



世鎧精密股份有限公司  
SHEH KAI PRECISION CO.,LTD.

# SHEH KAI PRECISION 2022

世鎧精密

企業永續報告書  
SUSTAINABILITY REPORT







世鎧精密股份有限公司  
SHEH KAI PRECISION CO.,LTD.

# SHEH KAI PRECISION 2022



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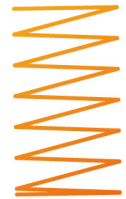
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# 2022

## Key ESG Performance



### Environmental Aspect

In 2022, the energy consumption intensity per unit of product (volume) of the Company decreased by about 9% for air compressors, about 2% for lighting, and about 7% for air conditioners.

In 2022, the Company did not violate relevant environmental protection laws and regulations, and there were no major fines.



### Social Aspect

No Discrimination Cases in 2022.

No forced labor violations in 2022.

There were no occupational diseases cases, and no major occupational hazards and deaths in 2022.

A total of NTD 296,000 was donated to social welfare in 2022.



### Corporate Governance Aspect

Ranked among 21%-35% in the 2022 Corporate Governance Evaluation.

In 2022, the Company's customer satisfaction survey reached a score of an average of 87.37 points (out of 100).

The local procurement ratio reached 94.92% in 2022.

In 2022, the Company did not have to pay any significant fines or compensations due to violations of laws and regulations.

The increase rate of consolidated operating revenue in 2022 was 0.58%.

Revenues in 2022 increased by 0.6% compared to 2021.

A total of 7 innovative R&D projects were completed in 2022.



# Core Philosophy and Prospects of Sheh Kai

Dear Friends,

Sheh Kai Precision was established in 1992 for a period of more than 30 years. Since the Company completed its research and development of composite screws, it has delivered outstanding operating results every year. This brilliant result is also shared with all shareholders as a way of thanking everyone for your support. The business has not always been smooth, but it has always been able to turn a crisis into an opportunity in difficult times and achieve outstanding results that are above the industry standard in good times. After the business becomes steady, it strives to achieve the pursuit of higher-level core values - the implementation of sustainable development.

In terms of operations, although the iron and steel industry is an energy-intensive industry, we use inverter equipment to save energy and reduce power consumption in production, or improve process technology, so that the production speed of energy-consuming processes can be increased. We have also set energy-saving and electricity consumption targets to reduce greenhouse gas emissions. In addition, the wastewater and waste oil discharged from the production process can meet the standards of the industrial park, or even higher standards that we set for ourselves. Energy conservation and environmental protection have always been the goals that Sheh Kai has been fulfilling and pursued for the betterment of the environment.

Employees are the Company's most important asset in a friendly workplace. With all the resources and equipment in place, we must rely on each employee to use them to create operating results for the Company. Therefore, we must cherish and thank every employee for their hard work. The Company has adjusted upwards its salary and other benefits every year for the past seven years. We have also established a channel to care for the physical and mental health of employees. We have organized various job skill training courses, as well as diverse courses such as workplace safety, fire safety, gender equality, and ethical corporate management. This enables employees to gain knowledge in various fields. We aim to create a good working environment for employees, organize professional training to cultivate talents and take care of their physical and mental health, and provide appropriate rewards to retain talents, working together to create good operating results for the Company, and building a happy workplace in which the Company and employees can have a win-win outcome and enjoy co-prosperity.

As a corporate citizen, Sheh Kai is responsible for the positive development of the economy, society, environment and corporate governance. It is hoped that Sheh Kai works with its corporate partners and stakeholders to fulfill corporate social responsibility and gradually achieve sustainable development commitment, creating a profitable and sustainable win-win future for the company.

Chairman





# About the Report

## Boundaries and Scope of the Report

Sheh Kai published its first Sustainability Report in 2022 and it will be published once a year. This is the second Sustainability Report issued by the Company, which will be issued in September 2023.

The disclosure period of this report is from January 1, 2022 to December 31, 2022. The Company uses an enterprise resource planning (ERP) system to integrate the information of the different entities (company, subsidiaries, and so on). The scope covers the Taiwan operating locations of Sheh Kai Precision Co., Ltd. (hereinafter referred to as "Sheh Kai Precision", "Sheh Kai", "We", or "the Company"), excluding Bi-Metal Limited, Sheh Kai (Shanghai) Co., Ltd., and Sheh Kai Precision Korea, to transparently disclose the Company's sustainable actions and performance in the three major aspects of environmental, social, and corporate governance. Stakeholders can then understand the sustainable development of the Company, the efforts of the Company's fulfillment of social responsibility, and its determination for continuous improvement.

The statistical data disclosed in the report in 2022 were based on the results of the statistics and survey conducted by Sheh Kai Precision, and are presented using internationally accepted indicators. If there are estimates, it will be noted in each relevant chapter. The source of the relevant financial data is all from the published consolidated financial statements audited and certified by Deloitte Taiwan in accordance with the International Financial Reporting Standards (IFRS). The information is calculated in New Taiwan Dollar (NTD).

In addition, the relevant management systems include: ISO 14001 environmental management system and ISO 9001 quality management system, both of which have been verified by third-party verification agencies.

During the reporting period, the Company continued to stabilize its operations and maintain its competitiveness without major operational changes. There were no re-editing of information and no changes in reporting. Although the Report is not certified or guaranteed by an external third party, the accuracy of all financial, environmental and social information and data included in the Report is ensured through rigorous internal control and inspection mechanisms.

Below is a list of the Company's affiliates:

Affiliated enterprises	
Entities included in the organization's sustainability reporting.	SHEH KAI PRECISION CO., LTD.'s operations in Taiwan (Gangshan Plant, Luchu Plant, Packaging Plant, Zhunan Plant, and composite plant)
Entities not included in the organization's sustainability reporting.	Bi-Metal Limited, Sheh Kai (Shanghai) Co., Ltd., Sheh Kai Precision Korea Co., Ltd..

## Editorial Guidelines

This report refers to the Universal Standards 2021 published by the GRI Institute in 2021 as the main framework, and also echoes the "Sustainable Development Best Practice Principles for TWSE/TPEx Listed Companies," Task Force on Climate-related Financial Disclosures (TCFD), and Sustainability Accounting Standards Board (SASB).

## Publication time

This is the second Sustainability Report prepared by Sheh Kai. It will be published annually and publicly on the Company's website at the same time.

- Last edition: September 2022
- Current issue: September 2023
- The next issue: Scheduled for September 2024

## Contact Information

If you have any questions or suggestions about the content or activities of this report, you are welcome to contact us.

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# 01 Progress step by step

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- 1.1 Stakeholder Engagement
- 1.2 Identification and analysis of material topics



# 01 Progress step by step

## 1.1 Stakeholder Engagement

For the purpose of strengthening the sustainable strategy of Sheh Kai Precision Co., Ltd., and presenting the representative stakeholders, the possible stakeholders listed in the GRI Standards that the Company referenced include: shareholders and other investors, financial institutions, government/s, employees and other workers, local communities, customers, consumers, suppliers, social welfare organizations, business partners, non-governmental organizations, public associations, disadvantaged groups, and so on; and, with reference to the stakeholders of industry peers and through external experts to evaluate the actual negative impact, potential negative impact, actual positive impact, and potential positive impact of the stakeholders, scores are given and summed up for ranking. Those with a total score greater than 10 points are prioritized for consideration as important stakeholders, and the seven major categories of key stakeholders were identified as follows: employees, suppliers/contractors, shareholders, banks, academic institutions, customers/consumers, and government organizations.

Aiming to establish a transparent and effective multi-directional communication channel, we not only engage in formal communication and exchange with all sectors of society through the corporate website, annual report, and sustainability report, we also understand the reasonable expectations and needs of stakeholders and address their major topics of concerns through appropriate channels.



## ◆ Stakeholder Communication Channels

Stakeholders	Significance of the stakeholder to the Company	Communication channel	Communication channel	Communication Effectiveness
Employees	People-oriented and employee happiness is the motivation for the Company's sustainable growth.	<ul style="list-style-type: none"> <li>Negotiation and communication between supervisors and colleagues</li> <li>Grievance hotline and mailbox</li> <li>Labor-management meetings (quarterly)</li> <li>Employee Welfare Committee</li> <li>Supervisors and colleagues communicate from time to time and listen to colleagues' suggestions.</li> <li>Sexual harassment complaint hotline and mailbox</li> <li>Provide monthly health consultation</li> </ul>	<ul style="list-style-type: none"> <li>Irregularly</li> <li>Immediately</li> <li>Once a year</li> <li>Once a month</li> <li>Irregularly</li> </ul>	<ul style="list-style-type: none"> <li>On-the-job training is provided for employees based on their personal work needs, performance evaluation results, and career development needs.</li> <li>Regular labor meetings are held.</li> <li>Establish the Occupational Safety and Health Committee to implement safety and health.</li> <li>Accredited with ISO 14001 for environmental protection.</li> <li>Operation of the Employee Welfare Committee.</li> <li>Sexual harassment complaint hotline and mailbox.</li> <li>Provide employees with free health checkups every year.</li> <li>Provide monthly health consultation.</li> <li>Organize internal or external education and training to improve employees' professional competence.</li> </ul>
Supplier/ Contractor/ Distributor	Our products and service chain depend on the stable support of many suppliers.	<ul style="list-style-type: none"> <li>Contact person: Procurement Team Leader, Huang (TEL: 07-6225669)</li> <li>Supplier Evaluation</li> <li>Supplier interaction</li> <li>Questionnaire Completion</li> </ul>	<ul style="list-style-type: none"> <li>Every six months</li> <li>Immediately</li> <li>Irregularly</li> </ul>	Comply with the quality management system, environmental safety system, safety certification and quality enterprise evaluation, contract terms, price discussion, and exchange of market information.
Shareholders	Shareholders are the Company's investors and play an important role in the formation of capital for the Company's sustainable and steady development. The Company also returns profits to shareholders every year.	<ul style="list-style-type: none"> <li>Contact person: Spokesperson, Assistant Vice President, Shou-Chieh Cheng; Acting Spokesperson, Manager of Finance Department, Wei-Chien Chang (TEL: 07-6225669)</li> <li>Annual General Meeting</li> <li>Held investor conferences irregularly</li> <li>Publish quarterly and annual financial statements and operating information.</li> <li>Simultaneous disclosure of material information on the Market Observation Post System (MOPS).</li> <li>An email and contact number are set up on the Company's website to establish a communication channel between investors and the Company.</li> <li>Hold face-to-face meetings or telephone conferences with domestic and foreign institutional investors.</li> </ul>	<ul style="list-style-type: none"> <li>Once a year</li> <li>Irregularly</li> <li>Quarterly/ Monthly</li> <li>Immediately</li> <li>Immediately</li> <li>Immediately</li> </ul>	Regardless of the results of the shareholders' meetings, institutional investor conferences, and regular telephone or e-mail communication with shareholders, the Company can always provide shareholders with sufficient information. The Company has also fulfilled its responsibility for open and transparent information disclosure, so the Company's communication with shareholders has been effective.



# 01 Progress step by step

Stakeholders	Significance of the stakeholder to the Company	Communication channel	Communication channel	Communication Effectiveness
Banks	Banks are the provider of funds for the Company's working capital and capital expenditures. With appropriate capital leverage, the Company can engage in ordinary operating activities or major capital expenditures, such as expansion of production or plants.	<ul style="list-style-type: none"> <li>Contact person: Shou-Jie Cheng, Assistant Vice President of Finance Department (TEL: 07-6225669)</li> <li>Annual General Meeting</li> <li>Publish quarterly and annual financial statements and operating information.</li> <li>Simultaneous disclosure of material information on the Market Observation Post System (MOPS).</li> <li>Publication of annual report</li> <li>Immediate update of corporate website information</li> </ul>	<ul style="list-style-type: none"> <li>Once a year</li> <li>Once a year/quarterly</li> <li>Immediately</li> <li>Once a year</li> <li>Immediately</li> </ul>	The communication with the bank is also based on the principle of information transparency, so both parties can fully trust each other, and the bank is willing to increase the credit limit, which shows that the Company's communication with the bank is effective.
Academic and Research Institutions	<ol style="list-style-type: none"> <li>Industry-academia collaboration</li> <li>Educational units have signed contracts with educational institutions to take root downward and cultivate young students.</li> </ol>	<ul style="list-style-type: none"> <li>Contact person: Yu-Ling Ma, Manager of Administration Department; Chong-Jen Liu, Manager of R&amp;D Center (TEL: 07-6225669)</li> <li>Signing contracts with educational institutions for educational cooperation.</li> <li>Innovative R&amp;D projects planned for the following year.</li> <li>Dedicated personnel to manage, maintain and inventory patent documents.</li> </ul>	<ul style="list-style-type: none"> <li>Once a year</li> <li>Once a year</li> <li>Once a year</li> </ul>	<ul style="list-style-type: none"> <li>Graduates are employed upon graduation.</li> <li>Collaborate with academia on R&amp;D and strengthen employees' creativity.</li> </ul>
Customers/Consumers	Bread and butter	<ul style="list-style-type: none"> <li>Opinion mailbox: Contact person: Manager Tsai of Sales and Marketing Department (TEL: 07-6225669)</li> <li>Customer Satisfaction Survey</li> <li>Advocacy and training of employees facing the media and information disclosure principles.</li> </ul>	<ul style="list-style-type: none"> <li>Once a year</li> <li>Immediately/irregularly</li> </ul>	<ul style="list-style-type: none"> <li>80 points in customer satisfaction survey.</li> <li>ESG Report</li> <li>Advocacy and training of employees facing the media and information disclosure principles.</li> <li>Comply with customers' requirements and audits regarding products, environment, and responsibilities, and collaborate on prevention and continuous improvement.</li> </ul>
Governmental organization	The Company follows the policies and regulations stipulated by the central government and competent authorities, such as the Environmental Protection Department and the Economic Development Bureau, to manage its business, and uphold the concept of sustainable development to fulfill its corporate social responsibility.	<ul style="list-style-type: none"> <li>Contact person: Assistant Vice President of Finance Department, Shou-Jie Cheng; Manager of Administration Department, Yu-Ling Ma (TEL: 07-6225669)</li> <li>Information announcements on the government's official website, letters, and government documents.</li> <li>Visit by the competent authority or by phone.</li> <li>Publication of quarterly and annual financial statements.</li> <li>Disclosure of required announcements on the MOPS.</li> <li>Participation in explanatory meetings or symposiums organized by government agencies.</li> </ul>	<ul style="list-style-type: none"> <li>Immediately</li> <li>Immediately</li> <li>Quarterly</li> <li>Immediately</li> <li>Irregularly</li> </ul>	The Company has established a complete identification, registration mechanism and assessment for environmental protection laws and regulations. If there is any non-compliance, the Company shall immediately take corrective and preventive measures, and shall carefully comply with any regulations and requirements of the competent authorities. In case of problems, we will report and receive feedback from the competent authorities. They will also remind what to be done through phone calls or emails, which shows that the Company's communication with government organizations is effective.



## 1.2 Identification and analysis of material topics

### ◆ Process for determining material topics

The Company selects material topics with reference to the GRI Topic Standards and Sustainability Accounting Standards Board (SASB), and the identification step is conducted by the Company's representatives, department heads, and external experts giving rating on the Company's actual or potential negative and positive impacts of economic, environmental, and social (people and human rights) on the topic.

Compared with 2021, in response to the revision of the GRI, the part on the "Compliance with Socioeconomic" and "Compliance with Environmental Protection" which are added into the two GRI articles, the heads of various departments have resolved to add "Energy" as material topic this time.

The evaluation process can be divided into four stages:

I. Understand the organizational context	With reference to the GRI Topic Standards and Sustainability Accounting Standards Board (SASB), a total of 35 sustainability issues were compiled.
II. Identification of actual and potential impacts	The Company's representatives, department heads, and external experts rated the Company's actual or potential negative and positive impacts of the corporate sustainability issue on the economy, environment, society (people and human rights) and the scores of the four aforementioned impacts are summed up for ranking. There are 8 items with a total score of more than 30 points.
III. Evaluating the significance of impacts	The Company's representatives, department heads, and stakeholders were invited to discuss the matter before a meeting was held with external experts. Based on the operating experience in the past, the significance and possibility of the impact of the issues were discussed, and the 8 issues were eventually selected as the major topics of the Company.
IV. Prioritize the reports with the most significant impact	Company representatives and department heads conducted a comprehensive assessment with external experts based on the nature of the topics, and consolidated the 8 topics into 7 material topics. Material topics are subsequently allocated to each chapter of the report for disclosure.

The 7 material topics identified by the Company are: "Economic Performance," "Energy," "Labor-management Relations," "Occupational Safety and Health," "Ethical Corporate Management & Corporate Governance," "Risk Management," and "Customer Service Management."

Material Topic Identification Result				
Material Topics				
1 Economic Performance	2 Energy	3 Labor-management Relations	4 Occupational Safety and Health	5 Ethical Corporate Management & Corporate Governance
6 Risk Management	7 Customer Service Management			
Minor Topics				
8 Market Position	9 Indirect Economic Impacts	10 Procurement Practices	11 Anti-corruption	12 Anti-competitive Behavior
13 Taxation	14 Materials	15 Water and Effluents	16 Biodiversity	17 Emissions
18 Waste	19 Supplier Environmental Assessment	20 Labor/Management Relations	21 Training and Education	22 Employee Diversity and Equal Opportunity
23 Non-discrimination	24 Freedom of Association and Group Consultation	25 Child Labor	26 Forced and Compulsory Labor	27 Security Practices
28 Rights of Indigenous Peoples	29 Local Communities	30 Supplier Social Assessment	31 Public Policy	32 Customer Health and Safety
33 Marketing and Labeling	34 Customer Privacy			



# 01 Progress step by step

## ◆ Material Topic Identification Result

List of Material Topics	Describe the Organization's Policies or Commitments Related to Material Topics	Describe the Impacts (Economic, Environmental, and People (including human rights))	Actual/Potential Positive/Negative	Main Subjects of Impact	Corresponding Chapter
Economic Performance (GRI 201)	Economic performance is one of the important factors for sustainable corporate operations. The economic performance indicator responds to the generation and distribution of economic value that stakeholders are concerned about, and also reflects the direct economic value generated and distributed during the reporting period.	<ul style="list-style-type: none"> <li>Economic aspect: In addition to the timely declaration to the competent authorities and audit, in accordance with the tax laws and policies, the direct economic and financial performance of the Company's operations will also indirectly affect the rights and interests of stakeholders.</li> </ul>	Actual/Potential Positive	Employees, suppliers/contractors, shareholders, banks, academic institutions, customers/consumers, government organizations	II. Strategic Governance
*Energy (GRI 302)	The FSC requires TWSE/TPEX listed companies to disclose greenhouse gas inventory information in the future with the goal for enterprises to achieve the government's 2050 net-zero emission goal. Furthermore, the EU began to implement the "CBAM Carbon Border Adjustment Mechanism" on October 1, 2023. EU importers are required to declare greenhouse gas emissions. Therefore, in order to comply with the climate regulations of various countries and improve the competitiveness of our products in the supply chain, we must pay more attention to energy and other related issues.	<ul style="list-style-type: none"> <li>Environmental aspect: The goal is to implement energy conservation and carbon reduction, and reduce the negative impact of energy emissions on the environment.</li> <li>Economic aspect: To comply with the EU carbon border adjustment mechanism, climate regulations of various countries, and Taiwan's 2050 net-zero emission goal, we actively improve energy performance to enhance the sustainable competitiveness of the Company's products in the international market.</li> <li>People and human rights aspect: Encourage all employees to participate in green and sustainable environmental protection actions to enhance their sense of social responsibility and contribution to sustainability.</li> </ul>	Actual/Potential Positive	Employees, shareholders, customers/consumers, government organizations	IV. Green Environment
Labor/Management Relations (GRI 401)	To establish a harmonious labor-management relationship, the Company provides employees with comprehensive working conditions, remuneration and benefits, so that they can work without worries. At the same time, it is also expected that employees and the Company can grow steadily together, so that the Company maintains a high level of competitiveness and sustainable operations.	<ul style="list-style-type: none"> <li>Economic aspect: Comply with and provide labor policies and conditions that are superior to regulations, so that employees and the Company can grow together steadily enabling the Company to maintain a high level of competitiveness in the market.</li> <li>People and human rights aspect: To establish a good and competitive compensation and benefit and welfare system, the Company will provide a complete internal performance evaluation and employee reward system that exceeds regulatory standards to inspire employees' performance and attract more outstanding professionals to join us.</li> </ul>	Actual/Potential Positive	Employees, shareholders, government organizations	V. Welfare and care
Occupational Safety and Health (GRI 403)	Employees are the Company's most important assets. Only when employees are in good physical and mental health can the Company have a bright future. We provide a workplace that are healthy and safe in both physical and mental health aspects, and lead for a better cohesion within the Company, allowing employees to grow together.	<ul style="list-style-type: none"> <li>Economic aspect: The Company will abide by the relevant regulations of the "Occupational Safety and Health Act" and identify potential hazards in the workplace according to the risk assessment guidelines of the "Occupational Safety and Health Administration." At the same time, the Company will appoint a consulting company to perform on-site safety and health assessments to provide employees with safe work environment to maintain and ensure the Company's image and operating costs.</li> <li>People and human rights aspect: If a major occupational accident occurs to an employee in the course of performing their duties, the Company will immediately initiate the relevant occupational safety investigation. In addition to caring for the physical and mental health of employees and assisting them to overcome the difficulties, and to prevent similar situations occur again, we will identify the hazard risk in the workplace and provide improvement suggestions. At the same time, we will strengthen the employees' emergency response capabilities.</li> </ul>	Actual/Potential Positive	Employees, suppliers/contractors, government organizations	V. Welfare and care



List of Material Topics	Describe the Organization's Policies or Commitments Related to Material Topics	Describe the Impacts (Economic, Environmental, and People (including human rights))	Actual/ Potential Positive/ Negative	Main Subjects of Impact	Corresponding Chapter
Ethical Corporate Management & Corporate Governance	Sheh Kai Precision Co., Ltd. aims to pursue the maximum interests of shareholders and employees, and is committed to creating diversified values to respond to the changing competitive situation in the future, realize the concept of sustainable operation, and abide by the laws and ethical standards of the countries where we operate based on the principle of ethical corporate management. Only by improving the efficiency of corporate governance can we win the trust of investors and stakeholders in the capital market to the Company.	<ul style="list-style-type: none"> <li>Economic Aspect: To realize sustainable corporate governance, we adhere to the principle of ethical corporate management, comply with relevant national laws and ethical norms, and build sound corporate governance in order to attract more investors and stakeholders to increase the sustainable competitiveness of the Company in the market.</li> <li>People and human rights aspect: To protect and respect the rights and interests of shareholders and stakeholders, we have established a corporate governance policy based on integrity to enhance information transparency.</li> </ul>	Actual/ Positive Potential/ Positive	Employees, suppliers/contractors, shareholders, banks, academic institutions, customers/consumers, government organizations	II. Strategic Governance
Risk Management (Custom Topic)	Risk management is a necessary mechanism for achieving the goal of corporate sustainable operation. Regular operations risk assessments and follow-up response strategies should be developed, and risk management should be carried out against uncertain factors that may threaten corporate operations to reduce operational impacts.	<ul style="list-style-type: none"> <li>Economic aspect: In order to reduce the potential risks in the Company's operation, management policies will be formulated for various risks, thereby controlling and reducing possible damage and consequences, to ensure operating costs and performance.</li> </ul>	Actual/ Positive Potential/ Positive/ Negative	Employees, suppliers/contractors, shareholders, banks, academic institutions, customers/consumers, government organizations	II. Strategic Governance
Customer Service Management (Custom Topic)	Customer satisfaction must be improved to deepen customer intimacy and improve product competitiveness.	<ul style="list-style-type: none"> <li>Economic aspect: The quality of the products and services provided will affect the competitiveness of the Company in the market. Therefore, it is necessary to continuously improve and strengthen the quality of products and services to create excellent market competitiveness.</li> <li>People and human rights aspect: To maintain trust in the use of our products and services, we conduct annual customer satisfaction surveys to deepen ties and trust between each other; after discussion, the relevant units responded, and also provided improvement plans and continued to trace the follow-up improvement status.</li> </ul>	Actual/ Positive	Customers/ Consumers	III. Unique Products





