed their applications to 2023.

On-the-job Training Subsidies

In order to enhance the professional knowledge of talent, encourage employees to improve their professional skills related to their work and obtain relevant licenses and be qualified under government laws and regulations, we provide employees with on-the-job training subsidies. In 2023, a total of 276 employees received training subsidies amounting to NT\$548,925.

Item	Number of trainees	Training hours	Amount of subsidies (NT\$)
License-required training required by government laws and regulations	98	790	198,275
On-the-job training on professional skills	178	990	350,650
Total	276	1,780	548,925

4.2.5 Talent Retention

With comprehensive training courses, benefit systems, and remuneration packages, we encourage employees to constantly improve themselves. We also ensure that talent is willing to stay in a safe, friendly, and diversified workplace for a long time to create a reasonable and healthy employee turnover rate. If there are departing employees, we will conduct interviews and analyze the important factors of retention and resignation to improve the retention rate of employees. In 2023, the retention rate of our employees in Taiwan reached 76.1%, showing an increase of 5.8% over the previous year. SZS also continues to care for colleagues, and have

established competitive salary, reward, and talent retention systems. Through multiple benefits, a well-established retirement protection system, and a complete remuneration and benefit framework, we provide employee with protection and constantly explore innovative technologies or demonstrate our excellent management skills to attract and retain talent, thereby improving SZS' s operational performance.

Year	2021	2022	2023
Employee retention rate	66.1%	70.3%	76.1%

Note: Employee retention rate = (Number of employees at the end of the period - Number of new employees during the period) ÷ Number of employees at the beginning of the period

4.3 Employee Entitlement, Diversity, and Equality

4.3.1 Human Rights Policy

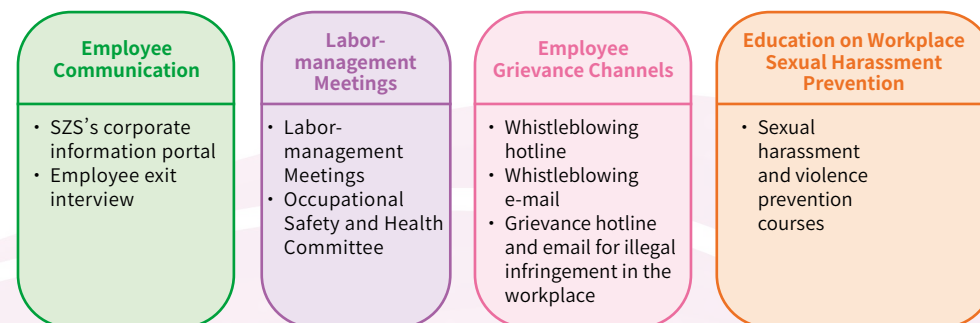
SZS strictly adheres to the relevant laws and regulations of each global operating location to protect the legitimate rights and interests of employees. In addition, we also comply with the human rights protection spirit and fundamental principles disclosed in various international human rights conventions. We have formulated the "SZS Social Responsibility Policy," which includes a human rights policy. The General Manager of the Group signed a commitment letter and disclosed it on the Company's official website, fully demonstrating the Company's responsibility to respect and protect human rights. We will work with stakeholders to further implement the Company's "Human Rights Policy" in accordance with the RBA Code of Conduct, the Universal Declaration of Human Rights, and other human rights regulations commonly adopted in the international community.



Rules and Regulations

4.3.2 Employee Communication

In order to stabilize labor relations, promote labor-management harmony, and protect the rights and interests of labor and management, the Company has formulated the SZS Employee Management Work Rules in accordance with the Collective Agreement Act, and established transparent, open, and effective multi-directional communication channels. Labor-management negotiations take place through quarterly labor-management meetings. The coverage includes 2,161 employees in Taiwan, accounting for 100% of the total number of employees.



There is no labor union formed for the plants in Taiwan. In 2023, a total of four labor-management meetings (one per quarter) were held to discuss 28 proposals on catering issues, environmental safety, pandemic control, and other benefits, of which 24 were approved. The minutes of such meetings are posted on the bulletin board of each plant and the internal website, allowing employees to understand the information communicated between labor and management.

With all efforts to create a labor-management relationship where communication is free of obstructions, we did achieve the goals of labor rights protection during the reporting period, including:

- **No incidents of discrimination and related complaints**
- **No violation of freedom of association and collective bargaining rights**
- **No employment of child labor**
- **No incidents of forced or compulsory labor**
- **No major labor-management disputes**
- **No delayed resolution or accumulation of employee opinions or grievances**

In addition, when significant operational changes are about to occur, in order to protect the employment rights and various labor conditions of employees and minimize the impact, we 100% comply with Article 16 of the "Labor Standards Act," which requires the Company to give the minimum notice period for termination of labor contracts. The Company did not experience any significant operational changes during the reporting period.

To maintain a gender-equal and healthy work environment, we have made sexual harassment prevention one of our key priorities. In addition to enhancing communication in plants, we have formulated a comprehensive grievance and handling process. If there is sexual harassment, we will provide the victims with proper protection and assistance. The Company did not receive any sexual harassment grievances in 2023.

4.3.3 Good Care for Foreign Migrant Workers

In addition to protecting the benefits and rights of Taiwanese employees, we also pay equal attention to non-Taiwanese employees by providing concrete benefits that are fair and comprehensive in line with the UN SDG 10 of "Reduced Inequalities." The concrete benefits include a safe, clean and well-equipped employee dormitory, healthy and balanced meals, leisure places, and grievance email addresses. Furthermore, in addition to prohibiting the collection of agency fees for migrant workers to protect the fundamental human rights of foreign employees, in order to reduce the financial burden of migrant workers travelling to Taiwan, all transportation expenses for travelling from overseas to the Company, accommodation, overseas agency fees, physical examination fees, domestic service fees, and residence permit-related expenses which the workers should pay are fully paid by the Company. In 2022, the expenses and fees that the Company paid for migrant workers totaled NT\$28,970,000. In 2023, the expenses and fees that the Company paid for migrant workers totaled NT\$21,170,000.

Item	2022	2023
Service and agency fees for new migrant workers	5,771,000	6,597,000
Dormitory fee	6,308,770	5,949,000
Service fee	6,021,710	5,872,460
Physical examination fee	1,304,390	1,204,374
Residence permit	449,000	577,000
Airfare	147,300	107,000

Item	2022	2023
Pandemic prevention insurance premium, pandemic prevention vehicle fares, and pandemic prevention accommodation expenses for new foreign workers	6,184,009	0
Overseas agency fees for new foreign workers (including transportation, accommodation, and meals)	1,262,246	693,103
COVID-19 screening, vehicle fares, meal expenses, and quarantine expenses in Taiwan	1,410,628	0
Basic accommodation supplies	78,250	179,470
Gift boxes for migrant workers for the Chinese New Year	38,971	0
Total (Unit: NT\$)	28,976,274	21,179,407

Zero-fee Policy

- Fully subsidize the employment expenses before and after foreign employees' arrival and implement the RBA's zero-fee policy.

Unobstructed Communication

- Value communication with every employee, regardless of nationality, ethnicity, or gender.
- Design timely communication channels without distance limits and assign 24-hour Thai counselors in the dormitory, providing comprehensive life care.

In 2022 and 2023, SZS' s plants in Taiwan were fined NT\$420,000 for extending working hours beyond the legal limit. In recent years, a shortage of manpower and fierce competition in the labor market have caused employees to work longer hours to meet the production capacity needs of customers. We have thoroughly reflected on this problem and have begun to formulate various improvement measures.

1. Enhancing production line automation.

We will accelerate the automation of production lines to reduce reliance on labor. This not only helps reduce the risk of overtime work, but also improves production efficiency and ensures product quality stability.

2. Increasing employee benefits

We will attract and retain outstanding talent by increasing employee benefits. This includes raising salaries, providing more training opportunities, and improving the work environment. We believe that good benefits will help ease recruitment difficulties.

3. Strengthening labor-management communication

We will strengthen communication between labor and management to prevent recurrence of non-payment of overtime in the future. Through regular symposiums and opinion collection, we hope to better understand the needs and difficulties of our employees and resolve potential disputes in a timely manner.

4. Education on labor laws and regulations

We will provide education and training on labor laws and regulations for the management and employees to ensure that everyone fully understands the relevant regulations and strictly abide by them, in order to maintain the Company's compliant operations.

SZS is committed to providing a fair and safe workplace and complying with all relevant labor laws and regulations. Through the above improvement measures, we will strive to address the current risk and challenge of lack of labor, and optimize the interaction between labor and management to ensure that the rights and interests of all employees are fully protected.

4.4 Employee Development and Training

4.4.1 Succession Planning

- With people orientation as our sustainability vision, we continue to cultivate key management members. As part of succession planning, the HR Department has established a talent development mechanism to define key positions and nominate two to three suitable candidates for each key position. Short-term, medium-term and long-term goals are then set according to the training schedule for gradual development.
- The Company focuses on using training resources for training and development based on the candidates' strengths and abilities to be developed. These resources include management courses, capability enhancement with new technologies, and job rotation. Key performance indicators (KPIs) are utilized in conjunction with company and departmental missions and goals to enhance the advantages and capabilities of the candidates at their current positions to be better prepared for succession.
- We organize strategic consensus camps for senior supervisors (including the General Manager) and provide training annually. Themed courses and discussions on future strategic planning are also conducted. Course topics include systematic thinking, performance management and talent management, high-performance leadership, organizational reform and continuous renewal, reform management, strategic thinking and planning, and leadership and career growth, talent development and leadership inheritance, strategic mapping, and leadership talent development and systems.
- We provide management competency training for the leadership (mid-level and senior supervisors) every year in order for them to understand the latest management thinking and the pulse of the times through external industry knowledge, new technological knowledge, and the sharing of experience of company models. In addition, the internal senior supervisors with years of leadership experience share leadership practices concerning the Company's organizational culture and management.

SZS Supervisor Consensus Camp Courses Combining Corporate ESG and UN SDGs

In 2023, the SZS Supervisor Consensus Camp consisted of leadership courses and team communication courses. A total of 48 supervisors attended the camp. The camp took place at the Longtan Aspire Park, which is a multi-functional park integrating life, production, and ecology. Professional consultants were hired to lecture on how to build trust-centered teamwork and master different communication methods. On-site practices were conducted through indoor and outdoor experiential learning to strengthen departmental cooperation consensus, gain awareness of accountability, and enhance team members' sense of identity and cohesion. Finally, practical cases were presented for review and improvement, hoping to create good performance and clearly setting common goals. In addition to helping improve the knowledge and skills of the management and promoting the professional career development of supervisors, these activities are also in line with SDG 4 which aims to ensure lifelong learning opportunities and inclusive and equitable quality education.



