

2021 ESG

KAORI HEAT TREATMENT CO., LTD.

Corporate Sustainability Report

Low Carbon and Emission ♦ People Values ♦ Sustainability





創新、品質、責任、榮譽
Innovation、Quality、Responsibility、Honor

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About the Report

Kaori Heat Treatment Co., Ltd. (referred to as "Kaori" or "the Company" below) recognizes the importance for businesses to fulfill social responsibilities and took the initiative to prepare its first sustainability report in 2022 on a voluntary basis as a response to stakeholders' expectations for sustainable management. This report has been prepared out of integrity, accountability, and transparency, and is intended to communicate with stakeholders on Kaori's actions and performances in 2021 with regards to economic, environmental, and social aspects.

Scope and Boundary

This report discloses information relating to Kaori (excluding overseas subsidiaries) from January 1 to December 31, 2021. All financial data presented in the sustainability report has been prepared in accordance with International Financial Reporting Standards (IFRS), and is denominated in NTD.

Report Preparation Principles and Quality Management Procedures

This report has been prepared in accordance with the GRI Standards- core option published by Global Reporting Initiative (GRI) and requirements stipulated in "Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies" and "Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies." It is intended to explain to stakeholders of Kaori Heat Treatment Co., Ltd. about the Company's sustainability practices and performance.

Contents of this report were gathered and compiled by various task forces under Kaori's ESG Committee. The ESG Committee had verified the Company's sustainability performance for the year and reviewed the completeness and correctness of reported data, whereas the lead member of the ESG Committee gave the final approval for the report.

Publication Details

This is the first sustainability report of Kaori Heat Treatment Co., Ltd., and as a support to the Kaori's energy/carbon reduction, environmental care, and paperless initiatives, the Company has opted to disclose the report to all potential users in electronic form over Kaori's website.

- Reporting period: January 1 to December 31, 2021
- Reporting cycle: once a year
- Date of current publication: June 2022
- Date of next publication: June 2023 (scheduled)

ESG Contact Information

Please do not hesitate to contact us if you have any suggestions regarding this report or Kaori's sustainability practices.

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- ESG Committee
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- TEL: +886-3-4527005 ext 213
- Mail: pr@kaori.com.tw
- Website: <https://www.kaori.com.tw>

Message from the Chairman

Kaori's commitment to progress

Sustainability commitments backed by more than half a century of devotion in Taiwan

The outbreak of COVID-19 has had fundamental changes to the world for nearly two years, and we sincerely wish for the safety and health of all our friends and family members. Socioeconomic uncertainties of COVID-19 and natural disasters given rise by extreme weathers have made us aware of how climate change may affect or even threaten humanity. It was at times like this that the world starts to form a consensus toward ESG (Environmental, Social, and Governance) values. As a corporate citizen, Kaori observes the global net zero movement and takes the initiative to adopt sustainable, low-carbon practices. First, we adopted the ISO14064-1 standard on greenhouse gas inventory and surveyed greenhouse gas emission on an organizational level. At the production end, we made further enhancements to our brazing techniques, replaced energy-intensive production equipment with energy-efficient alternatives, and implemented solutions to lower carbon emission of the production stage to a new level. Meanwhile, actions are being taken to reduce waste, effluent, and use of paper. With respect to renewable energy, Kaori has made plans to install rooftop photovoltaic systems totaling 744.51kW in capacity at Kaohsiung Benzhou Plant. They are scheduled to complete in Q4 2022 and are expected to generate 18,448,369 kWh of green power over 20 years to reduce 9,390 tonnes of CO₂ emission, which is equivalent to the carbon absorption capacity of 23 Da'an Parks.

Only a sustainable business is able to sustain service. To enforce sustainability awareness and values, Kaori has assembled an "ESG Committee" that serves as the decision-making authority for all ESG-related matters. Being the chief

of the committee, I coordinate with senior managers from different fields of expertise to respond to the United Nation's Sustainable Development Goals (SDGs) and explore ways to associate the SDGs with Kaori's core advantage. Through a series of discussions, we have identified "low carbon, people value, and sustainable practice" as the three main themes, and made low-carbon production, sustainable supply chain, green innovation, training of sustainability talents, and public interests the five major focuses of our business activities. Purposes of the ESG Committee are to implement medium- and long-term ESG strategies that systematically improve sustainability performance of the Company, and to support UN's SDGs by observing ESG trends, evaluation standards, and best practices around the world.

For more than half a century, Kaori has relied on innovative business mindset and technology as the main driver for business growth, and owes much of its success today to the contribution, trust, and support of employees, supply chain partners, customers, and the general public. Kaori's sustainability efforts for 2022 will continue to be inspired by the idea- "For Earth. For Us." Backed by a strong conviction to ESG values, the Company will strive to act in the best interest of all stakeholders and contribute further to the stability and growth of the society.

Sustainability Statement **4E**

” For Earth. For Us. ”

- Eco-friendly
- Employability
- Equity
- Ethics

Hans Han

Chairman and Chief of ESG Committee



2021 Performance Overview

Topic	Description
 <p>Low-Carbon Technology</p>	<ul style="list-style-type: none"> Developed <i>plate heat exchanger featuring natural coolant (CO₂) that significantly reduces damage to the environment</i>; began supply of next-gen refrigeration, air conditioning, and heat pump systems with <i>lower coolant requirements</i> Developed fuel cell heat exchange technology that can be used on solid oxide fuel cells (SOFC); introduced <i>new energy system with heat recycling capability</i> Developed high-pressure brazed heat exchanger for <i>electrolytic hydrogen generator and hydrogen fuel cell applications</i>, which supports low/zero carbon transformation and clean energy movement Reduced energy consumption of data center through <i>immersion cooling technology</i>, which increased power usage effectiveness (PUE) of the cooling system <i>by more than 70%, and saved total electricity by 30%-40%</i> Developed <i>clean, pollution-less methanol fuel cell for stationary power</i>, which is the best new energy solution to replace conventional diesel generators. The technology is attracting attention around the world for several advantages including low noise, charger-free, high efficiency, long life, wide application, and support for <i>distributed power generation</i>. <i>The proprietary hydrogen generator</i> has been adopted by government institutions and proven to greatly reduce operating costs; the Company has made a successful entry into the <i>circular economy</i> supply chain and plays a critical role in reducing resource wastage Developed <i>industrial hydrogen purification technology for the recycling and reuse of hydrogen</i>; contributed to circular economy with the invention of 2nd-gen hydrocracking (including pre-processing) equipment for organic solvents
 <p>Energy Management</p>	<ul style="list-style-type: none"> In 2021, Kaori <i>saved 161,560 kWh of power, reduced CO₂ emission intensity by 82.23 tonnes CO₂e/kWh</i>, and produced energy conservation benefits amounting to <i>NT\$490,000</i> Kaori has made plans to install photovoltaic systems totaling 744.51kW in capacity; they are scheduled to complete in Q4 2022, and are expected to <i>generate 18,448,369 kWh of green power</i> over 20 years to <i>reduce 9,390 tonnes of CO₂ emission</i>
 <p>Welfare and Care</p>	<ul style="list-style-type: none"> Birth & child care subsidy - <i>NT\$1.81m</i> Children's scholarship - <i>more than NT\$550,000</i> Employee health checkup - <i>subsidized more than NT\$1.16m</i> Employee group insurance - <i>subsidized more than NT\$3.33m</i> Employee shareholding trust - <i>the Company subsidized 20%</i> Education & training - 342 training sessions were held, which received 2,019 enrollments and delivered 7,141 hours of training in total, averaging 15 hours per employee; <i>more than NT\$610,000 of training expenses were committed</i>

Enforcement of UN SDGs

Sustainability aspect	Sub-goals	Kaori's actions/highlights 2021
 <p>Economic</p>	<p>Sales planning</p> <p>Develop high-quality, reliable, sustainable, and low-carbon products and technologies that support economic development and humanity's wellbeing, while placing focus on providing channels that are fair and affordable to all people</p>	<ul style="list-style-type: none"> Supplied plate heat exchanger, a critical component for heat pump, to Europe, USA, and Japan Cooperated with European and U.S. refrigeration system suppliers, and successfully developed next-generation eco-friendly high-efficiency heat exchangers for mass production Cooperated with server manufacturers and power supply unit (PSU) manufacturers on the validation of immersion liquid cooling performance, which is more than 70% more energy-efficient and saves nearly 30% total power compared to air cooling technology Supplied critical internal components of SOFC to reputable hydrogen fuel cell manufacturers in the U.S., and helped the world toward net zero emission and energy transformation Development of pre-processing, cracking, and purification systems for hydrogen generation from industrial organic solvent waste
	<p>Operating performance</p>	<ul style="list-style-type: none"> The Company reported NT\$2,231m of revenues NT\$196m of pre-tax profit NT\$149m of net income
	<p>Compliance</p> <p>Compliance with environmental protection laws and socioeconomic regulations</p>	<ul style="list-style-type: none"> Ethics 0 violation Integrity 0 complaint
<p>Innovative R&D</p> <p>Invest into the development of energy/carbon reduction and green energy solutions, and strive to become a key supplier of low-carbon technology and circular economy</p>		<ul style="list-style-type: none"> Cooperated with electric vehicle system integrators in China and Europe and became a key component supplier by offering heat exchangers for various applications such as battery heat management system, vehicle air conditioning and heat pump, gearbox oil cooling etc. Developed plate heat exchanger featuring natural coolant (CO₂) that significantly reduces damage to the environment; began supply of next-gen refrigeration, air conditioning, and heat pump systems with lower coolant requirements Developed fuel cell heat exchange technology that can be used on solid oxide fuel cells (SOFC); introduced new energy system with heat recycling capability Developed high-pressure brazed heat exchanger for electrolytic hydrogen generator and hydrogen fuel cell applications, which supports low/zero carbon transformation and clean energy movement Reduced energy consumption of data center through immersion cooling technology, which increased power usage effectiveness (PUE) of the cooling system by more than 70%, and saved total electricity by 30%-40% Developed clean, pollution-less methanol fuel cell for stationary power, which is the best new energy solution to replace conventional diesel generators. The technology is attracting attention around the world for several advantages including low noise, charger-free, high efficiency, long life, wide application, and support for distributed power generation. The proprietary hydrogen generator has been adopted by government institutions and proven to greatly reduce operating costs; the Company has made a successful entry into the circular economy supply chain and plays a critical role in reducing resource wastage Developed industrial hydrogen purification technology for the recycling and reuse of hydrogen; contributed to circular economy with the invention of 2nd-gen hydrocracking (including pre-processing) equipment for organic solvents

Sustainability aspect	Sub-goals	Kaori's actions/highlights 2021
 <p>Environment</p>	<p>Greenhouse gas (GHG) emission</p> <p>Support the United Nation's climate policy and reduce GHG emission</p>	<ul style="list-style-type: none"> Took steps to reduce carbon emission; made further enhancements to brazing techniques, and replaced energy-intensive production equipment with energy-efficient alternatives Saved 161,560 kWh of power, reduced CO₂ emission intensity by 82.23 tonnes CO₂ e/kWh
	<p>Energy management</p> <p>Ongoing support for energy conservation projects and development of renewable energy</p>	<ul style="list-style-type: none"> Saved 161,560 kWh of power, and produced energy conservation benefits amounting to NT\$494,010 Kaori has made plans to install photovoltaic systems totaling 744.51kW in capacity; they are scheduled to complete in Q4 2022, and are expected to generate 18,448,369 kWh of green power over 20 years to reduce 9,390 tonnes of CO₂ emission
 <p>Social</p>	<p>Child benefits</p>	<ul style="list-style-type: none"> Birth subsidy and child care allowance - total NT\$1,810,000 Children's scholarship - total NT\$551,000
	<p>Workplace diversity and equality</p>	<ul style="list-style-type: none"> Managerial roles - 22% are female Kaori employs 12 foreign employees, including 1 French R&D Engineer, 1 Japanese sales representative, 1 Iranian R&D Engineer, and 9 migrant workers
	<p>Talent development</p> <p>Offering of complete and diverse training options</p>	<ul style="list-style-type: none"> Every employee undergoes 15 hours of training on average per year
	<p>Workers' rights</p> <p>Comply with national regulations with regards to worker protection and welfare measures</p>	<ul style="list-style-type: none"> Incidents of child labor, worker mistreatment, or human rights violation - 0
	<p>Occupational safety and health</p> <p>Provision of safe workplace and enforcement of occupational safety training</p>	<ul style="list-style-type: none"> Incidents of major occupational hazard - 0
	<p>Charity</p>	<ul style="list-style-type: none"> Charity commitment - NT\$289,200



1

Sustainability and Development

The Leader in Sustainable Practices



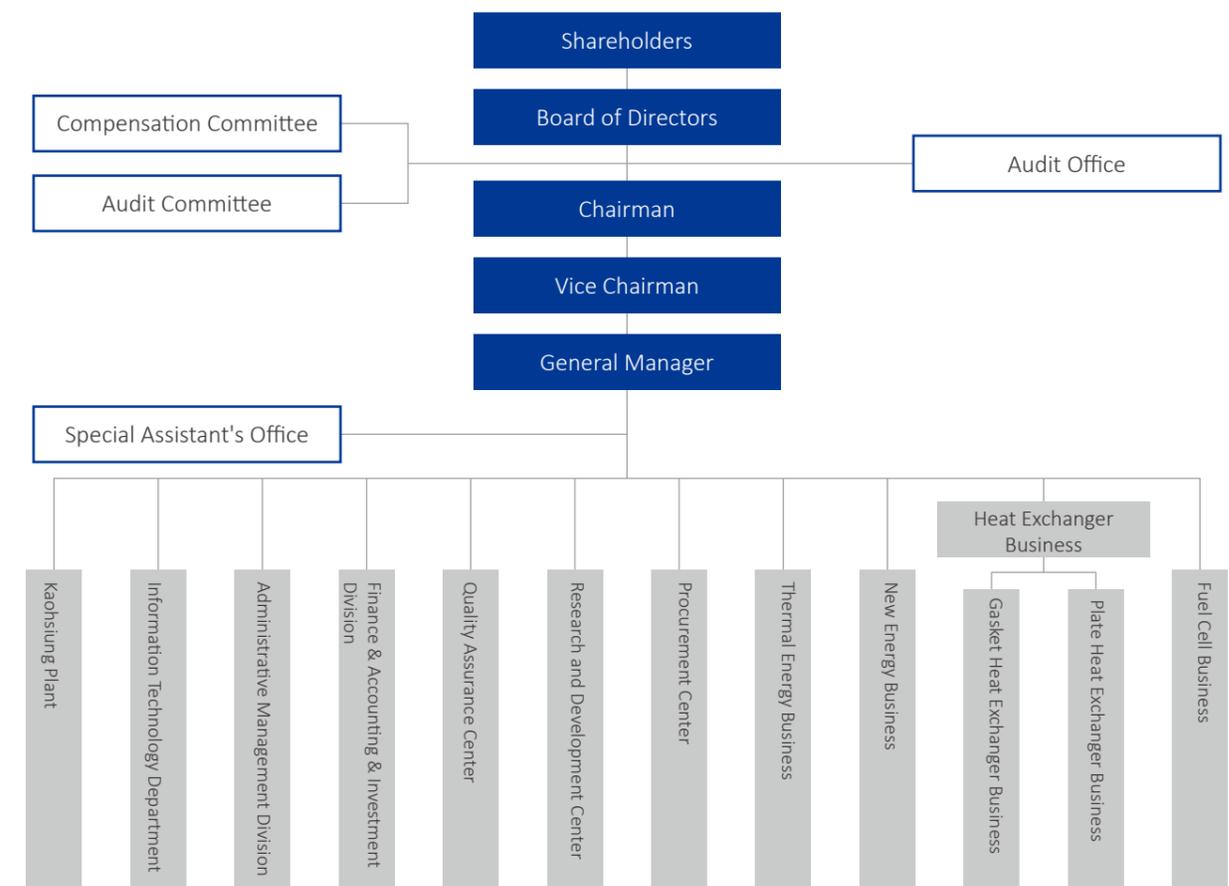
1.1 About Kaori Heat Treatment

Company profile

• Profile of Kaori Heat Treatment - 2021

 Full name of company	Kaori Heat Treatment Co., Ltd.	 Chairman	Hans H.S. Han
 Capital	NT\$890 million	 Vice Chairman	H.F. Han
 Date of establishment	October 11, 1970	 President	Dr. Allen C.H. Wu
 Employee count	487 (as of December 31, 2021, Taiwan)	 Headquarter	No. 5-2, Jilin N. Rd., Zhongli Dist., Taoyuan City 320030, Taiwan (R.O.C.)
 Main products and technologies	Brazed plate heat exchanger, gasket plate heat exchanger, key components for SOFC fuel cell, immersion server cooling technology, hydrogen power technology (methanol-based hydrogen/heat generation, purification of industrial waste hydrogen), and metal processing technology	 Location of operations	Zhongli 1st Plant, Zhongli 2nd Plant, operating headquarters, Zhongli 3rd Plant, Zhongli Ziqiang Plant, Kaohsiung Benzhou Plant, and Zhejiang Ningbo Plant

Organization



- 1 Sustainability and Development
- 2 Honor and Integrity
- 3 Innovation and Quality
- 4 Responsibility and Care
- 5 Environmental Protection and Inclusion

Department	Responsibilities
Special Assistant's Office	<ul style="list-style-type: none"> Oversees the establishment, execution, communication, and coordination of overall goals for the Company Research, establishment, execution, and tracking of projects and plans Legal affairs, litigation, and patent management
Audit Office	<ul style="list-style-type: none"> Establishment and revision of internal audit system Examination and evaluation of internal control system; raises suggestions and tracks improvements as deemed necessary
Information Technology Department	<ul style="list-style-type: none"> Planning, maintenance, control, and implementation of computerized processes within the Company and subsidiaries
Administrative Management Division	<ul style="list-style-type: none"> Responsible for personnel and industrial safety management Assists business departments with equipment maintenance Assists business departments with engineering works
Finance & Accounting & Investment Division	<ul style="list-style-type: none"> Responsible for financial, accounting, and tax-related affairs within the Company and subsidiaries Responsible for budgeting, shareholder service, financial planning, and investment planning within the Company and subsidiaries
Quality Assurance Center	<ul style="list-style-type: none"> Execution of internal and external audits on the quality assurance system and document management Planning and execution of certification tasks
Research and Development Center	<ul style="list-style-type: none"> Research and development of new products and new technologies Feasibility validation and commercialization planning for R&D outcomes
Procurement Center	<ul style="list-style-type: none"> Responsible for supplier/contractor management and ensuring balance between quality and occupational safety
Fuel Cell Business	<ul style="list-style-type: none"> Responsible for the production and processing of fuel cell components
Heat Exchanger Business	<ul style="list-style-type: none"> Responsible for the production, sale, and stamping for brazed and gasket plate heat exchangers; OEM and R&D of vacuum furnace
New Energy Business	<ul style="list-style-type: none"> Responsible for the design, development, production, and sale of power generation systems featuring methanol and natural gas fuel cells
Thermal Energy Business	<ul style="list-style-type: none"> Responsible for the research, development, manufacturing, and sale of server liquid cooling systems

Company profile

Kaori Heat Treatment Co., Ltd. (8996) was founded in 1970 with the mission to promote green energy. It is the only business in Taiwan that is concurrently involved in the "use, conservation, and generation of energy." Today, Kaori has successfully established its expertise in energy conservation and environmental protection, and markets products to more than 70 countries worldwide. The Company's operating headquarters is located at No. 5-2, Jilin North Road, Zhongli District, Taoyuan City; it has a total of 6 production sites, including Zhongli 1st Plant, Zhongli 2nd Plant, Zhongli 3rd Plant, Zhongli Ziqiang Plant, Kaohsiung Benzhou Plant, and Zhejiang Ningbo Plant. All of the group's core business activities revolve around energy conservation and green energy, whereas the main products include plate heat exchangers and critical components for stationary SOFC. Kaori also controls two main technologies: immersion liquid cooling and hydrogen power, that can be used to support the next generation of low-carbon solutions and drive industry upgrades for conformity with the world's net zero, environmental, and sustainability trends.

Only a sustainable business is able to sustain service. In November 2021, Kaori assembled an "ESG Committee" to enforce sustainability awareness and values and to take charge of sustainability tasks within the Company. Driven by a conviction toward "low carbon, people value, and sustainable practice," the Company not only applies its core technologies, resources, capabilities, and advantages to Environment, Social, and Governance aspects, but also takes the initiative to incorporate ESG values into operating procedures, so that the Company may develop sustainable practices in a more systematic and organized manner.

Main products and services

Kaori's key products include brazed plate heat exchanger, gasket plate heat exchanger, key components for SOFC fuel cell, immersion cooling tanks and elements, single/two phase immersion cooling tank, liquid cooling cabinet modules, methanol fuel cell system, methanol hydrogen generator, organic solvent hydrocracking, purification of industrial waste hydrogen, and methanol-based thermal technology.

Significant changes regarding the Company's size, structure, ownership, or supply chain in 2021

- Established Procurement Center and optimized the organizational structure of business segments.
- Introduced automated production line and invested into smart manufacturing.



Engagement in associations

For the pursuit of innovative breakthroughs and competitiveness, Kaori engages itself in technological conferences organized by peers and actively explores opportunities to cooperate and exchange with counterparts from within and outside the industry. Through diverse interactions and sharing, Kaori hopes to advance its know-how and bring positive changes to the industry as a whole.

Organization	Role (member/director/chairperson of association)
Taiwan Thermal Management Association	Member
The Taiwan Society for Metal Heat Treatment	Member (founding chairperson)
Taiwan Association of Machinery Industry	Member
Cloud Computing & IoT Association	Member
Open Compute Project (OCP)	Member
Taiwan Hydrogen & Fuel Cell Partnership	Member
Taiwan Fluid Power On Line	Member
Chinese International Economic Cooperation Association	Member

Management performance



▲ ISO14001 - Environmental management system Certificate

▲ ISO9001- Quality management system

▲ IATF 16949- Automotive quality management system

External initiatives

Kaori acknowledges and supports the ten principles of The UN Global Compact concerning human rights, worker protection, environmental issues, and anti-bribery. The Company has dedicated itself to protecting the interests of employees, customers, suppliers, and relevant stakeholders.

Kaori did not encounter any human rights violation, whether in terms of discrimination, child labor, forced labor, freedom of association, or bribery, in 2021.

Milestones

Year	Description
2021	Obtained invention patent- "A method of making motor rotor and motor rotor" in Mainland China (May 4, 2021)
	Established Procurement Center and optimized the organizational structure of business segments (May 16, 2021)
	Completed expansion of Kaohsiung Benzhou Plant, increasing floor area from 9,428m ² to 17,272m ² (October 2021)
	Assembled an ESG Committee for the planning of short-, medium-, and long-term carbon reduction goals (November 24, 2021)
	Kaori's double-wall plate heat exchanger- D series passed Australian WMTS: 528 certificate (September 2021)
	Plate heat exchanger was awarded Italian water quality certification (for drinking water) DM 174(December 2021)

1.2 Analysis of Material Issues and Stakeholder Interaction

Stakeholder interaction

Stakeholders	Concerned issues	Main interactive activities	Communication method/frequency
Customers	Customer relations management Innovative R&D and value creation Supplier sustainability management	The Company depends on customers' support for continuity. Kaori listens to customers' requirements and strives to deliver exceptional quality	<ul style="list-style-type: none"> Business meetings/unscheduled Customer satisfaction surveys/yearly Technology conferences/unscheduled Website disclosures/unscheduled
Investors/ shareholders	Operating performance Compliance Occupational safety and health	Transparent and honest business practices help raise shareholders'/ investors' trust in the Company; their full support is what enables Kaori to grow and thrive	<ul style="list-style-type: none"> AGM/yearly Investor seminars/yearly Annual reports/regular Investor mailbox/unscheduled MOPS/unscheduled Telephone/unscheduled
Competent authority	Risk management Climate change governance Occupational safety and health Compliance	Kaori has always respected government regulations and policies, and refrains from any conduct that may compromise commercial ethics or cause harm to the society or environment	<ul style="list-style-type: none"> Official correspondence/unscheduled Telephone/unscheduled On-site inspection/unscheduled Seminars and public hearings/unscheduled
Employees	Occupational safety and health Operating performance Compliance	Employees are the key foundation to Kaori's success, and it has always been the Company's goal to ensure that employees are able to work happily in a safe environment	<ul style="list-style-type: none"> Internal meetings/monthly Operational meetings/monthly COO meetings/weekly Labor-management meetings/quarterly Performance evaluation/half-yearly Education and training/yearly Committee meetings/unscheduled Bulletin/unscheduled Intranet announcements/unscheduled Employee grievance mailbox/anytime
Suppliers	Supplier sustainability management Occupational safety and health Customer relations management	Suppliers are important partners to the Company's operation, and a supply chain founded on mutual trust helps produce results that benefit all participants	<ul style="list-style-type: none"> Supplier conference/unscheduled Supplier assessments/yearly