## 02 Strategic Governance

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- Management
- 2.1 Approach
- 2.2 About Sheh Kai
- 2.3 Governance Strategy
- 2.4 Operational Risk  
Legal Compliance

# 02 Strategic Governance

## Management Approach

Material Topic: Economic Performance	
Reporting Requirements	Reporting Requirements and Instructions
Material Causes of This Topic	Economic performance is one of the important factors for sustainable corporate operations. The economic performance indicator responds to the generation and distribution of economic value that stakeholders are concerned about, and also reflects the direct economic value generated and distributed during the reporting period.
Policy/Strategy	<ol style="list-style-type: none"> <li>1. Quality management policy: Innovation, Efficiency, Professionalism, and Service.</li> <li>2. Risk management policy: The risk management policy defines various types of risks in accordance with the Company's operating guidelines, prevents possible losses within the risk tolerable range, increases shareholders' value, and achieves the principle of optimal resource allocation.</li> <li>3. Environmental policy: <ol style="list-style-type: none"> <li>(1) Pollution prevention: Identify the pollutions generated during the manufacturing process, reduce or prevent the environmental pollution through the improvement of the production schedule, engineering technology, and cleaner production.</li> <li>(2) Fully comply with the requirements of laws and regulations: The government's orders, regulations and the environmental protection requirements of other stakeholders that the Company has agreed to comply are indeed followed. For each process operation, the standard operating procedures are operated, and the process waste reduction and pollution prevention are properly carried out.</li> <li>(3) Committed to achieving continuous improvement: Further improvement of process equipment, strengthening of inspections, and continuous improvement of the PDCA cycle have achieved the goal of sustainable operation.</li> </ol> </li> </ol>
Goals and Targets	<ol style="list-style-type: none"> <li>1. Business performance: The turnover target for 2022 is NTD 1,374,155 thousand, which is NTD 800,000 thousand for the screw business, NTD 524,155 thousand for the wire drawing business and NTD 50,000 thousand for the drill business separately.</li> <li>2. R&amp;D and innovation: There are seven innovative R&amp;D projects, five from the screw business and two from the drill business.</li> <li>3. Product quality and service: <ol style="list-style-type: none"> <li>(1) Screw business: <ol style="list-style-type: none"> <li>A. Screw wear rate <math>\leq 3\%</math> / <math>\geq 50\text{M-Pcs}</math>.</li> <li>B. The wear rate of carbon steel anchors <math>\leq 5\%</math> / <math>\geq 10\text{M-Pcs}</math>.</li> <li>C. The wear rate of composite anchors <math>\leq 5\%</math> / <math>\geq 10\text{M-Pcs}</math>.</li> <li>D. Customer complaints for screws with responsibility attributable to the Company <math>\leq 3</math> cases/year.</li> <li>E. Anchor bolt customer complaint with responsibility attributable to the Company <math>\leq 3</math> cases/year.</li> <li>F. Customer satisfaction statistics show that 80% of customers are satisfied.</li> </ol> </li> <li>(2) Drill bit business: Maintain the target drill bit wear rate <math>&lt; 0.85\%</math> (for the number of work orders <math>\geq 2000\text{pcs}</math>). No large-scale customer complaints, such as: returns of a batch of orders.</li> </ol> </li> </ol>
Management Evaluation Mechanism	The Company conducts audits in accordance with ISO 9001 and the procedures of various management systems.
Performance and Adjustment	<ol style="list-style-type: none"> <li>1. In 2022, the turnover of Sheh Kai Precision Co., Ltd. was NTD 1,450,487 thousand, with an achievement rate of 106%, a growth of 0.6% compared to 2021, a net profit after tax of NTD 233,347 thousand, a growth of 56.4% compared to 2021, and an EPS of NTD 4.91.</li> <li>2. Execution results of the R&amp;D and innovation plan proposals: <ol style="list-style-type: none"> <li>(1) Screw business: Three of the four proposals were completed, and one was not implemented after discussion. Out of the three completed R&amp;D projects, only two were completed meeting expectations. None of the R&amp;D expenses exceeded the budget.</li> <li>(2) Drill bit business: Two projects were proposed and one project was completed. The results were as expected, and the R&amp;D expenses did not exceed the budget. One project is open: New size development and appearance optimization of the multi-functional drill bits with hexagon shank. Progress is currently at the WC procurement stage, but the customer decided to suspend it and implementation will continue until the sales representative responds with follow-up information.</li> </ol> </li> <li>3. Product quality and service: <ol style="list-style-type: none"> <li>(1) Screw business: <ol style="list-style-type: none"> <li>A. The screw wear rate is 1.13-2.58%, in line with the target.</li> <li>B. The wear rate of carbon steel anchors is 0.17-2.21%, in line with the target.</li> <li>C. The wear rate of composite anchors is 0.43-3.51%, in line with the target.</li> <li>D. One screw customer complained, in line with the target.</li> <li>E. There were 0 complaints about anchor bolts, in line with the target.</li> <li>F. Overall customer satisfaction is 87.37, in line with the target.</li> </ol> </li> <li>(2) Drill bit business: The drill bit wear rate is 0% - 0.62%, in line with the target. There were no large-scale customer complaints and no incident on the return of orders.</li> </ol> </li> </ol>
Preventive or Remedial Measures	<p>Quality management system in accordance with ISO 9001:</p> <ul style="list-style-type: none"> <li>Article 2.2.2 of the "Goals and Program Management Regulations" - regular review and correction of non-conformities: The review or correction method should be stated in the "Management Program Progress Control Table," and the progress or results of the regular review may be explained in the relevant meetings for review.</li> <li>Article 2.3.6 of the "Procedures for Continuous Improvement" - When the follow-up management test shows that the company does not meet the requirements, the auditor shall issue a corrective action sheet.</li> </ul>



# 02

## Strategic Governance

### Material Topics: Ethical Corporate Management, Corporate Governance

Reporting Requirements	Reporting Requirements and Instructions
Material Causes of This Topic	<p>Sheh Kai Precision Co., Ltd. aims to pursue the maximum interests of shareholders and employees, and is committed to creating diversified values to respond to the changing competitive situation in the future, realize the concept of sustainable operation, and abide by the laws and ethical standards of the countries where we operate based on the principle of ethical corporate management. Only by improving the efficiency of corporate governance can we win the trust of investors and stakeholders in the capital market to the Company.</p> <p>Effectively manage the Company's financial and business opportunities and risks, and create the best profits to protect the rights and interests of investors. Effectively manage the Company's ethical corporate management and ethical code of conduct, reduce operational risks, and increase the long-term mutual trust of stakeholders to the Company.</p>
Policy/Strategy	<ol style="list-style-type: none"> <li>1. Ethical corporate management policy: The Company shall establish such a policy based on the business philosophy of integrity, transparency and responsibility, and establish a sound corporate governance and risk control mechanism to create a business environment for sustainable development.</li> <li>2. Corporate governance policy: Protect the rights and interests of shareholders, strengthen the functions of the Board of Directors, exert the function of the audit committee, respect the rights and interests of stakeholders, and improve information transparency.</li> </ol>
Goals and Targets	<ol style="list-style-type: none"> <li>1. Protection of shareholders' interests and equal treatment of shareholders.</li> <li>2. Strengthen the structure and operation of the Board of Directors.</li> <li>3. Enhance information transparency.</li> <li>4. Implement education and training on ethical corporate management and anti-corruption, and regularly promote the provisions of the code of ethical conduct.</li> </ol>
Management Evaluation Mechanism	<ol style="list-style-type: none"> <li>1. Supervised by the Board of Directors and various functional committees.</li> <li>2. Each department conducts various operations in accordance with the Company's internal control system. After the end of the year, a self-assessment is conducted. Based on the self-assessment results, an internal control system statement is prepared and submitted to the Board of Directors for discussion.</li> <li>3. The internal audit unit reports the implementation of the audit in each board meeting; the audit department also communicates with CPAs and independent directors separately, and they make suggestions on the matters to be improved by the Company.</li> <li>4. The internal audit unit submits the audit report and the follow-up report on the improvement of audited deficiencies to the independent directors for review every month.</li> </ol>
Performance and Adjustment	<ol style="list-style-type: none"> <li>1. Listed in the 2022 Corporate Governance Evaluation at 21%-35%.</li> <li>2. In 2022, the consolidated revenue increased by 1.18% from 2021, the consolidated gross profit increased by 22.91% from 2021, and the net profit after tax increased by 56.44% from 2021.</li> <li>3. The average attendance rate of the Board of Directors in 2022 was 95.2%.</li> <li>4. In 2022, the performance evaluation of the Board of Directors and the functional committees scored 97 points and 99 points, respectively, indicating that the overall performance of the Board of Directors and each functional committee is good.</li> <li>5. In 2022, the Company had no violations of ethical corporate management and corruption-related laws and regulations punished by the competent authorities, and no reports of violations of business ethics were received.</li> <li>6. Electronic voting was adopted for shareholders' meetings, and the candidate nomination system was adopted for the election of directors.</li> </ol>
Preventive or Remedial Measures	<ol style="list-style-type: none"> <li>1. The Company engages in business activities based on the principles of fairness, honesty, trustworthiness, and transparency. In order to implement the ethical corporate management policy and actively prevent unethical behavior, the Company has established the "Ethical Corporate Management Best Practice Principles" and "Ethical Management and Guidelines for Conduct" to regulate matters needing attention by the Company's personnel when conducting business.</li> <li>2. The Company has established the "Supplier Integrity, Human Rights and Environmental Sustainability Commitment" for suppliers to sign, and promised to strictly abide by the regulations related to the integrity control and management of all transaction partners stipulated by Sheh Kai Precision Industry Co., Ltd..</li> <li>3. The Company has set up a whistle-blowing mailbox at care2063@shehkai.com.tw to proactively prevent dishonest behaviors and strictly prohibit any behaviors and situations that violate professional ethics.</li> </ol>



Material Topic: Risk Management

Reporting Requirements	Reporting Requirements and Instructions			
Material Causes of This Topic	Risk management is a necessary mechanism for achieving the goal of corporate sustainable operation. Regular operations risk assessments and follow-up response strategies should be developed, and risk management should be carried out against uncertain factors that may threaten corporate operations to reduce operational impacts.			
Policy/Strategy	To reduce potential risks in the Company's operations, risk management is integrated into daily operations and decision-making operations, and risk management policies are formulated in order to effectively identify, measure, and control the Company's various risks. Control risks within an acceptable range to reduce the possibility of damage and consequences, take into account the opportunities brought about by risk crises, to ensure the achievement of operational goals and performance and the sustainable operation of the enterprise.			
Goals and Targets	The risk identification, countermeasures, and goals of Sheh Kai Precision are as follows:			
	Risk Aspect	Risk Type	Risk Description	Countermeasures/Target Setting
	Environmental Aspect	Climate Change	1. Carbon tax is levied domestically. 2. European CBAM carbon tax. 3. Energy conservation and carbon reduction requirements and implementation.	1. Execute greenhouse gas inventory, train internal validators, gather carbon emission data in 2022, schedule to perform internal verification of greenhouse gas inventory and prepare and discuss procedure documents in June, establish greenhouse gas inventory and write report in July. 2. The domestic carbon fee and the EU CBAM tariff are expected to have no impact before 2026, so we must continue to follow. 3. Reduction of carbon emissions and energy conservation and carbon reduction are the global trends. In the future, carbon tax in various countries will have an impact on the Company's operations. It is necessary to instruct all relevant departments to come up with ideas or countermeasures as soon as possible, and plan and implement them after assessing the feasibility and effectiveness.
		Environmental Risks	Wastewater, waste, and air pollution must meet the standard values. Avoid environmental pollution.	1. Regularly check the test value. 2. Improvement of existing equipment to maintain the stability of sewage equipment. 3. Regularly update and review environmental protection laws. 4. Participation in seminars of government agencies and service centers.
	Social Aspect	Long-term Labor Shortage	Affect the Company's production capacity and delay the delivery of orders.	1. Use of other labor resources. 2. Goals: (1) Improve the salary structure. (2) Develop equipment to reduce manpower, improve efficiency and increase production capacity.
		Human Resource Management	1. It is difficult to recruit talents, which affects the Company's production capacity and delivery time. 2. Talent cultivation and high turnover rate, increasing labor costs.	1. Increase industry-academia collaboration. 2. Employee group activities. 3. Formulate employee benefits. 4. Diversify the evaluation and bonus system. 5. Establishment of employee promotion system.
		Operational Hazard Management	1. Safe working environment for employees. 2. Safe work practices. 3. Employees' ability to handle crises in response to emergencies.	1. Education and training to improve employees' occupational safety knowledge. 2. Execute the effectiveness audit. 3. The implementation of improvement and corrective measures are effective.

# 02

## Strategic Governance

### Material Topic: Risk Management

Reporting Requirements	Reporting Requirements and Instructions			
	Risk Aspect	Risk Type	Risk Description	Countermeasures/Target Setting
Goals and Targets	Corporate Governance Aspect	Legal Compliance Risk	The evaluation is performed by different units of the Company. Partial personnel have not yet received the training, so there are doubts about the determination of the provisions of the identification when the regulations are updated.	In July this year, the Company launched the identification personnel training course and added agent personnel for regulations identification.
		Information risk	Employees using illegal software	1. Regular information security promotion to enhance employees' information security awareness. 2. It is strictly prohibited for employees to install illegal software. 3. Purchase and use legitimate software.
		Information risk	Hackers and ransomware attacks	1. Control over the access to individual accounts. 2. Promotion of phishing emails. 3. Mail protection servers. 4. Purchase of application firewalls.
		Legal Compliance Risk	High awareness of human rights. The Company needs to update laws and regulations at all times to avoid physical and mental damage to employees due to violations.	1. Regularly follow the publicity of government laws and regulations. 2. On-the-job training for employees. 3. Revision of relevant internal control system.
		Legal Compliance Risk	Due to the updated laws and regulations or the lack of familiarity with the laws and regulations, the internal control measures have not been amended and submitted to the Board of Directors for discussion, or the filing process with the competent authorities has not been completed successfully, and thus additional manpower and time are required.	1. Pay attention to official correspondence and the competent authority's e-mail at all times, and read the contents thoroughly to avoid omissions or expired matters. 2. Before reporting or applying for documents, please search for the latest laws and regulations online or consult professional authorities such as competent authorities or certifying accounting firms. 3. Target: To avoid the rejection of application document or request for supplements due to incomplete documents or unfamiliarity with laws and regulations, or the competent authority to issue a notice to make corrections within a given time limit, we set a yearly goal of not to have any rejected case or deadline correction during the year.
	Economic Aspect	Financial Risk	The exchange rate fluctuates due to the overall economic environment. When the exchange rate depreciates, it will cause a decrease in gross profit, or a loss due to evaluation after the income is paid in a foreign currency. All of the above are detrimental to business performance.	1. We suggest pre-sale of forward exchange for hedging when the order amount reaches a certain amount in USD or EUR. 2. If the foreign currency income is higher than the original quoted exchange rate, it will be transferred to NTD to supplement the working capital. 3. Target: Exchange loss within NTD 10 million or 0.6% of operating revenue.
		Financial Risk	Interest rates fluctuate due to macroeconomic factors. When the interest rate increase, it will cause the Company's borrowing costs to rise.	1. Raising funds from the capital market instead of bank loans. 2. Provide collaterals to reduce the borrowing interest rate. 3. Deepen the relationship with the correspondent banks, properly implement corporate governance and carbon emission management, and facilitate the negotiation of interest rate terms. 4. Target: The annual increase in interest expense shall not exceed the annual increase in revenue. If it exceeds, the reasons shall be examined.
		Financial Risk	Due to the economic downturn, the number of orders is reduced, and the idle capacity is at a loss.	1. Improvements or machinery upgrades are made at the time when the economic situation is down. 2. Reduce prices to maintain the stable operation of the factory. 3. Goal: Control the loss of idle production capacity below a certain amount.
		Financial Risk	The economic downturn reduces the order quantity, and the price parity effect emerges.	1. Accurate assessment of internal cost. 2. The external cost is based on volume. 3. Reduce prices to maintain market share. 4. Target: To approximate the quoted gross profit to the actual gross profit.
		Strategic Aspect	Geopolitical conflicts, consider the risk of purchasing from other countries.	1. Considering setting up factories in other countries. 2. Target: To reduce customers' doubts.



**Material Topic: Risk Management**

Reporting Requirements	Reporting Requirements and Instructions
Management Evaluation Mechanism	<p>The Company's corporate risk management includes risk detection, assessment, reporting, and handling procedures. There are three levels (mechanisms) for risk control:</p> <p>(I) The organizer or undertaker is the "first mechanism" for the initial risk discovery, assessment, and control.</p> <p>(II) The second mechanism is the review or evaluation committee chaired by the general manager (or vice president), which is responsible for not only the feasibility assessment but also various risk assessments.</p> <p>(III) The third mechanism is the audit by the Audit Office, the review by the Audit Committee and the Board of Directors.</p>
Performance and Adjustment	<p>The risks of Sheh Kai in 2022, as assessed by the risk management process, included:</p> <ol style="list-style-type: none"> <li>1. Operational risk: Including operational risk, which includes customer credit risk, risk of long or late delivery, raw material supply and price fluctuation risk, inventory sluggish risk, production line labor risk, and so on.</li> <li>2. Financial risk: Including the risk arising from fluctuations in interest rates and exchange rates.</li> <li>3. Information security risk: Including information system downtime, personal data leakage, hacker intrusion, damage or intrusion of ERP data, and so on, resulting in the leakage of the Company's operational information or inability to operate, and impacting the Company's operations.</li> <li>4. Labor safety risks: Including non-compliance with relevant labor-related laws and regulations, causing uncertainties in temporary or permanent accidental injuries to workers, as well as overtime working and unreasonable deprivation of employee benefits.</li> </ol> <p>Performance:</p> <ol style="list-style-type: none"> <li>1. Through the monthly management meeting, operational problems can be prevented or resolved, including customer credit, long or delayed delivery, production line manpower deployment due to the impact of the pandemic, and procurement policy adjustments due to raw material price fluctuations. In 2022, the operation of production lines was not affected by the epidemic, and there were no uncollectible accounts receivable.</li> <li>2. The monthly drill bit inventory meeting and the quarterly screws and wire inventory meeting are held to discuss the inventory status, formulate the strategy for eliminating high-aging inventory, and regularly track the actual sales performance.</li> <li>3. The balance of the Company's long-term and short-term loans as of the end of 2022 was approximately NTD 580,700 thousand, and the interest expenses accounted for more than 3% of the net profit before tax. Therefore, the impact of interest rate changes on the Company's profit and loss is still limited; if the interest rate increases by 1%, all other variables remain unchanged. Under the unchanged circumstances, the Company's pre-tax net profit will decrease by NTD 5,807 thousand.</li> <li>4. In terms of exchange rate risk, the Company uses pre-sale forward exchange rate to lock in the risk of exchange rate changes and maintains expected profits from orders. Sales price adjustments due to exchange rate changes can also be taken into account when quoting the sales department's products to protect due profits, and the sales department should quote foreign currencies in the same incoming currency to reduce exchange rate risks. In 2022, the exchange gain was NTD 27,974 thousand, and there was no exchange loss. The ratio of exchange gain to revenue was 1.93%.</li> <li>5. In 2022, the Company's system was not rendered inoperable due to information security issues.</li> <li>6. There were no occupational safety-related injuries in the Company in 2022, and the Labor Bureau did not receive any complaints from employees about the Company.</li> </ol>
Preventive or Remedial Measures	<p>The Company convenes a risk management meeting at the beginning of each year to identify the risks that the Company may face in the year, further analyze the level of risk and assess its priority, and formulate appropriate responsive measures for each business unit to implement. A risk review meeting is then convened depending on the implementation status. We also convene a general review meeting before the end of the year, prepare a report based on the conclusions of the meeting, and report on the operation of risk management in the first meeting of the Board of Directors in the following year.</p>

# 02 Strategic Governance

## 2.1 About Sheh Kai

Sheh Kai Precision is currently Taiwan's largest exporter and manufacturer of stainless and alloy steel bi-metal screw, and composite bolt. As a leading manufacturer of stainless and alloy steel bi-metal screw, with products of good quality and high added value, Sheh Kai is always the best strategic alliance partners among its customers. We have the exclusive manufacturing technology of stainless and alloy steel bi-metal screw, and composite bolt in Taiwan. Our management team and R&D team are constantly working hard on R&D and innovation to improve product quality and its added value. The Company's products are indispensable key fasteners for high-grade corrosion-resistant buildings. At present, our products are more widely used in energy-saving buildings as important fasteners for roof solar panels and energy-saving and heat-insulated buildings. In addition to screws and bolts, we also make positive commitments for the environment, nature, and society; we love the earth, cherish life and protect the countryside, and we must give back to the society for what we take. We will do our best to protect the rights and interests of customers, employees, and investors, and make sustainable operations worthy of our conscience.

Sheh Kai Precision aims to become a world-class professional manufacturer of composite screws and provides customers with high-quality products and excellent services. Through continuous R&D and innovation, Sheh Kai can continue to grow, create corporate value, and reward shareholders and employees, and head towards to sustainable operation.

Company Overview	
Company Name	SHEH KAI PRECISION CO., LTD
English Name	SHEH KAI PRECISION CO., LTD
Date of Establishment	1992-04-28
By Market	TPEX listed
Stock Code	2063
By Industry	Iron and steel industry
TPEX Listing Date	2010-09-07
Main Business Activities	Screws and bolts, wires, cement bits and others
Chairman	Tai-Yuan Tu
Number of Employees	299 people
Business Locations	No. 1, Bengong 1st Rd., Gangshan Dist., Kaohsiung City
Capital (NTD thousand)	495,995
Turnover (NTD thousand)	1,450,487

### Ownership structure

Closing date: 2023/03/30

Shareholders	Number of Shares Held	Shareholding Ratio
Other Corporate Entities	18,653,491	37.61
Individuals	30,255,919	61.00
Foreign Institutions and Foreign Natural Persons	690,120	1.39





## ◆ Operational Performance

Financial information of Sheh-Kai in the past three years			
Item/Year	2020	2021	2022
Operating revenue (NTD thousand)	1,061,740	1,442,108	1,450,487
Gross profit (NTD thousand)	260,868	332,821	398,831
Operating income (NTD thousand)	143,482	202,967	267,454
Non-operating income and expenses (NTD thousand)	(13,720)	(16,619)	16,761
Net income before tax (NTD thousand)	129,762	186,348	284,215
Net profit after tax for the period (NTD thousand)	106,697	149,161	233,347
Total comprehensive income (NTD thousand)	102,396	147,718	234,813
Earnings per share (NTD)	2.37	3.31	4.91
Employee benefits (NTD thousand)	1,846	2,626	3,579
Dividend (NTD thousand)	90,000	135,000	148,799
Employee salary (including employee benefits) (NTD thousand)	194,591	222,334	244,990
Payments to investors (NTD thousand)	121,895	101,584	146,735
Payments to the government (NTD thousand)	26,122	41,311	52,416
Community investment (NTD thousand)	227	2,178	767

Note: The payment to investors in 2021 includes dividends paid to shareholders and interest paid to lenders, so the total amount was NTD 101,584 thousand.