4.4.2 Internal Rotation Mechanism

In accordance with the Group's overall operating policy, we cultivate diversified talent and develop their suitability through job rotation within the Group. In this way, we can effectively unify and enhance the expertise and technical talents of various positions and continue to strengthen the Group's talent foundation in line with the Group's strategic management mechanism.

4.4.3 Education and Training

SZS attaches great importance to talent cultivation. In order to continuously improve the skills of employees and experience inheritance to achieve corporate sustainable operations, we appoint dedicated personnel to plan and promote various learning and training activities to strengthen the development of talent and improve job competency. Through on-the-job training and convenient learning tools, we put into practice SDG 4: providing equitable and quality vocational training.

In 2023, we introduced a digital learning management system and adopted a mobile app to promote comprehensive digital learning courses, achieve unrestricted corporate learning and knowledge sharing, and continue to provide colleagues with the best learning environment.

SZS Group's Suzhou Plant has been qualified for independent accreditation under Suzhou City's 7 national occupational skill standards, 13 industry evaluation regulations, and the development tasks of 22 occupational skill accreditation question banks. The plant held two occupational skill accreditation sessions for equipment inspectors on February 25 and May 30,

and a total of 106 people passed the accreditation. In order to improve the professional skills of employees, create a work atmosphere of "comparing, learning, helping, and surpassing," and cultivate the spirit of craftsmanship, Suzhou Plant organized the "Visual Inspection and Torque Testing Skills Competition" in December to test employees' speed, quality, and inspection accuracy and precision and select outstanding talent.



Our education and training system includes internal training, external training, on-the-job training, general education courses, and sustainability seeds. The content of the education and training is as follows:

Training type	Training item	Training description
Internal training	Orientation training	Allow new employees to understand the Company's history and future development, and introduce employees' rights and obligations, as well as provide basic general education on occupational safety, information safety, quality, etc., to help new employees fit into the organization faster.
	Quality training	Establish quality systems such as ISO, ITAF 16949, and GP, as well as laboratory quality regulations and systems.
	Information education	Strengthen the information security awareness of all employees across plants and arrange social engineering drills from time to time.
	Professional training and technology promotion	Put forward training needs according to the annual planning of each department, cultivate internal lecturers, invite external lecturers to give lectures in plants, and conduct various professional training and technology inheritance, including internal application and process guidance, basic/technical competency courses, and new knowledge and issues in the industry. This allows trainees to widely apply the learning outcomes to internal workflow and efficiency improvement. We also reward employees for making innovative improvement proposals to enhance job satisfaction.
	Supervisor training	Strengthen the management competency of supervisors, build their awareness of corporate social responsibility, explore ESG corporate sustainable development issues, and take actions.
	Occupational safety and health, labor human rights and ethics education	Require all employees across plants to take one-hour courses on labor safety and health and labor human rights every year to strengthen personnel safety and build human rights awareness.

Training type	Training item	Training description
External training	Supervisor improvement training	Arrange external lectures and training to improve supervisors' leadership and management capabilities, as well as build consensus between supervisors and the organization; organize supervisor management and consensus camp courses for entry-level, mid-level, and senior supervisors every year.
	Professional external training and license-required operations	Arrange various external licenses training and retraining courses on the operation of equipment requiring licenses, dangerous (hazardous) operations, and first-aid operations to ensure the work arrangements of personnel and comply with various regulatory requirements. For example, forklift operators, occupational accident first aiders, fire management personnel, specific chemical operations supervisors, and crane operators.
Self-growth	Continuous learning and on-the-job training	Encourage employees to improve work-related professional competencies, develop secondary expertise, and actively apply for participating in internal and external seminars and lectures, and provide training subsidies. Improve the knowledge and skills of colleagues in management, auditing, taxation, and accounting and provide the latest information updates.
General courses		Sharing various soft and hard skill courses and information on digital transformation trends. The sharing channels include a digital learning management system, e-newsletters, and an internal corporate platform.
Sustainability seeds		Convey sustainability knowledge on ESG, net-zero carbon emissions, GHG inventory, SDGs, corporate governance, etc. conveyed to the sustainability seeds of all departments, laying the foundation for the sustainable transformation of the Company. From November to December 2023, a total of four courses were offered, with a total of 326 employees of the Group participating.

In 2023, the average hours of training per employee in Taiwan was 8 hours, including internal and external basic, technical, and general education courses.

Total Hours of Education and Training of SZS Group

Training type	Training item\Region	Total training hours in 2022			Total training hours in 2023		
		Taiwan	China	Total	Taiwan	China	Total
Internal training	Orientation training	1,794	3,165	4,959	2,261	5,325	7,586
	Quality training	2,768	1,879	4,647	2,084	1,710	3,794
	Information education	178	38	216	1,811	187	1,998
	Professional training and technology promotion	1,156	797	1,953	5,042	1,954	6,996
	Supervisor training	330	85	415	475	134	609
	Occupational safety and health, labor human rights and ethics education	4,069	4,249	8,318	3,539	5,014	8,553
External training	Supervisor improvement training	348	16	364	376	44	420
	Professional external training and license-required operations	996	332	1,328	796	664	1,460
Self-growth	Continuous learning and on-the-job training	93	-	93	846	2	848
Total		11,732	10,561	22,293	17,230	15,034	32,264

Average Hours of Education and Training of SZS Group

Region	Statistical item	2022		2023	
		Managerial roles	Non-managerial roles	Managerial roles	Non-managerial roles
Taiwan	Total training hours during the reporting period	1,779	9,953	3,118	14,112
	Total number of employees at the end of the reporting period	178	1,983	176	1,960
	Average training hours per employee	20	10	38	15
China	Total training hours during the reporting period	844	9,717	981	14,053
	Total number of employees at the end of the reporting period	77	790	73	1,352
	Average training hours per employee	23	25	26	21

Performance Highlights

The total group training hours increased, with the average training hours per employee rising by **1.7** hours.

4.4.4 Performance Evaluation and Development

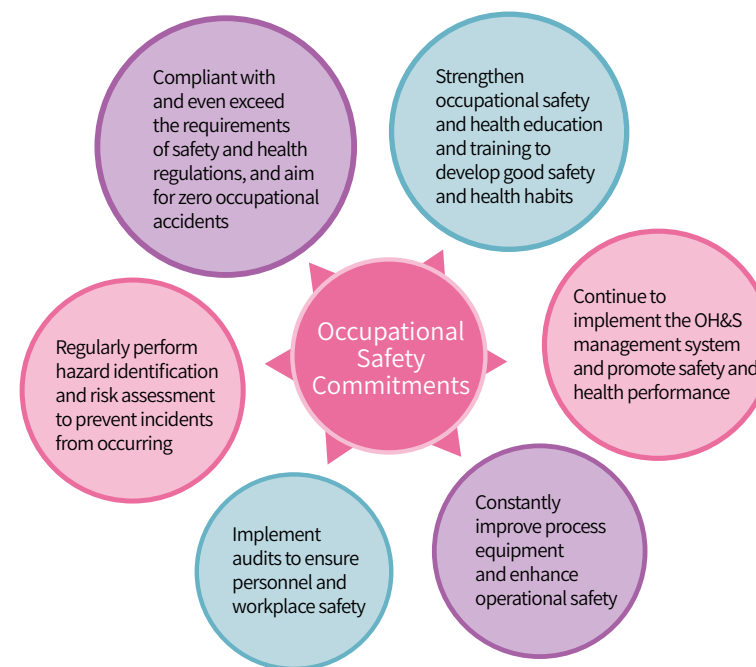
We convert the overall goals of the Company into departmental and employees' individual work goals, and the employees fully implement them through daily work. Through a regular evaluation mechanism and the communication and interaction during the evaluation, employees with outstanding performance are recognized and encouraged, while those who do not meet the performance standards are given the opportunity to nurture and improve themselves. We hope to establish a good consensus foundation for colleagues' career planning, training and development.

Percentage of Employees Receiving Annual Performance and Career Development Reviews

Region	Item	2022			2023		
		Male	Female	Total	Male	Female	Total
Taiwan	Managerial roles	93.38%	92.86%	93.26%	95.56%	95.12%	95.45%
	Non-managerial roles	82.52%	86.60%	84.67%	85.02%	77.93%	81.07%
China	Managerial roles	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	Non-managerial roles	95.45%	95.96%	95.19%	89.49%	87.55%	88.31%

4.5 Occupational Health and Safety

We insist on building a safe and healthy workplace as the most important goal. In our two major focuses, safety management and health management, we have introduced the Plan, Do, Check, and Action cycle through the ISO 45001 system to prevent occupational accidents and diseases and implement the Company's occupational safety policy, provide a safe, healthy and happy workplace for workers or contractors.



SZS introduced the ISO 45001 Occupational Health and Safety Management Systems and the CNS 45001 Taiwan Occupational Safety and Health Management System (TOSHMS) in 2019, and has established safety and health regulations for all employees and the production operations of contractors in accordance with the Customer Code of Conduct, the RBA Code of Conduct, and local laws and regulations to implement safety and health management.

At the same time, SZS Group (including overseas subsidiaries) has established an Occupational Safety and Health Committee. Labor representatives participate in meetings according to local laws and regulations to jointly review health and safety operations and internal and external audits every quarter, organize health promotion activities and safety awareness education and training courses, and make employee safety and health proposals and future promotion plans. The occupational safety and health management system covers all employees and occupational safety contractors.