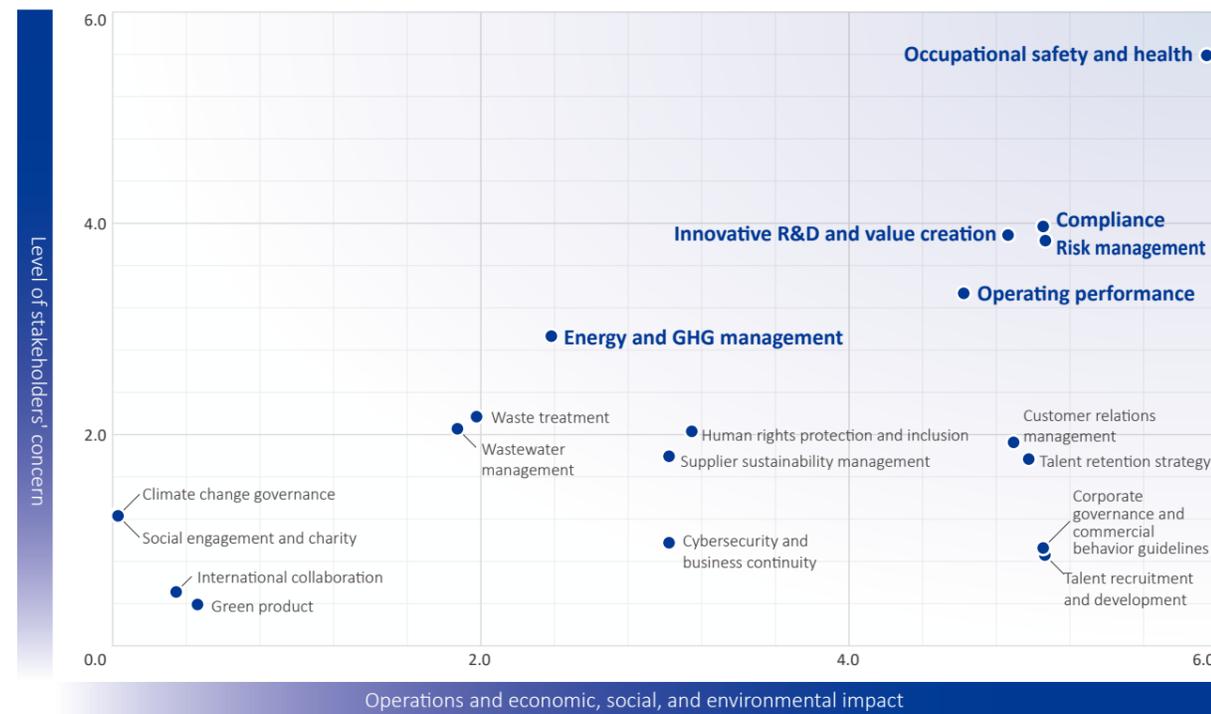
Analysis of material issues

Material issue identification procedures and methodology

- Kaori follows the stakeholder engagement principles of AA1000 SES and identifies stakeholders that are of high relevance to Kaori using the 5-aspect assessment approach
- Kaori compiles a list of relevant sustainability issues by taking into consideration local and foreign sustainability standards and guidelines, and issues that are of concern to sustainability investors and industries
- Kaori investigates levels of stakeholders' concern for each sustainability issue it has identified, and for which it has issued and recovered a total of 212 questionnaires

Questionnaire recovery statistics		
Stakeholders	Required number of valid questionnaires	Number of valid questionnaires recovered
Customers	40	50
Investors/shareholders	40	64
Competent authority	2	3
Employees	20	60
Suppliers	20	30
Communities	2	1
Internal senior managers	4	4
Total	128	212

- The Chairman, General Manager, and members of Kaori's governance team then evaluate and identify how each sustainability issue affects operations of the Company
- A material issues matrix is created based on the outcome of the two-step analysis above



Material issue: Occupational health and safety GRI material topic: Occupational safety and health	
Item	Management approach 2021
Meaning of material issue	<ul style="list-style-type: none"> • Driven by goals toward sustainability, Kaori is fully committed to developing a culture of safety and self-management, and has set goals to reduce occupational safety and health hazards
Policy	<ul style="list-style-type: none"> • To promote and execute safety and health-related tasks with an emphasis on: respect for life, discipline, full participation, and persistent improvements
Commitment	<ul style="list-style-type: none"> • To adopt practices that are appropriate given the nature and scope of the organization's safety and health risks • To prevent injuries and illnesses, and make ongoing improvements to safety and health management and performance • To comply with regulations that are relevant to the organization's safety, health, and hazards, as well as other requirements that the organization is bound to deliver • To provide a framework for setting and reviewing safety and health goals • To implement and ensure proper documentation of the occupational safety and health management system • To properly communicate with all personnel within the organization, so that they are made aware of individual safety and health responsibilities • To communicate openly with stakeholders • To review policies on a regular basis and ensure that they remain relevant and appropriate for the organization • To gather opinions from employees and their representatives, and encourage them to actively take part in all activities of interest under the occupational safety and health management system
Goal and target	<ul style="list-style-type: none"> • Short-term goal: to further improve occupational safety and health performance and keep the number of work accidents below 5. (Excluding traffic accidents) • Medium-term goal: adopt ISO 45001- Occupational Health and Safety Management System • Long-term goal: expand the scope of safety and health management to help suppliers and contractors improve safety and health performance
Responsibility	<ul style="list-style-type: none"> • The Administrative Management Division has a general affairs unit that is responsible for policy-making, planning, and supervision of safety and health-related matters on plant premise
Resource	<ul style="list-style-type: none"> • All plants have assigned safety and health officers according to laws; the Company has a total of 7 safety and health officers • Occupational safety education and training
Grievance system	<ul style="list-style-type: none"> • Kaori Heat Treatment portal- Grievance mailbox https://www.kaori.com.tw/tw/modules/laiae/index.php?form_id=4 • Kaori Heat Treatment portal- Employee feedback https://www.kaori.com.tw/tw/modules/laiae/?form_id=5
Specific actions	<ul style="list-style-type: none"> • Continue participation in safety and health seminars and training • Set annual occupational safety and health management plans and execute accordingly
Methods for assessing management approach	<ul style="list-style-type: none"> • Internal/external audit, environment/safety/health meetings
Assessment outcomes of management approaches	<ul style="list-style-type: none"> • Labor-management meetings, employee grievance channels

Material issue: Innovative R&D and value creation GRI material topic: Customized topic	
Item	Management approach 2021
Meaning of material issue	<ul style="list-style-type: none"> The Company actively expands the diversity of its product lines to meet customers' needs and raise competitive advantage; intensive control measures are being taken to enforce business secrecy protection
Policy	<ul style="list-style-type: none"> Reduce product energy consumption Improve production efficiency
Commitment	<ul style="list-style-type: none"> Additional efforts will be committed to improve product and technology R&D capacity, and thereby maximize competitive advantage and business opportunities
Goal and target	<ul style="list-style-type: none"> Cooperate with electric vehicle system integrators in China and Europe and aim to become a key component supplier by offering heat exchangers for various applications such as battery heat management system, vehicle air conditioning and heat pump, gearbox oil cooling etc. Developed plate heat exchanger featuring natural coolant (CO₂) that significantly reduces damage to the environment; began supply of next-gen refrigeration, air conditioning, and heat pump systems with lower coolant requirements Developed fuel cell heat exchange technology that can be used on solid oxide fuel cells (SOFC); introduced new energy system with heat recycling capability Developed high-pressure brazed heat exchanger for electrolytic hydrogen generator and hydrogen fuel cell applications, which supports low/zero carbon transformation and clean energy movement Reduced energy consumption of data center through immersion cooling technology, which increased power usage effectiveness (PUE) of the cooling system by more than 70%, and saved total electricity by 30%-40% Developed clean, pollution-less methanol fuel cell for stationary power The proprietary hydrogen generator has been adopted by government institutions and proven to greatly reduce operating costs; the Company has made a successful entry into the circular economy supply chain and plays a critical role in reducing resource wastage Developed industrial hydrogen purification technology for the recycling and reuse of hydrogen; contributed to circular economy with the invention of 2nd-gen hydrocracking (including pre-processing) equipment for organic solvents
Responsibility	<ul style="list-style-type: none"> Product development teams of various business units
Resource	<ul style="list-style-type: none"> Recruit R&D talents The relevant product development teams Education and training
Grievance system	<ul style="list-style-type: none"> Product development project meetings
Specific actions	<ul style="list-style-type: none"> Develop heat exchangers that conform with future environmental trends and coolant applications, and thereby reduce coolant usage for the entire system Develop thermal reactors of higher energy efficiency, and complete prototype of hydrogen power thermal reactor Develop SOFC prototype for vessels Work with supply partners such as equipment manufacturers and coolant manufacturers for the development of cabinet type server liquid cooling equipment Validate the organic solvent hydrocracking framework, for which an application has been submitted to register invention patent
Methods for assessing management approach	<ul style="list-style-type: none"> Product development project meetings Certification standards for various product types
Assessment outcomes of management approaches	<ul style="list-style-type: none"> Market feedbacks and news New industry knowledge Customer opinion survey

Material issue: Compliance GRI material topic: Compliance with environmental protection laws and socioeconomic regulations	
Item	Management approach 2021
Meaning of material issue	<ul style="list-style-type: none"> Compliance is the foundation upon which the Company maintains relationship with local government agencies and communities; any violation of law will result in financial loss and harm the Company's reputation, and compromise shareholders' and customers' trust in the Company
Policy	<ul style="list-style-type: none"> Business Integrity Code of Conduct: details of Kaori's Business Integrity Code of Conduct are available at https://www.kaori.com.tw/pdf/investment/company%20profile-5.pdf Sustainability Code of Conduct: details of Kaori's Sustainability Code of Conduct are available at https://www.kaori.com.tw/tw/uploads/filelist/1000/2/1643255434_dc80eed7168a8366.pdf Environment policy: compliance, energy and waste reduction, pollution prevention, and ongoing improvements
Commitment	<ul style="list-style-type: none"> Compliance with environmental protection laws is the primary purpose of the Company's environmental management system, and constitutes one of the key audit focuses for external auditors. For this reason, Kaori's executive manager has clearly stated the following commitments in its ISO9001/14001 manual: <ol style="list-style-type: none"> Be responsible for the effectiveness of the environmental management system Ensure that the environmental management system, environmental policies, and environmental goals have been properly established to support the organization's competitive environment and strategies Ensure that the environmental management system is incorporated into the organization's business processes Promote proper practices, methodologies, and a risk-based mindset Ensure that the environmental management system has the resources needed to operate Convey effective environmental management practices as well as the importance of acting in line with the environmental management system Ensure delivery of the expected outcomes of the environmental management system Encourage, guide, and support employees in making contributions to the effectiveness of the environmental management system Make ongoing improvements Support other managers in fulfilling duties in related fields
Goal and target	<ul style="list-style-type: none"> Regularly examine change of laws that are relevant to business operations, and ensure compliance
Responsibility	<ul style="list-style-type: none"> The Administrative Management Division conducts regular compliance audits and takes follow-up actions. Non-compliant findings are escalated to responsible units
Resource	<ul style="list-style-type: none"> A management system has been established in accordance with ISO14001; the Company engages an external auditor to audit its management system on a yearly basis Kaori participates in external training courses as a way to learn new laws and policies Kaori devises annual management plans and hosts management review meetings to facilitate persistent control and improvement
Grievance system	<ul style="list-style-type: none"> Kaori Heat Treatment portal- Grievance mailbox https://www.kaori.com.tw/tw/modules/liaise/index.php?form_id=4 Kaori Heat Treatment portal- Employee feedback https://www.kaori.com.tw/tw/modules/liaise/?form_id=5
Specific actions	<ul style="list-style-type: none"> Kaori acquires monthly regulatory announcements and checks websites of various government agencies to keep up-to-date on the state of compliance and regulatory changes Kaori ensures compliance with all government policies and economic, environmental, and social regulations, and has set zero violation as its goal
Methods for assessing management approach	<ul style="list-style-type: none"> Compliance with environmental protection laws and existing management practices are examined on a yearly basis during ISO14001 internal and external audits
Assessment outcomes of management approaches	<ul style="list-style-type: none"> The General Manager hosts management review meetings on a yearly basis to examine management performance and improvement solutions

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Material issue: Risk management GRI material topic: Customized topic	
Item	Management approach 2021
Meaning of material issue	<ul style="list-style-type: none"> Reduce potential risks in the Company's operations, and enhance risk management practices
Policy	<ul style="list-style-type: none"> Risk management policy: details of Kaori's Business Integrity Code of Conduct are available at https://www.kaori.com.tw/pdf/investment/company%20profile-5.pdf
Commitment	<ul style="list-style-type: none"> Manage all risks within the Company and keep business risks within tolerable level, and thereby prevent possible losses
Goal and target	<ul style="list-style-type: none"> Enhance competitive advantage through effective monitoring and management of risks
Responsibility	<ul style="list-style-type: none"> Financial risk: Finance & Investment Division Operational risk: business segments and administrative units Cybersecurity risk: Information Technology Department Legal risk: business segments and administrative units Environmental risk: general affairs, and business segments
Resource	<ul style="list-style-type: none"> Kaori's risk management organization includes: the board of directors, business segments, and administrative units; their responsibilities are to supervise, plan, and execute risk management affairs
Grievance system	<ul style="list-style-type: none"> Risk management policy serves as the guiding principle for the Company's risk management practices. Appropriate grievance systems and reporting channels have been implemented, whereas all reports made and all progress information are kept secret and treated as confidential data. The above measures are constantly examined and adjusted.
Specific actions	<ul style="list-style-type: none"> The Company has established its own "Risk Management Policy," and executes risk management plan on a regular basis Kaori adopts ISO 9001- Quality management system as the basis for environmental risk assessment
Methods for assessing management approach	<ul style="list-style-type: none"> The Company reviews risk assessment issues of the year during regular meetings, and carries out risk assessment and follow-up actions depending on the nature of the issue concerned
Assessment outcomes of management approaches	<ul style="list-style-type: none"> Improvement meetings, Environment, Safety, and Health Committee meetings, and management review

Material issue: Operating performance GRI material topic: Economic performance	
Item	Management approach 2021
Meaning of material issue	<ul style="list-style-type: none"> Profit maximization is a goal that Kaori persistently strives towards, as it helps strengthen shareholders', employees', and value chain participants' trust in the Company and is critical to sustaining future growth
Policy	<ul style="list-style-type: none"> Maintain consistent growth of the business
Commitment	<ul style="list-style-type: none"> Pursue innovation and breakthrough in terms of business mindset and technology, in addition to business growth
Goal and target	<ul style="list-style-type: none"> Develop new products and new markets Continue reduction of unit cost
Responsibility	<ul style="list-style-type: none"> Sales units, R&D units, and production units
Resource	<ul style="list-style-type: none"> Kaori manages and optimizes business performance through annual planning, performance tracking, internal communication, and external resource integration. At least 10% of annual revenues are committed to ensure attainment of short-, medium-, and long-term goals.
Grievance system	<ul style="list-style-type: none"> Each business department convenes monthly operational meetings to raise and review issues
Specific actions	<ul style="list-style-type: none"> Enhance supply chain management Improve production procedures and enhance product innovation and design capacity Explore domestic and export sales opportunities and new customers Seek OEM opportunities with international customers Strategic integration and medium-/long-term planning
Methods for assessing management approach	<ul style="list-style-type: none"> Kaori manages and optimizes business performance through annual planning, performance tracking, internal communication, and external resource integration
Assessment outcomes of management approaches	<ul style="list-style-type: none"> Annual budget meetings, R&D meetings, and sales meetings

Material issue: Energy and GHG (disclosure of plans) GRI material topic: energy, emission	
Item	Management approach 2021
Meaning of material issue	<ul style="list-style-type: none"> Green energy development and GHG reduction are necessary steps to realizing sustainable growth
Policy	<ul style="list-style-type: none"> Allocate resources into: conducting GHG survey, learning the state of GHG emission, proposing feasible GHG reduction measures, and duly enforcing GHG reduction and sustainability tasks
Commitment	<ul style="list-style-type: none"> Enforce energy conservation actions
Goal and target	<ul style="list-style-type: none"> Conduct carbon survey according to ISO 14064-1, and set 2022 carbon reduction targets based on GHG survey results
Responsibility	<ul style="list-style-type: none"> Administrative Management Division
Resource	<ul style="list-style-type: none"> Implementation of ISO 14064-1 system
Grievance system	<ul style="list-style-type: none"> Kaori Heat Treatment portal- Grievance mailbox https://www.kaori.com.tw/tw/modules/liaise/index.php?form_id=4 Kaori Heat Treatment portal- Employee feedback https://www.kaori.com.tw/tw/modules/liaise/?form_id=5
Specific actions	<ul style="list-style-type: none"> Short-term goals: <ol style="list-style-type: none"> Replace mercury vapor lamps with LED lights at Zhongli 1st Plant Replace conventional air compressors with variable-frequency air compressors at Zhongli 1st Plant Replace air conditioners with variable-frequency model for heat pumps at Zhongli 2nd Plant Medium-term goals: <ol style="list-style-type: none"> Progressively replace the 7.5-horse power reciprocating air compressors with energy-saving, variable-frequency air compressors at plant sites Replace air conditioners with variable-frequency models at plant sites Implementation of solar power system Long-term goals: <ol style="list-style-type: none"> Implementation of energy storage system
Methods for assessing management approach	<ul style="list-style-type: none"> Systematic audits are conducted on a yearly basis
Assessment outcomes of management approaches	<ul style="list-style-type: none"> The General Manager hosts management review meetings on a yearly basis to examine management performance and improvement solutions



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1.3 Sustainable Development Strategies

Material issue	GRI material topic	Kaori's responses, management practices, policies, and measures for material topics	Qualitative/quantitative goals and attainment-2021	Short-/medium-/long-term goals and attainment	Resources (e.g. financial and personnel resources) that Kaori has committed into the material topic	Grievance channels established for the material issue and other available actions (e.g. processes and projects)
Occupational safety and health	Occupational safety and health	To promote and execute safety and health-related tasks with an emphasis on: respect for life, discipline, full participation, and persistent improvements	<ul style="list-style-type: none"> Major occupational accidents: 0 Work safety accidents: <5 cases Hazards/accidents of high-risk operations involving contractors: 0 	<ul style="list-style-type: none"> Short-term: to further improve occupational safety and health performance and keep the number of work accidents <5. (Excluding traffic accidents) Medium-term: plan to introduce ISO 45001- Occupational Health and Safety Management System. Proposed for discussion in 2021 Long-term: expand the scope of safety and health management to help suppliers and contractors improve safety and health performance 	<ul style="list-style-type: none"> Enforce occupational hazard and safety education for employees 	<ul style="list-style-type: none"> Bulletin: available at common areas of each plant site; announcements are posted for about two weeks Worker Safety and Health Committee: discusses worker safety and health issues, including discussion of improvement measures to areas of weakness, and review of safety and health facilities and equipment
	Innovative R&D and value creation	Innovative R&D and value creation	Invest into the development of energy/carbon reduction and green energy solutions, and strive to become a key supplier of low-carbon technology and circular economy	<ul style="list-style-type: none"> Completed the design of heat exchangers with low coolant requirement Develop thermal reactors of higher energy efficiency, and complete prototype of hydrogen power thermal reactor Completed development of SOFC prototype for vessels Successfully validated the organic solvent hydrocracking framework, for which an application has been submitted to register invention patent Completed preliminary design of cabinet type server liquid cooling equipment, and compiled a list of required materials and parts 	<ul style="list-style-type: none"> Short-term: Development of heat exchangers with low coolant requirement Medium-/long-term: by promoting use of this heat exchanger, Kaori hopes to introduce new refrigeration systems and heat pump manufacturers to replace existing heat exchanger designs that use high amounts of coolant. The Company completed three designs in 2021; two of which can be made into samples while one of which is being mass-produced Short-term: prototype development Medium-term: trial production; prototype development was completed in 2021 Long-term: mass production and price reduction Short-term: validation of production procedures for prototypes Medium-term: obtain quantitative data and expand application to other types of waste organic materials. Validation was completed in 2021 Long-term: integrate purification and hydrogen power applications Short-term: produce samples for the first set of equipment and conduct functional tests for 3-6 months Medium-term: optimize product design and cost structure, and complete the installation manual. Functional tests were completed on the samples with performance improvements made in 2021 Long-term: establish customers' demand and develop the mass production capacity needed to process orders. Devise monthly production plans, acquire plant equipment, plan production procedures, and connect with suppliers 	<ul style="list-style-type: none"> The sales team is actively engaging manufacturers (customers) for development and implementation 6 engineers, 4 welders, and R&D expenses of NT\$15m a year Assign additional manpower into system production, maintenance, and customer service Assembly sites and facilities for large equipment The R&D team is involved in product development, the design of equipment used in plants, and the planning of productions procedures/movement; the procurement team discusses with suppliers on the choice and installation of mass-production equipment; and the sales team actively engages customers
Compliance	Environmental Compliance	Kaori closely monitors regulatory changes and consults legal advisors regularly; adjustments are made to operating procedures and internal policies to ensure compliance with legal requirements	Regulations are being monitored regularly to ensure compliance; Kaohsiung Plant adopted ISO14001 environmental management system ahead of other plants; and no violation of environmental law had occurred	<ul style="list-style-type: none"> Short-term: reduce the volume of general waste by 3% compared to the previous year Medium-term: total adoption of ISO14001 management system. Proposed for discussion in 2021 Long-term: expand the scope of environmental protection management to help suppliers and contractors improve safety and health performance 	<ul style="list-style-type: none"> Engagement of legal advisor Relevant personnel are being assigned to external training courses to familiarize with regulations and policies Courses will also be arranged whenever employees require further knowledge on work-related laws 	<ul style="list-style-type: none"> Retention of relevant data and records Employees are encouraged to learn more about new laws, and to participate in training courses when necessary Arrangement of education and training sessions
	Socioeconomic Compliance	Each plant is responsible for the establishment, execution, review, and improvement of its own occupational safety and health solutions; all employees are required to take part in safety drills and to undergo technical certification training. The Administrative Management Division arranges health checkups and tracks employees' health as a way to maintain workplace health and safety	There was no violation of socioeconomic regulations	Kaori ensures compliance with all government policies and economic, environmental, and social regulations, and has set zero violation as its goal		

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Material issue	GRI material topic	Kaori's responses, management practices, policies, and measures for material topics	Qualitative/quantitative goals and attainment-2021	Short-/medium-/long-term goals and attainment	Resources (e.g. financial and personnel resources) that Kaori has committed into the material topic	Grievance channels established for the material issue and other available actions (e.g. processes and projects)	
Risk management	Risk management	The Company has implemented internal rules and risk management policies in accordance with laws, and continues to convey its sustainability mission and visions during monthly meetings, while taking actions to keep business risks within tolerable level, and thereby prevent possible losses	ISO 9001- Quality management system is being used as the basis for risk assessment Kaori completed risk assessment on a total of 41 issues in 2021, and 2 of which were rated high-risk; after implementing risk management and response measures, none of the issues was deemed high-risk		The Company convenes management review meetings once a year to review risk assessment issues of the year, and carries out risk assessment and follow-up actions depending on the nature of the issue concerned; the Company considers itself having accomplished all risk management goals	Kaori's risk management organization includes: the board of directors, business segments, and administrative units; their responsibilities are to supervise, plan, and execute risk management affairs	Risk management policy serves as the guiding principle for the Company's risk management practices. Appropriate grievance systems and reporting channels have been implemented, whereas all reports made and all progress information are kept secret and treated as confidential data. The above measures are constantly examined and adjusted.
Operating performance	Economic performance	Kaori has devised short-term, medium-term, and long-term sustainability strategies that are relevant to economic performance, environmental protection, and social engagement aspects of the Company's operations	Kaori manages and optimizes business performance through annual planning, performance tracking, internal communication, and external resource integration. Kaori reported total sales revenues of NT\$2.09 billion for 2021, representing a 94% attainment rate of its NT\$2.22-billion target for the year		Kaori set its full-year sales target at NT\$2.22 billion for 2021, and devised strategic goals on 5 aspects: <ul style="list-style-type: none"> • Short-term: <ol style="list-style-type: none"> 1. Enhance supply chain management 2. Improve production procedures and enhance product innovation and design capacity • Medium-term: <ol style="list-style-type: none"> 3. Explore domestic and export sales opportunities and new customers; seek OEM opportunities with international customers 4. Kaori has been contacting new customers and offering samples since 2021 in an attempt to establish new business relationship • Long-term: <ol style="list-style-type: none"> 5. Strategic integration and medium-/long-term planning 	Kaori manages and optimizes business performance through annual planning, performance tracking, internal communication, and external resource integration. At least 10% of annual revenues are committed to ensure attainment of short-, medium-, and long-term goals.	Each business department convenes monthly operational meetings to raise and review issues
Energy and GHG management	Energy	Kaori has assigned energy management personnel and executes energy conservation measures in accordance with energy laws	"Annual power conservation rate" above 1%		<ul style="list-style-type: none"> • Short-term: <ul style="list-style-type: none"> • Continue replacement of energy-intensive equipment for better energy efficiency, such as: LED down light throughout the entire operating headquarters; progressive replacement of lighting systems at plant sites; replacement of conventional air compressors with variable-frequency models; replacement of heat pump/air conditioner with variable-frequency models. Equipment replacement budget was submitted in 2021 and is being reviewed • Medium-term: <ul style="list-style-type: none"> • Implementation of solar power system • Set annual power conservation targets • Set annual water conservation targets • Set annual paper reduction targets • Long-term: <ul style="list-style-type: none"> • Implementation of energy storage system 	Assemble energy management teams at all plant sites	Prepare annual energy management reports
	Emissions	Policy: <ol style="list-style-type: none"> 1. Commit efforts into GHG survey 2. Duly monitor GHG emission of the Company 3. Propose feasible GHG reduction solutions 4. Duly execute GHG reduction tasks 5. Sustainable development 	Assemble a Carbon Management Committee for ISO14064-1 survey		<ul style="list-style-type: none"> • Short-term: <ul style="list-style-type: none"> • Implementation of GHG validation system • A Carbon Management Committee was assembled in 2021, and a yearly GHG validation timeline has been proposed • Medium-term: <ul style="list-style-type: none"> • Set GHG reduction targets • Track carbon footprint of main products • Attain certification for ISO 14067 (carbon footprint) and ISO 14064 (water footprint) • Long-term: <ul style="list-style-type: none"> • Calculate internal carbon cost and set carbon price • Set carbon reduction targets for the entire supply chain 	Kaori will implement its ISO14064-1 GHG validation system in March 2022	Survey and validation progress are tracked regularly during Carbon Management Committee meetings

Remark: Short/medium/long term definitions: short-term- within one year, medium-term- 1-3 years, and long-term- 3-5 years, starting from 2021.



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Honor and Integrity

A Devotee of Sustainable Values



2.1 Corporate Governance

Kaori has always prided itself for having adopted an accountable and transparent corporate governance framework. The Company holds the conviction that a strong board of directors provides the foundation for sustainable growth, and to enforce these values, the Company has implemented "Corporate Governance Code of Conduct" and "Business Integrity Code of Conduct" throughout the organization. Through implementation of governance principles and policies, the Company hopes to develop a culture of integrity, enforce accountability in corporate governance, and empower the board of directors to the best interest of all stakeholders.

Functionality of the board of directors

Kaori has established its board of directors system using standards that are more stringent than what the laws require. The board of directors serves as the ultimate governance body of the Company; its main responsibilities are to supervise and strengthen the management, devise operating plans, establish key policies, and make decisions on major investments. The Chairman is elected by the board of directors. The board has functional committees such as Compensation Committee and Audit Committee assembled beneath to support its duties.