## ◆ Tax Policy

The Company is committed to creating a sound business environment in the process of operation, ensuring that taxation policies comply with relevant laws and regulations, and strictly abide by the following tax-related laws and regulations, including Income Tax Act, Income Basic Tax Act, and Regulations Governing Assessment of Profit-Seeking Enterprise Income Tax on Non-Arm's-Length Transfer Pricing, Standards of withholding rates for various types of income, Business Mergers and Acquisitions Act, Tax Collection Act, Securities Transaction Tax Act, Land Tax Act, and Value-added and Non-value-added Business Tax Act, and other related tax laws. Responsibilities under other relevant tax laws and regulations are as follows:

Tax-related Laws and Regulations	Responsible Unit	Authority and Responsibility
Business tax, Profit-seeking Enterprise Income Tax	Finance Department	Responsible for reporting expenses and preparing vouchers for debit and payment
Land tax, Land value tax, Fuel tax, License tax	Administration Department	Reporting fees
	Finance Department	Preparation of vouchers for debit and payment

The Company's 2022 annual report or financial report can also be viewed at the following link:

### 2022 Financial Report:

[https://doc.twse.com.tw/server-java/t57sb01?step=1&colorchg=1&co\\_id=2063&year=111&seamon=&mtype=A&](https://doc.twse.com.tw/server-java/t57sb01?step=1&colorchg=1&co_id=2063&year=111&seamon=&mtype=A&)

### 2022 Annual Report:

<https://doc.twse.com.tw/server-java/t57sb01>



# 02 Strategic Governance

## ◆ Company History

With the business philosophy of “Innovation, Professionalism, Efficiency and Service”, Sheh Kai adheres to continuous research and improvement of products and creation of new products, focusing on the manufacturing, research and development of stainless steel products and deliver them to the customers on-time. We design products for different needs, provide the concept and culture of excellent after-sales service, and insist on the pursuit of the positive interaction and quality assurance as the basis of driving force, and make it become the starting point of value and dignity as a going concern for an innovative future and sustainable operations.

Year	Company history
1992	<ul style="list-style-type: none"> <li>Sheh Kai Industrial Co., Ltd. was established with a paid-in capital of NTD 10,000,000 and began to engage in R&amp;D and production of composite screws.</li> </ul>
1994	<ul style="list-style-type: none"> <li>Successful R&amp;D of composite screws.</li> </ul>
1996	<ul style="list-style-type: none"> <li>Successful improvement of the production technology and quality of composite screws.</li> </ul>
1999	<ul style="list-style-type: none"> <li>Received orders from foreign customers and significantly increased annual turnover.</li> </ul>
2000	<ul style="list-style-type: none"> <li>Received quality certification from a German customer in Europe.</li> </ul>
2002	<ul style="list-style-type: none"> <li>Relocated to 2F, No. 810, Fuxing W. Rd., Dingyan Village, Qiaotou Township, Kaohsiung County.</li> <li>Capitalization of earnings by NTD 3,000,000 and cash capital increase by NTD 12,000,000, the paid-in capital became NTD 25,000,000 after the capital increase.</li> <li>Signed a professional service authorization with Deloitte Taiwan to assist the Company in introducing the internal control system.</li> <li>Purchased land in the Ben Chou Industrial Park to meet the Company's long-term development needs in the future.</li> <li>Accredited with ISO 9001.</li> </ul>
2003	<ul style="list-style-type: none"> <li>Capitalization of earnings and cash capital increase totaling NTD 5,000,000, the paid-in capital was NTD 30,000,000 after the capital increase.</li> <li>The Company changed its name to "Sheh Kai Precision Co., Ltd.."</li> </ul>
2004	<ul style="list-style-type: none"> <li>Capitalization of earnings and employee bonus totaling NTD 11,160,000; the paid-in capital was NTD 41,160,000 after the capital increase.</li> <li>Completed the construction of Ben Chou Plant, obtained the building ownership certificate, and officially started operation.</li> <li>Relocated to No. 1, Ben Gong 1st Road, Ben Chou Village, Gangshan Township, Kaohsiung County.</li> </ul>
2005	<ul style="list-style-type: none"> <li>Capitalization of earnings and employee bonus totaling NTD 28,840,000; the paid-in capital amounted to NTD 70,000,000 after the capital increase.</li> <li>Introduced Ding Hsin ERP system to fully computerize management and enhance the Company's competitiveness.</li> </ul>
2006	<ul style="list-style-type: none"> <li>Capitalization of earnings and employee bonus totaling NTD 30,000,000; the paid-in capital amounted to NTD 100,000,000 after the capital increase.</li> <li>Expanded the Ben Chou factory site and increased production capacity in order to expand the scope of services to customers.</li> </ul>
2007	<ul style="list-style-type: none"> <li>Capitalization of earnings by NTD 35,000,000, and then the paid-in capital amounted to NTD 135,000,000 after the capital increase.</li> <li>Add the Wire Production Business Department to enhance the vertical integration effect of the enterprise.</li> <li>Capital increase in cash by NTD 20,000,000, and then the paid-in capital was NTD 155,000,000 after the capital increase.</li> </ul>
2008	<ul style="list-style-type: none"> <li>Capitalization of earnings by NTD 38,750,000, and then the paid-in capital amounted to NTD 193,750,000 after the capital increase.</li> <li>Participated in the training program of "Full Process Development Technology for Self-owned Brand of Artificial Tooth Roots" organized by the Metal Industries Research &amp; Development Centre.</li> <li>Purchased the land and plant at Luzhu Plant to enhance the operational efficiency of the Wire Production Business Department.</li> <li>The Securities and Futures Bureau, Financial Supervisory Commission approved the public offering of the Company's shares.</li> </ul>
2009	<ul style="list-style-type: none"> <li>The Company was registered for trading of emerging stocks.</li> <li>New products composite cement bolts and composite screws applied to stainless steel plates were successfully developed.</li> <li>Capitalization of earnings by NTD 38,750,000, and then the paid-in capital was NTD 232,500,000 after the capital increase.</li> <li>Accredited with ISO 14000.</li> </ul>



Year	Company history
2010	<ul style="list-style-type: none"> <li>Successfully developed No. 6 and No. 8 composite cement bolts.</li> <li>The capital increased by recapitalization of earnings and employee bonus totaled NTD 28,330,410. After the capital increase, the paid-in capital was NTD 260,830,410.</li> <li>The capital increased in cash for NTD 25,340,000, and the paid-in capital was NTD 286,170,410 after the capital increase.</li> <li>The Company's shares were officially listed for trading on the Taipei Exchange.</li> </ul>
2011	<ul style="list-style-type: none"> <li>No. 10 and No. 12 composite cement bolts were successfully developed.</li> <li>Completed the expansion of 3 plants in Ben Chou to increase production capacity to serve customers.</li> <li>The capitalization of surplus and capital reserve amounted to NTD 57,234,090, and the paid-in capital was NTD 343,404,500 after the capital increase.</li> </ul>
2012	<ul style="list-style-type: none"> <li>Newly established the Composite Material Business Department, located in Zhunan Plant. The Department researches on high-level production technology and extends to other fields of application.</li> <li>Indirect investment in a subsidiary in Mainland China, mainly engaged in the trading of hardware products, the company was established in Shanghai City, in order to increase profit in the bi-metal screws market there.</li> <li>Capital increase from earnings totaling NTD 68,680,900, and the paid-in capital amounted to NTD 412,085,400.</li> <li>Research and development of the application of dual heat treatment technology for the carbon steel tail screws completed.</li> <li>Passed the CG 6007 Universal Corporate Governance System Evaluation and Certification.</li> </ul>
2013	<ul style="list-style-type: none"> <li>Obtained the land at Gang Gong Section Lot 172 and 173 of the Ben Chou Industrial Park from the Industrial Development Administration, Ministry of Economic Affairs to enhance the efficiency of asset utilization.</li> <li>Acquisition of land at Guanqian Section, Zhunan Township, Miaoli County for the relocation of Zhunan plant. The completion of the construction of the Zhunan plant was expected to reduce costs and raise production volume and efficiency.</li> </ul>
2014	<ul style="list-style-type: none"> <li>The construction of the new plant in Zhunan, Miaoli County, will be completed in 2015. It could improve the efficiency of screw manufacturing and reduce the production cost.</li> <li>Officially obtained the notification from the European Union that the composite screw products exported to EU countries were exempted from anti-dumping duties.</li> <li>Zhunant Plant started mass production and sales of composite drill bits and bars.</li> <li>Capital surplus to increase capitalization by a total of NTD 20,604,270, and the paid-in capital was NTD 432,689,670 after the capital increase.</li> </ul>
2015	<ul style="list-style-type: none"> <li>The Wire Production Business Department has officially introduced the Ding Hsin plant tracking system, which is expected to improve manufacturing efficiency and reduce production costs.</li> <li>The composite cement drill bit product developed by the Bi-metal Material Business Department of Zhunan Plant was successfully developed and the production capacity of the composite cement drill bit was planned.</li> <li>Completion of new plant in Zhunan, and commencement of relocation.</li> </ul>
2016	<ul style="list-style-type: none"> <li>Completed the relocation to the new plant in Zhunan.</li> <li>All carbon steel threaded anchor products officially obtained ETA certification issued by German DIBt.</li> <li>Capitalization of earnings by NTD 17,310,330, and the paid-in capital became NTD 450,000,000 after the capital increase.</li> </ul>
2017	<ul style="list-style-type: none"> <li>The Drill Bit Business Department of Zhunan Plant completed the first stage of mass production of composite cement drill bits.</li> <li>Concrete screw anchor won the "Taiwan Excellence Award" awarded by the Ministry of Economic Affairs.</li> </ul>
2018	<ul style="list-style-type: none"> <li>Composite screw anchor products obtained ETA certification issued by German DIBt.</li> <li>Chairman Tu, Tai-Yuan, and President Lin, Shang-An were awarded the 41st Entrepreneurial Model Award and Entrepreneurial Support Award from the National Innovation and Entrepreneurship Association.</li> <li>The composite cement drill bit passed the German PGM certification.</li> </ul>
2019	<ul style="list-style-type: none"> <li>Issued the first domestic secured convertible bonds with a total amount of NTD 303,000,000 and an issuance period of three years.</li> <li>The Southern Taiwan Science Park Bureau, NSTC approved the Company to become a manufacturer of the park.</li> </ul>
2020	<ul style="list-style-type: none"> <li>Reinvested in Sheh Kai Precision (South Korea) Co., Ltd. to expand the market of cement drill bits and hardware fasteners in South Korea.</li> <li>The Drill Bit Business Department completed the development of new product vacuum cleaner bits and large cement drill bits.</li> </ul>
2021	<ul style="list-style-type: none"> <li>Completed the R&amp;D of the hexagon shank butt welding cement drill bit and the large-size vacuum drill bit (1+2 form) and was mass-produced and sold.</li> </ul>
2023	<ul style="list-style-type: none"> <li>The first domestically convertible secured bonds was terminated from TPEX.</li> <li>The first domestic secured convertible bond swap to common stock amounted to NTD 75,995,300 and the paid-in capital amounted to NTD 525,995,300 after the capital increase.</li> <li>The first repurchase of treasury shares was conducted to protect the Company's credit and shareholders' equity. The actual number of treasury shares repurchased was 3,000,000 shares.</li> <li>The cancellation of the first repurchase of treasury shares amounted to NTD 30,000,000, and the paid-in capital after the cancellation was NTD 495,995,300.</li> <li>Received ICC-ES certification for carbon steel screw anchor products and is entering the high-end public construction market in the United States.</li> </ul>

## 02 Strategic Governance

As of the end of last year, the Company has a total of 299 employees and a total of 5 operating locations, including the headquarters. The turnover of the year was NTD 1,450,487 thousand, and the paid-in capital was NTD 495,995 thousand. The main products or services and sales are as follows:

Products/Services				
Products or services	Sales area	Customer Type	Sales volume	Unit
Screws and bolts	Domestic and foreign countries on five continents	Trading of Construction Fasteners	245,336	1,000pcs
Cables and wires	Domestic	Manufacture of Metal Products	3,958	Metric ton
Cement drill bits	Domestic and Europe, America, Asia, and Oceania	Hardware Trading	242,628	Pieces
Others	Domestic and Europe, America, Asia, and Oceania	Hardware Trading	2,299,349	NTD

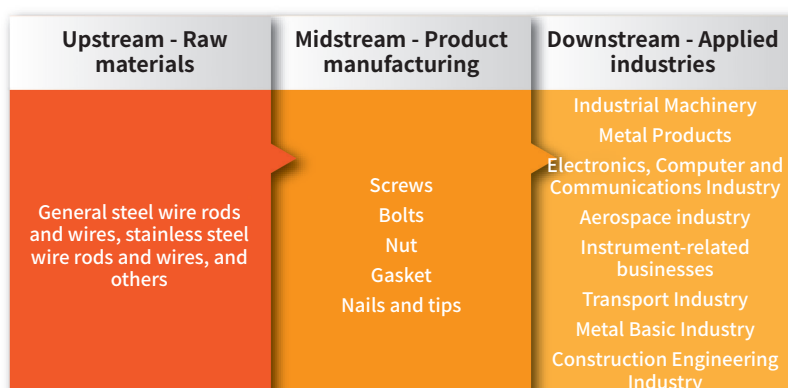
The list of entities in the Company's consolidated financial statements for 2022 is as follows:

Affiliates in the Company's consolidated financial statements				
As of 2022.12.31, unit: NTD thousand				
Name of affiliated enterprise	Date of establishment	Address	Paid-up capital	Paid-up capital
Bi-Metal Limited	2012.04	LEVEL 2, LOTEMAU CENTRE, VAEA STREET, APIA, SAMOA	USD 670	General investment business
Sheh Kai Trading (Shanghai) Co., Ltd.	2012.05	8F, No. 9, Lane 1555, Jinshajiang West Road, Jiading District, Shanghai	USD 670	Wholesale of fasteners, hardware and construction materials (excluding steel)
Sheh Kai Precision Korea Co., Ltd	2020.03	UNIT112, Bldg 14, 326, Sandan-ro, Danwon-gu, Ansan-si, Gyeonggi-do, Republic of Korea	KRW 355,000	

Sheh Kai is well aware that supply chain partners are the key to the sustainable growth of corporate operations, as well as important partners moving towards sustainable development. We will strive to maintain fairness and legality with supply chain partners and invest resources to share, learn and grow together to create a win-win partnership. By establish long-term cooperation and mutual trust with the suppliers, not only can we understand the supplier's supply status, but also the operating status, development and manufacturing environment will be further understood. If we determine that the supplier may bring risks to the supply of goods and other instability, we will respond by making early adjustments. It is our aim to maintain stable production and cooperation, and to create new opportunities for sustainable development.

In terms of procurement strategy, the target is mainly suppliers in Taiwan. In addition to the flexibility in supply of materials, the Company also supports Taiwan's industrial economy and reduces transportation costs to achieve environmental protection. A total of 118 suppliers were inspected in 2022, and local procurement accounted for 94.92%.

### Supply chain diagram of the upstream, midstream, and downstream of Sheh Kai organization





## ◆ Involvement of External Organizations

The Company has not yet joined any external advocacy organizations. However, in order to continuously strengthen sustainable competitiveness and keep the Company's operations in line with international trends, we have not only obtained the following international certifications: ISO 9001, ISO 14001, ETA issued by Germany DIBt, and Germany PGM certification, integrating and linking to the implementation and review of business goals. We also actively participate in relevant business associations, public school associations, and other organizations to obtain the latest domestic and foreign industry information, share our own experience, and work with all walks of life to build our sustainable value chain. The following international associations that we are accredited by and have participated:

International certification systems and safety items obtained by Sheh Kai Precision.

ISO 9001:2015 Certificates issued in Taiwan- Steel screws, anchors and cement bits	ISO 9001:2015 Certificates issued overseas- Steel screws, anchors and cement bits	ISO 14001:2015	European Technical Assessment
European Technical Assessment	PGM Masonry Drill Bit Certification Board		

Associations and organizations in which Sheh Kai is a Member	Membership qualifications	Associations and organizations in which Sheh Kai is a Member	Membership qualifications
Gang Du Listed Company Entrepreneurs Association	Membership	Taiwan Fastener Trade Association	Membership
Ben Chou Industrial Park Manufacturers Association, Gang Shan, Kaohsiung City	Director General	Greater Kaohsiung Friends of the Police Association, Kaohsiung City	Consultant
Kaohsiung City Enterprise Personnel Representative Association	Director General	National Innovation and Entrepreneurship Association	Membership
Importers and Exporters Association of Taipei (IEAT)	Membership	Specialty Tools & Fasteners Distributors Association	Membership
Curtainwall Technology Development Association of Taiwan	Membership	Taiwan Fastener Industries Association	Membership

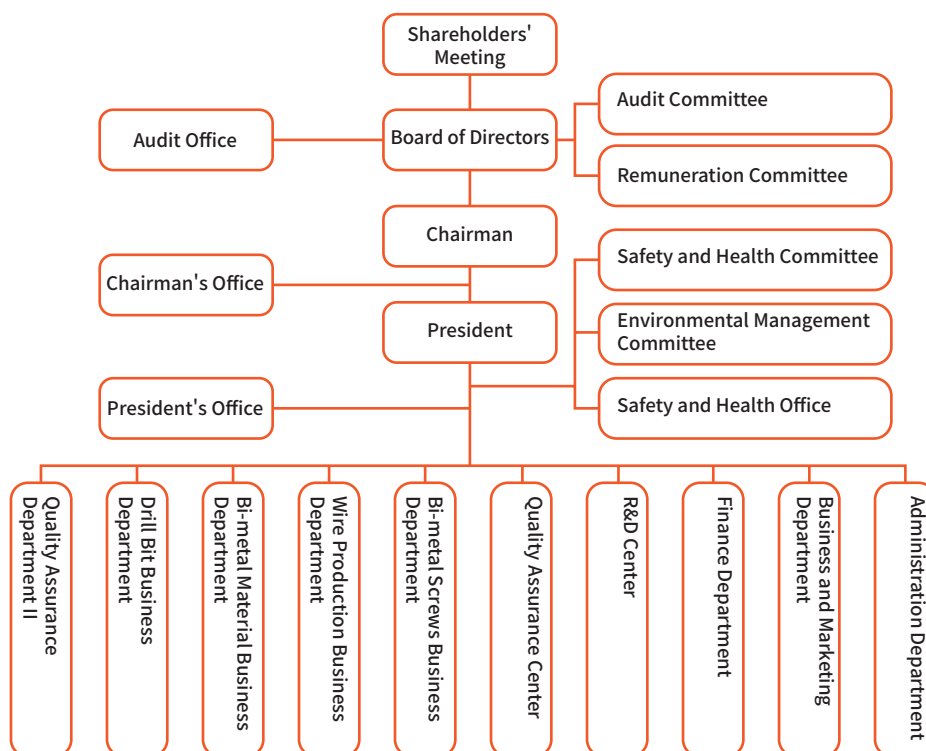


# 02 Strategic Governance

## 2.2 Governance strategy

The organizational structure and the management of each department of Sheh Kai are as follows:

Organizational Chart



### ◆ Information on Board Members

The Company's highest governance unit is headed by the Chairman, Mr. Tai-Yuan Tu, and President, Mr. Chun-Yen Chen who are jointly responsible for the Company's operations and management. As the Chairman does not concurrently serve as the President or CEO, there is no conflict of interest.

Pursuant to the Company's Articles of Incorporation, the number of independent directors appointed by the Company shall not be less than three, and shall not be less than one-third of the total number of directors for a term of three years. The current Board of Directors consists of 7 directors (including 3 independent directors), and the current term is from June 10, 2020 to June 9, 2023. Board meetings are held regularly according to laws. The Company currently has 3 independent directors, with independent directors accounting for 43%. All independent directors meet the requirements of independence. The information of the board of directors and supervisors is shown in the table below:



Information on the members of the Board of Directors of Sheh Kai Precision												
Job Title	Name	Gender	Age (years)	Initial (elected) date of inauguration	Major education and experience	Positions in the Company and other companies	Industry experience			Professional ability		
							Banking/Finance	Business administration	Sales marketing	Research and development	Accounting and financial analysis	Information Technology
Chairman	Tai-Yuan Tu	Male	Over 50 years old	1993 8.24	<div><div>• EMBA, National Kaohsiung University</div><div>• Vice President, Sheh Fung Screws Co., Ltd.</div></div>	<div><div>• and President, Sheh Kai Precision Co., Ltd.</div><div>• Chairman, Sheh Fung Screws Co., Ltd.</div><div>• Chairman, HYE TECHNOLOGY CO., LTD</div><div>• Chairman, BYMIT INC.</div><div>• Chairman, Guan Yi Investment Co., Ltd.</div><div>• Chairman, Longyuan Investment Co., Ltd.</div><div>• Director and President, Sheh Kai Trading (Shanghai) Co., Ltd.</div><div>• Chairman, BI-METAL Ltd.</div><div>• Chairman, Litai Co., Ltd.</div><div>• Chairman, Sheh Kai Precision Korea Co., Ltd.</div></div>			V	V		
Director	Representative, Sheh Fung Screws Co., Ltd.: Chun-Yen Chen	Male	30~ Age 50	2020 6.10	<div><div>• EMBA, National Sun Yat-Sen University</div><div>• President, Sheh Chiang Industry Co., Ltd.</div></div>	<div><div>• President, Sheh Kai Precision Co., Ltd.</div><div>• President, Sheh Fung Screws Co., Ltd.</div><div>• Chairman, Sheh Feng Investment Co., Ltd.</div></div>			V	V		
Director	Shang-An Lin	Male	Over 50 years old	2008 5.12	<div><div>• Graduated from Department of Aeronautics and Astronautics, National Cheng Kung University</div><div>• Institute of Aeronautics and Astronautics, National Chung Shan Institute of Science and Technology (NCSIST)</div><div>• Flight Science Team, Aerospace Industrial Development Corporation (AIDC)</div></div>	<div><div>• Independent Director, MILDEX OPTICAL INC.</div></div>	V		V		V	
Director	Yu-Lin Chang	Male	Over 50 years old	2020 6.10	<div><div>• Graduated from Department of Accounting, Chinese Culture University</div><div>• Chairman and President, Jhen Vei Electronic Co., LTD.</div></div>	<div><div>• None</div></div>	V				V	
Independent Director	Pei-Hao Huang	Male	Over 50 years old	2020 6.10	<div><div>• PhD in Business Administration, University of Mannheim, Germany</div><div>• Associate Professor, Department of Business Administration, National Sun Yat-sen University</div><div>• APEMBA Class Head, School of Management, National Sun Yat-sen University</div><div>• Independent Director, Taiwan Water Corporation</div></div>	<div><div>• Director, Excelsior Healthcare Group</div></div>	V				V	V
Independent Director	Wen-Che Chen	Male	Over 50 years old	2020 6.10	<div><div>• Master of Business Administration, Asia University</div><div>• Executive Vice President, Feng An Hospital</div></div>	<div><div>• Director, Excelsior Healthcare Group</div></div>	V				V	
Independent Director	Sheng-Chia Su	Male	30~ Age 50	2020 6.10	<div><div>• LLM, Department of Law, National Taipei University</div><div>• Attorney-in-Chief, Taichung Law Office, Hsu, Chung &amp; Partners</div></div>	<div><div>• None</div></div>						V

# 02 Strategic Governance

## ◆ Nomination and Selection of Board Members

In order to ensure good corporate governance, the election of the Company's directors will be conducted in accordance with the candidate nomination system and procedures stipulated in Article 192-1 of the "Company Act". The Company has not yet appointed the Nomination Committee. Hence, all the nominated director candidates were discussed and approved by the Board of Directors before they were listed as the directors' candidates. The goal is to ensure that each Board member is a professional and outstanding talent that has been carefully selected, thereby protecting the rights and interests and trust of the Company and its shareholders, and achieving good co-prosperity. For the other selection procedures, please refer to the Regulations Governing the Election of Directors as follows, or on the Company's official website: Investor Area → Corporate Governance Area → Board of Directors Information → Regulations Governing Election of Directors.