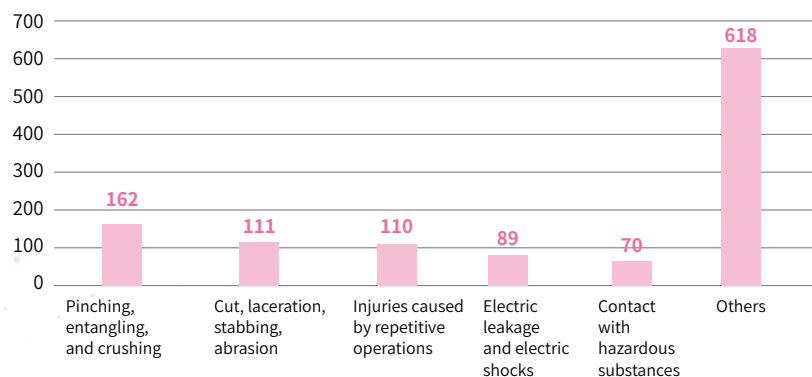
Plant	Total number of Occupational Safety and Health Committee members	Number of labor representatives	Percentage (%)	Number of meetings
Plants in Taiwan	16	6	38%	4
SZS (SUZHOU)	33	18	55%	4
KUNSHAN JENGJEA	8	4	50%	4
DONGGUAN CHENGYUE	9	4	44%	4
REDSTAR (FUQING)	12	2	17%	5
SZS (CHONGQING)	10	2	20%	4

4.5.1 Hazard Identification and Risk Assessment

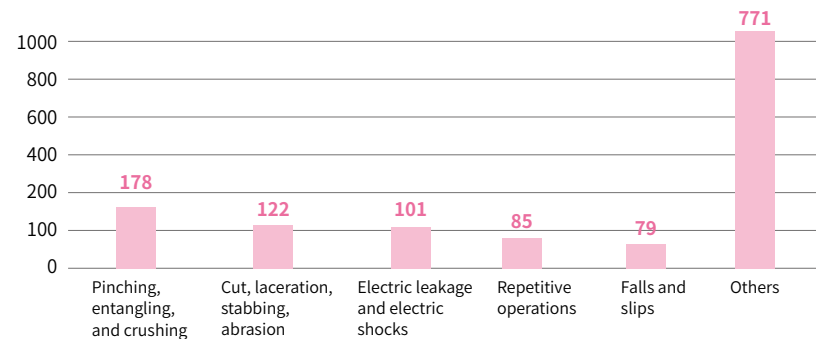
As a result of more complete environmental and hazard identification due to the strengthening of external and customer audits, and the comprehensive impact of multiple factors such as assessment process improvements, business expansion, or technology changes, a total of 1,336 hazard and risk items were identified in the hazard identification and risk assessment in 2023, increasing by 176 compared to 2022. The top five risks of special concern to each unit were pinching/entangling/crushing, cut/laceration/stabbing/abrasion, electric leakage/electric shocks, repeated operations, and falls/slips. This helps the organization formulate more comprehensive risk management strategies to protect the safety of employees more effectively.

Year	2021	2022	2023
Number of departments	18	48	48
Number of hazards identified	796	1,160	1,336
Survey result	No unacceptable risk	One unacceptable risk (Improvements were made and the risk was reduced to an acceptable level)	No unacceptable risk

Types of Hazards Identified in 2022



Types of Hazards Identified in 2023



Note: The top four types of hazards identified for other items are: 1. collision, being bumped, bumping 2. entry of foreign objects into the eyes 3. flying and falling objects 4. contact with harmful objects.

Safety and Environmental Management

After the pandemic was brought under control, the production lines of SZS were gradually returning to normal. Our plants' safety management shifted from supervising business units to implement workplace pandemic prevention and labor health management to further requiring each unit to implement various education and training, establishing a chemical risk control data system for use in the working environment monitoring plan, creating a priority chemical system, carrying out maternal health protection management, special health check management, and protective equipment management, as well as gathering statistical data on on-site safety inspection deficiencies. We have also prepared industrial safety awareness documents for unit heads to explain to employees how to prevent hazards and avoid injury.

Chemical Risk Control Assessment

We have established a chemical control list for all our plants to identify various chemicals and provide customers with relevant chemical data sources. There were a total of 137 chemicals in our plants. Through screening, we found that the composition of 41 chemicals met the requirements for priority chemicals. Among them, 15 chemicals were purchased in a volume of less than 1 ton and did not need declaration. 26 chemicals were declared. This control list will serve as a guide for safety or health management and the use of chemicals.

項目	2021	2022	2023
Quantity of identified chemicals	45	148	137
Exempt from control	23	121	96
Meeting priority management requirements	22	27	41
Control reporting completed	Declaration completed	Declaration completed	Declaration completed

4.5.2 Working Environment Monitoring

In 2023, the occupational safety personnel and environmental monitoring technicians visited each plant to recheck each sampling point and consider adding new points, explained the importance of working environment monitoring to on-site unit supervisors, and reminded colleagues to wear protective equipment. During working environment monitoring meetings, they explained to the supervisors of each center that all the plants passed the on-site physical and chemical sampling point audit, and described the items and analysis results of special health check-ups performed by occupational nurses in 2023.

Year		2021		2022		2023	
		First half of the year	Second half of the year	First half of the year	Second half of the year	First half of the year	Second half of the year
Physical (points)		14	8	22	25	24	24
Chemical (points)		41	41	40	51	51	49
Total		55	49	62	76	75	73
Monitoring results	Qualified	55	47	62	76	75	73
	Exceeding the limit	0	2	0	0	0	0
	Non-conformance rate	0.00%	4.26%	0.00%	0.00%	0.00%	0.00%

In 2023, SZS provided 37 employees with maternal care across all plants (including those who were pregnant or were less than one year after childbirth and breastfeeding), all of which were under Level 1 management. In terms of maternal protection measures, the Company provides exclusive parking spaces, pregnancy armbands, and breastfeeding rooms as facilities measures to offer pregnant and breastfeeding employees a friendly environment; for care, the occupational safety personnel and occupational nurses use information on the chemical control list and employees' job descriptions to observe the actual work conditions of employees at the workplace to provide pregnancy and childbirth health information, explain the things to note at the workplace, and give health advice at all stages through occupational doctor visits.



Based on the sampling points of the working environment, the occupational nurses planned special health checkups for 2023, which were approved by the Bureau of Labor Insurance. A total of 212 employees underwent the special health checkups for ionizing radiation and dust. The employees' checkup results show that they should be under Level 2 management. However, after discussions with the supervisor of dust operations about the employees' wearing of protective equipment, we found a gap in the awareness of wearing face masks among the employees. After the occupational safety personnel screened the masks commonly used in the plants and discussed with the medical staff, they made a promotional poster titled "Beware the Unseen Killer - Dust," through which the supervisor of each unit has further explained to colleagues that different types of masks have different health protection functions.



Special health checkup in 2023

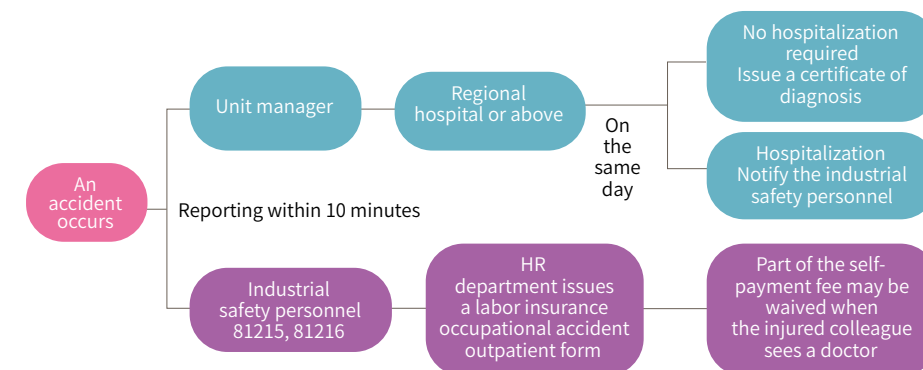
When carrying out safety and health audits in each plant, we explain the deficiencies to the on-site management supervisor and elaborate on how to rectify them to prevent recurrence, helping all employees form a habit to ensure safety and health. In addition, during plant inspections, we also check the safety protection of machinery and equipment operations and chemical management in each unit to prevent the occurrence of accidents. In 2023, we provided departments with deficiencies and mistakes commonly found in the production of chemicals for further promotion. There was indeed a significant reduction in the number of chemical-related deficiencies in the second half of 2023.

Statistics on Deficiencies in Inspections

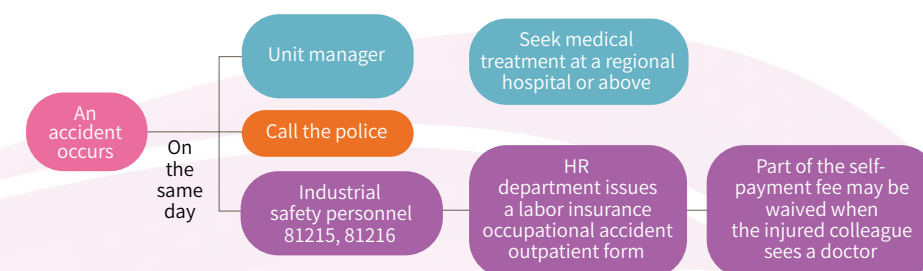
Main inspection item	2021	2022	2023
5S	116	162	151
Safety	184	296	205
Chemicals	75	186	164
Firefighting	29	37	30
Documents and records	99	119	150
Total	503	800	700

4.5.3 Occupational Injury Prevention Measures

Flowchart for Injury in Plants



Traffic Accident Flowchart



The Company implements safety and health education and dissemination through multiple channels to further instill the concepts of safety protection and health prevention in all employees. In the past three years, there were no occupational disease or death of employees and non-employees caused by the buildings, machinery, equipment, raw materials, materials, gas, vapor, dust, etc. in the workplace, job activities, or other occupational causes.

In 2023, there were a total of 20 work-related injuries in SZS Group (including overseas subsidiaries), of which 15 occurred in the plants in Taiwan, decreasing by 7 (31.8%) from 22 in 2022. We will reduce the frequency and number of work-related injuries in our plants in the short run, and continue to pursue zero work-related injuries as the long-term goal.

Year	2022		2023	
Gender	Male	Female	Male	Female
Occupational accidents	16	6	14	1
Total	22		15	
Near miss	2	2	51	33
Total	4		84	

SZS Group	2023			
Type	Male	Female	FR	SR
Occupational accidents	14	1	3.08	26
Near miss	Male		Female	
	51		33	

Note 1: FR = Number of disabling injuries*1,000,000/Total working hours

Note 2: SR = Total number of days lost due to disabling injuries*1,000,000/Total working hours

Note 3: The 2023 statistics include the plants in China.

The reasons for the decrease in the number of work-related injuries in 2023 are as follows:

1

In quarterly Occupational Safety Committee meetings, the engineering control or management measures were reviewed and improved for the industrial safety incidents that occurred in the quarter to make corrections and improvements.

2

During routine inspections, if an employee exhibited unsafe behavior, the occupational safety personnel immediately informed him/her of the potential hazards that might be caused by the behavior. The personnel also made various promotional posters and continuously updated industrial safety information on the bulletin board to provide employees with various safety information.

3

Colleagues actively participated in safety training to enhance their awareness of hazards, and wore appropriate protective equipment in line with the Company's safety standards.

Improvements made:

1. This year, there was an industrial safety incident involving pinching during the testing of a new machine. Since the machine was still in the testing stage, no anti-collision protection was installed. A workpiece fell accidentally during operation, causing a pinch injury to a colleague when he reached out to pick it up. We have installed anti-collision barriers to prevent colleagues from reaching into the machine for improvement. At the same time, warning signs have been posted to remind colleagues to pay attention to safety. We have also emphasize to colleagues that no matter whether a machine is officially in use or not, as long as the machine is in operation, they must comply with the safety regulations. We have included this in the scope of risk assessment.