The board consists of 9 directors (including 3 independent directors) who are elected to serve a 3-year term. The board convenes meetings at least once a quarter; a total of six board meetings were held in 2021, in which board members averaged an attendance rate of 100%. Kaori has rules in place to ensure that independent directors are selected from diverse professional backgrounds, and that they individually possess the adequate knowledge, insight, and commercial judgment needed to carry out duties independently. Three out of the nine board members are independent directors, including: Fan-Hsiung Chen (Emeritus Professor of Tatung University Department of Materials Engineering), Hsiang-Wen Hung (Consultant of Li Mei Jia Investment Co., Ltd.), and Chun-Ying Wu (Director of Commercial Development of Yuan Tsun Plastic Co., Ltd.). Independent directors currently represent one-third of the board.

2021	Age distribution of members of the governance body			
	30 and below	31-50	51 and above	Subtotal
Gender	Female	0	0	0
	Male	0	0	4
	Subtotal	0	0	4

Kaori encourages board members to undertake training courses that support their duties and help them deal with various compliance and governance issues concerning business management. Kaori's directors actively participated in the courses organized by Taiwan Corporate Governance Association in 2021. Under the leadership of a trustworthy and experienced board of directors, Kaori is confident about the success of its path to sustainability.



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Members of the board

Designation	Name	Gender	Current main role	Board meeting attendance rate	Courses undertaken in 2021
Chairman	Hsien-Son Han	Male	Chairman of the Company	100%	<ul style="list-style-type: none"> Leadership and Company- Governance Case Studies Board's Awareness on ESG Enforcement
Vice Chairman	Hsien-Fu Han	Male	Vice Chairman of the Company	100%	<ul style="list-style-type: none"> Leadership and Company- Governance Case Studies Board's Awareness on ESG Enforcement
Director	Chih-Hsyong WU	Male	General Manager of the Company	100%	<ul style="list-style-type: none"> Board's Awareness on ESG Enforcement Case Study on Financial Statement Fraud
	Chun-Liang Chen	Male	LPI Precision Inc. Vice President of Corporate Affairs Division	100%	<ul style="list-style-type: none"> Corporate Governance 3.0- Sustainability Roadmap Board's Awareness on ESG Enforcement
	Hung-Hsing Huang	Male	International Bills Finance Corporation Investment Manager	100%	<ul style="list-style-type: none"> Leadership and Company- Governance Case Studies Board's Awareness on ESG Enforcement
	Hsin-Wu Wang	Male	Vice President of the Company	100%	<ul style="list-style-type: none"> Leadership and Company- Governance Case Studies Board's Awareness on ESG Enforcement
Independent Director	Fan-Hsiung Chen	Male	Emeritus Professor of Tatung University Department of Materials Engineering	100%	<ul style="list-style-type: none"> Leadership and Company- Governance Case Studies Board's Awareness on ESG Enforcement
	Hsiang-Wen Hung	Male	Consultant of Li Mei Jia Investment Co., Ltd.	100%	<ul style="list-style-type: none"> Leadership and Company- Governance Case Studies Board's Awareness on ESG Enforcement
	Chun-Ying Wu	Male	Director of Commercial Development of Yuan Tsun Plastic Co., Ltd.	100%	<ul style="list-style-type: none"> Leadership and Company- Governance Case Studies Board's Awareness on ESG Enforcement

Note: For details on directors, please see chapter Three. Corporate Governance Report- Background information of directors, supervisors, the General Manager, vice presidents, assistant vice presidents, and heads of various departments and branches of the 2021 annual report.

Functional committees

The Company has always been transparent about its operations and valued shareholders' interests. We believe that sound corporate governance is made possible only with a strong and efficient board of directors. This was the reason why the board of directors has assembled and delegated part of its authority to functional committees such as the Audit Committee and Compensation Committee, whose responsibilities are to assist the board of directors with supervisory duties. All committees have had their charters approved by the board of directors, and the chief of each committee makes regular reports to the board regarding activities and resolutions. The Audit Committee and Compensation Committee consist entirely of independent directors.

Audit Committee

The Audit Committee assists the board of directors by supervising the quality of internal practices such as accounting, auditing, financial reporting, and financial control. Outcomes of assessment are raised for discussion among the board of directors. The Audit Committee consists entirely of independent directors and was assembled directly under the board of directors following the approval of Audit Committee Charter. The committee has one member serving as the convener and at least one member who possesses accounting or financial expertise. The Audit Committee convenes meetings at least once a quarter, and a total of 5 meetings were held in 2021.

Kaori has also established channels to facilitate communication between the Audit Committee and CPAs and the chief internal auditor. The CPAs make unscheduled reports to the board of directors on a number of issues including the Company's financial position, financial and operating performance of overseas subsidiaries, and audit findings concerning internal control. The CPAs also communicate with the Company on major adjustments to accounting entries and how regulatory changes affect accounting practices. The Company's audited consolidated financial statements and CPA's independent auditor's report are reviewed by the Audit Committee. The chief internal auditor makes regular reports to the board of directors concerning execution of internal audits and regular follow-ups on improvement measures.

Functionality of the Audit Committee

(1) Attendance rate in 2021:

Designation	Name	No. of in-person attendance	No. of proxy attendance	Percentage of in-person attendance
Convener	Fan-Hsiung Chen	5	0	100%
Committee member	Hsiang-Wen Hung	5	0	100%
Committee member	Chun-Ying Wu	5	0	100%

(2) Communication between independent directors and internal/external auditors:

① Communication with CPAs:

Time	Venue	Matters communicated	Outcome
November 5, 2021	3F, No. 43, Section 1, Zhongxiao West Road, Taipei City (Cosmos Hotel Taipei)	<ul style="list-style-type: none"> Explanation to 2021 corporate governance evaluation indicators (2.15 and 2.30) Professional training of audit personnel- 2021 	Opinions exchanged
		<ul style="list-style-type: none"> 2022 audit plan Correction of internal control defect in 2021 up until August 	No objection
		<ul style="list-style-type: none"> Preparation of Kaori's unaudited consolidated financial statements Kaori has engaged Deloitte Taiwan to provide guidance on ESG Deloitte Taiwan provides useful advices on business transformation, acquisition, digital transformation, procedure improvement, and cybersecurity protection 	Opinions exchanged

② Meetings held in 2021:

Date	Matters communicated	Outcome of communication
January 22, 2021	<ul style="list-style-type: none"> Report on internal audit issues Passed amendments to the "Internal Control System" Passed reappointment of financial statement auditors 	Passed as proposed without objection
March 19, 2021	<ul style="list-style-type: none"> Report on internal audit issues Passed 2020 business report and financial statements Passed the 2020 "Declaration of Internal Control System" 	Passed as proposed without objection
May 7, 2021	<ul style="list-style-type: none"> Report on internal audit issues Passed 2021 1st quarter financial statements 	Passed as proposed without objection
August 6, 2021	<ul style="list-style-type: none"> Report on internal audit issues Passed 2021 2nd quarter financial statements Passed independence and appropriateness assessments for the Company's financial statement auditors 	Passed as proposed without objection
November 5, 2021	<ul style="list-style-type: none"> Report on internal audit issues Passed 2021 3rd quarter financial statements 	Passed as proposed without objection

Compensation Committee

Kaori has complied with the requirements of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange" by having the board of directors approve a set of Compensation Committee Charter and assembling a Compensation Committee. Half of the Compensation Committee members are undertaken by independent directors. The committee exercises the duty of care as a prudent manager to establish and regularly review policies, systems, standards, and procedures concerning directors' and managers' performance evaluation as well as compensation. The committee has authority over the assessment of directors' and managers' compensation, and raises proposals for discussion among the board of directors. The committee held a total of 3 meetings in 2021; all motions discussed were of general nature and did not concern major issue.

Functionality of the Compensation Committee

(1) Attendance rate in 2021:

Designation	Name	No. of in-person attendance	No. of proxy attendance	Percentage of in-person attendance
Convener	Fan-Hsiung Chen	3	0	100%
Committee member	Hsiang-Wen Hung	3	0	100%
Committee member	Chun-Ying Wu	3	0	100%

(2) Meetings held in 2021:

Date	Matters communicated	Outcome of communication
January 22, 2021	<ul style="list-style-type: none"> Passed company-wide year-end and performance bonuses for 2020 Passed managers' year-end and performance bonuses for 2020 	Passed as proposed without objection
March 19, 2021	<ul style="list-style-type: none"> Passed employee and director remuneration for 2020 	Passed as proposed without objection
May 7, 2021	<ul style="list-style-type: none"> Passed employee and director remuneration for 2020 Passed the decision to increase subsidies for employee shareholding trust 	Passed as proposed without objection



Major resolutions of the board of directors in 2021

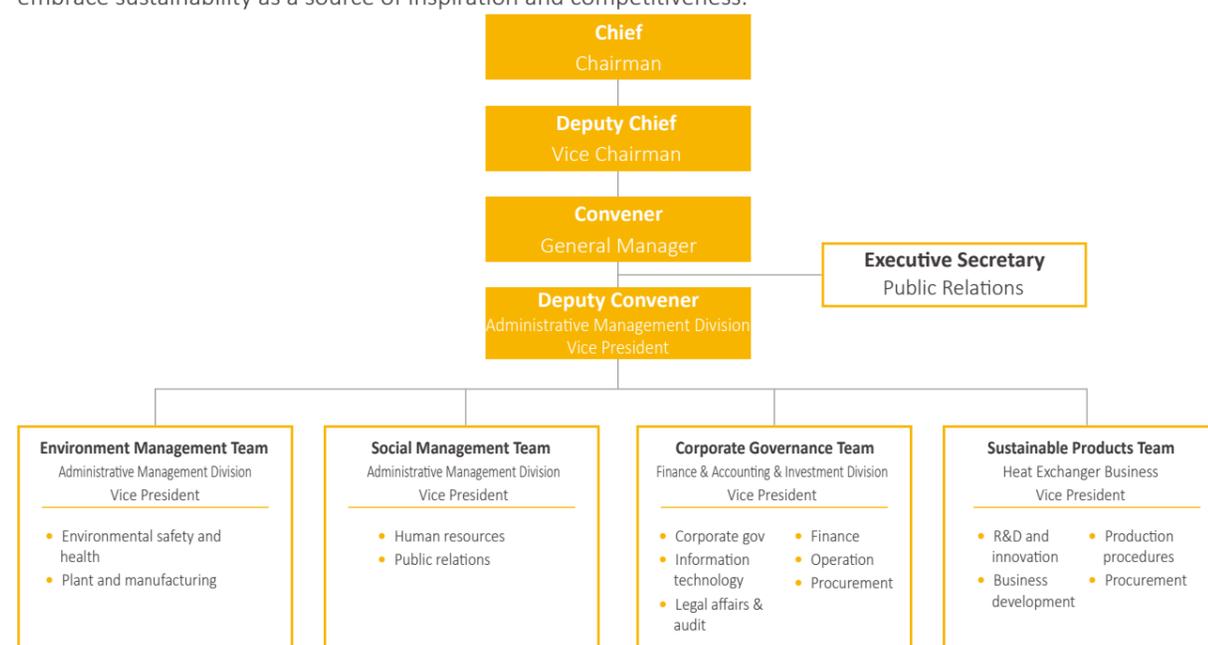
Date	Resolution
January 22, 2021	<ul style="list-style-type: none"> Proposal to apply for credit limit and engage financial institutions for credit-related matters out of operational requirements Passed company-wide year-end and performance bonuses for 2020 Passed managers' year-end and performance bonuses for 2020 Passed the Company's 2021 budget Passed amendments to the "Internal Control System" Passed reappointment of financial statement auditors
March 19, 2021	<ul style="list-style-type: none"> Proposal to apply for credit limit and engage financial institutions for credit-related matters out of operational requirements Passed 2020 business report and financial statements Passed 2020 earnings appropriation Passed cash dividends for the 2020 earnings appropriation Passed Compensation Committee's review of the 2020 employee and director remuneration Passed the 2020 "Declaration of Internal Control System" Passed details concerning the 2021 annual general meeting Passed the decision to transfer earnings from overseas investments back to the Company
May 7, 2021	<ul style="list-style-type: none"> Proposal to apply for credit limit and engage financial institutions for credit-related matters out of operational requirements Passed 2021 1st quarter financial statements
July 9, 2021	<ul style="list-style-type: none"> Passed the decision to change the date of the Company's 2021 annual general meeting
August 6, 2021	<ul style="list-style-type: none"> Proposal to apply for credit limit and engage financial institutions for credit-related matters out of operational requirements Passed 2021 2nd quarter financial statements Passed independence and appropriateness assessments for the Company's financial statement auditors Passed employee and director remuneration for 2020 Passed the decision to increase subsidies for employee shareholding trust Passed the decision to transfer earnings from overseas investments back to the Company
November 5, 2021	<ul style="list-style-type: none"> Proposal to apply for credit limit and engage financial institutions for credit-related matters out of operational requirements Passed 2021 3rd quarter financial statements Passed the 2022 audit plan Passed appointment of the Company's first Corporate Governance Officer

Corporate governance practices and future plans

The Company has established and disclosed its own Corporate Governance Code of Conduct in accordance with "Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies," and is committed to enforcing sound corporate governance philosophy and practices throughout the organization. In the future, the Company will continue making amendments to relevant policies, enhancing information transparency, and empowering the board of directors in ways that support sound corporate governance. In November 2021, the board of directors resolved to appoint a new Corporate Governance Officer to support corporate governance and operational requirements.

ESG Committee

Kaori's ESG Committee was assembled in November 2021. Headed by the Chairman, the committee not only outlines Kaori's ESG visions and long-term strategies, but also coordinates with senior managers from different fields to interact with customers, government agencies, and members of the society on four aspects, namely: environmental management, social management, corporate governance, and sustainable products. By increasing the level of transparency, the committee contributes to the fulfillment of sustainability duties throughout the organization. Kaori envisions itself as an ethical and responsible business, and is committed to fulfilling its social and environmental responsibilities as a corporate citizen while maximizing profit performance. At Kaori, we embrace sustainability as a source of inspiration and competitiveness.



2.2 Operating Performance

Sustainability is one aspect that businesses have to commit attention into, given the highly competitive environment today. For this reason, Kaori constantly examines its strategies and plans, and makes adjustments where appropriate to align with sustainable development goals. The Company remains dedicated to core business activities, and pays particular attention to product quality as well as workplace health and safety as a way to uphold brand reputation. Despite the fact that COVID-19 has wreaked havoc on the global economy since 2020, Kaori still managed to deliver strong results in 2021 owing to its professional team and management, and reported NT\$2.231 billion in revenues and earnings per share of NT\$1.67 for the year. See financial statements or the annual report for financial data of the Company^{Note}.

Note: Link to 2021 annual report- https://www.kaori.com.tw/tw/uploads/filelist/1000/2/1653463435_dc80eed7d98b4360.pdf

Financial information

Unit: NTD thousands

Item	2021	2020	Variation	Percentage difference (%)
Operating revenues	2,231,273	2,076,359	154,914	7.46%
Operating profit	230,355	170,279	60,076	35.28%
Current net income	149,156	112,524	36,632	32.55%
Total comprehensive income for the current period	115,129	275,674	-160,545	-58.24%
Basic earnings per share (NTD)	1.67	1.26	0.41	32.54%

Revenues, expenses, and profitability

Unit: NTD thousands

Item	2021 Standalone Financial Statements	2021 Consolidated Financial Statements	
Cash flow	Net cash inflow (outflow) from operating activities	274,879	295,299
	Net cash inflow (outflow) from investing activities	-64,872	-131,518
	Net cash inflow (outflow) from financing activities	-204,852	-204,852
Financial structure (%)	Debt to assets ratio (%)	44.39	44.76
	Long-term capital to property, plants and equipment (%)	146.60	141.16
Solvency (%)	Current ratio (%)	129.19	142.24
	Quick ratio (%)	75.1	85.17
Profitability (%)	Return on assets (%)	4.6	4.57
	Return on equity (%)	7.84	7.84
	Pre-tax profit to paid-up capital (%)	20.51	21.87
	Net profit margin (%)	7.15	6.68
	Basic earnings per share (NTD)	1.67	1.67

Future operating goals and strategies

The Company has placed significant attention to maintaining the production capacity and efficiency needed to support business growth, with heat exchangers, server liquid cooling modules, and hydrogen power products being the main product lines of focus in recent years. In 2021, the Company made expansions to Kaohsiung Benzhou Plant and began renovation of the new plant site located at Ziqiang 4th Road, Zhongli Industrial Park, as well as the R&D laboratory to support future capacity requirements. Meanwhile, improvements are being made to production procedures and product design in order to develop the capacity needed to support new products. Kaori invests extensively into the development of new products, technologies, and R&D capacity as the Company considers them to be the best strategy for sustainable growth.

The Heat Exchanger Business will place greater emphasis on the application and development of low-carbon, environment-friendly, and natural coolants such as CO₂, R290, R32, and HFO. As hydrogen power becomes a viable solution, there will be increasing demands for high pressure brazed heat exchangers in electrolytic hydrogen generators and hydrogen fuel cell vehicles, which is why the Company will be directing its brazing alloy research efforts toward low/zero carbon and clean energy applications.

In addition to relying on fuel cell and plate heat exchanger as the two main pillars, Kaori will also build on top of its know-how in hydrogen power and thermal energy and apply existing metal working techniques for the development of: waste hydrogen purification equipment for hydrogen furnace, 20U100kW immersion dielectric liquid cooling tank, 4U80kW cabinet type liquid cooling CDU, insulated-gate bipolar transistor (IGBT) for electric vehicles, and cooling solutions for various fields. Meanwhile, the Company will develop products for special industry applications in an attempt to capture niche markets, and collaborate with foreign equipment manufacturers and distributors to broaden distribution channels. Efforts will be devoted to raising market share of domestic and export sales, and increasing brand visibility through alliance with distributors and adoption of digital marketing approach.

Impacts of COVID-19 and response

The outbreak of COVID-19 has had fundamental changes to the world for nearly two years, and we sincerely wish for the safety and health of all our friends and family members.

It is during this time of challenge that Kaori pays particular attention to supporting its customers, employees, and the local community. We persistently and actively prevent harm of the coronavirus, and take appropriate disease control measures to stop virus from spreading. We will continue monitoring and assessing the current situation, and communicate on important issues in a vigilant manner.



Location of operations

- (1) The Company supports the government's disease control policies and adopts measures such as work-from-home, full-scale screening, and plant worker segregation as deemed appropriate. Employees are currently segregated by work location to minimize contact.
- (2) Depending on the severity of the disease, the Company suspends customer and supplier visits and holds meetings using telephone or video conference instead.
- (3) All business locations and production sites are functioning properly. Owing to the contribution of all employees, Kaori has been able to maintain a normal and safe working environment.



Products and services

- (1) The ongoing supply shortage caused by volatile raw material prices, rising freight costs, and supply shortage have given rise to urgent orders, and the Company aims to capitalize on the opportunity by diverting customers' orders to alternative channels.
- (2) More attention is being directed to customers' needs and product supply, and actions are being taken to help customers plan production and delivery schedules over the long term.
- (3) The Company maintains close communication with supply and logistics partners to monitor materials supply and shipment in real time.

2.3 Business Integrity

Kaori has implemented a business integrity policy with board of directors' approval and developed its own accounting policies and internal control system to enforce business integrity. Internal auditors have been assigned to audit compliance on a regular basis. Kaori has clearly stated its core values of: innovation, quality, responsibility, and honor in external communications, and established business integrity policies that all directors, supervisors, senior managers, employees, and the controller are bound to obey when carrying out duties. The Company has established "Business Integrity Code of Conduct," "Business Integrity Procedures and Behavioral Guidelines," and "Ethical Conduct Guidelines" in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies." The Company received no report from employees concerning integrity violation or unethical conduct in 2021.

Building an integrity culture

Kaori upholds "innovation, quality, responsibility, and honor" and recognizes integrity to be the core of its corporate culture. By implementing a set of ethical behavior guidelines, the Company enforces values such as fair trade, avoidance of improper gains, business secrecy protection, human rights, and compliance in all aspects of business operation.

In addition to tracking yearly internal control self-assessments conducted by various departments and making adjustments to policies and laws that affect corporate operations, Kaori also reiterates the importance of corporate governance and ethics to employees from time to time. Employees who commit violation against law, safety rules/regulation, employment contract, or commercial ethics will be subject to legal consequences and disciplinary measures. These violations are taken into consideration as part of employees' performance evaluation. No training was organized on this topic in 2021, and Kaori plans to organize training courses on "anti-bribery procedures and communication" in 2022.

Grievance system

Kaori upholds integrity in all business activities, and prohibits corruption and all forms of fraud. All reports of suspicious activity or violation against ethical behavior guidelines that involves Kaori employee or any personnel relating to the Company are handled in secrecy unless otherwise specified in laws, for which the Company will assign relevant departments to investigate in a timely manner.

The Company has implemented the following channels that can be used to report any violation of law, policy, or contract term or any attempt to exploit the vested authority for improper gains against the Company's interest:

- Physical mailbox

No. 5-2, Jilin North Road, Zhongli District, Taoyuan City 32030
Kaori Heat Treatment Co., Ltd. - Special Assistant's Office

- E-mail
csr@kaori.com.tw

- Website "Integrity- Grievance mailbox"



Misconduct reports are handled by the Special Assistant's Office under the supervision of the Audit Office. Employees who are found to have violated the Company's behavioral or ethical guidelines will be disciplined and instructed to make improvements within a given time. Incidents of high severity may be referred to the judicial department. The Company has zero tolerance for criminal behaviors, and takes legal action against all violations. Whistleblowers' identities, the information they provide, and subsequent progress are kept strictly confidential so that whistleblowers may communicate with the management free of concern for retaliation, threat, and harassment.

Procedures

- 1 Misconduct reports that involve general employees are escalated to the head of department, whereas misconduct reports that involve directors or senior managers are escalated to independent directors.
- 2 Upon receiving report, the responsible unit and the head or staff of the appropriate department shall proceed to investigate facts immediately, and may seek help from compliance or other departments if necessary.
- 3 If the reported misconduct is verified to constitute violation of law or the Company's business integrity policy or rules, the violator will be ordered to cease and desist such conduct, and subjected to disciplinary action and claims through legal proceeding if necessary to protect the Company's interests and reputation.
- 4 Details including the misconduct report, investigation process, and findings must be maintained in written or electronic documents and retained for five years. Should any litigation arise in relation to the reported misconduct before expiry of the retention period, the above documents will have to be retained until the litigation is concluded.
- 5 For every verified misconduct report, the department concerned is required to examine the internal control system and operating procedures and propose improvement measures to prevent similar occurrence in the future.
- 6 The responsible unit shall report to the board of directors the reported misconduct along with details on how they are handled and the improvement measures undertaken. Violators may also be reported to the authority or judicial department if necessary.

Enhancement of integrity awareness within the value chain

Kaori exerts ESG influence by requiring all suppliers to sign a "Supplementary Anti-corruption Clause to Procurement Contract" that outlines the integrity principles as well as environmental, labor, human rights, and occupational safety regulations that suppliers are bound to comply during production activities. 100% of suppliers have signed commitment to the clause to date.

Integrity management approach

1. Incorporating integrity and moral values into the Company's operating strategies, and establishment of integrity assurance and fraud prevention measures in accordance with laws.
2. Implementation of measures against dishonest conducts, including standard operating procedures and behavioral guidelines.
3. Planning of internal organization and duties, and implementation of check and balance for business activities that present higher risk of dishonest conduct.
4. Coordination of integrity policy awareness and training programs.

Ethical Behavior Guidelines

1. Offering and acceptance of bribe.
2. Offering of illegal political donations.
3. Inappropriate donation or sponsorship.
4. Offering or acceptance of inappropriate gift, treatment or benefit.
5. Infringement of business secret, trademark, patent, copyright and other intellectual property rights.
6. Engagement in unfair competition.
7. Direct or indirect damage to consumers' or stakeholders' interest, health or safety during research, development, procurement, manufacturing, offering, or sale of products and services.

2.4 Risk Management

Kaori is well-aware of the challenges that risks may pose to business operations. To minimize influence of the external environment, managers of various business segments within the Company have identified and defined risks that are relevant to operations, so that they can be properly managed to ensure continuity. By taking risk identification, risk assessment, risk management, and risk response measures, Kaori aims to minimize potential risks and even turn them into opportunities. The PDCA cycle has been incorporated into risk management to facilitate real-time corrections and improvements, and thereby protect the interests of the Company, employees, shareholders, customers, and suppliers.