1. Clearly understand and evaluate the basic requirements, professional knowledge and skills, industry experience, background and diversity required for director candidates, including rich experience and professionalism in accounting, business, operation management, steel industry, other industries and law.
2. Nomination process: Follow the candidate nomination system and procedures stipulated in Article 192-1 of the "Company Act."
3. The Board of Directors shall discuss and resolve to approve or disapprove, and select suitable candidates to join the Board of Directors.
4. The balloting method shall be adopted for the election at the board meeting. The ballots will be calculated on site immediately after the balloting is completed. The results of the calculation, including the list of directors elected and the numbers of their election rights, shall be announced by the chair at the meeting. The Board of Directors will issue the certificates of election to the newly elected directors who will begin to perform their powers, responsibilities and obligations.

## ◆ Operation of the Board of Directors

The Company has appointed an audit committee and a remuneration committee by law, but has not yet appointed a sustainable development committee. Therefore, the board of directors delegated the authority to set ESG development goals to the general manager to lead various department heads during regular meetings to set sustainable development goals.

According to the "Sustainable Development Best Practice Principles" of the Company, the President's Office is the dedicated unit. It is responsible for proposing and implementing sustainable development policies, systems or related management guidelines and specific promotion plans, and reporting to the Board of Directors. The head of the President's Office is responsible for convening all relevant units to prepare the report, and through the meeting to understand whether there is the latest requirement of the report preparation standards, and then discuss major topics and think about countermeasures, assign tasks according to the report preparation items, collect information and write the report. After the completion of the first draft of the report, a meeting will be held to revise the content of the wording and the accuracy of the data. The final version of the report will be forwarded to the president and the chairman for approval. In 2023, the first meeting of the Board of Directors was held to report the implementation of the Company's promotion of sustainable development in 2022.

The person in charge of impact management of each responsible unit will constantly monitor the operation of internal units to ensure compliance with the sustainable development benchmarks from the environmental, economic, and social aspects. The detailed communication items are shown in the table below:

Nature	Major events	Communication Method and Frequency	Communication Outcomes
Environmental Aspect	Product Life Cycle	<ul style="list-style-type: none"> <li>Meeting of the Board Meeting/At least once per quarter</li> <li>Hold monthly management meetings</li> <li>Management review meetings are held annually.</li> </ul>	The Company applies the product life cycle thinking and plans based on the characteristics of our industry and has obtained the ISO 14001:2015 environmental management system certification. This way, we constantly reduce negative impacts on the environment and improve our environmental performance.
	Greenhouse Gas Emissions		The senior executives instructed the R&D Center to become a part-time unit of greenhouse gas inventory. It is to formulate a greenhouse gas inventory plan and regularly track and review the goals and progress to ensure the completion of the government agency's requirement for TPEX's listed companies to complete the greenhouse gas inventory plan within the specified time.
Economic Aspect	Economic Performance	Meeting of the Board Meeting/At least once per quarter	The Board of Directors shall authorize the senior management to handle and report to the Board of Directors, if necessary. For resolutions of the Board of Directors, the Board of Directors must report the implementation status from the last Board of Directors meeting. If the case cannot be closed, the Company will follow up and report to the Board of Directors on a quarterly basis.
	Risk Management		
	Ethical Corporate Management, Corporate Governance		



Nature	Major events	Communication Method and Frequency	Communication Outcomes
Social Aspect	Occupational Safety and Health	<ul style="list-style-type: none"> <li>Quarterly meeting of the Safety and Health Management Committee</li> </ul>	The Company reports relevant information to the Safety and Health Committee every quarter, and held a total of 4 times in 2022. The occupational safety personnel report to the committee members on the Company's internal safety and health related matters. The content of the report covers the Company's internal automatic inspections and safety and health audits defects, prevention of occupational diseases and health promotion matters, occupational injury reports, and other relevant legal compliance matters. Each committee member made recommendations for improvement and decided on the direction of improvement through the meeting.
	Labor/ Management Relations	<ul style="list-style-type: none"> <li>Meeting of the Board Meeting/At least once per quarter</li> <li>Hold monthly management meetings</li> <li>Irregular meetings of the Employee Welfare Committee</li> <li>Quarterly labor-management meetings</li> </ul>	Through the operation of labor-management meetings and welfare committees, the interaction between employers and employees is good.
	Customer service management	<ul style="list-style-type: none"> <li>Daily real-time communication via email or phone</li> </ul>	Customer satisfaction reached 80 points.

## ◆ Continuing education of board members

In addition to the relevant industry experience and professional capabilities and knowledge for directors, the Company also regularly arranges director education and training courses, covering topics such as ethical management, corporate governance, legal practices, and ESG trends. By continuously arranging a variety of external training courses, we further enhance their professionalism, perform their duties faithfully and perform the duty of care of a good administrator, and give full play to the operational decision-making and leadership supervision functions. In 2022, the average training hours of each director was more than 6 hours, and the total training hours was 48 hours.

Job Title	Name	Date of continuing education	Organizer	Course name	Hours	Total Hours	
Chairman	Tai-Yuan Tu	2022 10/28	Taiwan Corporate Governance Association	Ethical Corporate Management, Corporate Governance and Sustainability Principles and Cases of Practice	3	9	
		2022 11/3		1. How does the enterprise prevent insider trading and case analysis 2. Functional positioning and changes of directors under ESG trends	6		
Director	Representative of Sheh Fung Screws Co., Ltd: Chun-Yen Chen	2022 10/28		Ethical Corporate Management, Corporate Governance and Sustainability Principles and Cases of Practice	3	9	
		2022 11/3		1. How does the enterprise prevent insider trading and case analysis 2. Functional positioning and changes of directors under ESG trends	6		
Director	Shang-An Lin	202 11/3			1. How does the enterprise prevent insider trading and case analysis 2. Functional positioning and changes of directors under ESG trends	6	6
Director	Yu-Lin Chang					6	6
Independent Director	Pei-Hao Huang					6	6
Independent Director	Wen-Che Chen					6	6
Independent Director	Sheng-Chia Su					6	6
Total						48	



# 02 Strategic Governance

## ◆ Performance Evaluation of the Board of Directors

In order to implement corporate governance and improve the operating efficiency of the Board of Directors, the Company has established the "Management Measures for the Performance Evaluation of the Board of Directors" to implement corporate governance and enhance the functions of the Board of Directors. The performance goals are clearly defined to improve the operating efficiency. In addition, the Company will conduct the performance evaluation of the Board of Directors once a year. The evaluation period is from January 1 to December 31 of each year. The evaluation methods are the internal evaluation of the Board of Directors and the self-evaluation of the Board members. The evaluation scope covers the Board of Directors, individual Board members, remuneration Committee and Audit Committee. The evaluation results will be completed before the first quarter of the next year of the evaluation year, and the results will be reported to the Board of Directors.

The performance evaluation items of the Board of Directors include the following five items:

1. Degree of participation in the Company's operations
2. Improving the quality of the Board's decision-making
3. Composition and structure of the Board of Directors
4. Election and continuing education of directors
5. Internal control

During the reporting period, a total of 6 directors' meetings of the Company were held in 2022. The attendance of directors is as follows:

Job Title	Name	Actual attendance rate	Number of proxy attendances	Actual attendance rate "B/A" (%)	Remarks
Chairman	Tai-Yuan Tu	6	0	100	-
Director	Chun-Yen Chen	6	0	100	-
Director	Shang-An Lin	5	0	83.33	-
Director	Yu-Lin Chang	6	0	100	-
Independent Director	Pei-Hao Huang	6	0	100	-
Independent Director	Wen-Che Chen	6	0	100	-
Independent Director	Sheng-Chia Su	5	1	83.33	-

During the reporting period, the contents and results of the Company's board performance evaluation in 2022 are as follows:

Assessment item	Assessment results (total score 5)
A. Level of participation in the Company's operations	
1. The average attendance of directors at Board meetings (excluding proxy attendance) is good (those with an attendance rate of 60% or more are rated 3 average).	Score of 4.75
2. The attendance of directors at the shareholders' meetings is good (if the attendance rate is more than 1/2 of which is rated as moderate 3).	
3. Directors have read and understood the meeting materials before the Board meeting.	
4. The interaction between the Board of Directors and the management team is good.	
B. Improving the quality of the board's decision-making	
5. The Company has appropriate discussion and formulation of strategic plans and annual budget processes.	Score 5
6. The frequency of board meetings is appropriate (5 if at least 6 meetings are held each year).	
7. Appropriate discussion time should be allocated for each motion in the agenda arranged by the board of directors so that the directors have sufficient time to discuss.	
8. The board of directors provides good communication channels and can communicate with independent directors properly.	
9. If the proposal requires the director to avoid the conflict of interest, the director will do so either on his or her own initiative or the chair requires the director to do so, and the minutes of the meeting will be recorded.	



Assessment item	Assessment results (total score 5)
C. Composition and structure of the Board of Directors	
10. The board of directors has established sufficient seats of independent directors, and the number of independent directors complies with relevant regulations.	Score 5
11. The Company's independent directors have the required professional knowledge and have maintained their independence during their term of office.	
12. All existing functional committees are capable of performing the duties delegated by the Board of Directors.	
13. There shall be no more than two directors and supervisors who are related to each other within the same or second degree of kinship, so that the board members can function objectively and independently.	
D. Election and continuing education of directors	
14. The selection procedure for board members takes into account the results of individual directors' performance evaluations.	Score 5
15. The directors have taken a variety of courses beyond the scope of their professional competence and have completed appropriate hours of education each year.	
16. The Company has a record of directors' training hours and a continuous professional development plan, which enables directors to strengthen their knowledge and skills.	
E. Internal control	
17. The directors can effectively evaluate and supervise the effectiveness of various internal treasury systems and risk management.	Score 5
18. The internal control system approved by the board of directors includes five major elements/principles, and covers all operational and transaction cycle control operations.	
19. The Company's chief audit officer/audit general shall attend the meeting of the board of directors and submit an internal audit business report, and shall communicate the audit report (including follow-up report) to each supervisor and independent director as required.	
20. The appointment, dismissal, evaluation, and remuneration of internal auditors shall be reported to the Board of Directors or signed by the Audit Unit for the Chairman's approval.	
Note:	
1. The score is expressed by the average score of the content of the assessment item.	
2. The principles of assessment grades are described as follows:	
Numeral 1: Very poor (disagree very much); numeral 2: Poor (disagree); numeral 3: moderate (average); numeral 4: excellent (agree); numeral 5: very good (agree very much)	

## ◆ Audit Committee

The Company formally established the Audit Committee in June 2020, and its main supervision matters are the fair presentation of the Company's financial statements, the selection (dismissal) of CPAs, the independence and performance, the effective implementation of the Company's internal control, the Company's compliance with relevant laws and regulations, and management of existing or potential risks of the Company. After motions are discussed, they are presented to the Board for final resolution, and the content of the discussions is provided to the Board as a reference for decision-making.

### · Duties and powers of the Audit Committee:

1. Establishment or amendment of the internal control system in accordance with Article 14-1 of the Securities and Exchange Act.
2. Evaluation of the effectiveness of the internal control system.
3. Making or amending the acquisition or disposal of assets, engagement in derivative transactions, loaning of funds to others, endorsements or guarantees for others in accordance with Article 36-1 of the Securities and Exchange Act.
4. Procedures for handling significant financial and business activities confirmed by the Company.
5. Matters involving the interests of directors.
6. Transactions of major assets or derivatives.
7. Lending funds to others, making endorsements, or providing guarantees.
8. Offering, issuance or private placement of equity-type securities.
9. Appointment, dismissal or remuneration of CPAs.
10. Appointment or dismissal of a financial, accounting or internal auditing officer.
11. Quarterly financial reports signed or sealed by the chairperson, managers and accounting officer.
12. Other important matters regulated by the company or the competent authority.

# 02 Strategic Governance

## ◆ Operation of the Audit Committee

The Company's Audit Committee consists of three independent directors, with Mr. Huang, Pei-Hao, experienced in finance and accounting, serving as the convener. The Audit Committee was formally established after the re-election of directors in the shareholders' meeting in June 2020.

A total of 6 Audit Committee meetings were held in 2022, and the attendance records are as follows:

Job Title	Name	Actual attendance rate	Number of proxy attendances	Actual attendance rate
Convener	Pei-Hao Huang	6	0	100%
Committee members	Wen-Che Chen	6	0	100%
Committee members	Sheng-Chia Su	5	1	83%

Date of meeting	Proposal Content	Resolutions of the Audit Committee	The Board of Directors to the Audit Committee
First time 2022/03/04	<ol style="list-style-type: none"> <li>The Company's 2021 business report, parent company only financial statements and consolidated financial statements.</li> <li>Proposal for the formulation of the statement of internal control based on the results of the self-inspection of the Company's implementation of the internal control system in 2021.</li> <li>Amendments to the "Procedures for Acquisition or Disposal of Assets".</li> <li>Formulation of the Company's "Sustainable Development Best Practice Principles".</li> <li>Amendments to the Company's "Corporate Governance Best Practice Principles".</li> <li>Evaluation of the independence and suitability of the commissioned CPAs.</li> <li>Proposal of the 6th meeting of the Board of Directors in 2021 on the purchase, sale, or storage of wastes of the Drill Bit Business Department.</li> </ol>	Approved as it was.	Submitted to the first meeting of the Board of Directors on 2022/03/04 or for discussion.
Second round 2022/05/04	<ol style="list-style-type: none"> <li>Q1 2022 Consolidated Financial Report.</li> <li>GHG inventory and verification schedule.</li> <li>Increase and renewal of financing facilities with financial institutions.</li> <li>Application for delivery insurance limits from financial institutions.</li> </ol>	Approved as it was.	Submitted to the 2nd meeting of the Board of Directors on 2022/05/04 or for discussion.
Third Round 2022/08/09	<ol style="list-style-type: none"> <li>Consolidated financial statements for the second quarter of 2022.</li> <li>Setting the record date for the issuance of new shares for the conversion of the Company's first secured convertible bonds into common shares in Taiwan.</li> <li>Increase the amount of loans borrowed from financial institutions.</li> <li>The Company's plan to buy back shares to protect the Company's credit and shareholders' equity.</li> </ol>	Approved as it was.	Submitted to the 3rd meeting of the Board of Directors on 2022/08/09 or for discussion.
4th meeting 2022/09/01	<ol style="list-style-type: none"> <li>Appointment of the President of the Company.</li> <li>Increase the amount of loans borrowed from financial institutions.</li> <li>Release of non-competition restrictions for managers.</li> </ol>	Approved as it was.	Submitted to the 4th meeting of the Board on 2022/09/01 or for discussion.
5th meeting November 3, 2022	<ol style="list-style-type: none"> <li>Consolidated financial statements for the third quarter of 2022.</li> <li>Proposal of the record date of capital reduction for the cancellation of the Company's first repurchase of treasury shares.</li> <li>Establishment of the Company's 2023 annual audit plan.</li> </ol>	Approved as it was.	Submitted to the report or discussion of the 5th meeting of the Board of Directors on 2022/11/03.
6th meeting 2022/12/19	<ol style="list-style-type: none"> <li>Amendments to the Company's "Procedures for Handling Material Inside Information".</li> <li>Amendments to the Company's "Schedule of Approval Authorities".</li> <li>Renewal of short-term financing facilities for financial institutions.</li> <li>Application for pre-closing risk limit from financial institutions.</li> </ol>	Approved as it was.	Submitted to the 6th meeting of the Board of Directors on 2022/12/19 or for discussion.



## ◆ Remuneration Committee

For the purpose of improving corporate governance, strengthening the board of directors' remuneration management function, and protecting the rights and interests of investors, the Company has complied with Paragraph 1, Article 14-6 of the Securities and Exchange Act and the Letter Order No. Jin-Guan-Zheng-Fa-Zi 1000009747 dated March 18, 2011, on the announcement of the "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," and the Company has approved the "Remuneration Committee Charter" and the appointment of the "Remuneration Committee."

The function of the Remuneration Committee is to examine and review the remuneration policy and system of the Company's directors and managers from a professional and objective perspective. The operation of the Remuneration Committee is in accordance with the Company's "Remuneration Committee Charter" and holds at least two regular meetings every year. The number of meetings may be increased depending on operational needs. After the discussions of the proposals, they are submitted to the board of directors for final resolution, and the content of the discussions is provided to the board of directors for decision-making reference.

### · Remuneration Committee's duties:

The Committee faithfully performs the following duties with the attention of good administrators, and submits its recommendations to the Board of Directors for discussion.

1. Regularly review these Procedures and propose amendments.
  2. Formulate and regularly review the annual and long-term performance goals and remuneration policies, systems, standards and structures for the Company's directors and managers.
  3. Regularly evaluate the achievement of the performance targets of the Company's directors and managers, and establish the content and amount of their individual remunerations.
- According to the following standards when performing duties:
1. The performance evaluation and remuneration of directors and managers shall be based on the usual level of payment in the industry, and the reasonableness of the association between individual performance and the Company's operating performance and future risks.
  2. Directors and managers shall not be induced to engage in behavior that exceeds the Company's risk appetite in order to seek compensation.
  3. The percentage of bonuses for short-term performance of directors and managerial officers and the timing of payment of part of their variable salaries shall be determined in consideration of industry characteristics and the Company's business.

## ◆ Purpose of the Remuneration Committee

The remuneration for the Company's directors is given in accordance with the "Regulations Governing the Remuneration of Directors," which are reviewed by the Remuneration Committee and submitted to the Board of Directors for resolution. The remuneration to directors is linked to the Company's operating performance, and the annual distribution of remuneration to directors takes into account the amount of remuneration and the Company's future risks. The "Regulations governing the Board of Directors' Performance Evaluation" is established for implementing corporate governance and enhancing the board functions. Clear definitions are made for performance goals which can improve operation efficiency.

### Salary structure

The Company complies with the "Regulations Governing the Remuneration of Directors".

### Review Process

At the end of each year, the performance of directors is evaluated in accordance with the "Management Regulations for the Evaluation of the Board of Directors", and the total amount of earnings before tax is settled in accordance with the provisions of the Company's Articles of Incorporation; after discussion by the Remuneration Committee, the Board of Directors approves the distribution.

### Risk linkage

According to the Company's "Regulations Governing the Performance Appraisal of the Board of Directors," reasonable remuneration is paid with reference to the Company's business strategy, profitability, the Company's future development and industrial environment, and other factors, as well as the level of participation and contribution of individual directors to the Company's operations. Suggestions made by the Remuneration Committee are implemented after being approved by the Board of Directors.

### Remuneration and performance

In order to ensure that the performance of directors is closely linked to the Company's strategy and that the overall remuneration is competitive, the Company has established the "Regulations Governing the Performance Appraisal of the Board of Directors" as the basis for the performance evaluation and remuneration of directors. The Regulations cover the directors' performance evaluations, which shall be reviewed by the Remuneration Committee and submitted to the Board of Directors for approval.

### Status of the Remuneration Committee

The Company's Remuneration Committee consists of 3 persons, consisting of 2 independent directors and an external independent financial and accounting expert. The Company re-elected directors and remuneration committee members in its shareholders' meeting in June 2020.

The Remuneration Committee held 4 meetings in 2022, and the attendance of the Committee members is as follows:



# 02

## Strategic Governance

Job Title	Name	Actual attendance rate	Number of proxy attendances	Actual attendance rate
Convener	Pei-Hao Huang	4	0	100%
Committee members	Wen-Che Chen	4	0	100%
Committee members	Fu-Bin Lee	3	1	75%

Date of meeting	Proposal Content	Subsequent processing	Resolution of the Remuneration Committee	The Company's handling of the opinions of the Remuneration Committee
2022/03/04	The Company's Remuneration Committee reviewed the distribution of remuneration for directors and employees in 2021.	Approved by the board of directors and implemented.	Agreed by all attending members.	Reported to the Board of Directors, which was approved by all attending directors.
2022/05/04	1. Discussion of the Distribution of the Company's Remuneration to Directors in 2021. 2. Discussion of the Allocation of Managerial Officers' Remuneration of the Company in 2021.	Approved by the board of directors and implemented.	Agreed by all attending members.	Reported to the Board of Directors, which was approved by all attending directors.
2022/09/01	Appointment of the Company's New President and Compensation.	Approved by the board of directors and implemented.	Agreed by all attending members.	Reported to the Board of Directors, which was approved by all attending directors.
2022/12/19	Discussion on the Allocation of the Year-end Bonus to the Managers of the Company in 2022.	Approved by the board of directors and implemented.	Agreed by all attending members.	Reported to the Board of Directors, which was approved by all attending directors.

### ◆ Sustainability Policy Commitment

With reference to the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and the "OECD Principles of Corporate Governance," Sheh Kai has established the "Corporate Governance Best-Practice Principles", which covers the protection of shareholders' rights and interests, strengthening the functions of the board of directors, respecting the rights and interests of stakeholders, and promoting Information transparency. In addition, the Company has also formulated the "Code of Ethical Conduct," "Sustainable Development Best Practice Principles," and "Ethical Corporate Management Best Practice Principles." Continue to meet the expectations of society in the process of pursuing development. We are committed to complying with ethical standards in the implementation of corporate governance and strategic goals, and promoting the concept of sustainable development to fulfill our commitment.

If there is a negative impact on the economy, environment, and society (including human rights), the Company will follow the "Risk Management Regulations," "Code of Ethical Conduct," "Sustainable Development Best Practice Principles" and "Ethical Corporate Management Best Practice Principles" to make immediate improvements or take related remedial measures. In terms of occupational safety and health, the Company's Safety and Health Office reviews and evaluates reports, proposes improvement measures, and reports to the quarterly safety and health management meetings. Members can also put forward opinions and review other suggestions and management matters through this meeting. If the improvement effect is not as expected, the Safety and Health Office will make suggestions in the plant affairs meeting and continue to communicate with relevant units for improvement operations. Employees can also be contacted via the following means if they have any other suggestions:

- Contact window: Safety and Health Office
- Employee Grievance Hotline: (07) 6225669 ext 217
- Employee Complaint Box: cynthia@shehkai.com.tw



## 2.3 Operational risks

### ◆ Risk Management

The Board of Directors is the highest risk management unit of Sheh Kai Precision. It aims to comply with laws and regulations, promote and implement the Company's overall risk management, clearly understand the risks faced by operations, ensure the effectiveness of risk management, and assume the ultimate responsibility for risk management. The Company's internal control and audit system covers the operational activities of various businesses. The management of various operational risks has been assigned to the relevant units according to the nature of their business, in order to effectively control and manage various risks.