2. This year, an industrial safety incident occurred when a colleague was performing grinding operations. Due to the lack of a clear standard operating procedure for grinders, the colleague accidentally touched the grinder blade with his finger when turning the workpiece, resulting in a cut injury. To solve this problem, we have revised the standard operating procedure for grinders to instruct colleagues on how to correctly operate a grinder, especially on the steps prone to hazards, and conducted risk management again to improve operational safety.

4.5.4 Safety and Health Training and Drills

SZS Group's basis for implementing the Plan-Do-Check-Action cycle for the ESH system is the promotion of safety and health training to ensure that new, job-changing, or in-service employees understand the work environment, the concept of operational safety, the importance of wearing personal protective equipment, and related laws and regulations. In addition, unsafe operation cases in the workplace over the years and traffic accident promotion are included in the training, and safety promotion materials are provided to on-site units every month for employees to be aware of.

The whole Group implements basic safety and health awareness education and training courses for new employees when they report for duty, so that they have a basic understanding of chemical management in plants, self-inspection management, machinery and equipment management, emergency response procedures, maternal protection, etc., reducing the occurrence of risks in the workplace. Moreover, for in-service personnel, general safety and health education and training and awareness-raising sessions on relevant government laws and regulations are provided every year to enhance their health and safety knowledge. In addition, the number of participants of entry-level training and retraining for various professional licenses increased from 70 in 2022 to 145 in 2023 to comply with laws and regulations on professional license skill training.

Number of Participants of the Group's Occupational Safety and Health Training and Training Hours in the Past Two Years

Employee Category	Training course	Course description	2022		2023	
			Total participants	Total hours	Total participants	Total hours
New employees	Three hours of general safety and health training	1. Introduction to laws and regulations related to occupational safety and health 2. Occupational safety and health concepts and safety and health work rules 3. Self-inspection before, during and after operations 4. Standard operating procedures 5. Emergency response and handling 6. Firefighting and first aid knowledge and drills 7. Other safety and health knowledge related to labor operations	2,496	8,180	3,828	11,484
In-service employees	One hour of general safety and health training	On-the-job safety and health education and training courses	2,869	4,946	2,843	4,539

Note: The new employees and in-service employees in 2022 and 2023 include those from the plants in China.

As the Occupational Safety Committee did not see a downward trend in the number of employees' traffic accidents during commutes for 2022 and 2023, it has made posters to promote the traffic safety of pedestrians, cars, motorcycles, and e-bikes. Through monthly safety awareness-raising, the posting of posters in the parking area of all plants, and monthly traffic information updates on the video wall, we hope to enhance the awareness of colleagues in all plants on defensive driving.

After the COVID-19 control was lifted and the production of each unit recovered, the frequency of purchasing new machinery and equipment or migrating equipment increased accordingly. To enhance each unit supervisor's awareness of preventing change management risks, two briefings on the standard procedures for change management application were held to explain the purpose, motivation, and process of changes. We have also introduced an electronic change operation system to strengthen the implementation of machine operation safety education before machine operations by colleagues from all units to prevent injuries.

4.5.5 Employee Health Promotion



Healthy Workplace Management

According to the WHO's principle of healthy workplaces proposed in 1999, a healthy workplace must "be comprehensive, encourage participation, and promote empowerment," as well as adhere to social justice, facilitate cross-sector participation, and drive sustainability. All of our employees

participate health promotion projects to actively create a healthy and happy workplace and promote appropriate workplace health promotion models.

We assess and analyze the physical examination report of each new colleague, create profiles, and conduct classification management. For high-risk colleagues, a doctor interview is immediately arranged, and we also give them health education and continuously track their follow-up appointments and health improvements.

The Company's supervisors are busy with the Company's operational performance and business strategies and sometimes neglect their health. In 2023, the occupational nurses took the initiative to enter the supervisors' office and analyze the health checkup report of each of them in advance to explain health statistics and give professional dietary advice and health information. We hope that the supervisors will pay more attention to their daily life, diet and health conditions when they are busy at work.



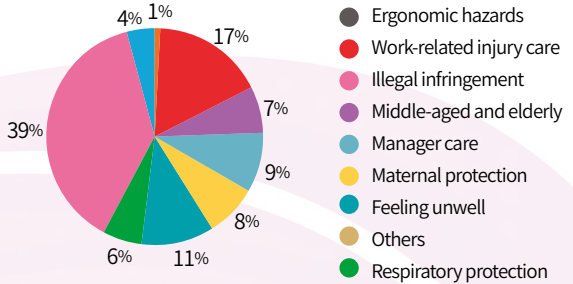
Health care for supervisors



Health care for employees

SZS continues to care for the physical and mental conditions of middle-aged and elderly workers, give education on the prevention of ergonomic hazards, and identify the patterns of illegal infringement in the workplace. In 2023, our priority was to identify and assess the workplace environment or operational hazards and implement necessary control measures to prevent occupational accidents. In the same year, 33 employees were interviewed by medical staff and provided with information on the prevention of hazards at work and health care; there were a total of 18 occupational accidents, where wound care information was provided and the recovery status of employees was evaluated as soon as possible, in order to assist them in returning to work smoothly.

On-site Physician Care in 2023



Health Promotion Activities

With the health management system, various health indicators of all employees were analyzed. The results show that the three highs were higher than the other health indicators, which is consistent with on-site employees' sedentary behavior or infrequent physical activities. In 2023, a number of dynamic and static health promotion activities were planned. Through various activities, we encourage our colleagues to take care of their bodies after work and create a vibrant, healthy and happy workplace.

[Lecture on the Prevention of Illegal Infringement and Communication Skills]

Through the investigation of illegal infringement across all plants and in support of the Ministry of Labor's promotion of the Stalking and Harassment Prevention Act, we organized two lecture sessions on illegal infringement prevention and communication skills, which were attended by 135 supervisors. The lecture introduced different patterns of illegal infringement and physical and mental illegal infringement in the workplace, provided tips to better identify potential illegal infringement and actual practices for reducing illegal infringement in the workplace, and cited regulatory provisions while playing videos related to illegal infringement, giving the participating supervisors a better understanding and consensus and creating a safe and friendly workplace.

[Stay Healthy and Be Happy: Step Counting Campaign]

In 2023, we held the "Stay Healthy and Be Happy: Step Counting Campaign." Through teamwork, everyone motivated one another to exercise after getting off work or on vacation while developing a good habit of exercising. A total of 45 teams with 246 employees participated in the campaign, many of which were led by supervisors. In cool September, participants accumulated steps every day through various types of exercise to benefit both their health and their team. The total number of steps during the whole campaign was 81,648,041, reducing carbon emissions by 11,594 kilograms for the Earth.



["Jump for Youth" Jump Rope Competition in Suzhou Plant]

Suzhou Plant held a team jump rope activity in April when temperatures were pleasantly warm. A total of 14 teams signed up for the activity. The 14 teams competed in preliminary rounds to determine the top six teams for the final round. To prepare for the competition, jump rope training for the members of each squad was in full swing. No matter whether during a lunch break or after work, you could see groups of employees practicing vigorously on the basketball court, just to show their skills in the competition.



[Lecture on Environmental Protection]

On March 25 and March 30, SZS invited lecturers from the Organic Life and Environmental Education Promotion Association to share how to stay healthy and happy. Starting from smelling edible essence, they taught us how to pay attention to artificial additives in food and processed foods, provided tips to identify and avoid hidden toxins in our life, and explained the relevance and importance of environmental hormones, life stress, and diet to physical health through case studies.



[Health Columns]

The Company continues to collect appropriate health prevention issues based on seasons, current events, festivals, etc. Through the Company's website, video wall, and social media, we promoted health knowledge every week or month by posting a total of 70 articles. We provide colleagues with information on health knowledge, daily healthcare, dietary habits, etc. when they are on breaks or getting off work through different channels.



[Contractor Management and Safety and Health]

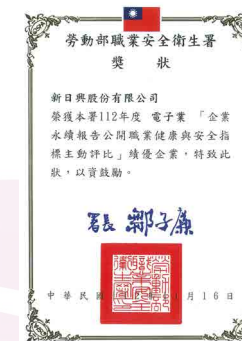
We also pay attention to the safety and health of the workers of our contractors. Whether it is machinery and equipment maintenance, installation and positioning, construction operations, or the security guards stationed on a long-term basis, and catering suppliers, they all comply with the safety and health operation regulations and plant regulations. In accordance with the "Regulations Governing the Safety and Health Management of Contractors Entering Plants for Construction," we prevent occupational accidents from occurring during contractors' construction in plants by promoting the concept of occupational safety to establish a positive partnership.



Awards and Honors



Received the Healthy Workplace Certification/Health Promotion Badge from the Health Promotion Administration, MOHW



Ranked by the Occupational Safety and Health Administration, MOL in the top 10% in the 2023 "Voluntary Evaluation for the Disclosure of OSH Indicators in Corporate Sustainability Reports"

CHAPTER

05

Social Inclusion

5.1 Social Welfare Activities

5.2 Environmental Protection Activities

5.3 Social Welfare Donations



Short-term and Medium- to Long-term Goals

Goals Achieved in 2023

- Made continuous donations to social welfare activities
- Formed the SZS Volunteer Team
- Sustainability awareness-raising activities: 2 lectures, 12 sustainability columns, and 12 health columns.

Achievements in 2023

- Social welfare donations: Funding the harmonica club of elementary schools, the Starlight Theater event in Shulin District, elderly congregate nutrition services, Chinese New Year meals for the elderly, donating rice to remote mountain areas in Eastern Taiwan, the lantern festival in Shulin, and Bright-Feather Sheltered Workshop.
- SZS Calligraphy Competition
- Activities on the SZS Public Welfare Day
- Beach cleanups
- One public welfare activity proposed by employees
- Subsidiary: Blood donation event at Suzhou Plant (The headquarters invested a total of NT\$1,465,500)

Goals in 2024

- Made continuous donations to social welfare activities
- SZS Calligraphy Competition
- Two volunteer activities
- One beach cleanup
- SZS Public Welfare Day

Medium- to long-term goals

With health and well-being, environmental conservation, talent cultivation, and social welfare donation as our four major objectives, we invite customers and suppliers to participate, build employee cohesion, and enhance employees' happiness at work. We aim to create a warm workplace by practicing corporate social responsibility.