Risk management process



Risk analysis outcome and response/management strategies for 2021

Risk type	Risk description	Kaori's response measures
Interest rate change	<ul style="list-style-type: none"> The Company's interest rate risks arise mainly from operation-related liabilities and treasury investments. Interest income and expenses of the Company are mainly affected by fluctuations of NTD and USD interest rates. To minimize interest rate risk, the Company mainly depends on cash receipt from operations and short-/medium-/long-term bank borrowings for working capital requirements. With regards to treasury investment, the Company mainly invests in fixed income bond funds or equity funds of high liquidity and strong rating for capital security and marketability 	<ul style="list-style-type: none"> The Company actively manages interest rate risks by constantly monitoring market rate movements, gathering interest rate quotes, evaluating borrowing rates, and maintaining positive relationship with banks. We pay particular attention to maintaining good credit records with banks, which entitles us to more privileged borrowing rates. If a financing requirement arises, the Company will undertake short-term or long-term borrowing depending on capital needs, and in such a way that minimizes risk of interest rate fluctuation and funding cost on the Company's operations With regards to treasury investment, the Company mainly invests in fixed income bond funds or equity funds of high liquidity and strong rating for capital security and marketability. However, this hedging practice only mitigates part of the risks and can not fully eliminate the financial impacts of interest rate fluctuation
Exchange rate changes	<ul style="list-style-type: none"> More than 70% the Company's raw material purchases are paid in currencies other than NTD, such as USD. Furthermore, considering that the Company exports most of its products and more than 80% of its revenues are denominated in USD, a significant change in exchange rate may have adverse impact on the Company's financial position. However, since the Company prohibits trading of financial derivatives, exchange rate risk can only be mitigated by adjusting the level of USD-denominated assets and liabilities 	<ul style="list-style-type: none"> The Company prohibits the use of derivatives (including currency forwards), and therefore can only mitigate exchange risk of recognized or highly probable transactions by adjusting the level of USD-denominated assets and liabilities; this practice can not fully eliminate exchange rate risk The treasury department constantly monitors exchange rate information and maintains close communication with main banking partners to keep track of exchange rate fluctuations, so that managers are adequately informed of exchange rate changes to make adjustments at appropriate timing
Inflation, deflation, and market volatility	<ul style="list-style-type: none"> Sudden changes in the market's expectation toward inflation and deflation tend to have significant impact on the global economy. Hyperinflation and deflation both have the potential to undermine market efficiency and affect investment decisions. Market volatility caused by these economic changes may substantially affect the Company's operating costs, but the overall impact on operations is still considered manageable. For this reason, the Company does not foresee any significant change to its products and services due to inflation/deflation expectation or market volatility 	<ul style="list-style-type: none"> Kaori pays constant attention to changes in raw material price, and takes responses immediately as soon as a trend is identified. Given the types of products and services offered, the Company does not foresee any significant change due to inflation/deflation expectation or market volatility
Financing risk	<ul style="list-style-type: none"> The Company has been incorporated for more than 50 years, and except for the small losses suffered one year after the 2008 global financial crisis, the Company reports profits each year and maintains strong relationship with banking partners. Kaori is currently a public-listed company, and has minimal financing risk due to unrestricted access to direct finance. 	<ul style="list-style-type: none"> The Company evaluates the amount of capital it needs to sustain daily operations, support capacity expansion, and maintain external investments based on annual plans and budget
Trading of derivatives	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Prohibited



Financial risk

Risk type	Risk description	Kaori's response measures
Legal risk	<ul style="list-style-type: none"> Change of key policies and laws 	<ul style="list-style-type: none"> Following the implementation of the Labor Incident Act on January 1, 2020, the Company made corresponding amendments to internal policies that increased operating costs With regards to changes in environmental protection laws: (1) Sub-laws such as "Regulations for Periodic Regulatory Goals and Approaches of the Greenhouse Gas Emissions" were implemented in March 2017 following the enactment of "Greenhouse Gas Reduction and Management Act" in response to climate changes, which outline the nation's reduction goals, timelines etc., and the Company will continue monitoring subsequent developments and take response measures where appropriate to prevent impacting its capacity expansion plan; (2) Amendments to "Rates of Air Pollution Control Fee of Stationary Sources" and "Regulations on Emergency Prevention of Severe Deterioration in Air Quality" dated May and June 2017 introduced seasonal pollution surcharges and empowered local governments to devise regional prevention programs that increase operating costs of the Company; and (3) Amendments to the "Waste Disposal Act" and introduction of "Regulations Governing Determination of Reasonable Due Care Obligations of Enterprises Commissioning Waste Clearance" in June 2017 clearly outline the duty of care that the Company must exercise when commissioning waste disposal contractors. The Company will commit attention to ensuring compliance with the above requirements and laws. Due to the fact that the Company generates part of its revenues from sales to major economies, any change in the trade policies of major economies (such as the use of trade barrier) is likely to affect sales of the Company or its customers, and ultimately affect the Company's operating performance. For this reason, the Company pays persistent attention to changes in trade policies and measures of major economies, and takes appropriate responses accordingly Aside from the above regulations, the Company expects no material financial or business impact from changes of other policies and laws
Risk of technological and industrial changes	<ul style="list-style-type: none"> Technological change and effect on industry and market 	<ul style="list-style-type: none"> Environment-friendly coolants have emerged to change customers' and the market's preferences Market participants are starting to introduce low-carbon products and technologies in response to the net zero emission movement Continue development of heat exchangers that make use of R290 and next-gen coolants Increase R&D capacity, support customers' transformation, and cooperate with customers on the development of hydrogen power fuel cells, electrolytic hydrogen generators, as well as mass-production procedures to help customers gain an early advantage in the green energy industry Cooperate closely with upstream and downstream partners, build long-term trade relationships, and shorten product development timeline
Business risks	<ul style="list-style-type: none"> Risks of plant expansion The nation's hydrogen power policy remains immature 	<ul style="list-style-type: none"> Increased operating cost; the need to acquire additional equipment and train employees No corresponding laws Higher user cost and lower purchase intent Kaori will continue monitoring market changes and cooperate closely with customers to adjust capacity expansion plan if demand falls short of expectation; meanwhile, product lines will be adjusted at appropriate times to minimize negative impact on financial performance Introduce semi-automated equipment for improvement in terms of production efficiency, yield, cost control, and competitiveness Kaori will actively promote green energy policies of various county/city governments and participate in policy-making, and provide more practical integrations and useful suggestions to users Market products through overseas agents and strategic partners



Legal risk



Risk of technological and industrial changes



Business risks

Risk type	Risk description	Kaori's response measures
 Supply chain and raw materials risk	Raw materials procurement risk <ul style="list-style-type: none"> • Extreme volatility of raw material price combined with logistics shortage in 2021 has resulted in temporary price adjustments and shipment delays • Certain materials and parts are sourced from a single supplier 	<ul style="list-style-type: none"> • Kaori has diversified its supply sources and secured the supply of raw materials by making purchases from suppliers in different regions • Kaori makes localized purchases of raw material where possible to minimize risk of shipment delay caused by logistics shortage
	Equipment supply risk <ul style="list-style-type: none"> • The Company depends on the consistent supply of production equipment and services from supply partners, in addition to its own efforts, for growth and expansion 	<ul style="list-style-type: none"> • Production equipment takes as long as 6-12 months to deliver, which is why it is essential to have a complete procurement plan supported by proper maintenance afterwards. The Company has assembled a dedicated repair team to ensure that its equipment functions properly to generate revenues, and therefore minimize equipment risk
 Hazard risks	Losses due to disaster <ul style="list-style-type: none"> • Production activities are susceptible to a number of risks such as occupational hazard, fire, leakage of pressurized gas, natural disaster, leakage of chemicals, and damage to production equipment or plant • The spread of COVID-19 in recent years put employees at risk of inadequate health protection, which may lead to manpower shortage and service disruption 	<ul style="list-style-type: none"> • Hazard identification and risk assessment/management procedures • Emergency Response Protocol • Pressurized Gas Leakage Response Guidelines • Earthquake Response Guidelines • Typhoon Response Guidelines • Fire and Explosion Response Guidelines • Chemicals Leakage Prevention and Response Guidelines • Biological Hazard Prevention Plan • COVID-19 control measures, such as environment sanitation, contact tracing, contractor management, plant worker management, employee health survey etc.

Risk type	Risk description	Kaori's response measures
 Cybersecurity risk	Network attack and protection of business secrets <ul style="list-style-type: none"> • Cyber attack from any third party may corrupt computer systems that are vital to the Company's manufacturing, operating, and accounting activities. These cyber attacks will attempt to intrude the Company's intranet and disrupt operations by: stealing business secret and R&D outcome or damaging reputations 	<ul style="list-style-type: none"> • The Company has implemented comprehensive cybersecurity protection measures for network and computer equipment, including the use of: conventional antivirus software, next-generation firewall, and cloud cybersecurity solution (XDR) • Implement internal policies cybersecurity awareness training; enforce government policies; empower the cybersecurity unit and officer; and update the internal control system to cater for the use of computers • The Company arranges quarterly cybersecurity seminars during monthly conferences to raise employees' awareness on cybersecurity and incidents for the current quarter
 Change of corporate image and crisis management	Business reputation <ul style="list-style-type: none"> • Risk of damage to business reputation due to certain decisions or commercial practices 	<ul style="list-style-type: none"> • The Company has always been committed to its core business activities and uphold integrity since inception; it cares for the society through action and makes donations at times deemed appropriate; Kaori currently maintains positive corporate image and foresees no crisis



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- 1 Sustainability and development
- 2 Honor and Integrity
- 3 Innovation and Quality
- 4 Responsibility and Care
- 5 Environmental Protection and Inclusion

Internal audit and correction

Kaori has implemented internal controls in accordance with "Regulations Governing Establishment of Internal Control Systems by Public Companies" and the authority's instructions, and taken steps to ensure that they remain effective at supporting operational goals of the Company. Annual audit plans and special audits are organized as requested by the authority or board of directors or as suggested by the management.

The Company has an Audit Office that carries out audit tasks according to the annual audit plan and on specific issues. Findings are compiled into official reports and distributed to the respective auditees. When requested by laws, directors, or when suggested by the management, the Audit Office would also perform risk identification, evaluate risk preference/tolerance, and assess risk levels for various cycles and audit issues. Any abnormal finding or area of improvement discovered from the audit is tracked on a quarterly basis until improvements are completed. The Audit Office executed audit tasks according to Kaori's audit plan and issued a total of 60 audit reports in 2021 (Mainland subsidiaries were audited by way of document review due to COVID-19). These reports were distributed to the respective auditees. All audit reports were presented to the Audit Committee for review and reported in board of directors meetings.



2.5 Compliance

Compliance is the most fundamental requirement in business management. For the protection of stakeholders' interests and for the continuity of business operations, Kaori has established internal policies in accordance with the laws of relevant authorities, and enforced them to serve as guidance for business decisions.

Management system

1. Corporate governance

- Functional committees have been assembled to supervise financial performance and internal control within the Company. Furthermore, corporate governance guidelines and board performance assessments have been implemented to enhance the board's supervisory role over important decisions, their ability to offer professional opinions, and increase the level of information transparency.
- Kaori observes TWSE's corporate governance evaluation and corporate governance best practices as guidelines for improving corporate culture and compliance.

2. Personnel

- Development of integrity rules and regular audit
Ethics and compliance are the foundation of business integrity; at Kaori, we enforce these values through policy implementation, self-evaluation, whistleblowing, and whistleblower protection. The management leads by example and requests every employee to observe laws and internal policies that are relevant to their duties. Compliance is examined through yearly internal control self-assessment; the outcomes are reviewed by the Audit Office. The Audit Office executed audit tasks according to Kaori's audit plan and issued a total of 60 audit reports in 2021 (Mainland subsidiaries were audited by way of document review due to COVID-19). Kaori has established a set of guidelines that employees are bound to obey when conducting business activities. All employees are required to duly comply with the "Business Integrity Code of Conduct" regardless of their role, rank, or location, and to compete for business in an honest, fair, and compliant manner that supports Kaori's corporate culture.
- Regular education and training
Kaori provides employees with a variety of training options based on the types of duties assumed to keep them informed of business ethics and compliance requirements. Orientation, classroom course, internal seminar, and external training are some examples of the training offered.

3. Environmental safety and health

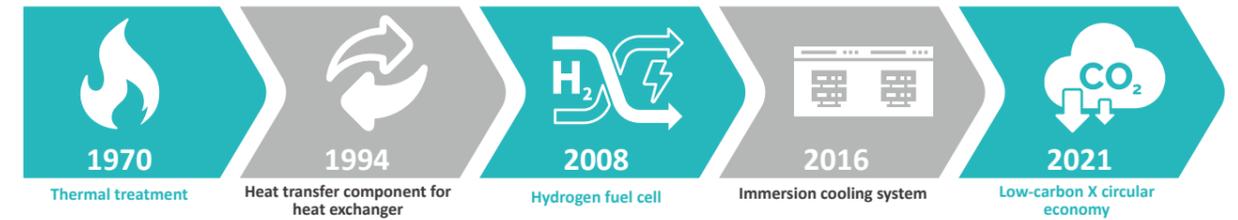
- Policies and measurements have been implemented to ensure that all business activities, products, and services comply with occupational safety, health, and environmental regulations. Meanwhile, performance of the environmental management system is being monitored so that effective corrections and preventions can be taken in a timely manner.

Assessment system

Kaori has several effective controls in place to ensure compliance, and did not violate any regulation concerning safety, health, environmental protection, or fire safety in 2021. The Company checks new regulatory amendments on a monthly basis, and conducts compliance audits on all plant sites on a yearly basis. The internal audits found no major defect, no anti-competitive behavior, and no litigation relating to anti-trust or monopolistic action.

3.1 Innovative R&D

Kaori prides itself for being able to persistently innovate and support the industry's transition to net zero emission.



Sustainable products

Plate heat exchanger



Featuring wave patterns stamped on 304 or 316 stainless steel materials, Kaori's plate heat exchangers are made through multi-point brazing of stainless steel with copper or nickel in a vacuum furnace, thereby allowing them to operate under extreme pressure in a very small chassis while making them especially suitable in refrigeration and air conditioning systems. Meanwhile, the wave patterns stack on top of each other to form conduits that create turbulent flow of the coolants even at low flow speed. This enables the heat exchanger to achieve high thermal conduction efficiency in a small heat transfer area. In systems that require high efficiency, the use of plate heat exchanger may further increase Coefficient Of Performance (COP) and reduce the overall space needed to install the modules, which in turns lessens the need for gases that produce greenhouse effects, and is a more efficient and environment-friendly design.

Industry applications:

- Air conditioning
- Semiconductors and electronics
- Refrigeration
- Energy and utility
- Machinery
- Transportation
- Medical equipment
- Data center

Technological highlights in relation to environmental sustainability

- B series heat exchangers with *low coolant requirement* - using a special conduit design, Kaori is able to lower flow volume on the coolant side and increase flow volume on the water side given the same flow distance. This asymmetric design lessens coolant requirement without causing pressure loss on either side, and effectively increases the heat transfer area. As a result, the heat exchanger helps *improve overall system efficiency*, reduce coolant requirement, and lower power consumption of pumps on the water side given the existing size, and further *increases COP of heat pump or chiller*.
- Z085D - a heat exchanger that can be used with dual-purpose heat pump for air and water heating. By integrating two functions into the limited spaces of one heat exchanger, the Z085D is *world's smallest dual-circuit plate heat exchanger* in a light chassis with low coolant requirement. Its micro-conduit and high-efficiency design combined with support for environment-friendly coolants of low global warming potential (GWP) such as R32, R290, HFO etc. make it an ideal solution to new heat pumps that are being introduced onto the market.
- C152 series heat exchanger- designed to make use of *natural coolant* R744 (CO₂) in heat pumps and refrigeration systems for industrial/commercial applications, the C152 series makes use of CO₂ as an environment-friendly coolant and offers a number of advantages including high pressure, high density, and transcritical flow. It features a *patented plate pattern* design that works with natural coolants, and is an ideal solution to systems that emphasize on *sustainability, environmental protection, performance, and miniaturization*.
- *High performance plate heat exchanger has been developed for oil chiller in electrical vehicle driving systems*. By applying breath-through structural design, Kaori has been able to improve heat exchange performance while keeping the weight similar to aluminum-based products. It is a longer lasting, more corrosion resistant, and stronger alternative to conventional, aluminum alloy-based heat exchangers for electric vehicles.



3

Innovation and Quality

The Pioneer in Carbon/Energy Reduction



People

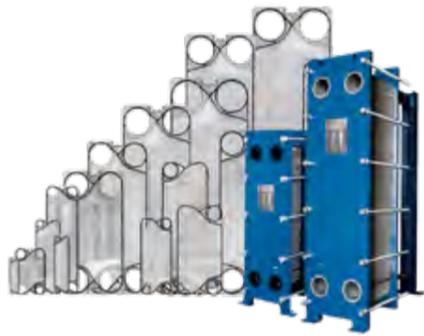
1 Sustainability and Development

2 Honor and Integrity

3 Innovation and Quality

4 Responsibility and Care

5 Environmental Protection and Inclusion



Gasket plate heat exchanger

Offers *better heat conduction* in a smaller size compared to spiral type or shell and tube type heat exchangers. With proper design, gasket plate heat exchangers can be more efficient at transferring heat and easier to clean, maintain, disassemble, and install while retaining the potential for capacity expansion.

Industry applications:

- Petrochemical plant
- Oil refinery
- Steel
- Power generation
- Freight
- Semiconductors
- Metal processing
- Food
- Refrigeration

Technological highlights in relation to environmental sustainability

- **Energy efficiency and conservation:**
The special pattern design enables high level of turbulent flow even at low flow speed, and therefore delivers a number of advantages including efficient heat transfer, reusability, and longer lifespan of at least 10 years.
- **Heat recycling**
Data center, for example, may use a combination of immersion liquid cooling and gasket plate heat exchanger to recycle heat *and increase overall energy efficiency by more than 40%*.



SOFC critical components
High efficiency fuel cell recuperators

Achieves thermal cycle efficiency of 60%. Heat-resistant nickel-base superalloys are assembled using Kaori's proprietary brazing technology in conjunction with advanced TIG welding to allow heat transfer under high temperature. This demonstration of exceptional brazing and TIG welding techniques has gained recognition from green manufacturers worldwide, and made Kaori a long-term strategic partner.

Industry applications:

Using core reactor parts in stationary fuel cell modules is a form of *distributed energy system*, which involves generating and supplying power directly to local users based on users' requirements. Kaori's solutions offer such high degree of versatility that makes them suitable for medium- and small-size energy conversion systems of various purposes.

Technological highlights in relation to environmental sustainability

- Advantages including high performance, stability, low emission, zero pollution, waterless, and long lifespan *have been validated through commercial operation by reputable customers for more than 10 years*.
- Thermal reactors for high capacity SOFC increase power generation efficiency to 65%.
- Thermal reactors have been developed for hydrogen generation and energy storage.
- Vessel application helps the shipping industry achieve energy and carbon reduction goals.



Methanol-based hydrogen generator

The hydrogen generator takes in methanol solution and applies a process called Pressure Swing Absorption (PSA) to purify and generate *high-purity hydrogen (99.999%)*. It is widely used in industrial processes that make use of the gases generated, such as: hydrogen reduction furnace, heat treatment furnace, semiconductors, and optoelectronics.



Organic solvent hydrocracking system

By treating organic solvent waste, hydrogen can be *recycled and reused* to generate base load power. Waste silicon from semiconductors and solar panels can be processed to produce hydrogen at 99.9% purity; using Kaori's purification system, the level of purity can be increased to 99.999%, which makes the hydrogen usable for industrial and power generation purposes.

Industry applications:

- Products are used in industrial processes that make use of the gases generated, such as: hydrogen reduction furnace, heat treatment furnace, semiconductors, and optoelectronics.
- Organic solvent waste fluids of the electronics industry (semiconductors, circuitry, LCD panel etc.) can be pre-processed and cracked at high temperature to separate hydrogen for power or heat.

Technological highlights in relation to environmental sustainability

Alternative clean energy sources are emerging to replace conventional power plants and nuclear power, which pose safety concern. Unlike solar and wind power that are highly dependent on weather conditions, fuel cell has the potential to provide consistent power supply with low cost and low pollution. More importantly, it allows transition from a centralized power system into a distributed power system, which not only lessens capital requirement but also reduces loss of power during transmission by a significant degree. As far as power efficiency and stability are concerned, *fuel cell offers the highest performance and stability among all forms of alternative energy*, while being able to co-exist in complement with other alternative energy sources. For this reason, fuel cell still has better growth potentials compared to others.

Immersion liquid cooling system



Kaori's heat management solutions team has come up with an immersion liquid cooling system to cool the increasing number of cloud data center servers worldwide. When used in data center servers, immersion liquid cooling system is able to quickly disseminate heat buildup from high performance computing, and when used in conjunction with Kaori's plate heat exchanger, *Power Usage Effectiveness (PUE) can be kept ≤ 1.1.*

Industry applications:

- Cloud service/5G communication
- Edge computing
- Data center
- Semiconductors/EDA
- Artificial intelligence
- Blockchain
- Cryptocurrency (mining)
- Electric vehicle battery cooling

Technological highlights in relation to environmental sustainability

- Climate change has given rise to such extreme weather conditions that a closed environment can easily reach 40°C and above in the absence of air conditioning. Meanwhile, due to technological advancement, electronic devices are being forced to operate at higher temperatures at the expense of stability and lifespan, not to mention that significantly more power is being directed to maintain server operations. As mobile devices became popular in recent years, the need for data transmission and cloud data centers increased exponentially, and so does the heat that comes with the additional capacity. The conventional cooling approach of heatsink and fan is no longer adequate for certain electronic equipment used in cloud data centers, and as a result, *liquid cooling has emerged to replace air cooling as the best cooling method for cloud data centers.* Liquid cooling is quickly gaining attention in the server industry, and aside from liquid cooling systems that are designed for motherboards, many of Kaori's customers in China and USA are actively developing *immersion liquid cooling systems for cloud data centers.* *Considering how data centers are becoming power-hungry, liquid cooling is expected to become the dominant cooling solution over the long term.*
- The need for cooling is exacerbated by the fact that all e-commerce giants have taken the initiative to develop their own data centers. Take the November 11 and December 12 shopping events, for example, it is common to see cloud servers being overwhelmed by demand for computing capacity, and Kaori's advanced immersion liquid cooling system plays a critical role at quickly removing the massive amount of heat built up over a short period of time.
- One of the leading public cloud service providers has proposed an immersion liquid cooling solution, and its actual test data has demonstrated that using active air cooling at four of its data centers located in Zhangbei, Beijing, Shanghai, and Shenzhen would yield PUEs of 1.25, 1.3, 1.35, and 1.39, respectively, whereas *immersion cooling would yield PUE of 1.09-1.1.*

Strategic goals for new products and technologies



Heat exchanger

1. Heat exchangers for high capacity air dryers: as the leading supplier of plate heat exchanger for refrigerant dryers, Kaori is exploring applications in high capacity units. When used in refrigerant dryer with air compressor rated 200HP and above, there is potential to greatly *reduce equipment size, piping hassle, and overall use of coolant.*
2. High capacity double-wall plate heat exchanger: environment-friendly coolants and natural coolants present risk of spontaneous combustion. For heat pumps and chiller systems, using Kaori's *patented double-wall plate heat exchanger can prevent coolants from leaking into the water side due to corrosion and excessive pressure*, which may pose health risk or cause explosion. It is a safer solution as manufacturers shift toward more environment-friendly and energy-efficient designs.



Hydrogen power as clean energy

1. Kaori cooperates with customers on various projects to increase product performance, and is committed to promoting hydrogen power as a clean energy, so that customers may realize the *energy and carbon reduction* potentials of SOFC.
2. Develop thermal reactors for high capacity SOFC that *increases power generation efficiency to 65%.*
3. Develop thermal reactors for *hydrogen generation and energy storage.*
4. Develop SOFC for *vessel applications* and help the shipping industry achieve *carbon reduction goals.*
5. Take part in *circular economy* by investing into the treatment of waste organic solvent and the recycling and reuse of residual hydrogen for base load power. Waste silicon from semiconductors and solar panels can be processed to produce hydrogen at 99.9% purity; using Kaori's *purification system, the level of purity can be increased to 99.999%*, which makes the hydrogen usable for industrial and power generation purposes.



Immersion liquid cooling technology

1. Engage *critical CPU/GPU partners* in more in-depth collaboration.
2. Seek *technology certification* with server manufacturers.

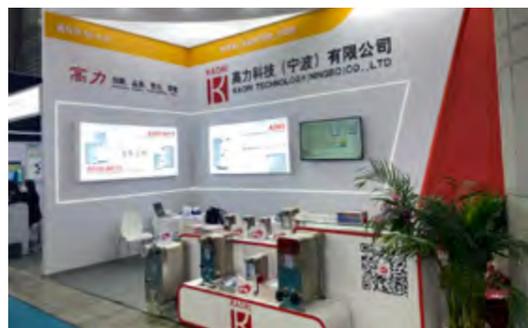
Technological improvement

- Industry-academia collaboration:**
 Kaori cooperates with National Central University and National Yang Ming Chiao Tung University to simulate and optimize flow field and heat transfer within plate heat exchangers. A simulation model was developed in 2021 based on study data, and the research participants expect to conduct further simulations on single-phase flow field in 2022 before progressing to the simulation of vaporization and condensation in two-phase heat transfer. Aside from simulations, research participants also try to optimize plate heat exchanger for new types of coolant. The team was able to achieve early success optimizing small systems for low-GWP coolants in 2021, and the results should prove helpful in reducing product development timeline for Taiwanese businesses.
- Professional talents:**
 Development of liquid CDUs for vertical-type and horizontal-type cloud data server cabinets requires professional knowledge in heat flow, mechanical engineering, and system control, and Kaori was able to acquire 7 R&D personnel possessing the above expertise in 2021, including 2 in heat flow, 3 in mechanical engineering, and 2 in system control.
- Intensive training:**
 Kaori invites professors of National Yang Ming Chiao Tung University and National Central University to organize professional courses according to product development needs.
- Professional associations:**
 Kaori assigns R&D personnel to take part in forums organized by Taiwan Thermal Management Association and Cloud Computing & IoT Association on a regular basis, so that they may keep up-to-date with industry trends and obtain the latest information.

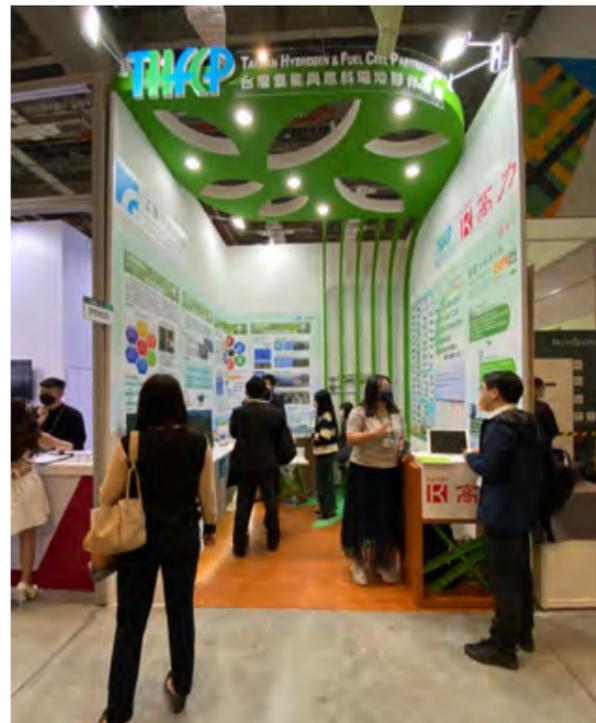
Marketing campaigns/product exhibitions in 2021



▲ D Forum/ May 7, 2021



▲ ComVac ASIA/ October 26-29, 2021



▲ Energy Taiwan/ December 8-10, 2021

Patent applications in 2021

Kaori submitted 2 patent applications; "Pressure-changing device with expandable module" had already been awarded utility model patent, whereas "Device and method of disposing and reusing waste organic fluids" is currently being reviewed for invention patent.

Item No.	Patent name	Patent category	Status
1	Pressure-changing device with expandable module	Utility model	Patent awarded on August 11, 2021
2	Device and method of disposing and reusing waste organic fluids	Invention	Application in progress

Collaborated development

Technology development procedures

For most businesses, being able to develop innovative product or technology is key to survival. New product is what enables businesses to tap into new markets and earn high profit margins and returns for continuity. For survival, businesses have to continually introduce new products and adjust positioning in an increasingly competitive market, while at the same time develop the competitive advantage needed to rival peers. For this reason, the ability to innovate, change, and adjust is critical for survival in a competitive market.

Product innovation begins with the Creativity stage, during which we form product concepts by observing the market's needs. In the Processing stage, we evaluate, elaborate, test, and validate various designs to establish proof of concept (PoC) before turning innovation into actual products that bring value to customers and generate profits for the Company.