Sheh Kai Precision is committed to collecting risk items and tracking the risk improvement plans of each department to carry out related risk control. When the Company's operations are interrupted by major natural or man-made disasters, the management is assisted in a timely and organized manner to ensure the safety of employees and restore the Company's important business continuity within the shortest tolerance time and asset maintenance, and formulated the following risk items and corresponding corrective measures.

Scope of risk control		
Type	Possible risks	Responding measures
Interest rate risk	The increase in interest rate leads to an increase in interest expenses and a decrease in the Company's net profit before tax.	Open foreign currency accounts and make appropriate adjustments based on capital needs and exchange rate trends. Sales adjustments due to exchange rate changes are taken into account when quoting the sales products of the Sales Department to protect the due profits. The sales department quotes foreign currencies in the same input currency to reduce exchange rate risks. Collect information on exchange rate changes on a daily basis to keep abreast of exchange rate trends. Pre-purchase (pre-sale) foreign exchange forwards or other derivative financial instruments when necessary.
Investment risk	Possible loss of investment	In 2022, the Company did not engage in high-risk and high-leverage investments, loans of funds to others, or endorsements/guarantees. The Company's derivative transactions are handled in accordance with the "Procedures for Acquisition and Disposal of Assets", announcements and reports are made and reported to the Board of Directors in accordance with the laws and regulations.
Product R&D and Process Competitiveness	The Company's future R&D expenses are expected to increase year by year.	Adjust the annual R&D expenses according to the Company's operating conditions.
Technological and industrial changes	Impact on the Company's financial operations	The Company pays attention to the changes in technology related to the industry in which it operates at all times, and assigns dedicated personnel or task forces to assess and study the impact on the Company's future development, finance and business as appropriate, and measures to be taken in response. There were no major technological or industry changes that had a significant impact on the Company's financial operations in the most recent year.
Information security risk	Intrusion and damage by hackers and viruses	In order to implement information security management, the Company has established an information security management policy and established an Information Section; and the audit unit will conduct internal audits of the management system, information security prevention and crisis handling and other specific management plans, and implement corresponding security control measures. It will publicize information security risk cases from time to time and continue to refine internal anomaly detection and protection methods to reduce corporate information security risks.
Others	Various risks	Establishment of risk management measures

# 02 Strategic Governance

## ◆ Information security

For the purpose of strengthening information security management and ensuring data, system and network security, Sheh Kai Precision has set up the Information Section in the Administration Department. The unit is responsible for coordinating and implementing the company's information security policy, publicizing information security messages, and enhancing employees' information security awareness to reduce corporate information security risks. In addition, in order to improve the effectiveness of information security management and implementation, the relevant units of the Company's internal audits are responsible for auditing the implementation of internal information security, and audits are conducted once a year.

### Information security management framework of Sheh Kai Precision



Information Security Management Guidelines	
Policy Action	Specific plan
Network Security Management	(1) Multi-functional protective firewalls are configured to prevent illegal invasion by hackers. (2) Use of IPsec VPN for connection with individual branches of the Company and the use of data encryption to prevent illegal capture during data transmission. (3) A surfing behavior management system is configured to control network access and block access to harmful or policy-not-allowed websites and contents, strengthen network security, and prevent bandwidth from being occupied inappropriately.
System access mechanism	(1) The use of the Company's various application systems shall be subject to the application process. After the approval of the responsible manager, the IT Division shall create an account and have the entire application system open according to the functions applied for before use. (2) The password set for the account number shall meet the specified strength and contain both alphanumeric characters. (3) When employees resign, they must contact the Information Section to delete accounts in each system.
Implementation of information security training	(1) Add information security courses to the training of new employees. (2) Promote the latest information security protection messages from time to time, such as: ransomware, phishing software, and fraudulent URL links.
Virus protection and management	(1) Install endpoint protection software on servers and employees' computer equipment, and the virus patterns are updated automatically to ensure that the latest viruses can be blocked. (2) The email server is equipped with a spam filter to prevent viruses or spam from entering the user's PC.
Ensure system availability	(1) Establish a backup management system to regularly back up data every day, with one copy kept in the server room and the other in an off-site location (such as the plant or an external backup device) for mutual backup. (2) Regularly implement disaster recovery drills and select a recovery reference point to restore the backup files to the system host.
Computer equipment security management	(1) The Company's mainframes and application servers are installed in dedicated computer rooms. Access to the computer rooms is kept under the real-name system and records are kept for record. (2) The IT room is equipped with independent air conditioning and UPS to ensure that the computer equipment operates at a suitable temperature and will not interrupt the operation of the computer application system during a power outage. (3) The Company's operating assets, such as servers, network equipment and other information equipment, are subject to an annual maintenance and spare parts contract.

## ■ Investment of resources in information security management

Sheh Kai aims to cope with the challenges faced by information security, such as continuous penetration attacks in the APT stage, DDoS attacks, ransomware, and various data theft issues. We continue to pay attention to changes in the information environment to strengthen employees information security awareness and the response capability of the information security personnel. It is hoped to effectively detect and prevent the severity of an information security crisis in advance or during the event crisis. The Company also prepares a budget for the assessment and improvement of information security management, and the budget items are as follows:

1. Purchase new models of firewalls to enhance the protection of the Company's network and information systems.
2. Upgrade the ERP system and related operating systems so that the Company's employees can perform operations on the cloud.
3. Add anti-virus software to prevent the Company's network and files from being invaded by hackers, viruses and ransomware.
4. In response to the "ESG Corporate Sustainability Report" prepared by the Company, we upgraded the entire company's operating system to Win 11 and document systems to Office 365 or later versions. Once the computer is powered on, it will automatically update software and patch loopholes to reduce external threats to the Company's computers.

During the reporting period at the end of the year, Sheh Kai Precision did not suffer losses due to major information security incidents.



## 2.4 Legal Compliance

Sheh Kai Precision defines a material violation as follows:

### Sheh Kai Precision's Definition of Major Violations

- |  |   |
|--|---|
| <ol style="list-style-type: none"> <li>1. The customer requests for order cancellation, return of goods, compensation, or loss of more than NTD 1,000,000.</li> <li>2. The production line cannot produce or ship for more than one month.</li> <li>3. Stakeholders gathered around the plant to protest.</li> <li>4. An occupational safety accident results in serious injury or death to an employee.</li> <li>5. Overall average score of less than 59 in customer satisfaction survey.</li> </ol> | <ol style="list-style-type: none"> <li>6. Media coverage that damages the corporate image.</li> <li>7. Pollution affects the global environment.</li> <li>8. The permit is revoked by the competent authority.</li> <li>9. According to the Company's "Guidelines for Handling and Reporting Occasional Material Information," fines or financial losses exceeding NTD 5 million are considered major incidents.</li> </ol> |
|--|---|

Sheh Kai attaches great importance to the Company's integrity and ethics, and adopts a zero-tolerance attitude towards corruption and bribery. Therefore, we have formulated the "Code of Ethical Conduct", "Ethical Corporate Management Best-Practice Principles" and "Operational Procedures and Guidelines for Ethical Management", established anti-corruption and anti-bribery systems, implemented education and training on ethical management and anti-corruption, and regularly promoted ethical behavior guidelines. In order to ensure that employees pay attention to their conducts, be cautious about words and deeds, and may not take advantage of their positions to engage in personal ethical behavior, relevant anti-corruption education and training courses have been strengthened to cultivate employees' correct moral concepts. In accordance with the regulations, we will dismiss and terminate the employment of personnel who have proven to be true in business ethics, sexual harassment prevention, theft or embezzlement, acceptance of bribes, commissions, or intentional damage to the Company's property as appropriate to prevent corruption. The Company adheres to the principle of honesty and pragmatism, abides by the laws and regulations of the government, and is committed to following the government's environmental protection policies while taking into account industrial safety, in order to fulfill the corporate responsibility to the society.

During the reporting period of 2022, the Company conducted a corruption risk assessment for all operating locations. The results showed that there were no violations of ethical corporate management or corruption-related laws and regulations that resulted in penalties from the competent authorities, and no reports of violations of business ethics were received. There have been no legal proceedings arising from antitrust or monopolistic conducts, and no major fines related to the environment, economy, and society have been incurred by any of the operating locations.

In order to improve the Company's integrity indicators, the Company is fully committed to the integrity action program. Through various risk assessments, we have an in-depth understanding of businesses vulnerable to corruption, and we have strengthened our internal control system to give full play to its early warning function. In addition, 100% of new employees must sign the "Labor Contract" on the day of employment. 100% of the newly elected directors are required to sign the "Declaration of No Violation of Ethical Conduct Breach" upon assuming office. In addition to the above measures, the Company has also promulgated and followed the "Reward and Disciplinary Management Regulations," "Employee Code of Conduct," and "Code of Ethical Conduct" as the basis for employee evaluation. Rewards and punishments will be given in accordance with regulations for any behavior worthy of praise or behavior that should be punished.

Corporate Governance-related Laws and Regulations	Labor rights-related laws and regulations	Product-related laws and regulations
<ul style="list-style-type: none"> <li>✓ No violation of the Company Act.</li> <li>✓ No violation of commercial laws.</li> <li>✓ No violation of securities and financial regulations.</li> <li>✓ No corruption incidents involved.</li> <li>✓ No legal proceedings arising from anti-competitive behavior, anti-trust and monopoly behavior.</li> </ul>	<ul style="list-style-type: none"> <li>✓ No violation found.</li> <li>✓ No forced labor.</li> <li>✓ No use of child labor.</li> </ul>	<ul style="list-style-type: none"> <li>✓ No prohibited or controversial products.</li> <li>✓ No violations of marketing-related laws and regulations and voluntary code of conduct.</li> <li>✓ No violation of laws and regulations and the imposition of huge fines due to the provision and use of products and services.</li> <li>✓ No legal proceedings arising from anti-competitive behavior, anti-trust and monopoly behavior.</li> </ul>

### ◆ Reporting Channels

The Company has established a whistle-blowing channel for a wide range of suggestions and whistle-blowing channels. If a corporate or employee is found to have violated laws and ethical norms, the Company is committed to dealing fairly and impartially. The whistleblower must be named, accompanied by the facts and contact information. Reports can be made by mail, over the phone, or by e-mail. The responsible units for accepting reports or complaint channels are as follows:

Contact channel	
Acceptance Unit	President's Office
Mailing address	No. 1, Bengong 1st Rd., Gangshan Dist., Kaohsiung City
Whistle-blowing reporting hotline	07-6225669
Email address	care2063@shehkai.com.tw





## 03 Unique products

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- Management Approach
- 3.1 Supply Evaluation and Management and Control
- 3.2 Product Quality and Management
- 3.3 Customer Service Communication



## Management Approach

Material Topic: Customer Service Management	
Reporting Requirements	Reporting Requirements and Instructions
Material Causes of This Topic	Customer satisfaction must be improved to deepen customer intimacy and improve product competitiveness.
Policy/Strategy	In accordance with the principles of the "Quality Policy" established by the Company, through the continuous cycle of PDCA steps, improvement and strengthening inspections, and improving process equipment, we will provide better products and services and meet customer needs to demonstrate excellence in our competitiveness.
Goals and Targets	Short-, medium- and long-term goals: Maintain customer satisfaction above 80 points.
Management Evaluation Mechanism	Each year, through the ISO 9001 internal management review meeting, we conduct annual surveys and ask specific questions to reply to customers. Project responses must be conducted for items below a certain score.
Performance and Adjustment	Compared with 2021, the customer satisfaction in 2022 reached 83.57 points and 91.17 points. Although they were down by 4.66 points and up 1.6 points, respectively, from 2021, the target of 80 points set by the Company were achieved and at higher points.
Preventive or Remedial Measures	Material issues or suggestions raised by customers will be formally replied to after discussion at internal meetings; if a single indicator falls below the required level, an internal meeting will be held to formally reply to customers who have given poor scores, and improvement plans will be provided alongside to the customers, and we will continue to track the improvements as appropriate.

## 3.1 Supply evaluation and control

### ◆ Procurement ratio of operating locations

Sheh Kai is well aware that supply chain partners are the key to the sustainable growth of corporate operations, as well as important partners moving towards sustainable development. We will strive to maintain fairness and legality with supply chain partners and invest resources to share, learn and grow together to create a win-win partnership. By establish long-term cooperation and mutual trust with the suppliers, not only can we understand the supplier's supply status, but also the operating status, development and manufacturing environment will be further understood. If we determine that the supplier may bring risks to the supply of goods and other instability, we will respond by making early adjustments. It is our aim to maintain stable production and cooperation, and to create new opportunities for sustainable development.

In terms of procurement strategy, the target is mainly suppliers in Taiwan. In addition to the flexibility in supply of materials, the Company also supports Taiwan's industrial economy and reduces transportation costs to achieve environmental protection. A total of 118 suppliers were inspected in 2022, and local procurement accounted for 94.92%. The following table shows the proportion of the Company's procurement expenditure from suppliers in the past three years.

Supplier Category and Procurement Proportion in the Recent Three Years							
Type of contract	Procurement Area	2020		2021		2022	
		Number of suppliers	Percentage of the purchase amount for this item to the total purchase amount (%)	Number of suppliers	Percentage of the purchase amount for this item to the total purchase amount (%)	Number of suppliers	Percentage of the purchase amount for this item to the total purchase amount (%)
Labor services (Contracting and services)	Domestic	3	0.63	3	0.43	3	0.42
		0	0	0	0	0	0
Property (Raw materials)	Domestic	34	73.95	33	93.11	31	74.56
	Overseas	0	0	0	0	5	0.3
Construction project (Architecture and equipment)	Domestic	25	4.43	26	2.29	21	2.21
	Overseas	0	0	0	0	0	0
Processing	Domestic	44	17.25	41	1.24	43	19.06
	Overseas	0	0	0	0	0	0
Materials	Domestic	18	3.74	18	2.92	14	3.3
	Overseas	0	0	0	0	1	0.15
Total		124	100%	121	100%	118	100%

Description:

1. Domestic refers to Taiwan; foreign refers to areas other than Taiwan (such as, the United States, Vietnam, etc.).

2. The type of contract will be filled in based on the Company's internal classification. The default items (labor service, property, construction) can be ignored if none.

## 03 Unique products

### ◆ Supplier screening and evaluation

Sheh Kai Precision selects and evaluates new suppliers. Only through rigorous evaluation by the production management and procurement units can the suppliers become qualified. Qualified suppliers are regularly re-evaluated. The evaluation is based on the "Regulations for Data Analysis and Operation" and is implemented once in January and once in July of each year. Suppliers are evaluated based on their trading quality, delivery timeliness accuracy, and environmental friendliness (Supplier Environment Checklist).

#### Procedures for screening new suppliers

- (1) The preferred selection criteria are:
  - A. Those certified with the ISO 9001 Quality Assurance System.
  - B. The products supplied have obtained CNS, UL, JIS or relevant internationally recognized certification marks.
  - C. Recommended by a supervisor at manager level or above.
- (2) New supplier audit method:
  - A. The production control unit or the procurement unit will fill in the basic information of the supplier and do an initial assessment (40%) to confirm whether the supplier has quality inspection unit and record, delivery accuracy management, finance and accounting department, environmental protection control and other units.
  - B. Conduct three "trial orders" and give scores depending on the quality and delivery time (10% for each item each time, total 60%). If the product of the test order fails to meet our requirements for two or more times, it will not be included in the qualified supplier list.
- (3) Total evaluation score and corrective action:
  - A. Above 80 points: Included in the Company's qualified suppliers.
  - B. 60 - 79 points: Suppliers need to submit improvement reports before collaborating with suppliers.
  - C. A score less than 59, or a total score of 0 in the preliminary review or test order item: Do not consider cooperating with the supplier.

#### Qualified Supplier Re-Evaluation

- (1) Regular re-evaluation every six months (January and July).
- (2) The re-evaluation items are divided into quality status (60%), delivery accuracy (30%), and environmental friendliness (10%).
- (3) Scoring will be based on the incoming inspection results, the accuracy of delivery, and the extent of the supplier's green environment.
- (4) Measures for handling the items that fall below the evaluation standard:
  - A. A total score of less than 59 points (inclusive): Termination of cooperative relationship with the supplier.
  - B. A total score of 60 - 70 points (inclusive): The person in charge of procurement or production management shall provide counseling and submit an improvement report. If necessary, the relevant units may be requested for assistance.
  - C. Two consecutive times with a total score of 60 - 70 points (inclusive): Excluded from purchase.
  - D. Three consecutive times with a total score between 71 and 80 points (inclusive): The purchase volume shall be reduced.

#### 2022 supplier evaluation results

Total number of suppliers	315
Number of supplier appraisals conducted	122
Number of Disqualified Suppliers	2
Evaluation Rate	38.73%
Pass ratio	98.36%

**Note:**

1. The reason for disqualification was that there was no transaction in the second half of the year, resulting in a score that did not meet the pass standard; although it failed, it did not cause an impact on the environment, so no improvement measures were taken.
2. In 2022, 5 new qualified suppliers were added in accordance with the Company's data analysis regulations. (Four processing plants in Gangshan and one supplier in Gangshan.) There were 33 processing suppliers for the Gangshan Plant, 61 suppliers for the Gangshan Plant and the Luzhu Plant, and 6 processors and 22 suppliers for the Zhunan Plant, for a total of 122 suppliers.



## ◆ Supplier Social Assessment

We attach great importance to human rights. In addition to education and training and regular audits, we have formulated relevant human rights regulations to ensure the protection of labor's legal rights, both internally and for external suppliers. In the face of potential human rights risks and concerns of suppliers, we ensure that the suppliers also value and protect the rights and interests of workers together with Sheh Kai by requesting them to sign the following human rights commitments.

1. Formulation of the "Supplier Integrity, Human Rights and Environmental Sustainability Commitment" was made for signing by the suppliers, promising to protect the legitimate rights and interests of employees and respect internationally recognized basic labor human rights principles, including but not limited to the prohibition on the use of child labor under 16 years old, prohibition on the use of young laborers to engage in hazardous work, caring for disadvantaged groups, eliminating all forms of forced and compulsory labor, eliminating employment discrimination, and prohibition on infringing upon the rights of aboriginals. There shall be no occurrence of events of jeopardizing the basic rights of laborers.
2. If the undertaker violates the law or the agreement of this Letter of Undertaking, Sheh Kai shall immediately stop, terminate or cancel the transaction or cooperative relationship with the undertaker. For all disputes arising out of this Letter of Undertaking, the making party agrees that the laws of the Republic of China shall be the governing law and that Taiwan Qiaotou District Court shall be the court of jurisdiction for the first instance.

## 3.2 Product quality and management

The main product categories of Sheh Kai Precision are screws and bolts, wires, cement bits, and others. In response to social and economic development and customer demand, the Company uses innovative thinking and strives for excellence in the research and development of products that meet market needs to strengthen product competitiveness and provide customers with differentiated products. The Company continues to optimize production conditions to improve quality, properly control production costs, provide stable and excellent quality for corporate customers, and actively develop and increase the production ratio of differentiated products, improving product profit margins and strengthening market competitiveness.

In addition to complying with the relevant regulations and laws for the products manufactured by Sheh Kai Precision, we also think from the customer's point of view to establish and provide product purchase information and user instructions. We strictly control product-related specifications, and have obtained ISO 9001, ISO 14001, ETA certification, PGM certification and other external verification.

International certification systems and safety items obtained by products or services		
Name of product or service	Safety Certification	Percentage of evaluated products or services offered to customers (%)
Design and manufacture of steel screws and anchors, and cement bits	ISO 9001:2015 (CNS 12681:2016)	100.00
Sheh Kai Screw Sk 8-12 (carbon steel, A4)	Europe Technical Accessment	100.00
Sheh Kai Screw Sk 6 (carbon steel, A4)		100.00
Cement drill bits	PGM Masonry Drill Bit Certification Board	100.00
Four-Edge Cement Drill SDS-PLUS (Ø6, 7, 8, 10, 12, 13, 14, 16)	Germany Prüfungsgemeinschaft Mauerbohrer e. V. (PGM Masonry Drill Bit Certification Board)	4.72
Concrete Screw Anchors	EU and Germany ETA certification: ETA 15/0815, ETA 16/0067	100.00
Note: Percentage = (Total amount of assessed products or services provided to customers/Total amount of products or services provided to customers) *100.		

## ◆ Quality Activities

Zhunan Plant's Drill Bit Business Department organizes weekly factory quality reports to review the routine production inspection status and audit-related matters. The department heads and vice presidents of Zhunan Plant jointly attended the meeting; also, the ISO 9001 internal audits are conducted in the third quarter of each year, and the management review meetings are held simultaneously with the Kaohsiung Main Plant in the fourth quarter of each year.



# 03 Unique products

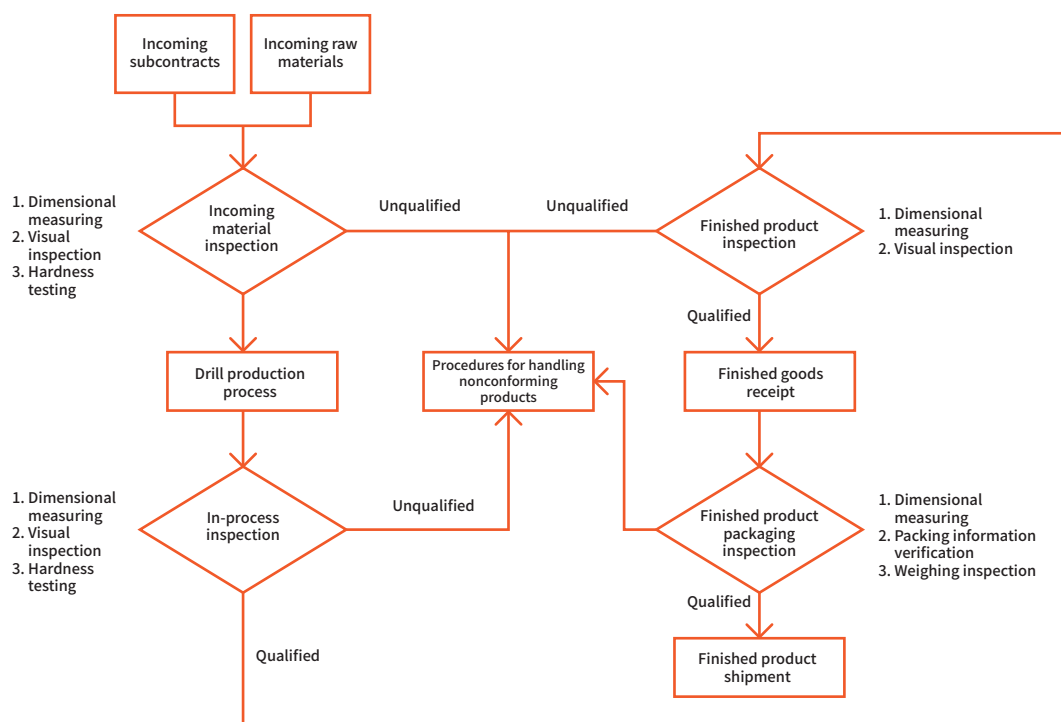
## ◆ Product Guarantee

Zhunao Plant's Drill Bit Business Department specializes in the production of cement drill bits. Appropriate quality control points have been established from raw material intake to packaging and shipping inspections to prevent defective products from reaching the customers; it also complies with the ISO 9001 PDCA cycle framework. These help the Drill Bit Business Department of Zhunao Plant to maintain the suitability, effectiveness, and adequacy of the quality system. Zhunao Plant's Drill Bit Business Department has obtained the ISO 9001 quality system certification in December 2017 to comply with international standards for quality systems. Obtained German PGM certification in December 2018.