5.1 Social Welfare Activities

Donation of Robotic Arms to Cultivate Smart Manufacturing Talent

On December 28, 2023, SZS donated seven sets of robotic arms from German KUKA to Fu Jen Catholic University, Lee-Ming Institute of Technology, and Tatung University. The donation aimed to help the three schools move towards the application of automated manufacturing and smart design with high-end equipment, allowing students to accumulate professional skills in practice and deepen their learning and research in the field of smart manufacturing. We look forward to working together with the schools in the future to promote Taiwan's industrial upgrading, train more professional and technical talent, and create a win-win situation for the development of the smart manufacturing field.



"SZS Calligraphy Competition for Elementary and Junior High Schools in New Taipei City"

A total of 243 entries participated in the "2023 SZS Calligraphy Competition for Elementary and Junior High Schools in New Taipei City." The final live calligraphy round and the awards ceremony were successfully held on October 21. The top three winners were selected from each category, totaling 18 winners, and a number of excellent works and honorable mentions were selected as well. All the winning works were exhibited on-site. Through the calligraphy competition, SZS hoped to promote better calligraphy skill exchange and learning among students, improving their Chinese character writing skills and level.



SZS Public Welfare Day

August 8 is the SZS Public Welfare Day. The activities on this year's SZS Public Welfare Day included a blood donation event, a fair of agricultural products directly from small farmers and the Da An Sheltered Workshop in Shulin District, and a charity sale organized with World Vision. 68 bags of blood were donated that day. The total sales of the fair and the charity sale were NT\$30,550.



[Happy Charity Sale of Second-hand Items & Donation of Change and Invoices] Proposed by Employees

This activity was proposed and implemented by the Group-level Logistics Division of SZS Group. The proceeds from the charity sale totaled NT\$41,340, and the change donated amounted to NT\$20,501, with 167 invoices donated. All the proceeds from the charity sale and donations were donated to the "Taiwan Fund for Children and Families."

All colleagues of the Group-level Logistics Division donated a large amount of second-hand goods, and used hand-drawn POP posters to decorate the booths. The colleagues across plants were enthusiastic about purchasing these goods to jointly practice the concept of resource reuse. Many employees also donated change and invoices. These seemingly small amounts of money added up to a powerful force, providing substantial help to those in need and spreading care and love to every corner.



Strive for Love and Donate Blood to Help Others - Blood Donation Event at SZS (SUZHOU)

After Suzhou Plant's Management Department contacted the Suzhou Blood Donation Center to confirm the date, venue, and required supplies, the plant immediately encouraged employees to actively sign up and received an enthusiastic response. A total of 50 employees participated in the event.



5.2 Environmental Protection Activities

Accession to the Tamsui River Convention

SZS joined CommonWealth Magazine's "Do One Thing for Tamsui River for Support" campaign, and made an announcement on SZS' s official website.



SZS's Beach Cleanup

On October 14, SZS held a beach cleanup and a corporate volunteer team establishment ceremony at the fourth section of the beach at the south bank of Yongan Fishing Harbor.

This time, a total of 42 volunteers picked up 194.76 kilograms of garbage. During the beach cleaning process, we found that in addition to domestic waste such as PET bottles, waste pipes, plastic bags, cigarette butts, and lighters, there were also styrofoam and plastic debris hidden in the vegetation and sand. The destructive power of even the smallest pieces of garbage cannot be ignored. Volunteers went deep into the grass or crouched on the ground to pick up and discard the debris.

During the beach cleanup, we also promoted various green actions such as providing shuttle buses to reduce the carbon emissions of driving cars, using reusable beach cleanup tools and cloth gloves, and having participating colleagues bring their own water bottles.



5.3 Social Welfare Donations

Item

Donation to the Shulin District Office to sponsor and deliver Chinese New Year meals and warming supplies to the elderly living alone in winter

Content

SZS sponsored the Shulin District Office to purchase 198 Chinese New Year meals and warming supplies. Volunteers delivered these meals and supplies to the homes of the elders who live alone and cared about their daily life conditions, so that they could enjoy a Chinese New Year full of warmth and care.

Results

89 seniors living alone.

Item

Donation to New Taipei City's Beauty of Shulin: Lunar New Year Lantern Festival

Content

The Beauty of Shulin: Lunar New Year Lantern Festival was co-organized by the Shulin District Office and local faith centers, such as Jenn Lann Temple and Haiming Temple. SZS has been deeply involved in Shulin District for more than 50 years and has sponsored local activities for a long time.

Results

Donation of NT\$75,000.

Item

Donation for the operation of the harmonica club of Sanduo, Datong, and Yu De Elementary Schools in Shulin District

Content

Since 2019, SZS has sponsored the harmonica club of Datong Elementary School, Yu De Elementary School, and Sanduo Elementary School in Shulin District. We also work together with these schools as well as Peng Fu Elementary School, Shanjia Elementary School, and Yulin Elementary School in Shulin District to organize a results presentation conference every year.

Results

Donation of NT\$300,000, benefiting 38 students.



Item

Donation to the Starlight Theater event in Shulin District

Content

The annual "Starlight Theater" event brings local residents a cultural art feast that is educational for parents and children through films and diversified events that integrate education and entertainment.

Results

2 sessions with about 700 participants.

Item

Donation to Sanlong Village and Zunan Village in Shulin District for elderly congregate nutrition services

Content

Congregate meals are more than just having a meal. Through congregate nutrition events, we hope to encourage the elderly to get out of their homes and participate in community activities, so as to strengthen their body and maintain physical strength while enjoying meals together with their neighbors for the sake of health.

Results

A total of 7,720 people received congregate meals, with a donation of NT\$579,000.

Item

Donation to Bright-Feather Sheltered Workshop's participation in the Ta Liao Keng Musical Concert

Content

In collaboration with Lunghwa University of Science and Technology, SZS organized a musical tour for Bright-Feather Sheltered Workshop. During the tour, participants enjoyed the Ta Liao Keng Musical Concert in the afternoon, and then went to the restaurant to enjoy delicious food. SZS sponsored relevant expenses and appointed volunteers to provide on-site assistance and guidance.

Results

Donation of NT\$18,000, with 20 employees from the workshop participating. Four volunteers from the SZS Volunteer Team provided assistance.



Appendix

Appendix I
GRI Standards Index

Appendix II
SASB Metrics Index

Appendix III
TCFD Content Index

Appendix IV
Climate-related Information
of Listed Companies

Appendix V
Disclosure of ESG Information

Appendix VI
Third-Party Verification Statement
for ESG Report

Appendix VII
Certificates and Validation
of SZS Group's Management Systems



Appendix I GRI Standards Index

Statement of Use	SZS has reported the information quoted in the GRI content index for the period from January 1 to December 31, 2023, with reference to the GRI Standards.
GRI 1 version used	GRI 1: Foundation 2021
Application of GRI Sector Standards	None

GRI 2: General Disclosures 2021

GRI Standards	Disclosure item	Corresponding chapter	Page	Note
2-1	Organizational details	1.1 Company Overview	18	
2-2	Entities Included in the organization's sustainability reporting	About This Report	3	
2-3	Reporting period, frequency, and contact point	About This Report	3	
2-4	Restatements of information	About This Report No combinations, mergers, acquisitions, and changes in the reporting period, nature of business, and measurement method	3	
2-5	External assurance	Appendix 6 Third Party Verification Statement	91	
2-6	Activities, value chain and other business relationships	1.1 Company Profile	18	
2-7	Employee	4.1 Workforce Overview	60	
2-8	Workers who are not employees	4.1 Workforce Overview	60	
2-9	Governance structure and composition	1.2 Corporate Governance	20	
2-10	Nomination and selection of the highest governance body	1.2 Corporate Governance	20	
2-11	Chair of the highest governance body	1.2 Corporate Governance	20	
2-12	Role of the highest governance body in overseeing the management of impacts	1.2 Corporate Governance	20	
2-13	Delegation of responsibility for managing impacts	1.2 Corporate Governance	20	
2-14	Role of the highest governance body in sustainability reporting	1.2 Corporate Governance	20	

GRI Standards	Disclosure item	Corresponding chapter	Page	Note
2-15	Conflicts of interest	1.4 Integrity in Business Operations and Management	22	
2-16	Communication of critical concerns	1.2.2 Functional Committees	21	
2-17	Collective knowledge of the highest governance body	1.2 Corporate Governance	20	
2-18	Evaluation of the performance of the highest governance body	1.2.2 Functional Committees	21	
2-19	Remuneration policies	1.2.3 Director's Remuneration Policy	22	
2-20	Process to determine remuneration	1.2.3 Director's Remuneration Policy	22	
2-21	Annual total compensation ratio	4.2.2 Remuneration System	63	
2-22	Statement on sustainable development strategy	Message from the President Sustainability Management Structure and Organization	4 6	
2-23	Policy commitments	1.5 Economic Performance 1.6 Innovation and R&D 1.7 Information Security and Customer Privacy 2.1 Climate Change Response 2.2 Energy Management 4.2 Talent Attraction and Retention 4.4 Employee Development and Training 4.5 Occupational Health and Safety	23 25 28 34 39 63 67 69	
2-24	Embedding policy commitments	1.5 Economic Performance 1.6 Innovation and R&D 1.7 Information Security and Customer Privacy 2.1 Climate Change Response 2.2 Energy Management 4.2 Talent Attraction and Retention 4.4 Employee Development and Training 4.5 Occupational Health and Safety	23 25 28 34 39 63 67 69	

Appendix I GRI Standards Index

GRI Standards	Disclosure item	Corresponding chapter	Page	Note
2-25	Processes to remediate negative impacts	Stakeholder Engagement	11	
		1.5 Economic Performance	23	
		1.6 Innovation and R&D	25	
		1.7 Information Security and Customer Privacy	28	
		2.1 Climate Change Response	34	
		2.2 Energy Management	39	
		4.2 Talent Attraction and Retention	63	
		4.4 Employee Development and Training	67	
2-26	Mechanisms for seeking advice and raising concerns	4.5 Occupational Health and Safety	69	
		1.4 Integrity in Business Operations and Management	22	
		1.5 Economic Performance	23	
		1.6 Innovation and R&D	25	
		1.7 Information Security and Customer Privacy	28	
		2.1 Climate Change Response	34	
		2.2 Energy Management	39	
		4.2 Talent Attraction and Retention	63	
2-27	Compliance with laws and regulations	4.4 Employee Development and Training	67	
		4.5 Occupational Health and Safety	69	
		1.4 Integrity in Business Operations and Management	22	
2-28	Membership associations	2.4 Water Resource Management	43	
		4.3 Employee Entitlement, Diversity, and Equality	65	
		Participation in Associations and International Initiatives	7	
2-29	Approach to stakeholder engagement	Stakeholder Engagement	11	
2-30	Collective bargaining agreements	4.3.2 Employee Communication	65	