Kaori actively gathers voice of customers and engages customers in the early stage of product development as a way to continually improve product creativity, design, and technological capacity. These engagements are useful for gaining insights into customers' core requirements, so that the Company may focus its development efforts on solving customers' problems. It has been a key factor to the success of the Company's product and technology development efforts. Customized solutions currently take up the majority of Kaori's development resources. As national policies and industry standards evolve, the Company will be able to introduce standardized product development processes and automated production lines.

Standard product development procedures:



Future development plans

		
<ul style="list-style-type: none"> • High-performance plate heat exchanger for next-gen coolant • Heat exchangers for fuel cell-related applications • Heat exchangers for fresh water supply • Heat exchangers for heat pump 	<ul style="list-style-type: none"> • Thermal reactors for high-capacity SOFC • Thermal reactors for hydrogen generation • Development of pre-processing, cracking, and purification systems for hydrogen generation from industrial organic solvent waste 	<ul style="list-style-type: none"> • Cooperate with server manufacturers and PSU manufacturers on the validation of immersion liquid cooling system

Outcomes of collaborative projects in 2021

- Through a collaboration with European heat pump manufacturer, Kaori developed a dual-circuit cross-flow plate heat exchanger featuring micro channel design that allows coolants to be distributed more evenly for better heat exchange efficiency and lower coolant requirements. It offers many other advantages such as resistance to high pressure, small size, and simplified piping, and Kaori's customers are starting to incorporate the product into next-generation heat pumps.
- Kaori cooperated with customers and suppliers on the development of new thermal reactors for high-capacity SOFC, thermal reactors for hydrogen generation, and thermal reactors for vessels. Hydrogen fuel cell is critical to the world's clean energy industry, which is why Kaori has invested pro-actively into the development of hydrogen fuel cells as a contribution to the world's transition toward net zero emission.
- By contributing Kaori's advantages in metal brazing technique, heat exchanger design, and system control, the Company worked with upstream (metal parts/electronic parts suppliers) and downstream (server/electromechanical integrators) partners and successfully developed immersion liquid cooling system for low-energy servers in data center application. This vertical integration and development not only increased overall power efficiency, but also shortened product validation timeline.



3.2 Quality Management

Quality management

Kaori has developed its own quality management system in accordance with ISO 9001 - Quality management system, and implemented a series of management procedures and operational guidelines to guide quality management practices throughout the Company. Furthermore, Kaori has open communication channels in place to gather customers' opinions, quality feedbacks, audit findings etc. for ongoing improvements. The Company will continue listening to customers' voice and adopting total quality management to satisfy customers' needs.

Kaori remains committed to its customer-centric service philosophy, and will refrain from any action that compromises product quality or endangers customers' safety. By making quality a part of our corporate culture and employees' conviction, we strive to become customers' trusted partner and work with customers and suppliers toward sustainability.

Quality policy

	Quality excellence at reduced costs.		Timely delivery and satisfied customers
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The ultimate guiding principles on quality

- Offer safe and reliable products and services in conformity with customers' needs and requirements of applicable laws.
- Establish preventive controls from a risk perspective to minimize adverse impacts.
- Adopt a process-oriented approach toward improving the effectiveness and efficiency of processes across departments.

Quality management procedures

To ensure the quality of products and services offered, Kaori adopts the process-oriented approach of the International Organization for Standardization (ISO) as a way to improve quality performance of various departments. By implementing the PDCA (Plan, Do, Check, Act) cycle and setting improvement targets, the Company continues to optimize its processes and enforce preventive control with a risk focus.

- Process-oriented approach:
From order taking, production, inspection to shipment, Kaori applies standardized procedures and persistently delivers products and services to customers' satisfaction.
- PDCA:
Ensure that every process is supported with adequate resources and is properly managed and improved upon on an ongoing basis.
- Risk perspective:
Adapt to changes in the internal and external environments, minimize probability of decision errors, and prevent possible losses; aim for total anticipation of opportunities and risks, and effective damage control after occurrence of risk event for business continuity.

Promotion of quality awareness

Quality awareness is defined as how employees, leaders, and managers of a business perceive and act in relation to the quality of their offerings. It is a common language that employees use to communicate in daily work activities, a value that inspires our behaviors to the outside world, and a standard by which we measure our performance. By changing how employees perceive about the works they do from within, we help them develop proper habits, which in turn contributes back to further strengthen the quality culture.

Quality is key to the continuity of a business. It requires contribution from all employees and takes persistence in making improvements in order to satisfy customers' needs and accomplish corporate targets. There are also many aspects to quality, and under-performance in any aspect will compromise customer satisfaction and threaten business survival.

The Company holds the conviction that workforce competence is critical to the quality of products and services offered. Through education and training, the Company aims to develop strong quality awareness and consistent quality goals across employees. Kaori organizes the following training courses that are intended to improve product and service quality:

- General participation: All new recruits undergo orientation training, during which they are informed of Kaori's conviction to quality.
- Development of internal audit capacity: Training courses were organized to educate employees on the terms of ISO 9001, IATF16949, AS9100, and ISO 14001 standards. These courses trained a total of 30 employees during the year. Aside from promoting awareness toward international standards, Kaori also trains internal auditors to audit the performance of quality systems on a yearly basis.
- Specialist training: Training courses were organized to educate employees on instrument calibration, ionizing radiation protection, legal requirements etc., and to qualify those that require professional certification.

Quality assurance

To bring traceability into the products manufactured, Kaori has adopted an Enterprise Resource Planning (ERP) system and a Manufacturing Execution System (MES) that digitally integrate all processes from materials purchase, storage, production, quality management to financial management. These systems record details of every production stage and ensure that accurate data can be generated quickly to support Kaori's commitments to quality assurance.

Site management

- Safety management
 1. Zero hazard movement: safety rules, safety education, and safety inspection standards have been outlined.
 2. 5S management:

				
SEIRI	SEITON	SEISO	SEIKETSU	SHITSUKE
Separate useful items from useless items, and dispose of useless items.	Place useful items neatly and in the appropriate quantity, and label clearly.	Clean the workplace and prevent pollution.	Implement standards and rules for the 3S above, and enforce accordingly to deliver results.	All members of the organization shall follow rules and develop proper habits.

- Operations management
 1. Standardized process: standard operating procedures.
 2. Skill training: skill training and evaluation - skill evaluation standards, skill development program, and skill training standards.
 3. Improvements: a suggestion system has been implemented to encourage improvement plans for accomplishing business goals.
- Quality management
 1. Management during normal circumstances: quality assurance standards have been implemented for operational staff as well as managers.
 2. Responses in the event of abnormal occurrence (whether discovered internally or externally): the Company has standard responses in place to cope with abnormal occurrence, and all employees have been made aware.
- Equipment management
 1. Total Productive Management (TPM): includes equipment inspection standards, inspection chart, inspection cycles, response to equipment malfunction, and training materials for operators (work commencement checks, inspection standards, training data etc.).

On-site education and training

- On-site education: Kaori highlights and discusses abnormal issues in daily morning meetings, and takes improvement measures and follows up on progress afterwards
- Special-purpose training: abnormal occurrences are analyzed and shared internally as case studies
- Specialist training: instrument calibration, internal audit, pre-brazing preparations, post-brazing test, incoming quality control (IQC), final quality control (FQC) etc.

Employees' quality improvement proposals 2021

Kaori encourages all employees to participate in making persistent improvements, and promotes quality awareness as a way to unite and motivate employees. An incentive program called "Quality Improvement Proposal" has been implemented to guide and encourage employees toward innovative thinking. The program invites all employees to contribute new ideas on ways to improve quality and business management, whether in terms of process, product, or organization, so that the organization may strive toward excellence and ensure continuity. A total of 62 quality improvement proposals were raised in 2021; incentives of more than NT\$140,000 were paid to proposers, and the proposals are expected to deliver NT\$580,000 in benefits.

3.3 Customer Relations Management

Kaori adopts a "customer-centric" business approach and maintains strong relationship with customers in order to learn their needs and make appropriate adjustments. The Company also cooperates in customers' audits and makes improvements where necessary to ensure that customers' needs are satisfied, which in turn enables profit maximization and mutual benefit. We pay particular attention to product quality and after-sale service to achieve the above goals. In terms of marketing and promotion, we've complied with relevant regulations and refrained from selling disputable products that do not meet environmental protection standards.

Kaori values every one of its customers. To ensure the quality of service to customers, the Company frequently gathers customers' opinions through satisfaction surveys and makes adjustments accordingly.

Customer satisfaction survey process

We have placed our focus on offering top-quality products and services to key customers, and working with their strategic partners to develop high-end, specialized materials, which is why Kaori pays particular attention to customers' satisfaction, and organizes satisfaction surveys on product quality, product delivery, service quality, and professionalism in the fourth quarter of each year. A dedicated unit has been assigned to gather and analyze satisfaction scores and present them for discussion during meetings. For aspects that do not meet the required scores, the Company would conduct in-depth discussions with customers and have the Quality Assurance Center provide relevant information such as customers' monthly supplier evaluation sheets, complaints, or goods return records to help identify cause of dissatisfaction and verify the survey outcome.



Outcome of 2021 customer satisfaction survey

Kaori has designed its customer satisfaction survey in accordance with ISO 9001 - Quality management system, using a scale of 1-5 to rate the level of satisfaction (5 being most satisfactory and 1 being least satisfactory) and a scale of 1-5 to rate the level of importance (5 being most important and 1 being least important). Employees have been instructed to determine accountability immediately for any unsatisfactory response or any score of 2 and below indicated in the survey. The accountable employees then have to analyze the underlying cause and explore improvements according to the Company's "Correction and Prevention Procedures."

Heat Exchanger Business

<p>Brazed Plate Heat Exchanger Department</p> <ul style="list-style-type: none"> • Questionnaire recovery rate- 100% • Overall average score 2021- 4.31 • A total of 2 unsatisfactory ratings relating to "Product delivery" and "Product quality" were received in the 2021 survey. The Company has approached customers that expressed dissatisfaction and made improvements accordingly. 	<p>Fuel Cell Business</p> <ul style="list-style-type: none"> • Questionnaire recovery rate- 100% • Average customer satisfaction 2021- 4.3 • Total unsatisfactory responses 2021- 0
<p>Gasket Plate Heat Exchanger Department</p> <ul style="list-style-type: none"> • Questionnaire recovery rate- 100% • Overall average score 2021- 4.68 • Total unsatisfactory responses 2021- 0 	<p>New Energy Business</p> <ul style="list-style-type: none"> • Questionnaire recovery rate- 100% • Average customer satisfaction 2021- 4.82 • Total unsatisfactory responses 2021- 0

Customer data confidentiality

Privacy has become an important issue at a time when technology plays a dominate role in our lives. Due to our relationships with business partners, department employees often come into contact with product secrets and customers' person information. Kaori is well-aware of the importance of privacy, and has restricted access to its document management system by project relevance. For example:

- only the system administrator may create and modify customers' profiles, and sales representatives may request for creation or change only by submitting application forms and seeking proper approval.
- Documents furnished by customers are managed according to "Document and Record Management Procedures." Schematics furnished by customers are placed on server inside department-exclusive folders, and made accessible only to authorized personnel.
- Supplies provided by customers are stored in dedicated warehouse; all placements and withdrawals are controlled using the ERP system and forms.
- Confidentiality agreements are signed as required by customers or the Company. Parties that the Company discloses confidential information to for the performance of duties are prohibited from revealing to others or using such information for purposes outside of work. The same applies after resignation.
- The Company also values intellectual property rights and is committed to protecting its intellectual properties (including patent, trademark, copyright, and business secret) and those of others, particularly during the transfer of know-how and production experience.
- Kaori received no complain concerning violation of customers' privacy or secret in 2021.

Customer complaints and improvements in 2021

The speed at which customers' complaints are addressed is key to raising customers' satisfaction. In addition to implementing customers sales policies and complaint procedures, Kaori also assigns dedicated personnel to maintain communication with customers and to investigate the underlying cause and accountability of all complaints raised. All complaints received are followed up quickly with effective solutions and improvement measures to prevent recurrence. Through productive communication, the Company is able to maintain good customer relations and ensure the quality of products delivered. Furthermore, transparent and efficient consumer grievance channels have been implemented to cater for customers' requirements in relation to the products and services offered.

Customers are able to raise complaints to various departments using the contact number or e-mail disclosed in the Stakeholders section of Kaori's portal. We have made customer complaint count as one of our key performance indicators (KPI). Complaints are analyzed by cause and customer type, and raised for discussion during annual management review meetings to serve as reference for next year's quality improvement goals.

• Heat Exchanger Business:

A total of 30 complaints and 13 customer service requests were received in 2021. Most customer complaints concerned product quality and were usually resolved by way of discount or replacement. In the case of goods return, the Company would state reasons in the Customer Service Grievance Resolution Form of the ERP system and refer incidents to the Quality Assurance Center for investigation and improvement. Based on the reports produced by the Quality Assurance Center, customers will be notified of the accountability and findings relating to their complaints. Cases that the Company is found to be at fault will be discussed among managers and resolved either by way of discount or replacement. The Quality Assurance Center then issues a Corrective/ Preventive Order to ensure that proper improvements and preventions are taken in response to the complaint.

• Fuel Cell Business:

A total of 2 complaints were received in 2021; both of which concerned product quality and have been resolved through product return or discount.



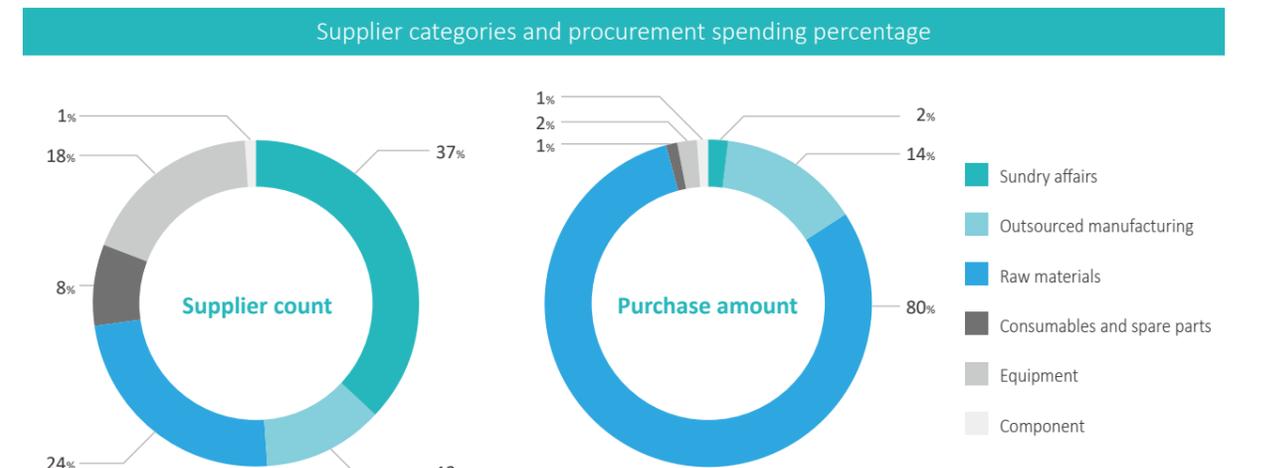
3.4 Sustainable Supply Chain Management

The general public and global partners have become increasingly aware of corporate social responsibilities that they now require suppliers/contractors to exert social influence and act in the interest of social issues, environmental protection, and social responsibilities, in addition to meeting conventional performance measurements such as product quality, technological capacity, delivery, collaboration, and other factors directly associated with service and production. Kaori requires new suppliers/contractors and existing suppliers to comply with social, environmental, economic, and ethical regulations, and thereby respond to the public's expectations.

Suppliers are important partners to Kaori's operations, and in order to promote green products, it is especially critical for the Company to manage supply chain at the source. In addition to quality, delivery, and collaboration, Kaori has also begun assessing suppliers for issues such as worker rights and socioeconomic contributions. By exerting influence over suppliers, the Company hopes to promote sustainable growth of the entire supply chain and enforce sustainability to the benefit of all parties involved.

Overview of supply chain partners

Kaori had a total of 610 supply chain partners in 2021 and purchased a sum of NT\$1.35 billion. Of all the purchases made, 79.73% of which were for raw materials, followed by subcontracted works. Percentage of localized purchases (from local suppliers in Taiwan) was reported at 44.6%. Suppliers can be classified into six main categories: sundry service, outsourcing, raw materials, consumables and spare parts, equipment, and components. The upstream consists of steel mills or customer-designated materials suppliers, whereas the downstream consists of small, direct processing plants. Kaori's suppliers include steel mills and foreign providers of advanced technologies and products; all of which are capital-intensive businesses and have imposed high standards on environmental protection, green energy, and public interest. Kaori operates in the midstream of the industry and provides end customers with products that are processed and assembled from the abovementioned materials.



Supplier management policy

- Procurement policy:
Kaori operates in the midstream and plays a key role in connecting upstream and downstream participants. For this reason, Kaori selects its business partners primarily based on the quality, timeliness, and adequacy of goods/services supplied and their willingness to commit to long-term relationship.
- Evaluation standards:
Kaori issues quality system questionnaires to evaluate quality, delivery, service, technology, supplier performance etc. Furthermore, Kaori requires suppliers to present quality system certificates issued by independent third parties, and to complete questionnaires on the management of hazardous substances.
- Selection principles, standards, and ranking:
Kaori conducts annual supply audits for effective management and maintenance of relationship with qualified suppliers. All raw material suppliers are required to sign a commitment to ethical conducts and anti-bribery. Suppliers are evaluated not only for the prices they offer, but also for their overall contribution to Taiwan as well as their ability to complement the Company's roles and position.



KAORI People For ESG

- K**nowledge
- A**ggressive
- O**pen-Minded
- R**esponsible
- I**nnovative

Supplier audit policy

Kaori's supplier evaluation policy requires all active suppliers to undergo performance evaluation on a monthly basis. Furthermore, domestic downstream processing plants are subjected to on-site audits on a yearly basis. Kaori selects its business partners primarily based on the quality, timeliness, and adequacy of goods/services supplied and their willingness to commit to long-term relationship. All existing suppliers are open to guidance and are willing to grow with the Company; as a result, hardly any suppliers fail their assessments. The 2021 supplier audit found no major issue that required improvement.

Planning of sustainable purchasing system

When choosing suppliers to purchase equipment and products from, Kaori not only imposes a set of performance standards but also gives priority to products and services that are friendly to the environment and offer green, sustainable values, including but not limited to the following criteria:

- Certification for domestic and foreign environmental labels (e.g.: Eco Label).
- Certified by government agencies to be renewable, recyclable, less pollutive, or energy-efficient.
- Certified by government agencies to "promote social interest or lessen social cost."
- Proof of other certification.



Preamble

1 Sustainability and Development

2 Honor and Integrity

3 Innovation and Quality

4 Responsibility and Care

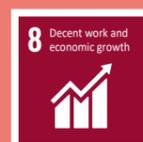
5 Environmental Protection and Inclusion



4

Responsibility and Care

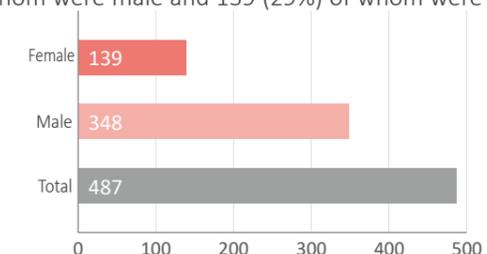
A Promoter of People Values



Kaori recognizes employees as important partners for building world's first-rate organization and sustainable practice. We are committed to creating a friendly and healthy workplace, one that is free of discrimination and inequality. Kaori provides employees with complete compensations and benefits, and offers diverse training programs to help employees grow. By giving employees a safe and healthy place to work, we look forward to creating a sustainable corporate culture that is unique to Kaori.

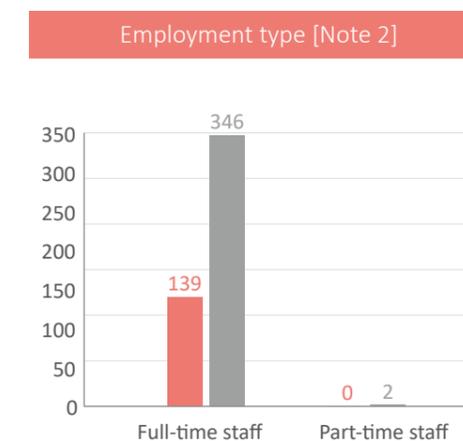
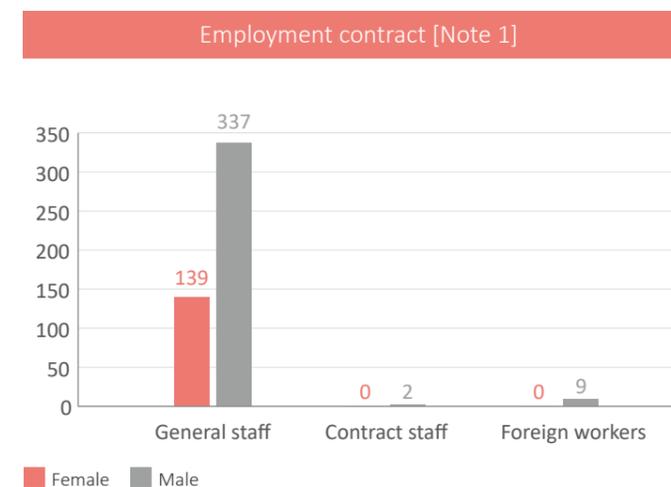
4.1 Employee Overview

Kaori reported total employee count of 487 in 2021; 348 (71%) of whom were male and 139 (29%) of whom were female. All managers of the Company were of R.O.C. nationality, and 100% of senior managers were locally hired. Kaori supports requirements of the "People with Disabilities Rights Protection Act" and takes the initiative to offer equal employment opportunities for the underprivileged. A total of 3 people with disabilities were hired in 2021.



Employee structure

Year	Contract type	Employment contract [Note 1]			Employment type [Note 2]	
		General staff	Contract staff	Foreign workers	Full-time staff	Part-time staff
2021	Female	139	0	0	139	0
	Male	337	2	9	346	2



Note 1: The workforce can be distinguished by employment contract into permanent employees (with undefined service duration) and temporary employees (with defined service duration; includes foreign workers and interns but excludes temporary workers).

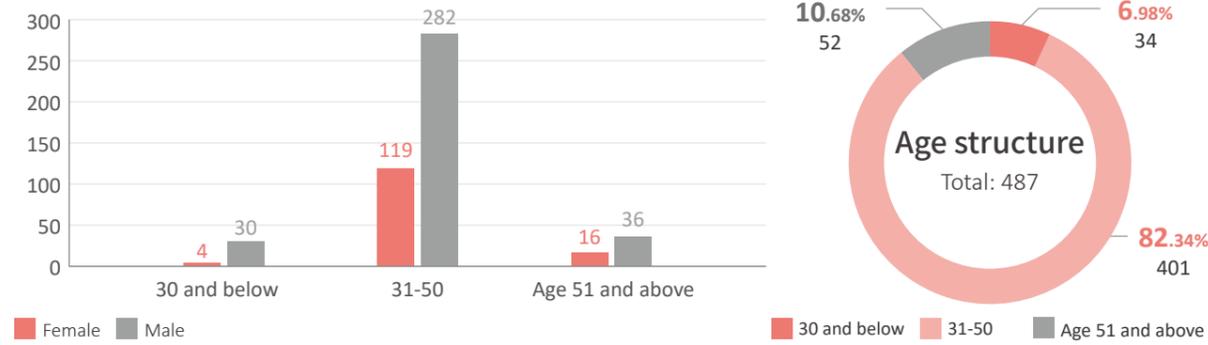
Note 2: The workforce can be distinguished by employee type into full-time staff (that work above the statutory hours a week) and part-time staff (that work less than the statutory hours a week, such as interns, student workers, and hourly employees).

2021	Head count
No. of senior managers	16
No. of locally hired senior managers	16

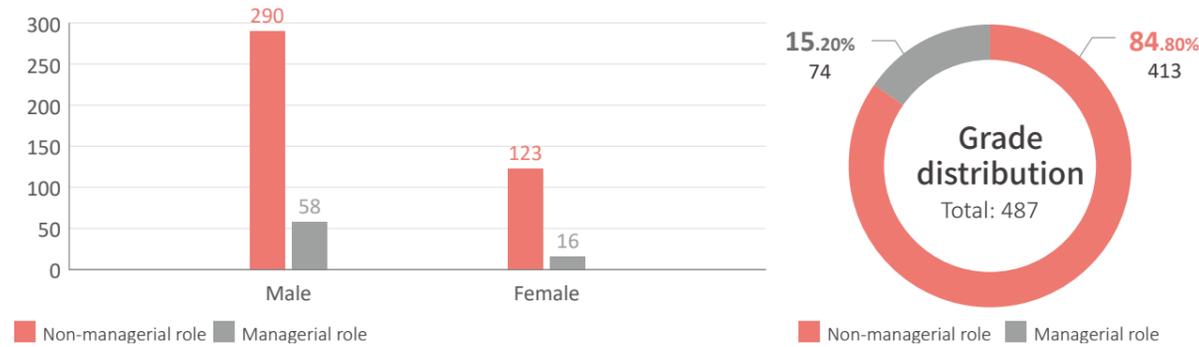
Remarks: "Local" is defined by nationality

Diversity

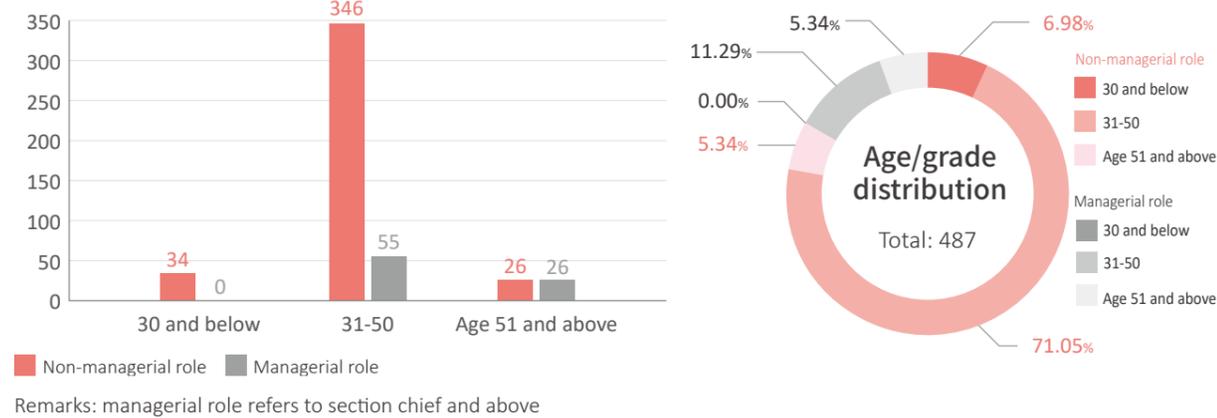
Employees' age distribution



Employee count by grade and gender



Employee count by grade and age



Other diversity indicators

Persons with disabilities hired	Foreign (non-Taiwanese) employees hired
3	12

Percentage of new permanent employees and attrition rate - 2021

Kaori had 40 new recruits in 2021 that represented 8.21% of the total workforce; 30 of the new recruits were male and 10 were female. 37 employees resigned during the year, representing an attrition rate of 7.60%; 24 of the resigned employees were male and 13 were female. By analyzing data on new recruits and resignees, the Company evaluates the appropriateness of its existing salaries and benefits, and determines whether it has met its goal of creating a friendly workplace. For resignees, the Company would survey the cause of resignation and take their responses into consideration for future improvements. Employees' resignation requests are handled strictly in accordance with the Labor Standards Act; employees who wish to terminate employment contract are required to serve advance notice of no more than 30 days depending on seniority, which complies with prevailing laws.