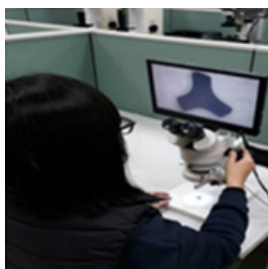
## ◆ Product information provision and labeling

The quality inspection report of the corresponding batch is attached to the product shipment, stating that the product shipping specifications meet the ANSI tolerance specifications; customized labeling is provided on the exterior of the product packaging according to the different packaging needs of the customers to control the product traceability.

In terms of product and service information and labeling requirements, during the reporting period of 2022, the Company did not have any incidents of non-compliance with regulations related to product and service information and labeling, or non-compliance with marketing communication regulations.



Incoming material/process inspection  
(Appearance inspection with an imaging microscope)



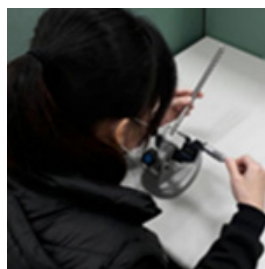
Incoming material inspection  
(Dimensional measurement with image tool microscope)



Incoming material/process/outgoing shipping inspection  
(Dimensional measurement with image tool microscope)



Incoming material/process/outgoing shipping inspection  
(Measured in micrometer)





Incoming material/in-process inspection  
(Measured by the Rockwell hardness test)



Incoming material/in-process inspection  
(Measured by the Vickers hardness test)



Shipping inspection  
(packaging information verification)



Shipping inspection  
(Packaging and weighing inspection)



### 3.3 Customer service communication

#### ◆ Customer Satisfaction

Upholding the business philosophy of innovation, professionalism, efficiency, and service, Sheh Kai always values the harmonious relationship with its customers. In addition to the traditional product orientation of providing quality products, we also place emphasis on being customer-oriented by satisfying customer needs and improving customer satisfaction. The Company is highly recognized by our customers in terms of delivery, unit price, service, and quality. In order to actively understand and improve customer satisfaction with the products and services provided by the Company, the Company will conduct market survey on a regular basis through questionnaires every year, and collect valid questionnaires as the customer's evaluation of satisfaction level with the Company.

In 2022, the Company's customer satisfaction survey results were 83.57 points and 91.17 points, respectively. The average overall customer satisfaction was 87.37 points, and the scoring result was "Very satisfied" which met the target set by the Company at 80 points. The results of the customer satisfaction survey are as follows:

Investigation unit	Survey Item	Total score	Overall average score
First Business Unit	Delivery, unit price, service, quality	83.57	87.37
Second Business Unit	Delivery, unit price, service, quality	91.17	

Remarks:

1. From September 1, 2021 to August 31, 2022, a total of 93 questionnaires were distributed for the customer satisfaction survey report of the first business unit, and 30 were recovered which were all valid. There were no invalid questionnaires.
2. From September 1, 2021 to August 31, 2022, a total of 32 questionnaires were distributed, and a total of 32 were recovered; of which, 31 questionnaires were valid, one questionnaire was incomplete, and no invalid questionnaires were returned.
3. The total score is explained below: "Highly satisfied", 81-100 points; "Satisfied", 61-80 points; "Fair", 41-60 points; "Dissatisfied", 21-40 points; "Highly dissatisfied": 0-20 points.

#### ◆ Customer Complaints

The Company values the privacy of customers and the protection of customer data. We strictly abide by the Personal Data Protection Act when collecting, processing, or using the personal data of our employees and ensure the security of the personal data of our employees and customers with a rigorous management mechanism. To effectively manage customer data and maintain security, the "Personal Information Protection Statement and Consent for the Collection, Processing, and Use of Personal Information" and "Non-Disclosure Convention" have been formulated. The Auditing Office conducts inspections of relevant data and protection operations from time to time to implement personal data laws. In addition, the Company also controls the computer system, records inquiry personnel's account numbers and document data access registration methods to ensure that customer data is protected. In 2022, the Company did not experience any privacy violations, information leakage, theft or loss of customer data.

The Drill Bit Business Department of Zhunan Plant and the Kaohsiung Plant share the same customer complaint management method. From customer complaints, information received by Sheh Kai Sales Department, data verification, and to compensation for replacement, they are all handled in accordance with the procedures; they are also reviewed at weekly meetings and management review meetings.



## 04 Green environment

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- Management Approach
- 4.1 Climate Change Risk
- 4.2 Materials and Waste
- 4.3 Energy and Water Resources
- 4.4 Greenhouse Gas Emissions



## Management Approach

Material Topic: *Energy	
Reporting Requirements	Reporting Requirements and Instructions
Material Causes of This Topic	For enterprises to achieve the government's 2050 net-zero emission goal, the FSC requires TWSE/TPEX listed companies to disclose greenhouse gas inventory information in the future, and the EU began to implement the "CBAM Carbon Border Adjustment Mechanism" on October 1, 2023. EU importers are required to declare greenhouse gas emissions. Therefore, in order to comply with the climate regulations of various countries and improve the competitiveness of our products in the supply chain, we must pay more attention to energy and other related issues.
Policy/Strategy	The Company adheres to the goal of "improving energy performance and implementing energy conservation and carbon reduction" to fulfill its corporate social responsibility.
Goals and Targets	The base year of the Company's greenhouse gas emission is 2022, and the short-term goal is expected to reduce greenhouse gas emissions by 5% within 5 years. The medium- and long-term goals still need to be further planned based on the implementation results of the short-term goals.
Management Evaluation Mechanism	The Company formulates a greenhouse gas inventory plan, and regularly tracks and reviews the goals and progress; performs greenhouse gas inventory, internal audits, and external verifications in accordance with ISO 14064.
Performance and Adjustment	The Company's greenhouse gas emission is 2022 as the base year, and the performance comparison will be conducted in the next year.
Preventive or Remedial Measures	Conduct annual tracking and review of greenhouse gas emission performance indicators, assess the use and consumption of various emission sources, identify emission hot spots, formulate emission reduction plans, and purchase external measures such as renewable energy certificates and carbon credits to offset factory carbon emissions when necessary.

## 4.1 Climate Change Risks

### ◆ Procurement ratio of operating locations

In the face of global warming, extreme weather, environmental protection and energy saving, and rising awareness of safety and health, and conservation, Sheh Kai Precision needs to fulfill its corporate social responsibility in order to gain a foothold in the industry. The Company has also formulated the Sustainable Development Best Practice Principles, promotes the development of sustainable environment-related policies, and takes actions in response to climate change. It also conducts climate change risk and opportunity assessments, and formulates management strategies and carbon reduction strategic plans based on the assessment results. We aim to reduce energy consumption and carbon emissions moving towards the sustainable development of a low-carbon economy, implementing the goal of corporate sustainable development.

The major impacts the Company may face in the future and the countermeasures are shown in the following table:

Climate Change Risk	
Governance Unit	The Company's R&D center implements and manages climate change-related issues, and formulates strategies for implementation.
Risk Category	1. Changes in domestic and international climate change-related laws and regulations. 2. Shipping delay. 3. Work stoppage or property damage caused by climate-related disasters. 4. Unstable raw material costs due to climate disasters.
Type of opportunity	1. Reducing resource consumption in the production process through R&D of new process technologies. 2. In response to climate change, various countries have invested in the development and construction of various public works, and the demand for fasteners has increased accordingly. Stainless steel products will become the first choice, which will increase the Company's orders and profits. 3. Cooperate with the upstream and downstream industry chains to carry out low-carbon transformation and reduce product life cycle footprint. 4. Proactive energy conservation and carbon reduction, development of carbon rights, and participation in the carbon market.
Strategy	"Transition risk" The changes in domestic and foreign climate change-related regulations and the rising costs are constantly monitored and corresponding strategies are formulated. "Physical risk" 1. For the decrease in revenue due to delay in shipping, we use "insurance" to diversify risks. 2. The Company uses "insurance" to diversify risks in the event of work stoppage or property damage caused by climate-related disasters. 3. Unstable and rising raw material costs due to climate disasters. Increase safety stocks while keeping costs under control.



# 04 Green environment

Climate Change Risk	
Risk Management	<ol style="list-style-type: none"> <li>1. Negotiate with customers or adopt Free on Board (FOB).</li> <li>2. Disaster grouping to reduce climate disaster damage.</li> <li>3. Inventory of raw materials and maintain a certain amount of inventory.</li> <li>4. Committed to the greenhouse gas inventory of the factories to accurately grasp the greenhouse gas emission status.</li> </ol>
Indicators and goals	<p>"Sales and Marketing Department", "Finance Department", "R&amp;D Center"</p> <p>The Company will conduct greenhouse gas inventory according to the inventory standards of the new version (ISO 14064-1:2018) and in response to government policies, and use 2022 as the base year:</p> <ul style="list-style-type: none"> <li>· Short-term goal: Reduce greenhouse gas emissions by 5% within 5 years.</li> <li>· Medium-term goal: Reduce greenhouse gas emissions by 10% within 10 years.</li> <li>· Long-term goal: Reduce greenhouse gas emissions by 30% by 2050.</li> </ul> <p>In addition, the Company is also committed to the greenhouse gas inventory of factories to accurately grasp the status of greenhouse gas emissions:</p> <ol style="list-style-type: none"> <li>1. It is expected to reduce carbon emissions by 1% every year.</li> <li>2. Based on the greenhouse gas inventory data, we propose feasible plans for reduction and implement them, and continue to promote energy-saving and carbon-reduction measures.</li> <li>3. Strengthen the Company's existing green power generation scale (solar power generation).</li> <li>4. Reward all employees for complying with environmental protection laws and regulations and participating in energy saving and carbon reduction activities.</li> <li>5. Assist and request suppliers/contractors to perform GHG inventory, and to provide data and cooperate with other relevant requirements.</li> </ol>
Financial impact	<ol style="list-style-type: none"> <li>1. Changes in domestic and foreign laws and regulations related to climate change, and increase in demand for new applications such as solar energy, which will increase revenue by about 10%.</li> <li>2. Energy opportunities brought about by extreme weather, and long screws for insulation/cold insulation will increase revenue by 3%.</li> </ol>
Carbon pricing basis	The company has not yet made the plans; in the future, we will continue to pay attention to carbon pricing measures and other related issues, including carbon tax, carbon emissions trading rights mechanism, and carbon border adjustment mechanism (EU CBAN, US CCA).
Greenhouse Gas Inventory Plan	The Company drafted a greenhouse gas inventory and verification plan in May 2022 and submitted it to the board of directors for discussion and approval. Starting from June 2022, the staffing of the plan and definition of the scope of responsibility shall be made, and the calculation and quantification of the emissions every month shall be made. The data collected will be reported to the Board of Directors for at least once per quarter. The emission inventory with a 2022 base year and the inventory report is to be completed in 2023. With this, it is expected that the internal verification will be completed by April 2024, and the external verification will be completed in June 2024.
External assurance	The greenhouse gas inventory operation is still in progress. It is expected that a third-party verification company will be commissioned based on ISO 14064 to perform external verification of greenhouse gases in June 2024.

## 4.2 Materials and waste

### ◆ Material management

Sheh Kai Precision does not use recyclable or renewable materials, nor does it recycle products or packaging materials. During the reporting period, the raw material statistics of Sheh Kai Precision in recent years are as follows:

Raw material types by plant area	
Plant area	Raw materials
Gangshan Plant	Water quenching oil, screw forming oil, antirust oil, stain removal oil, diesel oil, motor oil, tin oil, hydrochloric acid, steel
Luzhu Plant	Stainless steel wire rod, PC coating powder (8%), oxalate film (14%), acid remover, lubricant powder, ammonia (gaseous)
Zhunan Plant	Chromium-molybdenum alloy steel, tungsten steel

Statistics of Raw Materials Consumption of Sheh Kai Precision				
				Unit: Tonnes
Raw material name	Whether it is recyclable	2020	2021	2022
Water quenching oil	Non-renewable	3.56	3.38	4.80
Screw molding oil	Non-renewable	0.60	0.59	0.95
Anti-rust oil	Non-renewable	0.79	0.81	1.19
Stain removal oil	Non-renewable	2.49	3.18	3.30
Diesel fuel	Non-renewable	22.53	21.88	30.38



Statistics of Raw Materials Consumption of Sheh Kai Precision

				Unit: Tonnes
Raw material name	Whether it is recyclable	2020	2021	2022
Motor oil	Non-renewable	3.32	3.22	4.12
White iron oil	Non-renewable	2.30	2.18	3.56
Hydrochloric Acid	Non-renewable	13.24	12.87	18.76
Iron and steel	Non-renewable	1,650.25	1,815.22	2,132.02
Stainless steel wire rod	Non-renewable	4,446.38	6,120.81	4,260.10
PC coating powder (8%)	Non-renewable	4.05	5.13	1.75
Oxalate film (14%)	Non-renewable	25.30	32.35	26.15
Acid remover	Non-renewable	10.65	16.19	14.48
Lubricant powder	Non-renewable	7.27	8.29	6.78
Ammonia (gaseous)	Non-renewable	47.52	51.92	50.39
Chromium-molybdenum alloy steel	Non-renewable	30.50	39.92	26.54
Tungsten steel	Non-renewable	0.77	0.45	0.43

## ◆ Waste Management

Sheh Kai Precision has set up storage facilities for all types of waste in accordance with the laws and stored them in a centralized manner. The waste categories are divided into recycled, reused, and industrial waste. The collection and clearance operations are conducted off-site by entrusting legitimate and professional recycling and cleaning agents. The industrial waste and reporting management system is equipped with a GPS tracking system to ensure the legality and safety of the final disposal. ISO 14001 has also been established to comply with the management, and the relevant data of waste collection and monitoring are implemented.

The main wastes of Sheh Kai Precision include defective products, moldings, thread rolling, wool materials from the car repairing process, scrap iron from inventory, waste sludge from the acid cleaning process, and waste oil mixture. In 2022, the total amount of waste generated was 295.55 tons. No serious leakage incident has occurred to Sheh Kai during the reporting period.

Sheh Kai Precision's Waste Disposal Plan in 2022

Hazardous waste		
Composition of waste	Off-site	
Item	Waste Generation (Tons)	Treatment Method
A-7301, Luzhou Plant (Ashes or sludge from the emission control of the iron-chromium alloy process)	72.00	Other recycling operations
Non-hazardous waste		
Composition of waste	Off-site	
Item	Waste Generation (Tons)	Treatment Method
Waste plastic mixture (D-0299)	0.20	Incineration (excluding energy recovery)
Waste paper mixture (D-0699)	0.19	
Waste Wood Mixture (D-0799)	3.88	
Waste fiber or mixture of other cotton and cloth (D-0899)	0.19	
Gangshan City Solid Waste (D-1801) (0.821)/Luzhu City Solid Waste (D-1801) (0.83)	1.65	
Gangshan inorganic sludge (D-0902) (12.55)/Luzhu inorganic sludge (D-0902) (18.15)	30.70	Incineration (including energy recovery)
Waste oil mixture (D-1799)	31.14	
General chemical waste mixture (D-2399)	0.20	Other disposal operations
Waste wood (R-0701)	0.86	Recycling and utilization
Scrap iron (R-1301)	154.56	

Remarks:

1. The Company's waste is all disposed of off-site without on-site disposal.

2. The data in the table only includes the data of the Luzhu and Gangshan Plants. Since the Zhunan Plant only has general household waste, the statistics are not available.

# 04 Green environment

## 4.3 Energy and water resources

### ◆ Energy consumption

The energy consumption of Sheh Kai in the past three years is shown in the table below:

Quantitative Indicators	Unit	2020	2021	2022
Electricity Consumption	Degree/year	10,230,777	11,296,266	12,660,991
	GJ	36,830.80	40,666.56	45,579.57
Gasoline consumption	L/year	302	17,282	17,447
	GJ	9.86	864.00	569.77
Diesel consumption	L/year	44,348	59,214	70,210
	GJ	1,558.64	2,081.11	2,469.22
Natural gas (LNG) consumption	m <sup>3</sup>	96,246	127,668	124,394
	GJ	3,221.55	4,273.30	4,166.50
Organization-specific Metrics	Revenue of NTD thousand	1,059,922	1,426,336	1,450,487
Total Energy Consumption	GJ	41,620.84	47,584.97	52,785.06
Energy intensity	GJ/NTD thousand revenue	0.0393	0.0334	0.0364

Note:

1. The heating value of electricity is converted at 1kWh = 0.0036GJ.

2. The conversion factor is based on the calorific value of the fuel calculated according to the EPA's Emission Coefficient Management Table Version 6.0.4, gasoline 7,800 kcal/L; diesel 8,400 kcal/L; natural gas 8,000 kcal/m<sup>3</sup>; 1 kcal = 4.184 KJ.

3. The organization-specific measurement data is the data in the consolidated financial statements.

4. The electricity consumption is the total of the Gangshan Plant, Luzhu Plant, packaging plant, new Zhunan plant, and old Zhunan plant.

5. The consumption of natural gas (LNG) is the sum of Gangshan Plant and Luzhu Plant.

\*Due to the lack of statistics on the gasoline consumption of Ben Chou Plant and Zhunan Plant in 2020, only the data of Luzhu Plant is provided.

\*The 2021 energy consumption data includes only the totals of the Company's Ben Chou, Luzhu, and Zhunan Plants.

### ◆ Green and energy-saving performance

Based on the corporate social responsibility and the goal of green production and sustainable operation, Sheh Kai Precision promotes energy saving and carbon reduction actions. In terms of energy saving and carbon reduction measures, the old air compressors are replaced with variable frequency air compressors, pressure control, and frequent inspections to prevent gas circuit leakage; lights in some areas are dimmed during lunch breaks and turned off in unmanned places; the temperature of air conditioning in the workplace in summer must be over 26 degrees celsius. Under the efforts of all company employees, production volume made an increase in 2022. Air-compressor, lighting and air conditioning consume relatively more electricity. However, in 2022, compared with 2021, the energy consumption intensity per unit of product (volume) was reduced by about 9% for air compressors, about 2% for lighting, and about 7% for air conditioners.

Nowadays, the world pays attention to energy conservation, carbon reduction, and environmental protection issues. The Company's products are made of stainless steel, which can significantly reduce maintenance and repair costs, increase the life of building structures, and reduce the waste of resources caused by building structural reconstructions. In terms of service life, at least 80% of the energy consumption in the production of screws can be reduced, reducing the energy consumption of end customers, and hoping to contribute to environmental sustainability.



Energy conservation measures and practices	Actual reduction in energy consumption
Replace old air compressor with variable frequency air compressor	Calculation method: Energy intensity per unit of product (volume) in 2021: $1,395,400/241,790 = 5.77$ . Energy intensity per unit of product (volume) in 2022: $1,450,920/276,740 = 5.24$ . Comparing 2022 with 2021, the energy consumption intensity per unit of product (volume) was $(5.2-5.8)/5.8=-9.2\%$ , a decrease of about 9%.
Reduced lighting in certain areas during lunch breaks and turned off lights in unmanned places.	Calculation method: Energy intensity per unit of product (volume) in 2021: $220,160/241,790 = 0.91$ . Energy intensity per unit of product (volume) in 2022: $246,560/276,740 = 0.89$ . Comparing 2022 with 2021, the energy consumption intensity per unit of product (volume) was $(0.89-0.91)/0.91=-2.2\%$ , a decrease of about 2%.
Adjust the air conditioner temperature to more than 26 degrees Celsius in summer.	Calculation method: Energy intensity per unit of product (volume) in 2021: $176,930/241,790 = 0.73$ . Energy intensity per unit of product (volume) in 2022: $186,900/276,740 = 0.68$ . Comparing 2022 with 2021, the energy consumption intensity per unit of product (volume) was $(0.68-0.73)/0.73=-7.7\%$ , a decrease of about 7%.
Remarks: 1. The calculation method of energy consumption intensity per unit of product (volume): Electricity consumption (kWh) for the year/output (MPCS) for the year.	

#### ◆ Water resource management

Due to the special geographical and climatic conditions of Taiwan, although rainfall is abundant but it is not easily retained, the dependence on and demand for water resources, whether for daily life or for business operations, are increasing day by day. Water resource allocation and management has become one of the important issues in sustainable operations. Taiwan is the main country of production for Sheh Kai Precision. The source of water is tap water. In order to fulfill the responsibility for environmental protection, there is no significant impact on the local area in terms of water withdrawal. The Company's operating bases are located in Miaoli County and Kaohsiung City, and the main sources of water supply are Yonghe Mountain Reservoir and Zengwen Reservoir. In order to effectively manage water resources, we use the "WATER RISK ATLAS" of the World Resources Institute to inquire the water resources risk of the Company's operations. The evaluation results show that the water resources risks are medium to low risk.

Plant area		Address	Intake reservoir	Risk Assessment
Kaohsiung	Gangshan Plant	No. 1, 3, 5, Bengong 1st Rd., Ben Chou Village, Gangshan Dist., Kaohsiung City	Zengwen Reservoir	Low-to-medium risk
	Packing plant	No. 1, Bengong W. 1st Rd., Gangshan Dist., Kaohsiung City		
	Luzhu Plant	No. 161, Minyou Rd., Luzhu Dist., Kaohsiung City		
Miaoli	Zhunan Plant	No. 58, Neigh. 9, Dacuo Vil., Zhunan Township, Miaoli County	Yonghe Mountain Reservoir	
	Bi-Metal Material Plant	No. 70-29, Shishan, Neigh. 23, Dacuo Vil., Zhunan Township, Miaoli County		

#### ◆ Water resource utilization

In 2022, Sheh Kai Precision's water consumption was 13.96 million liters, an increase of 7.55% from 2021. As the production capacity in 2022 increased by 17.45% from 2021, the relative water consumption increased. While implementing energy-saving activities at each plant, we also pay attention to the use of water and reduce unnecessary waste. We also promote the concept of water conservation to employees from time to time to achieve water conservation.

# 04 Green environment

Water consumption statistics of Sheh Kai in the past three years			
Year	2020	2021	2022
Water Withdrawal (million liters)	12.45	12.98	13.96
Water Discharge (million liters)	7.48	7.17	8.29
Water Consumption (million liters)	4.97	5.82	5.67
Recycled water consumption in the plant (million liters)	1,718.40	1,704.65	1,708.53
Water Recycling Rate (%)	99.28	99.24	99.19
Organization-specific measurement (unit)	Revenue of NTD thousand		
Organization-specific Metrics	1,059,922	1,426,336	1,450,487
Water Use Intensity	0.0000117	0.0000091	0.0000096

Note:

1. Water consumption = water intake - water discharge.

2. Water recovery and reuse rate = Volume of recycled water in the plant / (volume of water withdrawn + Volume of recycled water in the plant) \* 100%.