GRI 3: Material Topics 2021

GRI Standards	Disclosure item	Corresponding chapter	Page	Note
3-1	Process to determine material topics	Identification of Material Topics	8	
3-2	List of material topics	Identification of Material Topics	10	
3-3	Management of material topics	Identification of Material Topics	10	

GRI Material Topics

GRI Standards	Disclosure item	Corresponding chapter	Page	Note
Economic performance				
GRI 3: Material Topics 2021	3-3 Management of material topics	Stakeholder Engagement CH1 Operations and Governance	11 13	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed 201-3 Defined benefit plan obligations and other retirement plans 201-4 Financial assistance received from government	1.5 Economic Performance	24	
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	2.1 Climate Change Response	35	
Innovation and R&D (self-defined issue)				
GRI 3: Material Topics 2021	3-3 Management of material topics	Stakeholder Engagement 1.6 Innovation and R&D	11 16	
Information security and customer privacy				
GRI 3: Material Topics 2021	3-3 Management of material topics	Stakeholder Engagement 1.7 Information Security and Customer Privacy	11 17	
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	1.7 Information Security and Customer Privacy	28	

Appendix I GRI Standards Index

GRI Standards	Disclosure item	Corresponding chapter	Page	Note
Climate change response (self-defined issue)				
GRI 3: Material Topics 2021	3-3 Management of material topics	Stakeholder Engagement CH2 Sustainable Environment	11 32	
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	2.1 Climate Change Response	34	
Energy management				
GRI 3: Material Topics 2021	3-3 Management of material topics	Stakeholder Engagement CH2 Sustainable Environment	11 33	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	2.3.2 Energy Use	40	
	302-3 Energy intensity			
	302-4 Reduction of energy consumption	2.3.3 Energy Conversation Plans	41	
Talent attraction and retention				
GRI 3: Material Topics 2021	3-3 Management of material topics	Stakeholder Engagement CH4 Happy Enterprise	11 57	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	4.1 Workforce Overview	60	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 401-3 Parental leave	4.2 Talent Attraction and Retention	63	

GRI Standards	Disclosure item	Corresponding chapter	Page	Note
Corporate governance and integrity in business operations and management				
GRI 3: Material Topics 2021	3-3 Management of material topics	Stakeholder Engagement CH1 Operations and Governance	11 14	
GRI 205: Anti-corruption 2016	205-2 Communication and training about anti-corruption policies and procedures	1.4 Integrity in Business Operations and Management	22	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	1.4 Integrity in Business Operations and Management	22	
Occupational health and safety				
GRI 3: Material Topics 2021	3-3 Management of material topics	Stakeholder Engagement CH4 Happy Enterprise	11 59	
GRI 403: Occupational Health and Safety: 2018	403-1 Occupational health and safety management system	4.5 Occupational Health and Safety	69	
	403-2 Hazard identification, risk assessment, and incident investigation			
	403-3 Occupational health services			
	403-4 Worker participation, consultation, and communication on occupational health and safety			
	403-5 Worker training on occupational health and safety			
	403-6 Promotion of worker health			
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships			
	403-8 Workers covered by an occupational health and safety management system			
	403-9 Work-related injuries			
	403-10 Work-related ill health			

Appendix II SASB Metrics Index

In response to the sustainability accounting standards released by the Sustainability Accounting Standards Board (SASB), SZS has adopted the Industrial Machinery & Goods standard for disclosure, taking into account the Company's own operating activities and referring to the recommendations of the competent authorities.

Sustainability Disclosure Topics and Metrics

Topic	Metric code	Metric type	Metric description	Corresponding chapter	Page
Energy management	RT-IG-130a.1	Quantitative	(1) Total energy consumed (GJ) (2) Percentage grid electricity (%) (3) Percentage renewable (%)	2.3.2 Energy Use	40
Employee health and safety	RT-IG-320a.1	Quantitative	(1) Total recordable incident rate (2) Fatality rate (3) Near miss frequency rate	4.5 Occupational Health and Safety	69
Use-phase energy efficiency	RT-IG-410a.1	Quantitative	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles	Not applicable to the Company	-
	RT-IG-410a.2	Quantitative	Sales-weighted fuel efficiency for non-road equipment	Not applicable to the Company	-
	RT-IG-410a.3	Quantitative	Sales-weighted fuel efficiency for stationary generators	Not applicable to the Company	-
	RT-IG-410a.4	Quantitative	Sales-weighted emissions of: (1) nitrogen oxides (NOx) and (2) particulate matter (PM) for: (a) marine diesel engines (b) locomotive diesel engines (c) on-road medium- and heavy-duty engines, and (d) other non-road diesel engines	The Company does not use the engines mentioned on the left	-
Materials sourcing	RT-IG-440a.1	Discussion and analysis	Management of risks associated with the use of critical materials	3.1 Supplier Management and Evaluation	54
Circular Economy	RT-IG-440b.1	Quantitative	Revenue from remanufactured products and remanufacturing services	1.6 Innovation and R&D	25

Activity Metrics

Topic	Metric code	Metric type	Metric description	Corresponding chapter	Page
Number of units produced by product category	RT-IG-000.A	Quantitative	Number of units produced by product category	1.1.2 Main Products and Services	19
Number of employees	RT-IG-000.B	Quantitative	Number of employees	4.1.1 Workforce Structure	60

Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies: Sustainability Disclosure Indicators - Electronic Parts/Components Industry

No.	Indicator	Corresponding chapter	Page	Unit
1	Total energy consumption, percentage of purchased electricity, utilization rate (renewable energy)	2.3.2 Energy Use	40	Gigajoule (GJ), percentage (%)
2	Total water withdrawn, total water consumption	2.4.2 Water Resource Utilization Analysis and Implementation Results	44	Thousand cubic meters (m ³)
3	Total hazardous waste generated and percentage recycled	2.5.2 Results of Waste Management and Reduction	48	Metric tons (t), percentage (%)
4	Types of, number of employees in and rate of occupational accidents	4.5.3 Occupational Injury Prevention Measures	72	Percentage (%), quantity
5	Product Lifecycle Management Disclosure: including weights of scraps and electronic waste and percentage recycled	2.5.2 Results of Waste Management and Reduction	48	Metric tons (t), percentage (%)
6	Description of the management of risks associated with the use of critical materials	3.2 Supplier Risk Assessment	54	Not applicable
7	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	1.4 Integrity in Business Operations and Management	22	Reporting currency
8	Production by product category	1.1.2 Main Products and Services	19	Varies by product category

Appendix III TCFD Content Index

Aspect	Core elements of TCFD	Corresponding chapter	Page
Governance	- The Board's oversight of climate-related issues - Management's role in assessing and managing climate-related issues	Sustainability Management Structure and Organization 2.1 Climate Change Response	6 34
Strategy	- The climate-related issues the organization has identified over the short, medium, and long term - The impact of climate-related issues on the organization's businesses, strategy, and financial planning - Scenario analysis (including the 1.5° C scenario or more severe scenarios)	2.1 Climate Change Response 2.2 Greenhouse Gas Management	34 36
Risk management	- Processes for identifying and assessing climate-related risks - Processes for managing climate-related risks. - Describe how the above processes for identifying and managing climate-related risks are integrated into the organization's overall risk management system	2.1 Climate Change Response	34
Metrics and targets	- Assess whether the metrics used are in line with the organization's strategy and risk management - Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks - Management targets and related performance	2.1 Climate Change Response	34

Appendix IV Climate-related Information of Listed Companies

1 Climate-related implementation

Item	Implementation																				
1. Describe the Board and management's oversight and governance of climate-related risks and opportunities.	In December 2021, the Company established the "SZS Sustainable Development Committee Charter," and elected the first Sustainable Development Committee in August 2022. The Sustainable Development Committee is subordinate to the BOD and includes one director and two independent directors. We have designated the General Manager as the chair, and appointed the Chief Corporate Governance Officer along with the environmental sustainability team and risk management-related departments to form a cross-departmental climate change risk task force. In accordance with the TCFD Recommendations, the team identifies the risks and opportunities caused by climate change, assesses and responds to climate impacts within the scope of each competence, and incorporates the implementation results and plans into the KPIs of the management team. The team makes at least one report to the BOD annually. In addition, the other functional committees are also responsible for the governance of some climate-related issues: The "Audit Committee" regularly listens to the internal audit department's report on the internal control system design for climate-related risks, as well as audit findings. The "Remuneration Committee" evaluates and reviews the remuneration of managers for ESG-related performance (including climate change-related issue management) based on the KPIs of each manager. By linking the reward system to climate change management results, the management is motivated to not only improve their individual performance, but also bring profit to the Company and achieve the Company's sustainable operation goals, bringing more benefits to investors and stakeholders.																				
2. Describe how the identified climate risks and opportunities will affect the Company's business, strategy, and finances (short-, medium-, and long-term).	We have preliminarily listed the climate-related impacts on our business, strategy, and financial planning according to the TCFD risk and opportunity categories, and we are actively developing solutions to mitigate the business and financial impacts of climate change and enhance organizational resilience to climate change. We define short-term as less than three years and medium- to long-term as more than three years. We have assessed the potential business and financial impacts of related climate risks and opportunities on the Company, and actively planned various response actions. The relevant impacts are summarized as follows: <table><tr><th>Category</th><th>Risk/Opportunity item</th><th>Short-term impact (less than three years)</th><th>Medium- to long-term impact (more than three years)</th><th>Response</th></tr><tr><td>Physical risk</td><td>The water shortage stress affects plant operations.</td><td>The area where the Company is located has not yet entered the third stage of water restriction, and there is no possibility of affecting operations for the time being.</td><td>Scarcity of water resources will result in operational pressure and impact, and supplier chain breakage will occur, which will lead to increased operating costs.</td><td>In order to reduce the impact of drought events, relevant manufacturing plants have gradually strengthened the recycling of water resources and also formulated emergency response plans to reduce operational losses caused by the disaster risk. Refer to the Company's 2023 ESG Report - Water Resource Management</td></tr><tr><td>Physical risk</td><td>Average temperature rise</td><td>As high temperatures increase the utilization rate of air conditioners and electricity prices go up, the electricity bill will increase accordingly.</td><td>The increase in energy consumption of equipment within manufacturing plants (such as the increase in power consumption of cooling equipment) and the increase in GHG emissions will lead to an increase in operating costs.</td><td>Promote replacement of old air-conditioning equipment with new one; make plans for intelligent monitoring of air conditioners, air compressors, and electricity; and implement various energy conservation plans and management measures. Refer to the Company's 2023 ESG Report - Energy Management</td></tr><tr><td>Transformation risk</td><td>Focus on the risks arising from the transition to a low-carbon economy. Transition risks include policy, legal, technical, market and reputation risks</td><td>The increase in GHG emission caps, carbon taxes, carbon fees, etc. leads to an increase in operating costs. If no active sustainable actions are taken, the Company will lose customers' orders and investors' trust.</td><td>In response to regulatory and customers' requirements, the utilization rate of renewable energy will increase, resulting in increased operating costs. In response to international initiatives, we actively start carbon reduction from processes, adopt alternative recyclable raw materials, continue to invest in R&D technology, introduce low-carbon products, and increase R&D technology transformation costs.</td><td>In order to cope with the risk of changes in laws and regulations as well as green standards, the Company not only actively responds to relevant international standards, but is also committed to planning to mitigate the risk of renewable energy costs and investing in the research and development of low-energy consumption products to reduce the carbon footprint of products, thereby meeting customer expectations and strengthening customers' trust in us. Refer to the Company's 2023 ESG Report - Greenhouse Gas Management and Innovation and R&D</td></tr></table>	Category	Risk/Opportunity item	Short-term impact (less than three years)	Medium- to long-term impact (more than three years)	Response	Physical risk	The water shortage stress affects plant operations.	The area where the Company is located has not yet entered the third stage of water restriction, and there is no possibility of affecting operations for the time being.	Scarcity of water resources will result in operational pressure and impact, and supplier chain breakage will occur, which will lead to increased operating costs.	In order to reduce the impact of drought events, relevant manufacturing plants have gradually strengthened the recycling of water resources and also formulated emergency response plans to reduce operational losses caused by the disaster risk. 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Appendix IV Climate-related Information of Listed Companies