Note: percentage of new recruits is calculated by dividing the total number of new recruits for the year with total employee count at year-end, multiplied by 100%; attrition rate is calculated by dividing the total number of resignees for the year with total employee count at year-end, multiplied by 100%.

4.2 Recruitment and Retention

Kaori adopts a fair, open, just, and efficient recruitment system that emphasizes on recruiting the best and most suitable talents. The recruitment system caters for basic human rights including equal employment opportunities, and is supported by talent selection, education, and retention measures to ensure the quality of new recruits, the stability of the workforce, and that competent talents are assigned to suitable roles. Kaori places great emphasis on unity, and aside from recruiting people that share a common value, the Company offers favorable compensations, comprehensive benefits, and open communication channels to create a friendly, harmonic, safe, and mutually beneficial work environment that attracts and retains talents.

Equal employment opportunities

The Company values workers' rights and assigns employees to suitable positions depending on their skill sets and competence. In terms of recruitment, salary, performance, promotion, training, and benefits, the Company does not discriminate whether by gender, religion, nationality, or ethnicity. In addition to prohibitions against child labor, Kaori adopts a fair recruitment principle that discourages all forms of unreasonable restriction (such as: withholding of ID card/passport, collection of inappropriate gains etc.). Furthermore, employment contracts are drafted in language and texts that employees can easily understand.

Recruitment channels

Kaori used a variety of channels to recruit employees in 2021, including: online recruitment websites, head hunters, LinkedIn, career expos, Employment Service Offices, and referrals.

Salary policy

The Company sets salaries at levels that reflect employees' skills, professional capacity, experience, and individual performance. The promotion system has also been designed to be fair and open to employees. The Company strives to maintain equality between genders and offer equal compensation for employees of the same job role. The Company does not differentiate whether by gender, ethnicity, religion, political association, or marital status. Kaori regularly examines salaries offered by industry peers to ensure that its compensation and welfare policy remains competitive at attracting and retaining talents. For new recruits, salary is determined based on professional capacity, technical know-how, experience, and work-related skills. Existing employees, too, have salary levels and benefits determined according to performance. The Company calculates compensations and benefits in accordance with laws of Taiwan, and entry-level employees are offered salaries that are higher than the local minimum wage on average.

Unit: NTD

2021	Average salary	Average salary- males	Average salary- females
Average salary- entry-level employees	44,986	47,171	40,660
(Statutory) minimum wage for entry-level employees	25,200	25,200	25,200
Times over statutory minimum wage	1.79	1.87	1.61

Compensation distribution by gender- 2021

Unit: NTD

Salary ratio	Managerial role	Non-managerial role
Female	0.75	0.86
Male	1.00	1.00

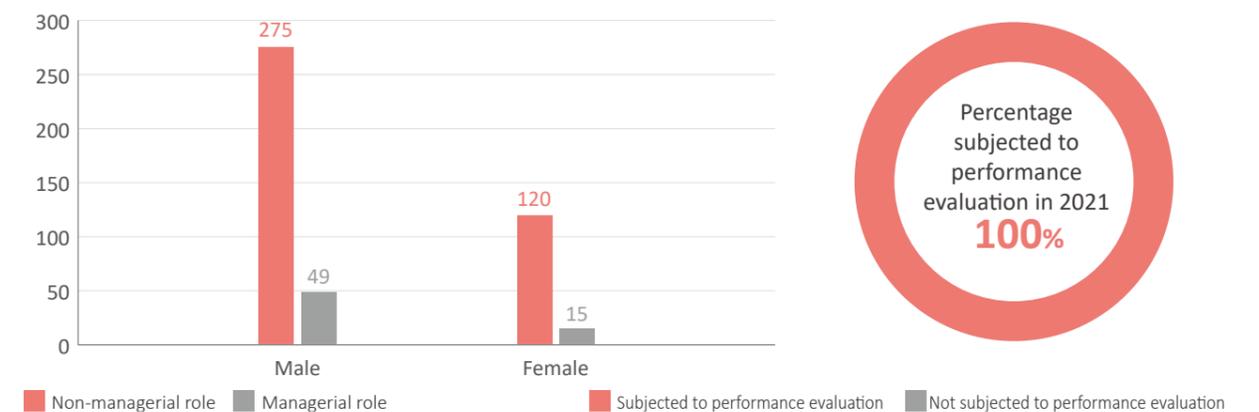
Remarks: managerial role refers to section chief and above

Performance evaluation

Employees are subjected to performance evaluation two times a year, and are entitled to promotional opportunities and rewards according to the performance evaluation policy. The Company hopes to see every employee realize their full potentials and have the best talents lead the teams in taking responsibilities, making decisions, coordination, execution, and collaboration toward accomplishing corporate goals.

In 2021, **100% of Kaori employees were subjected to performance evaluation**. Employees' annual performance evaluations are conducted by their respective line managers. The evaluation covers work performance, attendance, work attitude, and other work-related aspects. The Company also requires all managers to pay particular attention to the fairness of performance evaluation, and to avoid all forms of discrimination and unfair treatment whether due to gender, age, or other factors unrelated to work.

Percentage of employees receiving regular performance and career development reviews- 2021



Head count	Managerial role	Percentage reviewed	Non-managerial role	Percentage reviewed
Female	15	100%	120	100%
Male	49	100%	275	100%
Subtotal	64	100%	395	100%

Remarks: managerial role refers to section chief and above

Retention incentives

For senior employees, the Company has a talent retention program that offers special benefits such as life insurance, full health checkup, and trust subsidies. Employees that exhibit outstanding performance are entitled to extraordinary salary adjustment as an encouragement.



4.3 Occupational Health and Safety

Kaori values the safety of its workplace, and is committed to providing a safe, comfortable, and healthy work environment for stakeholders including employees, customers, and business partners. To ensure the health and safety of employees, the Company assesses plant premises regularly for potential risks, and conducted a total of special risk assessments in 2021. By eliminating hazards and making ongoing improvements, the Company takes steps toward preventing accidents. The Company has also assembled an Occupational Safety and Health Committee that consists of plant managers, occupational safety personnel, and worker-elected representatives. Committee members by plant site: 6 in Zhongli 1st Plant, 4 in Zhongli 2nd Plant, and 6 in Zhongli 3rd Plant (including worker health service personnel) for a total of 16. The Occupational Safety and Health Committee convenes meetings every three months to discuss, promote, review, supervise, and resolve issues concerning occupational safety, health, and environmental protection. Through regular supervision and execution of improvement plans, the committee is able to promote work safety awareness among plant workers and take steps toward reducing injury rate and contributing to the Company's zero hazard vision.

Occupational Safety and Health Committee

Size of Worker Safety and Health Committee	Total worker representatives in committee
26	16

Kaori held four Occupational Safety and Health Committee meetings in 2021, and below is a list of significant issues discussed during the meetings:

- Enhanced safety and health for middle-age and elderly workers
- Establishment of maternity health protection program
- Respiratory gear fit test
- Plant disease control measures and upgrade
- Work safety planning and work supervisor training
- First-aid personnel program
- Personnel training, retraining, and inspection of hazardous machinery



Organizational chart of the Occupational Safety and Health Committee



Occupational safety and health officers- 9 in total	Occupational safety and health personnel- 208 in total
<ul style="list-style-type: none"> • Class-C occupational safety and health manager- 1 • Class-C occupational safety and health manager (construction industry)- 1 • Class-A occupational safety and health manager- 3 • Class B occupational safety and health officer- 2 • Class A occupational safety and health officer- 1 • Professional nurse- 1 	<ul style="list-style-type: none"> • Fire safety manager- 4 • Organic solvent operations manager- 3 • Dust operations supervisor- 2 • Hypoxia operations supervisor- 3 • Pressurized gas supply and consumption supervisor- 4 • Pressurized gas production safety officer- 2 • Special chemical substances supervisor- 2 • 1-tonne+ forklift operator- 38 • First-aid personnel- 24 • Oxy-fuel welding- 4 • Crane operator- 51 • Crane operator for loads of 3(5) tonnes and above- 2 • Stationary crane operator (for loads less than 3 tonnes)- 51 • Radiation protection training in place of Radiation Safety Certificate- 3 • Pressurized gas equipment operator- 15

Responsibilities and future plans for worker health service personnel

- Duties:
 1. Organize health checkups.
 2. Enforce tier-based management for general and special health checkups.
 3. Select and assign new recruits; assign and reinstate existing employees.
 4. Organize health promotion activities.
 5. Annual worker health promotion campaign.
 6. Execution of the four main programs (abnormal workload, ergonomic, maternity, and over-stress), the middle/elderly age program, and the respiratory protection program according to guidelines.
 7. Organize first-aid personnel training programs.

• Future plans:

Kaori values the health and safety of its employees, and in addition to annual health checkups, the Company is progressively enhancing health management and skills training for employees through the following measures:

1. Improvement and prevention of occupational illness at plant sites: instead of general practitioners, the Company is starting to engage physicians specialized in occupational medicine to station at plant premises, where they contribute expertise by evaluating employees' work environment and work practices, and raising suggestions that help improve the work environment and prevent occupational illness.
2. Enhancement of emergency response and first-aid skills: the Company helps medical personnel develop professional skills and attain certification for EMT-1 emergency medical technician. The certified personnel than organize internal training for plant workers.
3. Promotion of employees' self health awareness: the Company organizes health seminars and distributes health articles to raise employees' health awareness.

Safety and health policy

Driven by goals toward sustainability, Kaori is fully committed to developing a culture of safety and self-management, and has implemented the following "Occupational Safety and Health Policy" as a way to reduce occupational safety and health hazards:



Respect for life



Safety discipline



General participation



Ongoing improvement

Commitments of the occupational safety and health policy:

- To adopt practices that are appropriate given the nature and scope of the organization's safety and health risks.
- To prevent injuries and illnesses, and make ongoing improvements to safety and health management and performance.
- To comply with regulations that are relevant to the organization's safety, health, and hazards, as well as other requirements that the organization is bound to deliver.
- To provide a framework for setting and reviewing safety and health goals.
- To implement and ensure proper documentation of the occupational safety and health management system.
- To properly communicate with all personnel within the organization, so that they are made aware of individual safety and health responsibilities.
- To communicate openly with stakeholders.
- To review policies on a regular basis and ensure that they remain relevant and appropriate for the organization.
- To gather opinions from employees and their representatives, and encourage them to actively take part in all activities of interest under the occupational safety and health management system.

ISO 14001 Environmental Management System

- Scope of management system: the certification covered manufacturing of plate heat exchanger at Kaori's Benzhou Plant (No. 3, Bengong 2nd Road, Benjhou Industrial Park, Kaohsiung City).
- To ensure that all requirements of environmental management are met, the Company would conduct a total investigation and evaluation of possible risks that may pose environmental concern before establishment or implementation of an environmental management system. Previous and current environmental management performance are also examined and evaluated to provide reference for new environmental policies, goals, and systems. These practices help improve the efficiency of management practices and allow Kaori to better conform with environmental standards while making persistent improvements.
- Kaori examines its products, activities, and services on a yearly basis for issues that may impact the environment, such as waste, noise, effluent, pollutant, storage/transfer/use of chemicals or supplies, use of energy sources, work environment etc. These assessments also cover suppliers and business partners that are relevant to the Company's operations, and include both direct and indirect impacts. Based on the outcomes of environmental assessment, Kaori would convene meetings to discuss and select issues of material concern after taking into consideration various factors such as cost, environmental policies and commitments, laws, technologies, finance, market requirements, and other requirements of stakeholders. Improvements are made in conformity with applicable laws and principles of persistent improvement, whereas environmental goals and management solutions are devised and executed accordingly. If actual performance differs significantly from goals or if environmental targets can not be achieved, the Company may convene review meetings to adjust target values or the execution plan, and decide whether to follow the "Correction and Prevention Procedures" depending on the level of deviation. Meanwhile, the Company adopts its quality management PDCA cycle to facilitate ongoing improvements.
- Preparation and response to emergency events: Kaori has a set of "Emergency Response Protocol" in place that requires analyses to be performed on the most likely plant incidents. Outcomes of the analyses are used to plan responses and training, so that employees know how to react to incidents and what actions to take to minimize damage and loss.

Prominent outcomes, work safety, and identification of systematic risks - 2021

- Monthly compliance audits: Kaori adopts a PDCA-driven concept and regularly inspects plant premises for compliance with safety, health, and fire regulations while making corrections to non-compliant issues. The 2021 audits found 1 non-compliant issue, for which improvements have been made.
- Production procedure safety evaluation and management: All new production procedures and equipment will have to be evaluated for possible risks and adjustments. In 2021, one new installation of stationary crane was subjected to the above evaluation.
- Assessment of potential risks: In light of the increasing frequency of fire accidents, Kaori has taken the initiative to evaluate fire hazard risks, promote fire safety awareness, and organize fire drills at plant sites.
- Testing of respiratory protection gear: Respiratory protection gear is employees' final line of defense, and incorrect choice or use of gear may still expose workers to potential risks. For this reason, Kaori organized a fit test in 2021, during which it instructed emergency response personnel, such as the rescue team, cleanup team etc., to test the fit of their respiratory protection gears, and thereby ensure the safety of rescue and response team members. Fit tests are organized at least once a year, and the test involves using instruments to measure the fit of protection gear. Adjustments are made to the size or the method by which gears are worn in the case of poor fit.

Employee health checkup

Kaori has long been committed to "protecting the safety, health, and welfare of workers and stakeholders, preventing occupational hazard, and promoting employees' physical and mental health," and has implemented policies that are more stringent than what the laws require. The Company organizes employee health checkups once a year. An organization-wide health risk assessment is conducted after each checkup report to highlight high-risk employees for consultation and regular follow-up with physicians, and to identify medium-risk employees for health-related discussions. A total of 442 employees underwent health checkup in 2021, for the Company paid more than NT\$380,000 in subsidies.

- Execution of employee care programs in 2021:
 - No. of employees consulted under the maternity health protection program: **10**
 - No. of employees evaluated by physicians under the respiratory protection program: **12**
 - No. of new employees consulted for abnormal checkup results: **4**
 - No. of employees subjected to occupational hazard follow-up (commuting accident): **3**
 - Employees subjected to general injury/illness follow-up: **13**
- Employees subjected to reinstatement evaluation: **1**
- Middle-age and senior employees subjected to health management: **3**
- Employees with hypertension subjected to regular testing and follow-up: **24**
- No. of high-risk employees surveyed through ergonomic hazard prevention questionnaire: **44**
- No. of high-risk employees surveyed through abnormal workload questionnaire: **8**
- No. of employees subjected to health checkup risk management interview: **150**

Health promotion

Kaori has committed significant resources into the prevention of occupational illness as well as health promotion activities in an attempt to alleviate employees' concern toward occupational safety while providing better care for their physical and mental health. The Company has also been actively promoting smoke-free workplace for health reasons and compliance with the Tobacco Hazards Prevention Act.

- First-aid personnel program: Kaori has appointed certified first-aid personnel and organizes CPR back-training for plant workers on a monthly basis. Arrangements have been made to ensure that first-aid personnel are available to cover all shifts and perform rescue when emergency situation arises.
- Health risk management: 23 high-risk employees and 194 medium-risk employees have completed health consultation and follow-up with physicians or nurses.
- A total of 272 health promotion discussions were completed.

Case example	
<ul style="list-style-type: none"> • Health promotion approach: Metabolic syndrome (hypertension, triglycerides, and cholesterols) & weight loss • Solutions/measures: <ol style="list-style-type: none"> 1. Raise employees' awareness to the importance of health 2. Teach employees the knowledge to identify health problems in time 3. Actively search for treatments for the diagnosed illness 	<ul style="list-style-type: none"> • Progress: <ol style="list-style-type: none"> 1. Employees now have better awareness of their health. 2. Employees actively raise questions and seek help during their sessions with the plant physician.

Employee Welfare Committee

Kaori has established a yoga club and a fitness boxing club, and hired professional instructors to teach and improve employees' state of health. The Company also engages qualified caterers to manage the employee diner, and invites professional nutritionists to design menus that are aimed at correcting the irregular, high-fat, high-salt, and high-sugar diets of the modern population, and thereby improve employees' state of health.

Occupational safety and health training and promotion

Kaori organized a broad variety of safety and health-related training for employees in 2021, including:

- Training for new recruits
- Training for occupational safety and health manager
- Training for fire safety officer
- Fire safety drill
- Training for forklift operator
- Organic solvent operations manager
- Training for first-aid personnel
- Training for stationary crane operator
- Training for pressurized gas equipment operator
- Training for hypoxia operations supervisor
- Training for special chemical substances supervisor
- Training for respiratory gear fit test

Contractor occupational safety management

Kaori maintains close relationship with suppliers and contractors, as they are essential business partners to the Company's continuity. This is also why we have directed significant attention to the work safety of our business partners. To assure the safety of Kaori employees and contractors, the Company has directed special attention to work safety planning and work supervisor training, and made sure that safety is supervised throughout the entire project.

Management of transportation vehicles

Kaori does not own any transportation vehicle, but imposes eligibility requirements on suppliers' truck drivers and requires the use of temporary permits for hazardous supplies. Suppliers are audited on a yearly basis; the 2021 audit found no illegal conduct and had assured the legitimacy of suppliers' transportation vehicles.

Promotion of work injury prevention

The following measures have been taken to promote employees' awareness to work injury prevention:

- Unscheduled promotion during monthly meetings
- Occupational hazard awareness at plant site
- Training on defensive driving

Work injury statistics and reporting

Kaori investigates each incident of occupational hazard according to its accident reporting, resolution, and investigation procedures (SH-P-00-0009), and records findings in an In-plant Hazard Report (including Occupational Traffic Accidents). The report not only records occurrence of occupational incidents, but also includes detailed analysis of statistical data. Meanwhile, occupational hazard data is reported onto Ministry of Labor's safety and health website on a yearly basis.

Work injury statistics of the year

The Company reported 3 cases of occupational injury in 2021; all of which were commuting accidents.

Category	Total work hours	Occupational accident		
		No. of people suffered severe occupational injury	Deaths	No. of documented occupational injuries
Employees	963,984	3	0	3
Non-employee	2,880	0	0	0

Employees	Scheduled work hours	Scheduled work days	Actual work hours	Occupational accident	Total work injuries	Work days lost	No. of absent days	Injury rate	Percentage of days lost	Absenteeism rate %
Female	270,528	5,789	334,094	0	0	0	0	0	0	0
Male	693,456	27,716	689,845	3	3	4.5	4.5	87%	1.30	32.47
Total	963,984	33,505	1,023,939	3	3	4.5	4.5	59%	0.93	26.86

Remark: (1) All 3 incidents of work injury were commuting accidents.
 (2) Work days lost refers to working days.

Non-employee	Actual work hours	Occupational accident		Total work injuries	Injury rate
		Work injury count	Deaths		
Female	288	0	0	0	0
Male	2,592	0	0	0	0
Total	2,880	0	0	0	0

4.4 Human Rights Protection, Employee Welfare, and Growth

Labor-management communication

Good labor-management communication helps the Company improve weaknesses and develop the solid foundation needed to raise competitiveness. The Company provides a broad diversity of communication channels that employees can use to express opinions. Kaori believes effective communication and bilateral interaction between the labor and the management to be a useful way of uniting employees.

Employees who have physical or mental disability are offered assistance from a variety of sources; meanwhile, efforts are made to learn and adjust their workload and to provide care, support, and assistance where possible.

Employees are able to express opinions through the Employee Welfare Committee, labor-management meetings, the grievance mailbox, and the grievance hotline. Kaori has a set of "Labor-management Meeting Policy" in place to support a harmonic work environment. Labor-management meetings are held once every 3 months to facilitate communication and cooperation between labor and management for the benefit of both sides. The Company also ensures that all of employees' opinions, suggestions, and feedbacks are handled by dedicated personnel. Meanwhile, systems have been implemented to protect employees from all forms of retaliation and threat. Kaori held a total of 4 labor-management meetings in 2021 and received one case of complaint that was later dismissed upon investigation. Although both parties had come to an agreement, the Company still offered mental counseling to the plaintiff and vouched to follow up on subsequent developments.



Grievance mailbox: jocelyn@kaori.com.tw



Grievance hotline: 03-4527005 #236

Human rights protection

Kaori values human rights issues and is committed to protecting the interests of all employees, customers, suppliers, contractors, and stakeholders. In addition to complying with national laws, the Company protects workers out of respect for their human rights, and observes international conventions regarding gender equality, prohibition against all forms of discrimination, forced labor, child labor, and avoidance of long work hours. We do not tolerate any form of harassment, discrimination, or any behaviors that are against employment laws. Kaori did not commit any violation against human rights in 2021.

Employee benefits

Kaori arranges Labor Insurance and National Health Insurance coverage for employees as required by laws, and ensures that employees are paid the benefits they are entitled to. By promoting a harmonic labor-management relationship and catering for employees' wellbeing and health, the Company aims to help employees grow in life and at work. In 2021, Kaori paid birth and child care subsidies totaling NT\$1.81 million and children's scholarship exceeding NT\$550,000.

Key benefit measures

Benefit category	Benefit details
Life insurance	Life insurance, accident insurance, medical insurance, cancer insurance, occupational hazard insurance
Health insurance	Health insurance
Pension subsidies	Shareholding trust (subsidized 20%)
Health checkup	Health checkups once a year
Employee catering	Establishment of employee diner (subsidized 50%)

Other benefit measures

The Company's Employee Welfare Committee ensures that 0.15% of operating revenues and 20% of income from sale of scraps are contributed to the benefits pool on a monthly basis. The Employee Welfare Committee continues to organize activities that aim to relieve stress and promote interactions between employees. Below are some of the key benefits arranged by the committee:

1. Domestic and foreign group trips
2. Child birth, wedding, funeral, hospitalization, and military service subsidies
 - 2.1 Child birth subsidy: applicable to children below the age of 6 that are registered in the same household as the Company's employee.
 - Single birth- NT\$50,000
 - Twins- NT\$100,000
 - Triplets- NT\$150,000
 - Additional births are calculated at proportional rate
 - 2.2 Child care subsidy: applicable to children below the age of 6 that are registered in the same household as the Company's employee; paid at NT\$10,000 per child, per household, per year.
3. Emergency relief
4. Children's scholarship
5. Festive bonus
6. Sports and recreational equipment
7. Birthday celebrations: birthday cake, birthday cash
8. Club activities: yoga, fitness boxing



Unpaid parental leave

Employees who have child care needs are entitled to apply for unpaid parental leave according to laws. Kaori not only offers birth subsidies in response to the government's birth incentives, but also tends to the needs of working mothers with the establishment of nursery rooms that cater for employees' individual and family needs. In 2021, one male employee and 3 female employees had applied for unpaid parental leave, and 2 female employees were reinstated at the end of their unpaid parental leaves during the year, representing a reinstatement rate of 67%.