3. The calculation of water intensity is: Water withdrawal (million liters) / organization-specific measured value.

## ◆ Effluent discharge status

In 2022, Sheh Kai Precision's total wastewater discharge was approximately 8,290m<sup>3</sup>. For the operation wastewater and domestic wastewater generated from the cleaning process, no expense is spared to purchase a complete wastewater treatment equipment to ensure that the discharged water meets the discharge standard. We have ensured that the effluent exceeds the legal requirements to reduce environmental pollution, and has obtained the water pollution prevention permit issued by the competent authority, and the discharge water quality has complied with the local discharge testing value standards.

Wastewater Testing at Sheh Kai Precision				
Water Pollution Testing Items	2021		2022	
	Emission standard (ppm)	Annual average monitoring value (ppm)	Emission standard (ppm)	Annual average monitoring value (ppm)
PH value	5.0~9.5	7.84	7.25	7.4
Suspended Solids (SS)	330	13.98	330	8.54
Chemical oxygen demand (COD)	710	95.13	710	54.84
Ammonia nitrogen (NH <sub>3</sub> -N)	125	29.83	125	26.36
Zinc (Zn)	5	0.06	5	0.07
Dissolved iron (D-Fe)	10	0.018	10	0.18

Note:

1. The PH value discharge standard is in the range of 5-9.5, and the average is 7.25.

During the reporting period, the wastewater discharge situation of Sheh Kai's headquarters and various operating locations is as follows:

Overview of wastewater discharge (m <sup>3</sup> ) by each operation location			
Business Locations	2021	2022	Annual average monitoring value (ppm)
Kaohsiung	Gangshan Plant	7,170	8,290
	Luzhu Plant	1,010	880
	Packing plant	-	380
Miaoli	Zhunan Plant	1,374	1,530
	Bi-Metal Material Plant	754	623

Note:

1. The water discharge volume is calculated by the packaging plant from June 2022.

2. The water discharge volume of the packaging factory, Zhunan factory and composite material factory has been filled in with tap water deducting 20% of wastage.





## 4.4 Greenhouse gas emissions

The Company attaches great importance to environmental protection, and continues to replace energy-consuming air compressors and lighting equipment to reduce energy consumption through specific energy-saving action plans. However, during the reporting period, due to the large number of orders in 2022, and the energy consumption of air compressors, lighting, and air conditioners, the "energy consumption intensity per unit of product (volume)" is evaluated. Therefore, the total energy consumption has increased compared to the previous year.

Item	2020	2021	2022
Scope 1: Direct GHG emissions (tonCO <sub>2</sub> e)	297.70	435.70	390.68
Scope 2: Indirect greenhouse gas emissions (tonCO <sub>2</sub> e)	5,135.85	5,749.80	6264.03
Total emissions = Scope 1 + Scope 2	5,433.55	6,185.49	6654.71
GHG emission intensity (ton CO <sub>2</sub> e/Thousand dollars in revenue)	0.0051	0.0043	0.0046

Note:

1. Scope 1 refers to emission sources owned or controlled by the Company, including stationary combustion sources, process emissions, mobile combustion sources such as transportation, and fugitive emission sources. Calculation is based on the Announcement Data Version 6.0.4 (IPCC Fifth Assessment Report) of the Bureau of Energy, Ministry of Economic Affairs.
2. Scope 2 refers to indirect emissions, such as externally purchased electricity.
3. Types of greenhouse gas emissions: Carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O).
4. The electricity emission factor of the externally purchased electricity is based on the announcement by the Bureau of Energy, MOEA. The 2021 electricity emission factor = 0.509 kgCO<sub>2</sub>e/kWh; the 2022 electricity emission factor = 0.495 kgCO<sub>2</sub>e/kWh.

During the reporting period of 2022, Sheh Kai Precision also produced no emissions of substances that deplete the ozone layer. The following table shows the Company's testing items for major gases such as volatile organic compounds (VOCs), particulate pollutants (TSP), sulfur oxides (SOx), and nitrogen oxides (NOx) from 2020 to 2022:

Test Item	2020			2021			2022		
	Discharge (kg)	Emission standard (ppm)	Annual average monitoring value (ppm)	Discharge (kg)	Emission standard (ppm)	Annual average monitoring value (ppm)	Discharge (kg)	Emission standard (ppm)	Annual average monitoring value (ppm)
Volatile Organic Compounds (VOCs)	0	0	0	0	0	0	0	0	0
Particulate matter pollutants (TSP)	2.38	30	0	3.28	30	1	3.29	30	0
Sulfur oxides SOx	0	0	0	0	0	0	0	0	0
Nitrogen oxides NOx	79.22	100	0	106.16	100	54	109.3	100	0

Note:

1. The unit of TSP of particulate pollutants is mg/Nm<sup>3</sup>.
2. There is no air pollution monitoring system, and the information filled in the form is the detection value when the operation permit is changed.



# 05 Welfare and care

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- Management Approach
- 5.1 Employee Relations and Overview
- 5.2 Talent Cultivation and Training
- 5.3 Care and Welfare
- 5.4 Participation in Social Practices



## Management Approach

### Material Topic: Labor/management relations

Reporting Requirements	Reporting Requirements and Instructions
Material Causes of This Topic	To establish a harmonious labor-management relationship, the Company provides employees with comprehensive working conditions, remuneration and benefits, so that they can work without worries. At the same time, it is also expected that employees and the Company can grow steadily together, so that the Company maintains a high level of competitiveness and sustainable operations.
Policy/Strategy	The Company complies with and provides better terms and conditions than the "Labor Standards Act," "Act of Gender Equality in Employment," "Labor Pension Act," "Act for Settlement of Labor-Management Disputes," "Implementation Regulations for Labor-Management Meetings" and "Employee Welfare Fund Act" and other relevant laws and regulations, in order to establish a competitive salary and welfare system. We will also continue to revise and provide a complete internal performance appraisal system and employee reward system.
Goals and Targets	<ul style="list-style-type: none"><li>Short-term goal (within three years): Strictly comply with laws and regulations and optimize the employee bonus system to avoid penalties for violating labor laws and regulations.</li><li>Mid- and long-term goals (within 5 years): Provide a comprehensive evaluation mechanism and employee training system, thereby creating diversified benefits and living security, so that employees can retire with security and realize corporate sustainability.</li></ul>
Management Evaluation Mechanism	<ol style="list-style-type: none"><li>Conduct evaluation and grade in accordance with the salary management regulations and work rules.</li><li>Convene the Remuneration Committee to provide fair and reasonable remuneration.</li><li>Hold monthly supervisors' meetings and labor-management meetings.</li><li>Establish the Employee Welfare Committee.</li></ol>
Performance and Adjustment	<ol style="list-style-type: none"><li>The Company provides a comprehensive salary system to give employees a salary level that is superior to the industry. Salary adjustments are made every year based on the Company's operating conditions. The average salary increase in the past three years is about 5%.</li><li>According to the Company's Articles of Incorporation, more than 1% of the profit is allocated as employee compensation each year. In 2022, 3.36% of the profit is allocated as employee compensation.</li><li>There were no labor disputes or mediation applications from 2020 to 2022.</li></ol>
Preventive or Remedial Measures	The Company has a dedicated mailbox and channel. Employees can also get in touch with workplace issues through the following methods: <ul style="list-style-type: none"><li>Contact window: Administration Department</li><li>Employee Grievance Hotline: (07) 6225669 ext 203</li><li>Employee Complaint Email: pony@shehkai.com.tw</li></ul>

### Material Topic: Occupational Health and Safety

Reporting Requirements	Reporting Requirements and Instructions
Material Causes of This Topic	Employees are the Company's most important assets. Only when employees are in good physical and mental health can the Company have a bright future. The Company provides a workplace environment that is healthy and safe. It encourages employees to have better cohesion and enables them to grow together with the Company. We manage the Company's internal compliance with occupational safety and health regulations to ensure the safety and health of employees.
Policy/Strategy	The Company adheres to the principle of "zero occupational hazards and zero occupational diseases" and complies with and provides better standards than the Occupational Safety and Health Act and related regulations.
Goals and Targets	<ul style="list-style-type: none"><li>Short-term goal (within five years): Reduce the probability of occupational disasters to less than 3 cases.</li><li>Medium- and long-term goals (over 10 years): Adhering to the principle of "zero occupational injuries and zero occupational diseases" of the Company.</li></ul>
Management Evaluation Mechanism	The on-site assessment report and other safety and health recommendations are discussed and reviewed through the Safety and Health Committee.
Performance and Adjustment	<ol style="list-style-type: none"><li>There was one more work-related injury in 2022 than in 2021, mainly due to accidental work-related injuries.</li><li>As of 2022, there has been no occurrence of occupational diseases.</li></ol>
Preventive or Remedial Measures	The safety and health office reviews and assesses the report, proposes improvement measures, and submits it to the members in the quarterly safety and health management meeting, where the members can also put forward opinions and review other management matters. If the improvement effect is not as expected, the Safety and Health Office will make suggestions in the plant affairs meeting and continue to communicate with relevant units for improvement operations. The Company has a dedicated mailbox and channel. If employees and partners have other relevant suggestions, they can also get in touch with the following methods: <ul style="list-style-type: none"><li>Contact window: Safety and Health Office</li><li>Employee Grievance Hotline: (07) 6225669 ext 217</li><li>Employee Complaint Box: cynthia@shehkai.com.tw</li></ul>

# 05 Welfare and care

## 5.1 Employee Relations and Overview

### ◆ Employee Profile

For a long time, Sheh Kai Precision regards its employees as the most important assets of the Company and the core of the Company's sustainable development. Therefore, relevant rules and regulations have been formulated to protect the rights and interests of employees, continuous promotion of employee care, promotion of employees' physical and mental health, and adopt a fair appointment and promotion system that seeks talents with different backgrounds and expertise, and continues to develop personal ability cultivation to create a "win-win" working environment for employees and the Company.

As of the end of 2022, the Company's headquarters and all of its plants had 299 full-time employees (196 males and 103 females). During the reporting period, the number of non-employee workers in the plant was 15. (3 interns, 6 outsourced security guards, 2 outsourced cleaning personnel, and 3 outsourced professional consultants). The detailed employment and gender distribution of the employees during the reporting period is shown in the table below:

Sheh Kai Precision's Employment and Gender Distribution in 2022				
	Region/Type	Female	Male	Total
Taiwan	Number of employees	103	196	299
	Number of permanent employees	102	194	296
	Number of temporary employees	1	2	3
	Number of full-time employees	102	194	296
	Number of part-time employees	1	2	3

Note:

1. Employees and temporary employees not identified by their own gender and whose gender is not disclosed.
2. Employees: Individuals who have engaged in a labor-management relationship with the organization in accordance with national laws or their applicable requirements (employees with labor insurance in Taiwan).
3. Regular position: An individual who signs an indefinite contract.
4. Temporary: Individuals who have signed a fixed-term contract.

Information on the Company's Non-Employee Workers in 2022		
Worker Type	Contractual relationship with the Company	Total Workers
Interns	-	4
Outsourced security	Undertaking of contracts	6
Outsourced cleaners	Undertaking of contracts	2
Professional consultants	Appointment	3

Note:

1. Number of security guards in 2022: 2 in Gangshan Factory; 2 in Luzhu Factory; and 1 in Packaging Factory.
2. Contracted cleaning personnel in 2022: 1 from Gangshan Plant; 1 from Zhunan Plant.

In order to strengthen the harmonious relationship with the local area and increase the stability of the employees' work, the Company mainly recruits employees from Taiwan, and hires 100% local residents as senior executives at the assistant manager level or above. The position distribution of employees in the past three years is as follows:



Distribution of employees by position in the past three years					
Year			2020	2021	2022
Item/Gender		Age	(Number of people)	(Number of people)	(Number of people)
Supervisors	Male	Under 30 years old	35	34	33
		30-50 years old	7	7	6
		Over 51 years old	0	0	0
	Female	Under 30 years old	9	9	7
		30-50 years old	2	2	4
		Over 51 years old	54	52	50
Total number of supervisors			67	59	64
Non-key management personnel	Male	Under 30 years old	85	84	84
		30-50 years old	8	10	12
		Over 51 years old	18	15	14
	Female	Under 30 years old	66	71	70
		30-50 years old	4	4	5
		Over 51 years old	248	243	249
Total non-key management personnel			302	295	299
Total number of permanent employees			308	302	295
Note: The senior management of the Company are the president, general manager, deputy general managers, and directors or above.					

## ◆ Hiring employees of diverse ethnic groups

In 2022, Sheh Kai Precision hired a total of 71 international migrant workers and 3 employees from minority or disadvantaged groups. The proportion of employees with disabilities accounting for 1% of the total number of employees is in compliance with the provisions of Article 38 of the "Person with Disabilities Rights Protection Act" of the government to ensure equal employment opportunities for disadvantaged and related groups. The age-gender ratio of the diverse workforce of Sheh Kai Precision in the past three years is shown below:

Age and gender distribution of employee diversity					
Year			2020	2021	2022
Item/Gender	Age		(Number of people)	(Number of people)	(Number of people)
Minority or Vulnerable Group	Male	Under 30 years old	0	0	0
		30-50 years old	2	3	3
		Over 51 years old	0	0	0
	Female	Under 30 years old	0	0	0
		30-50 years old	1	1	0
		Over 51 years old	0	0	0
International migrant workers	Male	Under 30 years old	32	29	37
		30-50 years old	27	23	30
		Over 51 years old	0	0	0
	Female	Under 30 years old	1	2	2
		30-50 years old	0	0	2
		Over 51 years old	0	0	0



# 05 Welfare and care

## ◆ Overview of new hires and turnovers

Sheh Kai Precision aims to retain outstanding talents and strives to establish a friendly working environment, emphasizes work-life balance, provides employee training and development opportunities, and encourages employees to continuously improve themselves to achieve their personal career development. Therefore, the employee turnover rate is quite stable. In 2022, a total of 77 employees (52 males and 25 females) were recruited, and the new hire rate was 25.75%; a total of 73 employees (48 males and 25 females) resigned, and the turnover rate was 24.41%. The following is an overview of the new and resigned employees of Sheh Kai Precision in the past three years.

Employee recruitment rate in the past three years												
Year	2020				2021				2022			
Gender	Male		Female		Male		Female		Male		Female	
Age\Item	Number of People	New recruit rate (%)	Number of People	New recruit rate (%)	Number of People	New recruit rate (%)	Number of People	New recruit rate (%)	Number of People	New recruit rate (%)	Number of People	New recruit rate (%)
Under 30 years old	20	6.62	4	1.32	16	5.42	9	3.05	36	11.84	9	2.96
30-50 years old	22	7.28	6	1.99	18	6.10	11	3.73	14	4.61	15	4.93
Over 51 years old	0	0	0	0	0	0	0	0	2	0.66	1	0.33
Total number of new employees	52				54				77			
Total number of employees	302				295				299			
Total new recruit rate (%)	17.22				18.31				25.75			

Note:

1. The number of new employees will not be deducted for those who resign midway.

2. New recruit rate of male (female) employees of that age group = Number of new male and female employees of that age group/total number of employees at the operating locations at the end of the year.

3. Total new employee hiring rate = Number of new employees in the year/total number of employees at the operating locations at the end of the year.

Turnover rate in the past three years												
Year	2020				2021				2022			
Gender	Male		Female		Male		Female		Male		Female	
Age\Item	Number of People	Turnover rate (%)	Number of People	Turnover rate (%)	Number of People	Turnover rate (%)	Number of People	Turnover rate (%)	Number of People	Turnover rate (%)	Number of People	Turnover rate (%)
Under 30 years old	24	7.95	4	1.32	20	6.78	9	3.05	23	7.57	5	1.64
30-50 years old	20	6.62	10	3.31	24	8.14	8	2.71	22	7.24	19	6.25
Over 51 years old	0	0.00	0	0.00	0	0.00	0	0.00	3	0.99	1	0.33
Total number of employees resigned	58				61				73			
Total number of employees	302				295				299			
Total severance rate (%)	19.21				14.92				24.41			

Note:

1. Define the categories of employees resigned from the Company: (e.g. resignation, dismissal, resignation, retirement, or death on the job).

2. Turnover rate of male (female) employees of that age group = number of male and female employees of that age group that left for the year/total number of employees at the operating locations at the end of the year.

3. Hiring rate of total resigned employees = Number of employees resigned in the year / total number of employees at the operating locations at the end of the year.



## ◆ Employee remuneration system

The remuneration system of Sheh Kai referenced the salary benchmark of the same industry, the market supply and demand of manpower, and the operating financial condition. The salary standard for new recruits is higher than the statutory basic salary standard. The main remuneration items of the Company's full-time employees include fixed salary, various allowances, bonuses, year-end bonuses and employee remuneration. Remuneration for employees of the same seniority, group or function will not be any different due to one's gender. However, there is a difference in the salary ratio of each position. The percentage of bonus is different due to different seniority, work level and job attributes.

As of the end of the reporting period, the ratio of the standard salary of male and female junior staff to the local minimum salary is shown in the table below:

Country/Region	Ratio of standard male entry-level salary to local minimum salary	Ratio of standard female entry-level salary to local minimum salary
Taiwan Plants	1.14	1.07

Note:

1. Entry-level personnel refer to employees who are not responsible for managing other employees.
2. The monthly recurring salary includes basic salary and fixed monthly allowance.
3. The basic salary in 2022 was NTD 25,250.

Female to male basic salary ratio		
Rank Category	Male	Female
Management positions	1	0.62
Non-management position	1	0.89
Direct personnel	1	0.82
Indirect personnel	1	0.50

Remarks:

The ratio of basic salary and remuneration of women to men: It is "the average annual salary of women in its category/average annual salary of men in its category."

The Company complies with the minimum salary of the Labor Standards Act regardless of the gender of the employee. However, there are still years of service, work performance and other considerations for the salary payment, so there is a gap in the salary ratio of each position. The annual salary ratio during the reporting period is as follows.

Remuneration ratio by job category	Number of People		Total annual salary (NTD)		Remuneration ratio	
	Female	Male	Female	Male	Female	Male
Management positions	11	39	8,729,607	49,561,522	0.62	1
Non-management position	93	156	41,990,671	78,968,602	0.89	1
Direct personnel	34	146	15,144,518	79,145,963	0.82	1
Indirect personnel	70	49	35,575,760	49,384,224	0.50	1

Note:

1. Entry-level personnel refer to employees who are not responsible for managing other employees.
2. The monthly recurring salary includes basic salary and fixed monthly allowance.
3. The basic salary in 2022 was NTD 25,250.

# 05 Welfare and care

During the reporting period, the annual total remuneration ratio of Sheh Kai Precision is shown in the table below:

Country/ Region	The ratio of the annual total remuneration of the highest paid individual in the Company to the median annual total remuneration of employees (excluding the highest paid individual).	The ratio of the annual total remuneration of the highest paid individual in the Company to the annual total remuneration of employees (excluding the highest paid individual).
Taiwan Plants	1.14	1.07

Remarks:

1. The Chairman is not regarded as the highest paid individual unless he is also the President/CEO.
2. The formula for calculating the median ratio of annual remuneration: The individual with the highest annual salary in the year/the individual with the median annual salary in the year.
3. Formula for calculating annual salary increase ratio: The percentage of the annual salary increase for the individual with the highest annual salary for the year/the percentage of the annual salary increase for the individual with the median annual salary for the year.

## ◆ Minimum Announcement Period for Operational Changes

Sheh Kai aims to retain outstanding talents and strives to establish a friendly working environment, emphasizes work-life balance, provides employee training and development opportunities, and encourages employees to continuously improve themselves. To ensure the protection of the rights and interests of the employees, relevant laws of the Labor Standards Act are adhered to. In the event of significant operational changes or the termination of the labor-management relationship with employees and the termination of the labor contract pursuant to the proviso of Article 16 of the Labor Standards Act or the proviso of Article 11 or Article 13 of the Act, the notice of termination of the labor contract shall be subject to the following provisions process:

1. If the employee continues to work for more than three months but less than one year, a warning in advance of 10 days shall be given.
2. A notice before 20 days shall be given to those who continue to work for more than one year but less than three years.
3. For those who continue to work for more than three years, a notice is given 30 days in advance.
4. After receiving the notice in the preceding paragraph, the worker may ask for leave during working hours in order to find another job. The number of leave hours per week shall not exceed two working days, and the wages during the leave period shall be paid.
5. If the employer terminates the contract without giving notice within the period specified in Paragraph 1, wages shall be paid during the notice period.

## ◆ Occupational Health and Safety Management

With the belief that employees are the most important asset of the Company, Sheh Kai actively builds a safe and healthy operating environment and continues to promote the concept of environmental safety and health among employees. The identification, analysis, and measurement, continuous improvement of the operating environment are conducted on a regular basis with the engagement of professional personnel, in order to prevent occupational hazards and environmental pollution, and enhance the safety culture of the Company through employees' safe operating habits.

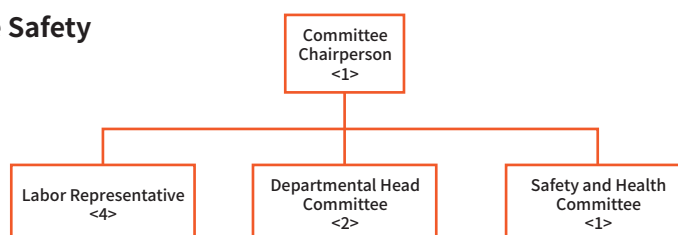
Although the Company has not yet established an occupational safety and health management system, Sheh Kai Precision has a "Safety and Health Committee" and a dedicated unit for labor safety and health. The unit is responsible for the formulating, planning, and promotion of safety and health management matters and to guide relevant departments on the implementation. The safety and health committee meets once every three months. Its duty is to make recommendations to the safety and health policies formulated by the employer, and to review, coordinate, and recommend safety and health-related matters, and implement disaster prevention, communication, and management. In addition, the occupational safety and health unit communicates with employees and contractors on the concept of disaster prevention from time to time, and organizes various occupational safety education and training, and promotes relevant information on disaster prevention to strengthen the disaster awareness of employees.

The following table shows the scope of safety and health management of Sheh Kai Precision:

Covered Personnel	Number of People	Percentage (%)
Total number of employees	299	100
Total number of non-employees	37	100

Note: Including the contractors who enter the area managed by the Company to engage in operational activities (including security and cleaning personnel, etc.).

## Organizational Structure of the Safety and Health Committee





Sheh Kai Precision has established the "Gang Shan Plant Emergency Response Management Regulations," "Investigation, Handling, and Statistical Analysis of Occupational Accidents, False Alarms, and Events Affecting Physical and Mental Health" and related procedures in accordance with the Occupational Safety and Health Administration's technical guidelines for implementing work environment and operation hazard identification, assessment and control. Identify the hazards that exist around the workplace due to operational activities under the control of the Company, and the revision of safety and health assessments. A consulting company is commissioned to conduct temporary factory inspections and conduct safety and health assessments every quarter to identify workplace hazards and risks, diagnose on-site safety and health facilities, and propose improvements to make the operating environment and procedures safe. Unacceptable medium-to-high risk will be included in the management plan for improvement to reduce the level of risk, implement risk control and ensure the effectiveness of the management system. According to the audit results at the end of 2022, there were 0 high-risk cases, 4 medium-risk cases, and 4 low-risk cases. In the future, we will continue to identify risks and make improvements to ensure factory safety. In addition, the Company conducts fire drills and chemical drills in the third quarter of each year to strengthen the emergency response capabilities of employees.