Item	Implementation				
2. Describe how the identified climate risks and opportunities will affect the Company's business, strategy, and finances (short-, medium-, and long-term).	Category	Risk/Opportunity item	Short-term impact (less than three years)	Medium- to long-term impact (more than three years)	Response
	Opportunity	Based on the results of risk assessment, we utilize the existing strengths of the Company to obtain opportunities related to resource efficiency, product services, and markets.	The Company has leading precision processing technology. By making good use of our technology, we introduce automated processes to improve production efficiency. In this way, we will have the opportunity to gain and meet customers' trust and expectations and thereby reduce operating costs.	Our highly-skilled R&D team develops low-carbon products to reduce production costs and raise barriers for competitors to enter the current market. The Company enters new markets with low-carbon processes to gain the chance to increase investors' long-term investment willingness and obtain the support of new customers. This will increase operating revenue and improve profitability.	In addition to improving the efficiency of process equipment, the innovation of various design methods and the research and development of low-carbon products using recycled materials improve production efficiency and resource utilization efficiency, reduce costs, and maintain a close collaboration relationship with customers to invest in R&D according to market demand. Therefore, when a wave of sustainability rises, there will be opportunities to meet customer needs, enter new markets, increase revenue, and obtain support from investors. Refer to the Company's 2023 ESG Report - Energy Management and Innovation and R&D
3. Describe the financial impact of extreme climate events and transitional actions.	Financial Impacts of Extreme Climate Events After discussion by the Environmental Sustainability Team and the Risk Management Team, the Company has come to the conclusion that due to the scarcity of water resources, some of the processes in the supply chain are highly dependent on water resources. As a result, the Company is faced by the physical risks of operational pressures and impacts and supplier chain disruptions, which lead to increased operating costs. In addition, in persistently high temperatures, the utilization rate of air conditioners and equipment energy consumption in the plants will increase, coupled with continuous rises in electricity bills and increased greenhouse gas emissions, resulting in higher operating costs and carbon reduction costs. The Company will continue to refine physical risk analysis and strengthen the management and strategic planning of climate events. Financial Impacts of Transition Actions In order to cope with the impact of climate change, we have assessed its transition risks, and concluded that we will face a wide range of changes in policies, regulations, technologies, and markets. The speed and variation of changes are different depending on the speed of climate change and the schedule of relevant plans. According to the results of the Company's assessment, changes in GHG caps, carbon fees and taxes, and renewable energy laws and regulations may cause increased business costs in the transformation of the Company. Currently, the Company is actively developing low-carbon products and, with the design principles of these products, developing a diversified product line to enter different markets. However, as these products are still at the R&D stage, the R&D cost will increase. In spite of that, with other business strategies, the impact on sales will not be material. Therefore, our focus will be on the analysis of product costs and introduction of energy-saving and carbon reduction projects to minimize costs for operations and the supply chain, as well as the improvement of energy efficiency and water recycling efficiency, proper use and management of reclaimed water, and sound waste disposal procedures to reduce the increase in operating costs caused by climate impacts				
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	The BOD is the highest decision-making unit for risk control within the Group and directly supervises various risk governance frameworks within the Group. To improve risk assessment and strengthen management, the Sustainable Development Committee has formed the Environmental Sustainability Team and the Risk Management Team to identify various risks to corporate operations, including the physical and transition risks that may be brought about by climate change to the Company, and be in charge of planning relevant countermeasures. These task forces identify and analyze risks in five major aspects: operations, finance, compliance, information security, and sustainable operations according to each department's business scope. The identification results are provided to the general manager of each business unit to plan and formulate countermeasures, and then are presented at the monthly general manager meeting. The risks that may affect operations and profitability and the response plans are consolidated during the meeting. A risk control report is submitted to the BOD at least once a year in order to strengthen the corporate structure.				

Appendix IV Climate-related Information of Listed Companies

Item	Implementation
5. If scenario analysis is used to assess resilience to climate change risks, the scenario, parameters, assumptions, analysis factors, and main financial impacts used shall be explained.	The Company has considered different climate-related scenarios and referred to the 1.5 ° C scenario announced by the International Energy Agency (IEA), simulated and analyzed the impact of future climate changes, determined the science-based target (SBTi) for GHG reduction, and estimated future carbon emission reduction, all of which may be used as a reference for its business strategy adjustment.
6. If there is a transition plan for managing climate-related risks, describe the plan, and the indicators and targets used to identify and manage physical risks and transition risks.	In order to achieve net-zero emissions, we have formulated a low-carbon transition plan that will focus on reducing direct emissions from operating activities (Scope 1), indirect emissions from energy use (Scope 2), and indirect emissions from the value chain (Scope 3). The implementation includes: 1. Plan and formulate SBTi goals, as well as desired international audits. 2. Follow the reduction pathway that conforms to the SBTi's Business Ambition for 1.5 ° C campaign; reduce Scope 2 emissions linearly by 4.2% per year. 3. Strengthen energy conversion and recycling economy, etc., and realize the combination of economic, social and environmental benefits through the use of green electricity and expanded use of renewable raw materials. It is planned that the use of green electricity will account for $\geq 50\%$ in 2030.
7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be explained.	The Company currently does not use internal carbon pricing.
8. If climate-related targets are set, the activities covered, the scope of GHG emissions, the planned schedule, and the progress each year shall be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve the targets, the source and quantity of the carbon offsets used or the quantity of the RECs used shall be explained.	The Company's planned GHG emissions reduction schedule and the annual progress made are explained in 9.1-2 below. The Company currently does not use carbon offsets or RECs.
9. GHG inventory and assurance status, as well as reduction targets, strategies, and specific action plans. (To be provided separately in 1-1 and 1-2)	Refer to the explanation below

Appendix IV Climate-related Information of Listed Companies

1-1 The Company's GHG inventory and assurance status in the most recent two years

GHG inventory information

Specify the GHG emissions (metric tons CO₂e), intensity (metric tons CO₂e/NT\$ million) and data coverage in the most recent two years.

The consolidated company has established a GHG inventory mechanism in accordance with the Greenhouse Gas Protocol issued by the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI)/the ISO 14064-1:2018 greenhouse gas inventory standard (Specify applicable inventory standards) issued by the International Organization for Standardization (ISO). Since 2021, the Company has inventoried the GHG emissions of the Company and the subsidiaries in the consolidated financial report on a regular basis every year to gain a complete picture of the GHG emissions and verify the effectiveness of reduction actions.

In addition, the GHG inventory data of the most recent two years are compiled using the operational control approach, including the GHG emissions of the Company and all subsidiaries in the consolidated financial report, and the explanation is as follows:

		2022		2023	
		Emissions (metric tons CO ₂ e)	Intensity (metric tons CO ₂ e/NT\$ million of revenue)	Emissions (metric tons CO ₂ e)	Intensity (metric tons CO ₂ e/NT\$ million of revenue)
SZS	Scope 1 Direct GHG emissions	926		483	
	Scope 2 Indirect GHG emissions	25,702		21,305	
	Subtotal	26,628		21,788	
All subsidiaries in the consolidated financial report	Scope 1 Direct GHG emissions	482		193	
	Scope 2 Indirect GHG emissions	2,729		2,594	
	Subtotal	3,211		2,787	
Total		29,839	2.52	24,575	2.44

Appendix IV Climate-related Information of Listed Companies

1-1-2 GHG assurance information

Specify the status of assurance over the most recent two years up to the publication date of the annual report, including the assurance scope, assurance body, assurance criteria and assurance opinions.

Among the total GHG emissions disclosed by the consolidated company in 1-1-1, those considered to be generated by the Company based on the assurance scope in 2022 and 2023 accounted for 100% and 100% of the Company's total emissions in those years, respectively. In 2022, AFNOR ASIA conducted verification in accordance with the ISO 14604-3:2019 standard and verified that the assurance opinions were unqualified opinions providing reasonable assurance; in 2023, TÜV SÜD Taiwan conducted verification in accordance with the ISO 14604-3:2019 standard and verified that the assurance opinions were unqualified opinions providing reasonable assurance.

1-2 GHG reduction targets, strategies, and specific actions

Specify the GHG reduction baseline year and data, reduction targets, strategies, and specific action plans, and the achievement of the reduction targets.

GHG reduction baseline year and reduction targets

In order to plan our GHG reduction strategy, the Company completed an inventory with the consolidated financial report as the boundary in 2021, and submitted our commitment to GHG reduction with 2022 as the baseline year to the SBTi in 2023. We also expect to submit reduction targets to the SBTi for verification in 2024. The Company's Scope 1 and Scope 2 emissions were 676 tons CO₂e and 23,890 tons CO₂e, respectively. We hope to achieve an annual reduction of 4.2% from the baseline year through the following specific actions in 2024 and reduce emissions by at least 4.2% every year starting from the baseline year.

GHG reduction strategies and specific action plans

In response to Taiwan's 2050 net-zero emissions pathway and strategy, the Company has formulated GHG reduction strategies and plans in three major aspects: process improvement, energy transition, and circular economy.