Single birth - NT\$50,000

Twins - NT\$100,000

Triplets - NT\$150,000

Additional births are calculated at proportional rate

Item	Female	Male	Total
No. of employees eligible to apply for unpaid parental leave in 2021	8	9	17
No. of employees applied for unpaid parental leave in 2021	4	0	4
No. of employees due to be reinstated from unpaid parental leave in 2021 (A)	3	1	4
No. of employees due for reinstatement and restated from unpaid parental leave in 2021 (B)	2	1	3
Unpaid parental leave reinstatement rate %= B/A	67%	100%	75%

Talent training

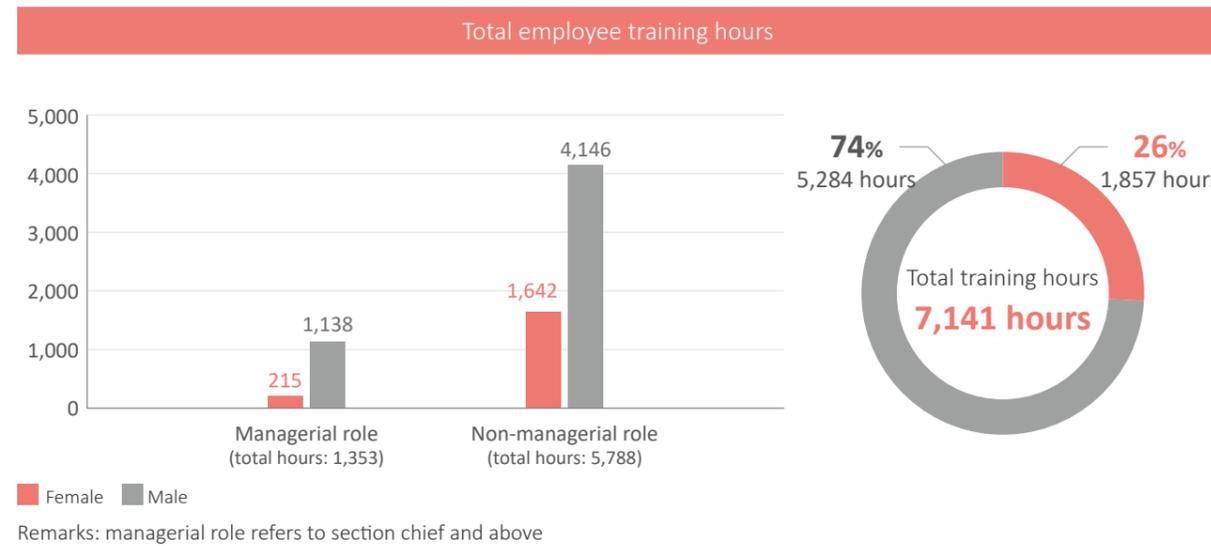
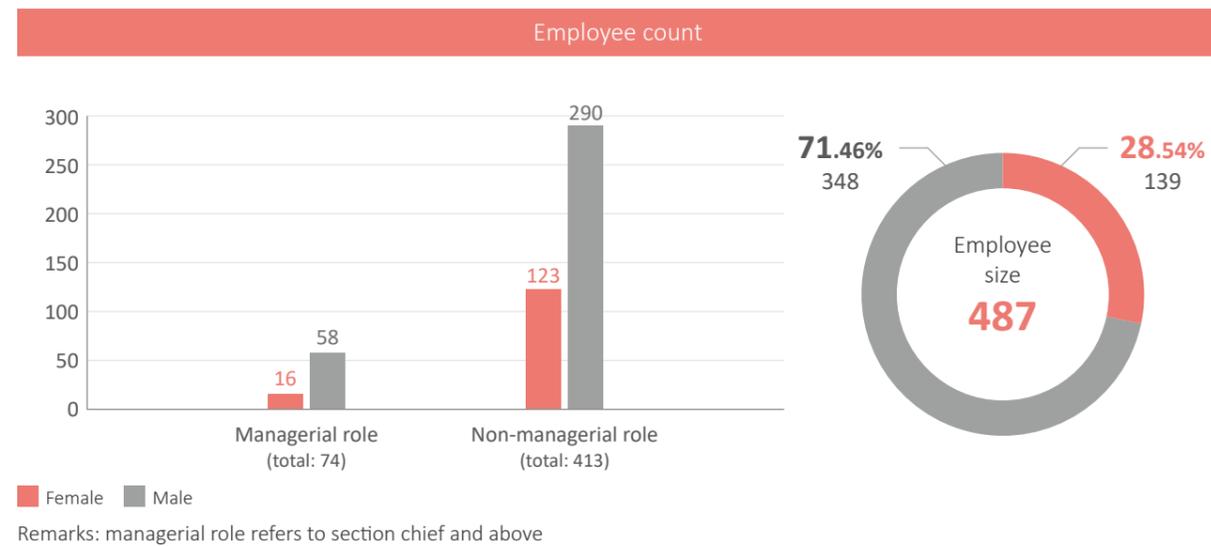
The Company has a set of "Training Management Procedures" in place to help employees expand knowledge and skills in ways that contribute to the organization's competitiveness. Kaori strongly believes knowledge and skills to be the key to improving work efficiency and quality, which in turn contributes the Company's sustainable development goals. Department heads and employees have the opportunity to take part in company- or department-level training courses, seminars to prepare themselves for future trends and projects. Employees are encouraged to take advantage of the complete range of training options the Company has to offer to grow their professional capacity and competitiveness. All new recruits are required to undergo complete general knowledge training and orientation when commencing duty. Through a combination of manuals, practices, and exams, new employees are quickly brought up to speed and readied for the tasks on hand. We provide all permanent employees with a training roadmap that they can follow to advance their careers within the respective department, and make persistent improvements to training resources within and outside the organization. By having managers participate in various meetings, we help them develop adequate understanding of how each department functions and applicable company policies, so that they may grow to undertake greater responsibilities in the future.

Kaori organized a total of 342 training sessions in 2021, which received 2,019 enrollments and delivered 7,141 hours of training in total, averaging 15 hours per employee. More than NT\$610,000 of training expenses were committed.

Training and certifications completed by employees in 2021:

- Bonded factory personnel
- Welding inspector (Taiwan)
- Emergency medical technician (EMT-1)
- Occupational safety and health manager
- Organic solvent operations manager
- Forklift operator
- Hoist operator
- Crane operator
- First-aid personnel

Total employee training hours 2021 - by job role and gender



Average hours of training per year per employee - 2021

Employee count	Managerial role	Non-managerial role	Total average
Female	13	13	13
Male	20	14	15
Total average	18	14	15

Remarks: managerial role refers to section chief and above

Outcomes of training conducted in 2021



▲ Monthly meeting - introduction to ESG Committee and ESG practices



▲ The ESG Committee participates in TCFD conference

4.5 Social Engagement

As a Taiwanese business, Kaori is grateful of the opportunities it has been bestowed upon, and has made a commitment to exert social influence by sharing this positive energy with more people. Driven by care for the society, Kaori gives back by making charity donations and providing aids to underprivileged organizations. A sum of NT\$289,200 was committed to this cause in 2021, and by providing appropriate support to the parties in need, Kaori hopes to contribute what it can to create a better, more friendly environment.

Donee	Amount/items donated
Eden Social Welfare Foundation	50,000
Shing Sha Social Welfare Foundation	10,000
The Taiwan Society for Metal Heat Treatment	103,200
Taiwan Thermal Management Association	50,000
National Tainan Industrial Vocational School Alumni Association	30,000
Taoyuan City Fire Department	46,000
National Skill Competition- Refrigeration and Air Conditioning	20 heat exchangers

Academic exchange

December 13, 2021 - students of the Refrigeration Department, Taichung Municipal Taichung Industrial High School, were invited to a tour to Kaori



For The 51st (2021) National Skill Competition- Refrigeration and Air Conditioning category, Kaori donated 20 heat exchangers to be used for competition and courses on energy conservation technology.



- 1 Sustainability and Development
- 2 Honor and Integrity
- 3 Innovation and Quality
- 4 Responsibility and Care
- 5 Environmental Protection and Inclusion



5

Environmental Protection and Inclusion

Advocate for Environment Friendliness



5.1 Management of Climate Change Risks and Opportunities

Ongoing climate change has made global warming and extreme weathers two of the most prominent issues for businesses. In 2021, Kaori voluntarily adopted the guidelines of Task Force on Climate-related Financial Disclosures (TCFD) and followed the four core elements: "governance," "strategy," "risk management," and "metrics and targets" recommended by TCFD to identify significant risks and opportunities that climate change may have on Kaori Heat Treatment, followed by response strategies.

In addition to closely monitoring climate change and international trends, Kaori has made climate change one of the major issues for sustainable development. Through inter-department communication, discussions are made on the possible scenarios, the likely impacts, and the timing of impact on Kaori; each of the scenarios identified is further evaluated to facilitate proper control and response to the associated risks and opportunities.

Procedures for identifying climate change-related risks and opportunities

Kaori devotes ongoing attention to the climate policies and action plans of various industries local and abroad, and conducts thorough surveys on the possible impacts of climate change. Matrix analyses covering direct and indirect physical impacts of extreme weathers are being performed to identify the risks and opportunities associated with changes in laws, technologies, market demand, or the need for transformation. Outcome of the analysis has enabled the Company to propose response strategies, evaluate financial impact of climate change risks and opportunities, and make corresponding adjustments to internal policies. Meanwhile, the Company maintains open and transparent communication channels with stakeholders to facilitate coordinations toward mitigating climate change risk and capitalizing on climate change opportunities, and thereby enforce Kaori's philosophy on sustainable governance.

Kaori identifies risks and opportunities of extreme weather and climate change by constructing at least two scenarios. Workshops on climate change risks and opportunities are organized to gather, study, and discuss available data, and to evaluate risks and opportunities. Procedures for identifying climate change-related risks and opportunities are explained below.

A.



Set climate change scenarios

Two climate change scenarios have been constructed:
 SSP5-8.5: temperature increased to 6°C
 SSP1-2.6: temperature increased to 2°C

B.



Evaluate impacts of the operating environment

Evaluate how climate change affects and impacts the operating environment and stakeholders

C.

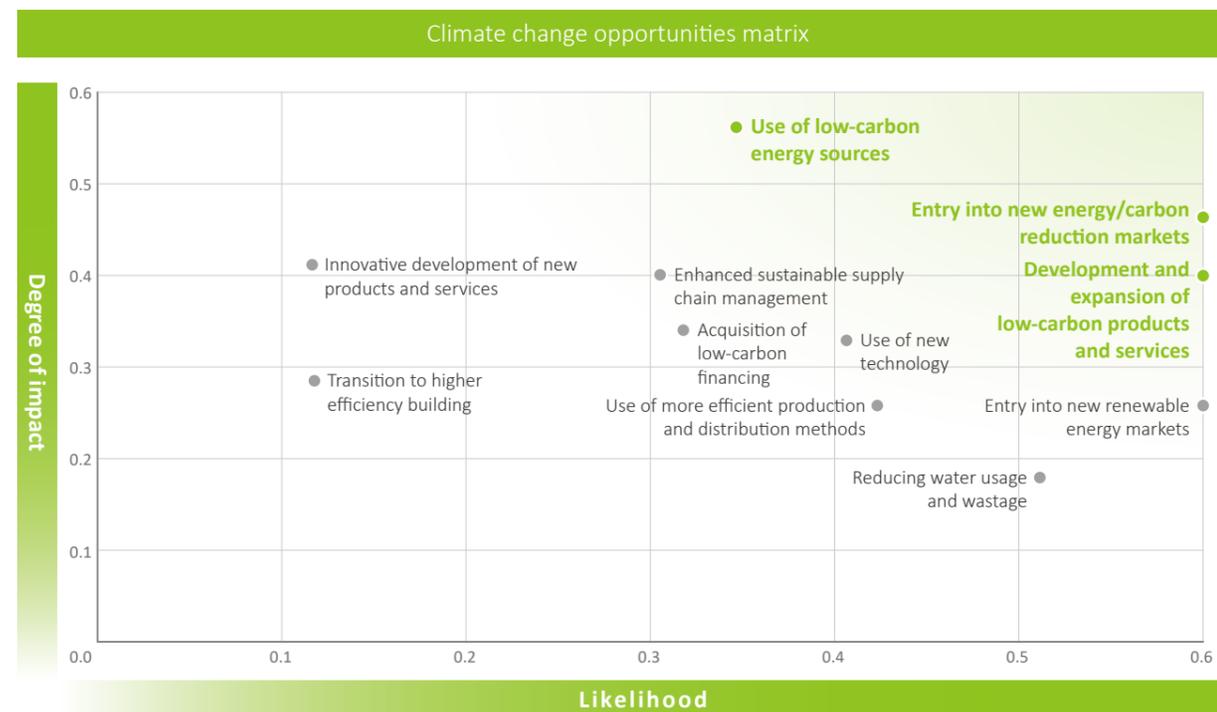
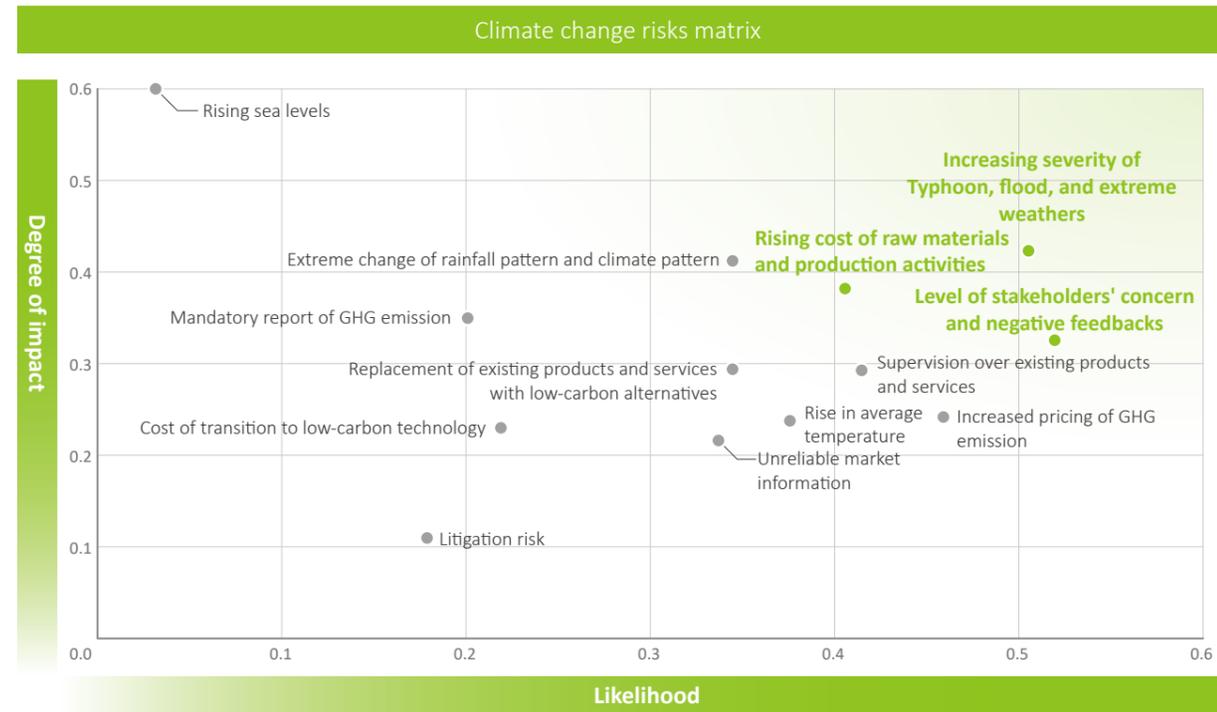


Identify climate risks and opportunities

Create a risks and opportunities matrix and confirm climate change risks and opportunities

- Prescribe
- 1 Sustainability and Development
- 2 Honor and Integrity
- 3 Innovation and Quality
- 4 Responsibility and Care
- 5 Environmental Protection and Inclusion

From the climate change risks and opportunities identified, Kaori further analyzed the "Likelihood" and "Degree of impact" and shortlisted 3 high-risk factors and 3 high-opportunity factors for 2021. Kaori's climate change risks and opportunities matrix for 2021 is presented below:



Explanation on climate change-related risks

- List of identified climate change risks

Risk ranking	Risk serial No.	Risk category	Risk factor	Estimated time of occurrence
1	001	Physical risk- immediate	Increasing severity of Typhoon, flood, and extreme weathers	Short-term
2	002	Transition risk- reputation	Increasing level of stakeholders' concern and negative feedbacks	Medium-term
3	003	Transition risk- market	Rising cost of raw materials and production activities	Medium-term

Note: Definition of timeframe: Short-term: 2022-2025, Medium-term: 2025-2030, Long-term: 2030-2050

- Risk 001- Increasing severity of Typhoon, flood, and extreme weathers

Impact scenario:

Increasing severity of extreme weathers causes weather conditions such as Typhoon to occur at stronger intensity, which results in prolonged flood and power outage that affect factory operations. The above occurrences have the potential to disrupt production activities, reduce capacity, damage equipment, hinder transportation, disrupt raw materials supply, decrease revenues, and increase costs.

Risk impact assessment	<ol style="list-style-type: none"> 1. Delayed delivery: Extreme weathers affect factory operation and cause disruptions to production activities, raw materials supply, and transportation. Delivery may be delayed by several days to one week. 2. Impacts to the upstream/downstream: Extreme weathers affect the number of parts delivered by suppliers, and cause Kaori to under-deliver and delay shipment of goods to customers. Customers' production activities may be halted as a result.
Evaluation of financial impact	Reduced revenues, increased operating costs, and loss of credibility.

- Risk 002- Increasing level of stakeholders' concern and negative feedbacks

Impact scenario:

A failed transition to low-carbon energy or failed product transformation causes internal and external stakeholders to lose faith in the Company's prospect, which leads to decrease of revenues.

Risk impact assessment	<ol style="list-style-type: none"> 1. Product does not meet customers' requirements and leads to reduced sale: Products offered by the Company or raw materials supplied by suppliers may fail customers' ESG standards and result in loss of sale. 2. Increased cost from energy or product transformation: Low-carbon transformations undertaken to meet ESG standards of key stakeholders increase product cost and undermine product competitiveness.
Evaluation of financial impact	Reduced revenues and increased operating costs.

- **Risk 003**- Rising cost of raw materials and production activities

Impact scenario:

Investments into energy transformation and carbon reduction cause a rise in raw material and production costs that undermine product competitiveness. The Company may experience reduced output, lower shipment, and loss of competitive advantage that are reflected in decreased revenues and increased costs.

Risk impact assessment	Rising cost of production from increased cost of raw materials: Nickel-based alloy and copper foil are the main materials used in Kaori's products. Rising cost of metal has resulted in a shortage of raw materials, whereas increases in transportation charge continue to drive production cost upwards.
Evaluation of financial impact	Reduced revenues and increased operating costs.

Explanation on climate change-related opportunities

- List of identified climate change opportunities

Opportunity ranking	Opportunity serial No.	Opportunity category	Opportunity factor	Estimated time of occurrence
1	001	Market	Entry into new energy/carbon reduction markets	Long-term
2	002	Products and services	Development and expansion of low-carbon products and services	Short-term
3	003	Source of energy	Use of low-carbon energy sources	Medium-term

- **Opportunity 001**- Entry into new energy/carbon reduction markets

Impact scenario:

Responses to customers' energy and carbon reduction needs open the Company to new markets, customers, and products such as energy-efficient heat pump, electrical vehicle, and heat recycling. The above involvements will help expand product line and customer exposure in ways that increase revenues and reputation.

Opportunity impact assessment	<ol style="list-style-type: none"> 1. Reduction of product carbon footprint: Aside from investing into solutions that minimize carbon footprint during production activities and developing plate heat exchangers that make use of coolants of low global warming potential, Kaori will also place more emphasis on online marketing while at the same time reduce paper printing. 2. Development of hydrogen power: Kaori invests persistently into the development of hydrogen power products, and has been instructing suppliers to work with the Fuel Cell Business to develop parts and production procedures that meet customers' requirements, and making pro-active arrangements for trial production and shipment. Given the significant increase in shipments and revenues, Kaori is optimistic about the prospect of hydrogen power. 3. Development of liquid cooling and immersion cooling products: These solutions have the potential to replace conventional air-cooled server rooms and data centers, as they are more than 70% more power efficient and help save total power consumption by 30%-40%. They also improve stability and reliability of server performance, and do not generate noise like conventional cooling does. Kaori's solutions have already been adopted for commercial operation in large data centers, and have been running 24 hours a day for more than 3 years without fail. Average yearly Power Usage Effectiveness (PUE) was reported at 1.07.
Financial impact assessment	Decreased costs and increased revenues.

- **Opportunity 002**- Development and expansion of low-carbon products and services

Impact scenario:

The Company continues to expand its low-carbon product lines to include SOEC, hydrogen fuel cell, heat exchanger for hydrogen fuel cell, carbon capture machine etc. in response to carbon reduction trends around the world. These initiatives will improve market competitiveness, increase market share, and raise revenues in the future.

Opportunity impact assessment	<ol style="list-style-type: none"> 1. Exploration of low-carbon opportunities: Kaori's Heat Exchanger Business has already secured a strong foothold in the low-carbon market by offering customers the added value of reducing CO₂ emission. Meanwhile, other business segments are also actively exploring new opportunities. 2. Use of low-carbon equipment: Kaori will cooperate with domestic research institutions to develop energy-efficient production equipment for the reduction of GHG emission. 3. New investment opportunities: Some of the hydrogen power technologies have matured and are ready for mass production. Given their high relevance to green energy and international trends, these technologies are very likely to attract capital from the banking sector and government agencies. With regards to immersion liquid cooling technology, Kaori will actively engage in domestic and foreign events, exchange knowledge with industry peers as well as potential customers to learn the latest trends of immersion application, and develop related technologies and products in response to trends
Financial impact assessment	Cost reduction, decreased carbon tax, and attraction of capital.

- **Opportunity 003**- Use of low-carbon energy sources

Impact scenario:

The Company invests into renewable energy sources such as solar power to reduce carbon emission and lessen dependence on fossil fuel and Taiwan Power Company. By reducing carbon emission and carbon tax, the Company is able to cut down operating expenses.

Opportunity impact assessment	<ol style="list-style-type: none"> 1. Self-generation and utilization of renewable energy: Additional solar power generators will be installed to supply power for Kaori. Doing so will reduce needs for purchased electricity, lessen GHG emission, and contribute to the issue of global warming. 2. Increased investment and collaborative opportunities: Use of low-carbon energy not only supports government policies and improves the environment, but also provides opportunities to boost corporate image and attract investments. The world's major brands such as Google and Apple all require suppliers to take steps toward carbon reduction or carbon neutrality, and by progressively increasing the use of low-carbon energy, Kaori should benefit from future collaborations with reputable partners. 3. Sale of green power: Self-generated green power can be sold for revenues.
Financial impact assessment	Increased revenues, cost reduction, attraction of capital, and new collaborative opportunities.

Response strategies to climate change risks and opportunities

Risk response strategies

- Response strategies for extreme weather:
 1. Change stocking location: setting up stocking locations near customers may reduce risk of transport disruption. Kaori has implemented this practice in Europe, and is evaluating the possibility of implementing in other locations.
 2. Cover capacity shortfall with increase production efficiency: if work is suspended due to Typhoon, Kaori will evaluate the extent of delay and ask suppliers to increase production efficiency to make up for capacity shortfall, and thereby avert production halt due to supply disruption.
- Response strategies for negative feedback from stakeholders:
 1. Suppliers' conformity with ESG standards: search for suppliers that conform with ESG standards and are cost-competitive.
 2. Cover risky businesses with consistent product revenues: failure of some of Kaori's low-carbon products will indirectly impact mature segments that generate consistent revenues, such as the Fuel Cell Business. For this reason, Kaori will try to maximize revenues from mature segments in an attempt to cover the potential loss of revenue associated with transformation risk.
 3. Discontinuance of high-carbon brazing operations: these operations are expected to discontinue by the end of 2022, at which time the factories will be replaced with low-carbon equipment to engage in higher value-adding production activities.
- Response strategies for rising cost of raw materials and production activities:

Early preparation: Kaori will ask customers to forecast 2023 requirements in advance, and conduct internal analysis to determine raw material demand before negotiating with suppliers on the yearly supply contract. Making early preparations can potentially reduce transportation cost and secure supply of raw materials in a way that is helpful for production planning, efficiency improvement, and cost reduction.

Cost of risk response

- ✓ Increased operating cost
- ✓ Adjustment to capital expenditure and capital allocation



Execution strategies for opportunities

- Execution strategies for entry into new energy/carbon reduction markets:
 1. Invest into the production of low-carbon-footprint products: such as plate heat exchangers that make use of coolants of low global warming potential.
 2. Develop hydrogen power products: Kaori will continue research and development of hydrogen power products, and arrange trial productions and shipments according to customers' requirements.
 3. Development of immersion liquid cooling modules/systems: Kaori will continue making modular designs of its liquid cooling and immersion products, while at the same time maintain the flexibility needed to customize to the needs of different markets. By accumulating data on product design, the Company aims to stay competitive in the market.
- Execution strategies for development and expansion of low-carbon products and services:
 1. Development of light-weight products: by developing light-weight plate heat exchangers, Kaori hopes to lessen the use of raw materials and reduce product carbon emission.
 2. Use of low-carbon equipment: Kaori plans to cease all equipment of high carbon emission in 2022, and replace them with low-carbon equipment to engage in higher value-adding production activities.
- Execution strategies for use of low-carbon energy sources:

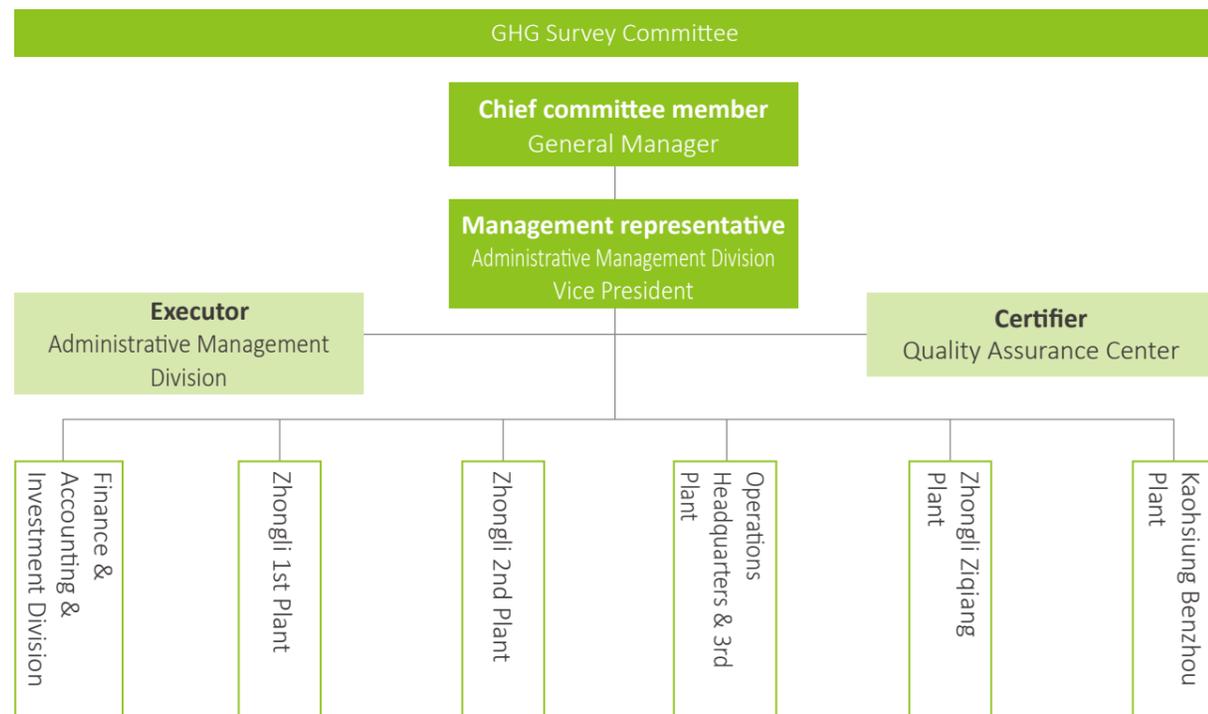
Installation of renewable energy system: Kaori plans to install additional photovoltaic systems at Kaohsiung Plant by the 4th quarter of 2022; the systems are expected to generate 18,448,369 kWh of power over 20 years to reduce 9,390,220 kg of CO₂ emission, which is equivalent to the absorption capacity of 948.51 hectares of forest.