- **Process improvement:** We accelerate equipment replacement, develop waste heat recovery technology applications, and introduce a smart energy-saving management system to collect data on electricity, air pressure, water flows, and air conditioning to timely control energy consumption and analyze load characteristics, which are used as a basis for assessing the effect of energy-saving improvements, thereby optimizing the energy-saving policy and achieving optimal energy utilization.
- **Energy transition:** SZS continues to strive for net-zero emissions. In the future, we plan to install or purchase renewable energy and install energy storage equipment to further implement corporate sustainable development.
- **Circular economy:** As global resources are limited, in order to meet changes in demand and reduce resource waste at the same time, we continue to use recycled and low-carbon raw materials in our processes to avoid increasing the burden on the environment, ensuring that the limited resources on the Earth can be recycled and used sustainably.

Appendix V Disclosure of ESG Information

Topic	Indicator	Corresponding chapter	Page	Unit
GHG emissions	Direct (Scope 1) GHG emissions	2.2 Greenhouse Gas Management	36	Metric tons CO ₂ e
	Energy indirect (Scope 2) GHG emissions	2.2 Greenhouse Gas Management	36	Metric tons CO ₂ e
	Other indirect (Scope 3) GHG emissions	2.2 Greenhouse Gas Management	36	Metric tons CO ₂ e
	GHG emission intensity	2.2 Greenhouse Gas Management	36	Metric tons CO ₂ e/Entity's revenue
	GHG management strategies, methods, and goals	2.2 Greenhouse Gas Management	36	Qualitative description of the management approach
Energy management	Renewable energy utilization rate	2.3.2 Energy Use	40	Renewable energy consumption/Total energy consumption
	Energy utilization rate improvement	2.3.3 Energy Conversation Plans	41	Qualitative description
	Policy on the use of recycled materials	2.3.4 Future Renewable Energy Planning	42	Qualitative description
Water Resources	Water consumption	2.4.2 Water Resource Utilization Analysis and Implementation Results	44	Metric tons
	Water Use Intensity	2.4.2 Water Resource Utilization Analysis and Implementation Results	44	Water consumption/Entity's revenue
	Water resource management or reduction targets	2.4.2 Water Resource Utilization Analysis and Implementation Results	44	Qualitative description
Waste	Hazardous waste volume	2.5.1 Reuse and Recycling	46	Metric tons
	Non-hazardous waste volume	2.5.1 Reuse and Recycling	46	Metric tons
	Total weight (hazardous + non-hazardous)	2.5.1 Reuse and Recycling	46	Metric tons
	Waste intensity	2.5.2 Results of Waste Management and Reduction	48	Waste volume/Entity's revenue
	Waste management or reduction targets	2.5.2 Results of Waste Management and Reduction	48	Qualitative description

Topic	Indicator	Corresponding chapter	Page	Unit
Human resource development	Average salary per employee	4.2.2 Remuneration System	63	NTD/employee
	Average benefit expense per employee	4.2.2 Remuneration System	63	NTD/employee
	Average salary per non-managerial full-time employee	4.2.2 Remuneration System	63	NTD/employee
	Median salary per non-managerial full-time employee	4.2.2 Remuneration System	63	NTD/employee
	Percentage of female supervisors in management positions	4.1.3 Female Development and Training Programs	62	Ratio
	Number of people suffering from occupational accidents	4.5.3 Occupational Injury Prevention Measures	71	Number
	Occupational accident rate	4.5.3 Occupational Injury Prevention Measures	71	Ratio
Board of Directors	Number of BOD seats	1.2.1 BOD Operation	21	Quantity
	Number of independent directors	1.2.1 BOD Operation	21	Quantity
	Number and percentage of female directors	1.2.1 BOD Operation	21	Ratio
	Attendance rate of directors at BOD meetings	1.2.2 Functional Committees	21	Ratio
	Percentage of directors and supervisors' continuing education hours' compliance with the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies	1.2.1 BOD Operation	20	Ratio
Investor communication	Number of investor conferences held by the Company in the year	Stakeholder Engagement	11	Number of conferences

Appendix VI Third-Party Verification Statement for ESG Report



獨立保證意見聲明書

新日興股份有限公司 2023 年永續報告書

英國標準協會與新日興股份有限公司(簡稱新日興)為相互獨立的公司。英國標準協會除了針對新日興股份有限公司 2023 年永續報告書進行評估和查證外，與新日興並無任何財務上的關係。

本獨立保證意見聲明書之目的，僅作為對新日興股份有限公司 2023 年永續報告書所界定範圍內的相關事項進行保證之結論，而不作為其他之用途。除對保證事項提出獨立保證意見聲明書外，對於其他目的之使用，或間接此獨立保證意見聲明書的任何人，英國標準協會並不負有或承擔任何有關法律或其他之責任。

本獨立保證意見聲明書係英國標準協會對新日興提供之相關資訊所作成之結論，因此審查範圍乃基於並侷限於這些提供的資訊內容之內。英國標準協會認為這些資訊內容都是完整且準確的。

對於這份獨立保證意見聲明書所載內容或相關事項之任何疑問，請向新日興一併因應。

查證範圍

新日興與英國標準協會協議的查證範圍包括：

1. 本查證作業範圍與新日興股份有限公司 2023 年永續報告書揭露之報告範圍一致。
 2. 依照 AA1000 保證標準 V3 的第 1 應用類型評估新日興遵循 AA1000 實質性原則(2018)的本質和程度，不包括對於報告書揭露的資訊/數據之可信程度的查證。
- 本聲明書以英文作成並已翻譯為中文以供參考。

意見聲明

我們認為新日興股份有限公司 2023 年永續報告書內容，對於新日興之相關運作與永續績效則提供了一個公平的觀點。基於保證範圍限制事項，新日興所提供資訊與數據以及披露之測試，此報告書並無重大之不實陳述。我們相信有關新日興的環境、社會及治理等績效資訊是正確與無誤地呈現。報告書所揭露之永續績效資訊反映了新日興對識別利害關係人的努力。

我們的工作是由一班具有依據 AA1000 保證標準 V3 查證能力之團隊執行，以及策劃和執行這部分的工作，以獲得必要之訊息資料及說明。我們認為新日興所提供之足夠證據，表明其符合 AA1000 保證標準 V3 的報告方法與自我聲明依據 GRI 永續性報導原則後屬公允的。

查證方法

為了收集與作成結論有關的證據，我們執行了以下工作：

- 對來自外部團體的議題相關於新日興政策進行高階管理層對話，以確認本報告書中聲明書的合適性；
- 與管理層討論有關利害關係人參與的方式。然而，我們並無直接接觸外部利害關係人；
- 訪談 16 位與永續性管理、報告書編製及資訊提供有關的員工；
- 審查有關組織的關鍵性發展；
- 審查內部稽核的發現；
- 審查報告書中所作宣告的支持性證據；
- 針對公司報告書及其相關 AA1000 實質性原則(2018)中有關包容性、重大性、回應性及衝擊性原則之流程管理進行審查。

結論

針對 AA1000 實質性原則(2018)之包容性、重大性、回應性及衝擊性與 GRI 永續性報導原則的詳細審查結果如下：

包容性

2023 年報告書反映出新日興已尋求利害關係人的參與，並建立重大永續主題，以發展及達成對永續具有責任且策略性的回應。報告書中已公正地報告與揭露環境、社會及治理的訊息，足以支持適當的計畫與目標設定。以我們的專業意見而言，這份報告書涵蓋了新日興之包容性議題。

重大性

新日興已對組織及其利害關係人之評估、決策、行動和績效產生實質性影響與衝擊之重大主題，永續性資訊揭露便利利害關係人得以對公司之管理與績效進行判斷。以我們的專業意見而言，這份報告書適切地涵蓋了新日興之重大性議題。

回應性

新日興執行來自利害關係人的期待與看法之回應。新日興已發展相關溝通政策，作為提供進一步回應利害關係人的機會，並對利害關係人所關切之議題作出及時性回應。以我們的專業意見而言，這份報告書涵蓋了新日興之回應性議題。

衝擊性

新日興已識別並以平衡和有效之量測及揭露方式公正展現其衝擊，新日興已建立量測、量測、評估和管理衝擊之流程，從而在組織內實現更有效之決策和結果管理。以我們的專業意見而言，這份報告書涵蓋了新日興之衝擊性議題。

GRI 永續性報導原則

新日興提供有關依據 GRI 永續性報導原則 2021 之自我宣告，並對每項涵蓋其行營原則和具相關性的 GRI 主題原則之重大主題，其揭露項目依據全部報導要求的相關資料。基於審查的結果，我們確認報告書中依照 GRI 永續性報導原則之永續發展相關揭露項目已該報告、部分報告或省略。以我們的專業意見而言，此自我宣告涵蓋了新日興的永續性主題。

保證等級

依據 AA1000 保證標準 V3 我們審查本聲明書為中度保證等級，如同本聲明書中所描述之範圍與方法。

責任

這份永續報告書所屬責任，如同責任信中所宣稱，為新日興負責人所有。我們的責任為基於所描述之範圍與方法，提供專業意見並提供利害關係人一個獨立的保證意見聲明書。

能力與獨立性

英國標準協會於 1901 年成立，為全球標準與驗證的領導者。本查證團隊係由具專業背景，且接受過如 AA1000AS、ISO 14001、ISO 45001、ISO 14064 及 ISO 9001 之一系列永續性、環境及社會等管理標準的訓練。具有稽核員資格之成員組成，本保證係依據 BSI 公平交易原則執行。

For and on behalf of BSI:


Peter Pu, Managing Director BSI Taiwan



Statement No: SRA-TW-808274

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A Member of the BSI Group of Companies

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Appendix VII Certificates and Validation of SZS Group's Management Systems

Scope	Standard	SZS/ New Taipei City	SZS/ Suzhou	SZS/ Chongqing	JENGJEA/ Kunshan	CHENGYUE/ Dongguan	REDSTAR/ Fuqing
Social Responsibility	RBA VAP silver certificate	V	V		V	V	V
Quality	ISO 9001:2015 Quality Management Systems	V	V	V	V	V	V
	IATF 16949:2016 Automotive Quality Management System	V					
Environment	ISO 14001:2015 Environmental Management Systems	V	V	V	V	V	V
	IECQ-QC080000:2017 Hazardous Substance Management System	V	V	V	V	V	V
	ISO 14064-1:2018 GHG Inventory	V	V	V	V	V	V
Occupational safety	ISO 45001:2018 Occupational Health and Safety Management Systems	V	V	V	V	V	V
Information	ISO 27001:2013 Information security management	V	V				



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