Cost of opportunity response

- ✓ Increased operating cost
- ✓ Adjustment to capital expenditure and capital allocation

5.2 Environmental Sustainability Management

Climate change has emerged to become one of the most critical issues in the 21st century. Extreme weathers, floods, and droughts in recent years have prompted government agencies, businesses, and private organizations to take more active mitigations of the risk. Meanwhile, Kaori contributes its part to environmental protection and social values by enforcing energy management throughout its operation and by investing into the research and development of new materials and production procedures. A Carbon Management Committee has also been assembled to oversee GHG reduction, energy/resource conservation, water conservation, waste recycling, and mitigation of environmental impact. At the same time, Kaori continues to invest into environmental protection facilities and incorporate green management and energy conservation practices into business activities for sustainable growth.

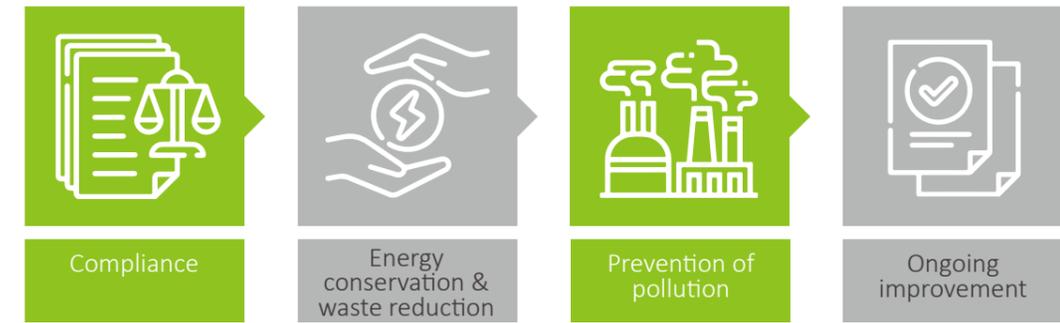


Environmental management system

Kaori's Kaohsiung Benzhou Plant passed certification for ISO 14001 - Environmental Management System in 2019, and the Company started implementing ISO 14064-1 Greenhouse Gas Inventory in the 4th quarter of 2021 as a way to continually improve environmental performance and minimize environmental impact, from GHG, air pollution, effluent discharge to waste treatment. No major violation of environmental regulations had occurred in the year of report.

In the early stages of ISO 14001 adoption, Kaori requested a series of review to ensure compliance with environmental protection laws (including air, water, waste, soil, and noise), and after making improvements in accordance with the opinions of Kaohsiung City Government Environmental Protection Bureau, the Company has been deemed to have fully complied with legal requirements. Since then, Kaori continues to evaluate environmental impacts based on product life cycle, environmental concerns, and plant resources, and has found no issue of major environmental concern (with an environmental impact risk score of 99 and above).

Environmental policy



Aspect of environmental management

- Energy management**
 The Company introduces new energy conservation measures on a yearly basis, such as purchasing energy-efficient models, replacing outdated machinery, and optimizing production schedules. Kaori draws the wisdom of many to achieve energy and carbon reduction goals. In the future, more attention will be directed toward improving production procedures and reducing energy consumption, and promoting Kaori as a green, sustainable business.

- Energy usage**

Equipment name	Type of energy source	Unit	Energy usage
Plant power usage	Purchased electricity (excluding green power)	kwh	13,839,900
Company vehicle	Gasoline	Liter	27,631.3
Forklift & emergency generator & company vehicle	Diesel	Liter	17,385.9
Production procedure	Natural gas (NG)	kilo cubic meters	50,342
Production procedure	Acetylene	kg	9

- Energy conservation targets**



- Replace mercury vapor lamps with LED lights at Zhongli 1st Plant
- Replace conventional air compressors with variable-frequency air compressors at Zhongli 1st Plant
- Replace air conditioners with variable-frequency model for heat pumps at Zhongli 2nd Plant
- Progressively replace the 7.5-horse power reciprocating air compressors with energy-saving, variable-frequency air compressors at plant sites
- Replace air conditioners with variable-frequency models at plant sites
- Implementation of solar power system
- Implementation of energy storage system

Progress of energy conservation and improvement solutions in 2021

Energy savings totaled **161,560 kWh**, which produced energy conservation benefits amounting to NT\$**494,010**.

Item No.	Energy conservation measure	Execution outcome	Before improvement	After improvement	Amount of energy conservation benefit (NTD)
1	Change of production parameters	<ul style="list-style-type: none"> Location: Brazing Section of Zhongli 1st Plant Equipment: Vacuum furnace VA-7, VA-8, and VA-9 Practices: Reduce heating time for increased production efficiency 	Each furnace operates for approximately 8 hours and consumes 800 kWh of power	<ul style="list-style-type: none"> Each furnace has time of operation shortened to 7.5 hours Saves about 50 kWh of power Total power saved: 34,375 kWh 	NT\$ 112,500
2	Increased output to reduce furnace switching	<ul style="list-style-type: none"> Location: Vacuum Furnace Section of Zhongli 2nd Plant Equipment: vacuum furnace Practices: By increasing the number of units produced in one furnace session, Kaori aims to reduce furnace switching. The number of medium- and small-size plate heat exchangers produced per furnace session can be increased from 72 to 80 	<ul style="list-style-type: none"> 1. 52,484 medium-/small-size plate heat exchangers were produced in 2021 2. Using the old procedure (72 units per session), 52,484/72=729 per furnace session 	<ul style="list-style-type: none"> Using the new procedure (80 units per session), 52,484/80=656 per furnace session Doing so would save 73 furnace sessions Total power saved: 74,226.4 kWh 	NT\$ 222,679
3	Equipment wiring control	<ul style="list-style-type: none"> Location: Kaohsiung Benzhou Plant Equipment: vacuum furnace VA-11, VA-12, VA-13 Practices: Turning off external circulating pump when vacuum furnace has finished production activities (i.e. in "standby" mode) can effectively reduce power usage 	<ul style="list-style-type: none"> Each external circulating pump operates 5,976 hours a year Cooling fan of each unit operates 5,976 hours a year 	<ul style="list-style-type: none"> Each external circulating pump operates 4,980 hours a year Cooling fan of each unit operates 4,980 hours a year Total power saved: 39,441.6 kWh 	NT\$ 118,326
4	Removal and discontinuance of outdoor air compressor	<ul style="list-style-type: none"> Location: Ultrasonic Cleaning Room, Kaohsiung Benzhou Plant Equipment: Motorized equipment_air compressor Practices: To discontinue and remove outdoor air compressor, and connect existing pipelines indoors to continue use of pressurized gas 	<ul style="list-style-type: none"> Air compressor- 3hp 2.2kW operates 4,224 hours a year Power consumption = 9,292.8kW 	<ul style="list-style-type: none"> Total power saved after discontinuance: 9,292.8 kWh 	NT\$ 27,878
5	Change of wiring	<ul style="list-style-type: none"> Location: VA-13 control panel at Section1, Kaohsiung Benzhou Plant Equipment: Vacuum furnace cooling tower Vacuum furnace cooling tower turns on/off depending on temperature 	<ul style="list-style-type: none"> Hours operated: 6,912 Power consumption = 15,206.4kW 	<ul style="list-style-type: none"> Hours operated: 4,992 Power consumption = 10,982.4kW Total power saving=4,224 kWh 	NT\$ 12,627

Power conservation rate by plant

All of Kaori's plant sites have complied with the laws of the Bureau of Energy, Ministry of Economic Affairs, and as a major energy user (that Taiwan Power Company has signed contract to supply at least 800KW of power) the Company reports annual energy performance and improvement plans in accordance with Article 9 of Energy Administration Act. The Company has set goals to achieve: "annual power conservation rate" or "average annual power conservation rate" by more than 1%. Zhongli 1st Plant, Zhongli 2nd Plant, and Kaohsiung Benzhou Plant have all appointed dedicated energy management officers to enforce energy conservation plans and achieve average annual power conservation rate of 1% and above.

Plant	Year	Power conservation rate 2021 (%)	Average power conservation rate 2015-2021 (%)
Zhongli 1st Plant		1.97	2.16
Zhongli 2nd Plant		1.75	1.61
Kaohsiung Benzhou Plant		1.19	2.99

Water resource management

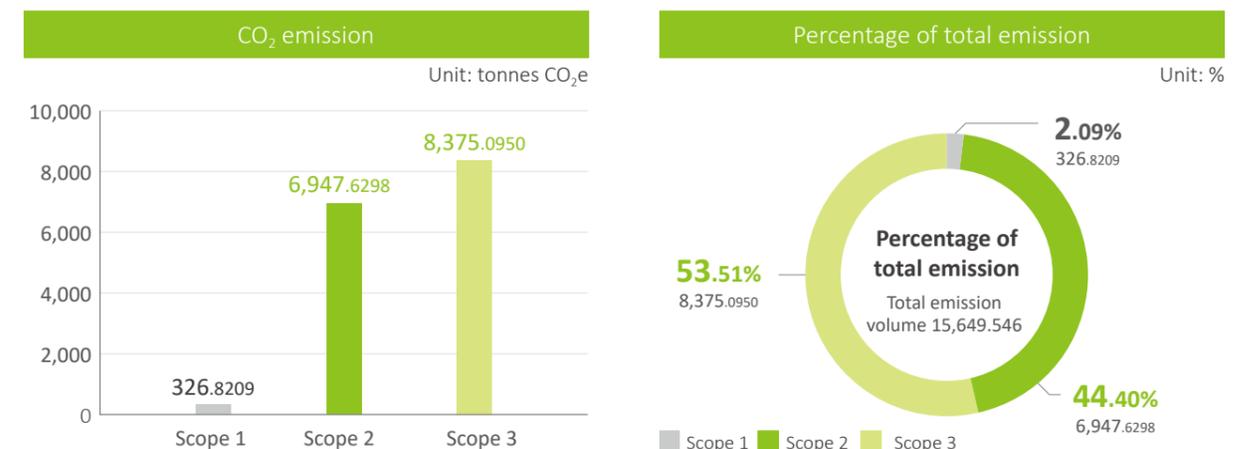
All water used by Kaori is sourced from Taiwan Water Corporation. The Company does not use water from other sources (such as ground water or rain water), and therefore does not cause pollution or contamination to water. Furthermore, Kaohsiung Benzhou Plant has installed its own water treatment facilities to treat wastewater in a legal manner. No incident of illegal pollution had occurred in 2021, and the Company's business activities had no significant impact on water sources.

Unit: million liters

Year	Total water drawn	Total discharge	Total water consumption
2021	8.229	5.052	3.177

2021 GHG emission

Scope	GHG emission	CO ₂ emission (tonnes CO ₂ e)	Percentage of total emission (%)
Scope 1		326.8209	2.09%
Scope 2		6,947.6298	44.40%
Scope 3		8,375.0950	53.51%
Total		15,649.546	100.00%



Remarks: Assurance works were conducted in accordance with ISO 14064-1:2018. Internal assurance was completed in May 2022, and third-party assurance is scheduled to proceed in June.

Plans for green and renewable energy sources

Net zero movement has become the world's most important issue today, and all leading businesses with strong sustainability awareness are starting to adopt green energy as the first step. Kaori invested into green and renewable energy source in 2021, and made plans to install rooftop photovoltaic systems totaling 744.51kW in capacity at Kaohsiung Benzhou Plant. They are scheduled to complete in Q4 2022 and are expected to generate 18,448,369 kWh of green power over 20 years to reduce 9,390 tonnes of CO₂ emission, which is equivalent to the carbon absorption capacity of 23 Da'an Parks. The Company continues to promote energy transformation as a way to reduce GHG emission and contribute to Earth's environment.



5.3 Waste Management

The first step to waste management is reducing waste at the source; the next step is recycling waste, and commissioned disposal is the final option. When commissioning a third-party service provider to dispose of waste, the Company ensures that all legal requirements are met as the bare minimum, and only engages recyclers and treatment service providers that have been legally licensed. Waste is properly gathered, sorted, and stored in plant before being handed over to the appropriate service provider for disposal, treatment, and reporting according to environmental protection laws. Currently, all of the Company's waste is treated domestically, and there has been no issue concerning cross-border treatment or waste leakage. There was no violation of environmental law in 2021.

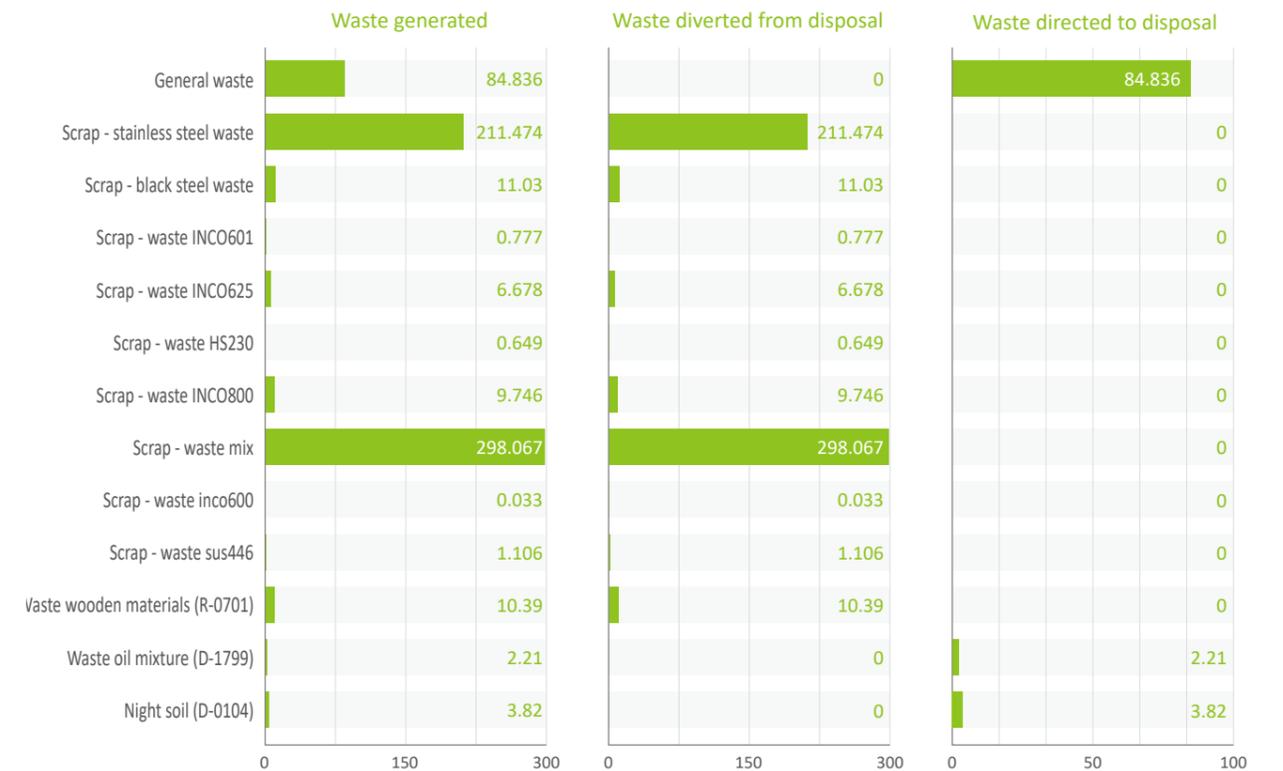
Waste reduction measures

- Establishment of employee diner and use of environment-friendly utensils
- Total recycling of paper containers
- Use of kitchen waste recycling bin
- 2021 environmental goal of Kaohsiung Benzhou Plant: to reduce general waste by 5%

Total waste volume 2021

Unit: tonnes

Waste composition	Waste generated	Waste diverted from disposal	Waste directed to disposal
General waste	84.836	0	84.836
Scrap- stainless steel waste	211.474	211.474	0
Scrap- black steel waste	11.03	11.03	0
Scrap- waste INCO601	0.777	0.777	0
Scrap- waste INCO625	6.678	6.678	0
Scrap- waste HS230	0.649	0.649	0
Scrap- waste INCO800	9.746	9.746	0
Scrap- waste mix	298.067	298.067	0
Scrap- waste inco600	0.033	0.033	0
Scrap- waste sus446	1.106	1.106	0
Waste wooden materials (R-0701)	10.39	10.39	0
Waste oil mixture (D-1799)	2.21	0	2.21
Night soil (D-0104)	3.82	0	3.82
Total waste	640.816	549.95	90.866



Diversion of waste 2021

Unit: tonnes

Waste composition		On-site	Off-site	Total volume
Hazardous waste	Preparation for reuse	0	0	0
	Recycling	0	0	0
	Other recovery	0	0	0
	Total volume	0	0	0
Non-hazardous waste	Preparation for reuse	0	539.56	539.56
	Recycling	0	10.39	10.39
	Other recovery	0	0	0
	Total volume	0	549.95	549.95

Waste directed to disposal 2021

Unit: tonnes

Waste composition		On-site	Off-site	Total volume
Hazardous waste	Incineration (including recycling of energy source)	0	0	0
	Incineration (excluding recycling of energy source)	0	0	0
	Landfill	0	0	0
	Other methods of disposal	0	0	0
	Total volume	0	0	0
Non-hazardous waste	Incineration (including recycling of energy source)	0	0	0
	Incineration (excluding recycling of energy source)	0	84.836	84.836
	Landfill	0	0	0
	Other methods of disposal	0	6.03	6.03
	Total volume	0	90.866	90.866



Appendices

Appendix 1. GRI Comparison Chart

Item number	Sub-category Title	Main chapter	Sub-chapter
GRI 102	General Disclosures		
102-1	Name of the organization	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-2	Activities, brands, products, and services	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-3	Location of headquarters	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-4	Location of operations	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-5	Ownership and legal form	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-6	Markets served	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-7	Scale of the organization	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-8	Information on employees and other workers	Responsibility and care- A promoter of people values	4.1 Employee overview
102-9	Supply chain	Innovation and quality- The pioneer in carbon/energy reduction	3.4 Sustainable supply chain management
102-10	Significant changes to the organization and its supply chain	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
		Innovation and quality- The pioneer in carbon/energy reduction	3.4 Sustainable supply chain management
102-11	Precautionary principle or approach	Honor and integrity- A devotee of sustainable values	2.3 Business integrity
102-12	External initiatives	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-14	Statement from senior decision-maker	Message from the Chairman	
102-15	Key impacts, risks, and opportunities	Message from the Chairman	
102-13	Membership of associations	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-16	Values, principles, standards, and norms of behavior	Honor and integrity- A devotee of sustainable values	2.3 Business integrity
102-18	Governance structure	Honor and integrity- A devotee of sustainable values	2.1 Corporate governance
102-19	Delegating authority	Honor and integrity- A devotee of sustainable values	2.1 Corporate governance
102-20	Executive-level responsibility for economic, environmental, and social topics	Message from the Chairman	
102-22	Composition of the highest governance body and its committees	Honor and integrity- A devotee of sustainable values	2.1 Corporate governance
102-23	Chair of the highest governance body	Honor and integrity- A devotee of sustainable values	2.1 Corporate governance
102-26	Role of highest governance body in setting purpose, values, and strategy	Honor and integrity- A devotee of sustainable values	2.1 Corporate governance
102-36	Process for determining remuneration	Responsibility and care- A promoter of people values	4.2 Recruitment and retention
102-40	List of stakeholder groups	Sustainability and development- The leader in sustainable practices	1.2 Analysis of material issues and stakeholder interaction
102-41	Collective bargaining agreements	Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
102-42	Identifying and selecting stakeholders	Sustainability and development- The leader in sustainable practices	1.2 Analysis of material issues and stakeholder interaction

Item number	Sub-category Title	Main chapter	Sub-chapter
102-43	Approach to stakeholder engagement	Sustainability and development- The leader in sustainable practices	1.2 Analysis of material issues and stakeholder interaction
102-44	Key topics and concerns raised	Sustainability and development- The leader in sustainable practices	1.2 Analysis of material issues and stakeholder interaction
102-45	Entities included in the consolidated financial statements	Sustainability and development- The leader in sustainable practices	1.1 About Kaori Heat Treatment
102-46	Defining report content and topic Boundaries	Sustainability and development- The leader in sustainable practices	1.2 Analysis of material issues and stakeholder interaction
102-47	List of material topics	Sustainability and development- The leader in sustainable practices	1.2 Analysis of material issues and stakeholder interaction
102-48	Restatements of information	About the report	Publication details
102-49	Changes in reporting	About the report	Publication details
102-50	Reporting period	About the report	Publication details
102-51	Date of most recent report	About the report	Publication details
102-52	Reporting cycle	About the report	Publication details
102-53	Contact point for questions regarding the report	About the report	ESG contact information
102-54	Claims of reporting in accordance with the GRI Standards	About the report	Basis of report
102-55	GRI content index	About the report	Basis of report
102-56	External Assurance	About the report	Third party assurance
GRI 103	Management Approach		
103-1	Explanation of the material topic and its Boundary	Sustainability and development- The leader in sustainable practices	1.2 Analysis of material issues and stakeholder interaction
		Honor and integrity- A devotee of sustainable values	2.2 Operating performance
		Honor and integrity- A devotee of sustainable values	2.4 Risk Management
		Honor and integrity- A devotee of sustainable values	2.5 Compliance
		Innovation and quality- The pioneer in carbon/energy reduction	3.1 Innovative R&D
103-2	The management approach and its components	Responsibility and care- A promoter of people values	4.3 Occupational health and safety
		Sustainability and development- The leader in sustainable practices	1.2 Analysis of material issues and stakeholder interaction
		Sustainability and development- The leader in sustainable practices	1.3 Sustainability strategies
		Honor and integrity- A devotee of sustainable values	2.2 Operating performance
		Honor and integrity- A devotee of sustainable values	2.4 Risk Management
103-3	Evaluation of the management approach	Honor and integrity- A devotee of sustainable values	2.5 Compliance
		Innovation and quality- The pioneer in carbon/energy reduction	3.1 Innovative R&D
		Responsibility and care- A promoter of people values	4.3 Occupational health and safety
		Sustainability and development- The leader in sustainable practices	1.2 Analysis of material issues and stakeholder interaction
		Honor and integrity- A devotee of sustainable values	2.2 Operating performance
GRI 201	Economic Performance		
201-1	Direct economic value generated and distributed	Honor and integrity- A devotee of sustainable values	2.2 Operating performance
201-2	Financial implications and other risks and opportunities due to climate change	Environmental protection and inclusion- An advocate for environment friendliness	5.1 Management of climate change risks and opportunities
201-3	Defined benefit plan obligations and other retirement plans	Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth

Item number	Sub-category Title	Main chapter	Sub-chapter
GRI 202	Market Presence		
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Responsibility and care- A promoter of people values	4.2 Recruitment and retention
202-2	Percentage of local residents among senior management	Responsibility and care- A promoter of people values	4.1 Employee overview
GRI 302	Energy		
302-1	Energy consumption within the organization	Environmental protection and inclusion- An advocate for environment friendliness	5.2 Environmental sustainability management
302-3	Energy intensity	Environmental protection and inclusion- An advocate for environment friendliness	5.2 Environmental sustainability management
GRI 303	Water and Effluent		
303-3(2018)	Water withdrawal: Total water withdrawal from all areas, total water withdrawal from areas with water stress, and total fresh water or other sources of water withdrawn	Environmental protection and inclusion- An advocate for environment friendliness	5.2 Environmental sustainability management
303-4(2018)	Water discharge	Environmental protection and inclusion- An advocate for environment friendliness	5.2 Environmental sustainability management
303-5(2018)	Water consumption	Environmental protection and inclusion- An advocate for environment friendliness	5.2 Environmental sustainability management
GRI 305	Emissions		
305-1	Direct (Scope 1) GHG emissions	Environmental protection and inclusion- An advocate for environment friendliness	5.2 Environmental sustainability management
305-2	Energy indirect (Scope 2) GHG emissions	Environmental protection and inclusion- An advocate for environment friendliness	5.2 Environmental sustainability management
GRI 306	Waste		
306-3(2020)	Waste generated	Environmental protection and inclusion- An advocate for environment friendliness	5.3 Waste management
306-4(2020)	Waste diverted from disposal	Environmental protection and inclusion- An advocate for environment friendliness	5.3 Waste management
306-5(2020)	Waste directed to disposal	Environmental protection and inclusion- An advocate for environment friendliness	5.3 Waste management
GRI 307	Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Honor and integrity- A devotee of sustainable values	2.5 Compliance
GRI 401	Employment		
401-1	New employee hires and employee turnover	Responsibility and care- A promoter of people values	4.1 Employee overview
		Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
401-2	Benefits provided to full-time employees	Responsibility and care- A promoter of people values	4.2 Recruitment and retention
		Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
401-3	Parental leave	Responsibility and care- A promoter of people values	4.2 Recruitment and retention
		Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
GRI 402	Labor/Management Relations		
402-1	Minimum notice periods regarding operational changes	Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
GRI 403	Occupational Health and Safety		
403-1(2018)	Occupational health and safety management system	Responsibility and care- A promoter of people values	4.3 Occupational health and safety
403-2(2018)	Hazard identification, risk assessment, and incident investigation	Responsibility and care- A promoter of people values	4.3 Occupational health and safety
403-3(2018)	Occupational health services	Responsibility and care- A promoter of people values	4.3 Occupational health and safety



Item number	Sub-category Title	Main chapter	Sub-chapter
403-4(2018)	Worker participation, consultation, and communication on occupational health and safety	Responsibility and care- A promoter of people values	4.3 Occupational health and safety
403-5(2018)	Worker training on occupational health and safety	Responsibility and care- A promoter of people values	4.3 Occupational health and safety
403-6(2018)	Promotion of worker health	Responsibility and care- A promoter of people values	4.3 Occupational health and safety
403-7(2018)	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Responsibility and care- A promoter of people values	4.3 Occupational health and safety
403-9(2018)	Work-related injuries	Responsibility and care- A promoter of people values	4.3 Occupational health and safety
GRI 404	Training and Education		
404-1	Average hours of training per year per employee	Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
404-3	Percentage of employees receiving regular performance and career development reviews	Responsibility and care- A promoter of people values	4.2 Recruitment and retention
GRI 405	Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	Honor and integrity- A devotee of sustainable values Responsibility and care- A promoter of people values	2.1 Corporate governance 4.1 Employee overview
405-2	Female-to-male ratio of basic salary plus remuneration	Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
GRI 406	Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
GRI 408	Child Labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
GRI 411	Rights of Indigenous Peoples		
411-1	Incidents of violations involving rights of indigenous peoples	Responsibility and care- A promoter of people values	4.4 Human rights protection, employee welfare, and growth
GRI 418	Customer Privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Innovation and quality- The pioneer in carbon/energy reduction	3.3 Customer relationship management
GRI 419	Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Honor and integrity- A devotee of sustainable values	2.5 Compliance



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