The Safety and Health Office values the safety and health of each employee with the goal of "zero accident safety." Through the implementation of risk assessment, hazard identification, and safety and health education and promotion, the employees' risk awareness and safety knowledge are improved. To achieve the goal of zero disasters and according to laws, the Company has formulated the "Safety and Health Work Code" and submitted it to the occupational safety and health authority for review.

In addition, the department will conduct monthly statistics and analysis based on FR and SR, and submit a report to the quarterly Occupational Safety and Health Committee meeting. In 2022, there were 5 employee injuries. The biggest cause was accidental cut of an employee while operating the machine, FSI = 0.63. Looking forward to 2023, all employees of the Company will continue their efforts to achieve zero disasters.

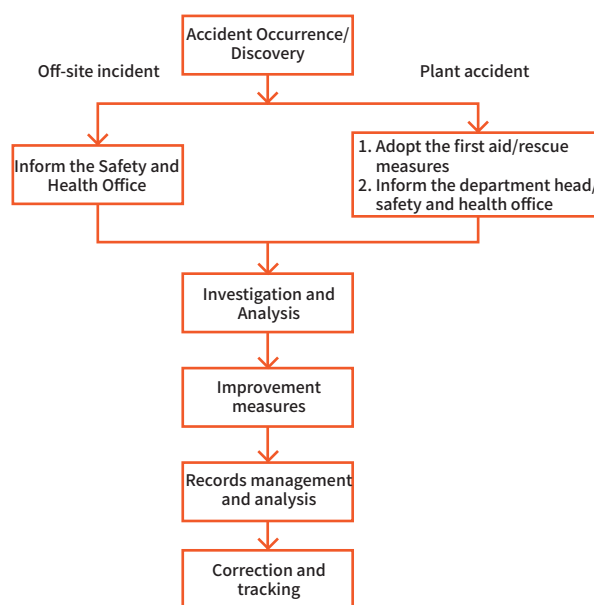
In addition, according to the Company's regulations, employees may stop or leave voluntarily when faced with immediate hazards when performing work. If problems are discovered during work, they can immediately report to the supervisor or the safety and health department; at the same time, contractors may also submit hazard notices, improvement matters and other safety and health management matters. In order to encourage whistleblowers to disclose illegal cases and contractors to put forward relevant suggestions, the following table shows the relevant protection mechanisms and contact channels of the Company.

Contractor's advice, whistleblower protection  
Mechanism of communication

- Confidentiality of the whistleblower's identity and information; no disclosure of identifiable information.
- Whistleblowing, dismissal, demotion, salary reduction, damage to legal, contractual, or customary rights, or any other unfavorable disciplinary actions may be imposed on the whistleblower due to the reported case.
- "Suggestion and Complaint Channel"
- Contact: Safety and Health Office
- Complaint hotline: (07)6225669 ext 217
- Complaint email: cynthia@shehkai.com.tw

Since most accidents are caused by workers' lack of safety awareness, how to train employees on safe work habits and enhance their awareness of the hazards of the workplace is the focus of safety and health education and training. We organize education and training every year based on the needs. In addition to the essential safety and health courses, we also provide job-specific expertise training and emergency response training. By communicating with each other during the education and training process to reach a consensus, we can help workers avoid the work habit of human negligence. It can improve the hazard identification ability of workers and reduce potential occupational hazard risks.

### Accident Investigation Flow Chart



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Statistics of Occupational Health and Safety Training Items		
Name of training item	No. of Trainees	Training Fee (NTD)
Special safety and health on-the-job education and training on using crane tools for hanging operations	1	400
Safety and Health Education and Training for Stationary Crane Operators Whose Weight is Less Than 3 Metric Tons	1	4,500
Safety and health education and training for supervisors of Type A, Type B, and Type III occupational safety and health operations	1	1,500
Fire Protection Manager Lecture Training	1	1,600
Special safety and health on-the-job education and training on using crane tools for hanging operations	5	500
On-the-job Education and Training for Stationary Crane Operators	17	6,800
On-the-job Education and Training for First Responders	1	700
Safety and health education and training for dust handling supervisors	1	3,400
Forklift operator pre-examination training course	1	500
On-the-job Education and Training for Forklift Operators with a Load of Over One Metric Ton	4	1,600
On-the-job education and training for radiation protection personnel	2	2,400

Remarks:  
 1. Including employees and non-employees whose work and/or workplace is controlled by the organization.  
 2. Workers who are not employees but whose work and/or workplace is controlled by the organization, such as security, cleaning personnel, construction personnel, and other contractors and contractors.  
 3. The occupational safety and health related education and training herein include general training or training for specific occupational hazards and dangerous situations.

## ◆ Health promotion and service

To ensure the safety and health of the working environment for the employees, Sheh Kai Precision makes improvements to the working environment based on the characteristics of the job site and provides a safe and comfortable working environment. The Company conducts employee health checkup every year in accordance with the frequency and item of the law. The Company conducts health checkup and management for employees engaged in general operations, and conducts special health checkup for employees engaged in special operations: noise, dust, and n-hexane, in order to control personnel health.

Pursuant to the Occupational Safety and Health Act, the Labor Health Protection Regulations, and the related medical laws and regulations, Sheh Kai Precision assigns on-site nurses six times a month and clinic physicians once every two months. They are responsible for employee health checkup abnormalities consultation, maternal worker labor care, infectious disease prevention and other health education services; annual factory inspections are conducted to ensure personal health and safety. There was no occurrence of occupational diseases in 2022.

Total Number of Employee Health Checkups and Expenses	
General health checkup	
Inspection Item	1. Investigation of work experience, past medical history, lifestyle habits, and subjective symptoms. 2. Height, weight, waist circumference, vision, color discrimination, hearing, blood pressure, and physical examination of each system or body part. 3. Chest X-ray (blockbuster) photography examination. 4. Examination of urine protein and urine occult blood. 5. Examination of hemoglobin and white blood cell count. 6. Testing of blood sugar, ALT or SGPT, creatinine, cholesterol, triglycerides, high-density lipoprotein cholesterol, and low-density lipoprotein cholesterol.
Number of persons examined	169
Inspection Fee (NTD thousand)	71.30
Special Health Checkup	
Inspection Item	Noise, dust, n-Hexane
Number of persons examined	79
Inspection Fee (NTD thousand)	0





#### Employee Health Checkup



#### ◆ Occupational injury and disease statistics

The following types of occupational injuries have occurred at Sheh Kai Precision in the past three years: There were four in 2020. The causes of the injuries were: Scalp accidentally bumping into the corner of a table during operation; finger pinching during crane hanging operation; machine operating accidental finger pinching injury and electric finger injury due to careless work; 2 injuries in 2021, due to careless work, scalding and finger injury; 3 injuries in 2022, due to carelessness accidental finger pinching and cutting.

According to the employee occupational accident statistics table below, there are no major occupational accidents or work-related fatalities among the employees of Sheh Kai in the past three years, and no occupational injuries to non-employee workers. This shows our efforts in employee occupational safety.

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Employee occupational injuries				
Category	Item	2020	2021	2022
Total Working Hours	Total working hours of women	174,000	196,416	192,024
	Total working hours of men	356,000	390,848	375,312
	Total Working Hours	530,000	587,264	567,336
Number of fatalities due to occupational injuries	Female fatalities (number of times)	0	0	0
	Male fatalities (number of times)	0	0	0
	Total number of deaths	0	0	0
Number of serious occupational injuries (excluding deaths)	Total number of serious occupational injuries (times) among females	0	0	0
	Total number of serious occupational injuries (times) among men	0	0	0
	Total number of serious occupational injury person (times)	0	0	0
Number of recordable work-related injuries (including fatalities and serious work-related injuries)	Total number of female occupational injuries (times)	0	1	0
	Total number of work-related injuries (times) among men	4	1	3
	Total number of work-related injuries	4	2	3
Death rate due to occupational injuries (%)		0	5.09	0
Serious occupational injury rate %		11.23	2.55	0
Documented occupational injury rate %		7.54	3.40	5.28

Note:

1. Fatality rate due to occupational injuries = (Number of fatalities due to occupational injuries/work hours) \* 1,000,000.
2. Serious occupational injury rate = (Number of serious occupational injuries (excluding fatalities)/Working hours) \* 1,000,000.
3. Recordable occupational injury rate = "Number of recordable occupational injuries (including number of deaths and number of serious occupational injuries)/work hours" \* 1,000,000.
4. Serious occupational injury refers to the occupational injury that cannot be restored to a healthy state within 6 months.
5. Recordable occupational injuries do not include occupational injuries caused by commuting to and from work.

Occupational injuries by non-employees				
Category	Item	2020	2021	2022
Total Working Hours	Total working hours of women	55,776	57,536	57,768
	Total working hours of men	11,952	15,872	15,936
	Total Working Hours	67,728	73,408	73,704
Number of fatalities due to occupational injuries	Female fatalities (number of times)	0	0	0
	Male fatalities (number of times)	0	0	0
	Total number of deaths	0	0	0
Number of serious occupational injuries (excluding deaths)	Total number of serious occupational injuries (times) among females	0	0	0
	Total number of serious occupational injuries (times) among men	0	0	0
	Total number of serious occupational injury person (times)	0	0	0
Number of recordable work-related injuries (including fatalities and serious work-related injuries)	Total number of female occupational injuries (times)	0	0	0
	Total number of work-related injuries (times) among men	0	0	0
	Total number of work-related injuries	0	0	0
Death rate due to occupational injuries (%)		0.00	0.00	0.00
Serious occupational injury rate %		0.00	0.00	0.00
Documented occupational injury rate %		0.00	0.00	0.00

Note:

1. Fatality rate due to occupational injuries = (Number of fatalities due to occupational injuries/work hours) \* 1,000,000.
2. Serious occupational injury rate = (Number of serious occupational injuries (excluding fatalities)/Working hours) \* 1,000,000.
3. Recordable occupational injury rate = "Number of recordable occupational injuries (including number of deaths and number of serious occupational injuries)/work hours" \* 1,000,000.
4. Serious occupational injury refers to the occupational injury that cannot be restored to a healthy state within 6 months.
5. Recordable occupational injuries do not include occupational injuries caused by commuting to and from work.



## ◆ Harmonious Employment Relations

The Company has established the "Occupational Safety and Health Committee" to promote employee work safety, improve the work environment, and maintain employee health. Employees have the freedom and right of assembly and are committed to providing unobstructed labor-management communication channels, including labor-management meetings and monthly employee health interviews. Regular company meetings were held. A total of 6 labor-management meetings were held during the reporting period. Labor and management representatives complied with relevant laws and regulations.

The Company has established the Employee Welfare Committee, with members elected by the employees to manage the welfare funds autonomously. The Committee sets various subsidy standards according to the needs of employees and organizes diversified employee activities. During the reporting period, in addition to the various subsidy items for the annual employee welfare fund, employees are mainly engaged in various activities, including employee trips, year-end dinner parties, and lottery draws.

## ◆ Respect and Protection of Human Rights

In the "Sustainable Development Best-Practice Principles", Sheh Kai requires to comply with the relevant labor laws and regulations, protect the legitimate rights and interests of employees, and comply with internationally recognized labor rights, and explicitly prohibit child labor to ensure that no child labor under the legal minimum employment age is hired and to ensure the physical and mental health and safety of minor employees, and prohibition of dangerous work. The Principles also specify that the human resources utilization policy does not include preferential treatment based on gender, race, socioeconomic class, age, marital and family status. It is aimed to implement equality and fairness in terms of employment, employment conditions, remuneration, benefits, training, evaluation, and promotion opportunities. This helps to realize human rights and gender equality.

The Company insists on providing employees with an equal and safe working environment and opportunities, and does not use any form of forced or compulsory labor, and has established sexual harassment prevention measures, complaints and disciplinary rules, and written management rules and measures prohibiting workplace violence. In 2022, the Company and its suppliers were free of any incidents of slavery, discrimination, child labor violations, sexual harassment, and infringement of indigenous rights. So far, there have been no related complaint records.

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## 5.2 Talent cultivation and training

### ◆ Education, training and cultivation

"Talent is the leading indicator as well as the key indicator." In order to encourage employees to continuously learn, enrich themselves, and engage in on-the-job training, and to meet the development direction of the Company and the development needs of employees' competencies, the Company's operating policy has integrated the on-the-job training needs proposed by each of the unit supervisors. The training needs are analyzed based on the job duties of the employees. The Company continues to provide education and training. The frequency and number of training hours vary depending on the job function. As a result, the average training hours for women is slightly lower than that for men. The content of the courses includes new employee training, professional training, and managerial ability training courses. The following is an overview of education and training in recent years:

Education and Training Statistics of Sheh Kai									
Item/Category		Management positions		Non-management position		Direct personnel		Indirect personnel	
Unit/Gender		Male	Female	Male	Female	Male	Female	Male	Female
Total Attendance	No. of Attendance	82	23	103	57	108	17	77	63
Total Training Hours	Hours	324.50	101.00	406.00	221.50	369.50	64.00	361.00	258.50
Average hours of training	Hours/person-time	3.96	4.39	3.94	3.89	3.42	3.76	4.69	4.10
Training expenses	NTD	27,126	12,564	19,432	2,368	11,190	1,856	35,368	13,076

Remarks:

1. Sheh Kai's education and training statistics in 2022 were based on the actual total number of people trained.



# 05 Welfare and care

Photos of Sheh Kai's 2022 education and training activities





#### Photos of Sheh Kai's 2022 education and training activities



Insider trading from the perspective of laws and regulations and practical cases



Ethical Management Mechanism under Corporate Governance



Internal verification procedures and techniques for greenhouse gases

Sheh-Kai Precision conducts annual performance evaluations and establishes a performance evaluation system to stimulate the endless work motivation of employees and to serve as a reference for future assignment, promotion, salary adjustment, training and development.

Percentage of employees receiving evaluation:

Item	Management positions	Non-management position	Direct personnel	Indirect personnel
Percentage of male employees accepting evaluation	100	100	100	100
Percentage of female employees accepting evaluation	100	100	100	100

Note: If the acceptance rate does not reach 100%, please specify the subject of exclusion and the reason (e.g. Chairman and new recruits under the age of 3 months).

### ◆ Security Personnel Training

The Company attaches great importance to the human rights and on-the-job training of security personnel, and 100% of security personnel have received training in human rights policies or procedures. In-service security personnel shall receive 3 hours of on-the-job training related to their duties of the Company each year. The content of the training includes a summary of safety and health and related laws and regulations. Fire and first aid drills.

## 5.3 Care and welfare

### ◆ Employee benefits

With the belief that employees are an important asset of Sheh Kai, in addition to providing a sound personnel system, we also insist on providing employees with diversified and comprehensive benefits. At the same time, we enhance the frequency of interaction and friendship among employees through various activities to establish a happy and harmonious work environment. The key points of the current welfare measures are as follows:



# 05 Welfare and care

List of Full-time Employee Benefits		
Considerate Benefits		
<ul style="list-style-type: none"> <li>Year-end bonus</li> <li>Bonuses for three festivals</li> <li>Birthday bonus</li> <li>Wedding money</li> </ul>	<ul style="list-style-type: none"> <li>Gift money</li> <li>Hospitalization consolation payment</li> <li>Funeral allowance</li> <li>Employee training subsidies</li> </ul>	<ul style="list-style-type: none"> <li>Children's Education Scholarship</li> <li>Educational subsidies for children (full subsidy for elementary school tuition for the third child of an employee, full subsidy for elementary school tuition for the child of a single parent)</li> </ul>
System and Facilities		
<ul style="list-style-type: none"> <li>Staff Uniforms</li> <li>Safety gear</li> <li>Education and training</li> <li>Employee-proposed bonuses</li> </ul>	<ul style="list-style-type: none"> <li>Provide breastfeeding room</li> <li>For employees to breastfeed or to collect breast milk</li> <li>Signing contracts with neighboring child care institutions by way of entrustment</li> </ul>	<ul style="list-style-type: none"> <li>Provide childcare and early childhood education services for the children of employees; enable employees to balance work and family care responsibilities</li> <li>Employee parking area</li> </ul>
Leave application/leave system		Comprehensive insurance system
<ul style="list-style-type: none"> <li>Entitled to special leave upon arrival</li> <li>Maternity leave</li> <li>Paternity leave</li> <li>Family care leave</li> </ul>		<ul style="list-style-type: none"> <li>Labor insurance</li> <li>National Health Insurance</li> <li>Employee group insurance</li> </ul>
Friendly and Care: Employee Health Care		Travel and Leisure Activities
<ul style="list-style-type: none"> <li>Scheduled regular health checkups</li> <li>Appointed on-site nurses six times a month and clinic physicians to provide on-site services once every two months to provide employees with health and education services such as health checkup abnormalities consultation, maternal labor care, and infectious disease prevention.</li> </ul>		<ul style="list-style-type: none"> <li>Domestic travel</li> <li>Overseas travel</li> <li>Irregular dinner gatherings</li> <li>Spring reception or year-end banquet</li> </ul>

## Photo of Employee Welfare Activities





## ◆ Overview of Unpaid Parental Leave

Sheh Kai Precision is committed to providing employees with a work environment that balances the body and mind and allows them to live and live happily. In order to allow employees to have children with a peace of mind, the Company implements a parental leave system without pay in compliance with the "Labor Standards Act" and "Act of Gender Equality in Employment." The Company also assists employees who meet the criteria for parental leave to apply for unpaid parental leave. Upon expiration of the unpaid leave, employees are arranged to return to their original positions and job duties, while at the same time actively assisting employees to reintegrate into the workplace. The information on parental leave during the reporting period is shown in the table below:

Year	2020			2021			2022		
Gender/Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Number of people eligible for unpaid parental leave A	1	2	3	5	6	11	4	5	9
The actual number of people applying for unpaid parental leave in the current year B	0	3	3	0	5	5	0	2	2
Number of employees expected to return to work after unpaid parental leave in the current year: C	0	0	0	0	5	5	0	1	1
The actual number of people returning to work from unpaid parental leave in the current year D	0	0	0	0	4	4	0	1	1
Number of employees actually returning from unpaid parental leave in the previous year E	0	2	2	0	0	0	0	4	4
Number of employees having worked continuously for one year after reinstatement from unpaid parental leave in the previous year F	0	2	2	0	0	0	0	2	2
Unpaid parental leave for raising children reinstatement rate for the current year% (D/C)	-	-	-	-	80.00	80.00	0	100.00	100.00
Unpaid parental leave retention rate for the current year % (F/E)	-	100.00	100.00	0	-	-	0	100.00	100.00

Calculation method:  
1. Number of employees expected to be reinstated = Total number of employees on unpaid parental leave who are expected to be reinstated in the current year.  
2. Number of employees retained in 2022 = Number of employees who were actually reinstated in 2021 and still in service on December 31, 2022.  
3. Unpaid parental leave reinstatement rate (%) for the current year = Actual number of employees reinstated from unpaid parental leave in the current year / Number of employees expected to return to work after unpaid parental leave (D/C).  
4. Unpaid parental leave retention rate for the current year % = Number of employees having worked continuously for one year after reinstatement from unpaid parental leave in the previous year / Number of employees actually returning from unpaid parental leave in the previous year (F/E).

## ◆ Retirement system

The Company attaches great importance to the labor-management relationship, and takes care of its employees whether it is the benefits for them during their employment, or the pension fund after retirement. The Company has formulated the "Employees Retirement Regulations" in accordance with the Labor Standards Act and the Labor Pension Act, and commissioned a consulting company every year to provide an actuarial report that complies with the requirements of IAS 19, and estimates the required pension fund allocations at the beginning of each year according to the old pension scheme. The Company shall also appropriate the amount of the pension and appropriate the full amount on a monthly basis into a pension reserve account under the old scheme of the Bank of Taiwan of Sheh Kai Precision Co., Ltd.. Employees who joined the Company on or before June 30, 2005 are entitled to the old pension plan; employees are entitled to the new pension plan after they elect to be eligible for the new plan. The Company contributes 6% of the annual pension to the employees' personal pension special account. The retirement benefit system established in accordance with the Labor Standards Act and the Labor Pension Act is as follows:

- The Company has established the Labor Retirement Reserve Supervisory Committee. The Company has formulated the "Regulations Governing Retirement Operations" to define the retirement requirements and related regulations of employees.
- The seniority of the employee on inter-transfer with the affiliated company to which the employee is serving the same responsible person shall be counted. Employees may apply for voluntary retirement if they meet any of the following circumstances:
  - Those who have worked for more than 15 years and are at least 55 years old.
  - Those who have worked for more than 25 years.
  - Those who have worked for ten years or more and are at least 60 years old.
- The Company reviews and adjusts the insurance coverage level of employees every year, and allocates 6% of the pension under the new system to the Labor Insurance Bureau every month.
- The Company's employees who have retired and are transferred to consultant positions can continue to enjoy the Company's various benefits.

### Implementation of Sheh Kai Pension System

- Those eligible for the old scheme pension: The pension fund will be contributed on a monthly basis to Sheh Kai Precision Co., Ltd.'s old scheme pension reserve account at the Bank of Taiwan.
- For those eligible for the pension under the new scheme: No less than 6% of the monthly salary will be appropriated to the employee's personal pension account on a monthly basis.



# 05 Welfare and care

## 5.4 Participation in social practice

### ◆ Social welfare

Apart from developing and manufacturing high-quality, high-value screws and bolts, Sheh Kai Precision also makes positive commitments for the environment, nature, and society by loving the earth, cherishing life, and protecting the countryside. We adhere to the philosophy of "giving back to society when you take from the society." We also understand that corporate sustainability is not only about making profits continuously, but also fulfilling social responsibilities. Based on our social responsibility over the years, we have participated in a variety of public welfare activities, including tree adoptions and charitable donations.

Social Welfare Participation of Sheh Kai Precision in 2022		
Name of public welfare activity	Amount (NTD)	Description
Donation to Kaohsiung City Holistic Care Life Association to take care of children, youth, the elderly, single-parent families, the physically and mentally handicapped and other disadvantaged groups.	100,000	In 2022/7, in order to take care of disadvantaged groups such as children, youth, the elderly, single-parent families, and the physically and mentally handicapped, we help them to grow physically and mentally, and to achieve ethnic integration, social harmony, harmonious families, and great love. Sheh Kai Company donated to Kaohsiung City Holistic Care Life Association for NTD 100,000. The Company arranged 4 persons to participate in their programs, and the funds are allocated and utilized by the association as a whole, so it can help several disadvantaged groups in the society.
Donation to Genesis Social Welfare Foundation in support of the event of adopting a pomelo tree and subscribing for Mid-Autumn Festival gift boxes.	196,000	Donated NTD 72,000 and NTD 124,000 to the Genesis Social Welfare Foundation in August 2022 and September 2022 in support of the foundation's activities to adopt the pomelo tree and subscribe for Mid-Autumn Festival gift boxes. The number of people participating in the project was 5 persons, including employees of the Chairman's Office and Administration Department. The foundation has been caring for the vegetative patients, dependents, dementia, disabled elderly, and the disadvantaged for a long time. The donations are allocated and used by the foundation to help several vegetative patients and their families.
Total		296,000

### ◆ Building a Sustainable Environment Together

Sheh Kai Precision is headquartered in the Ben Chou Industrial Park, Gangshan District, Kaohsiung City. It mainly produces screws and bolts. Its other factories include the Youluzhu Plant (Luzhu District, Kaohsiung City) that produces stainless steel wires, the Zhunan Plant and the composite plant (both in Zhunan Town, Miaoli) produces automatic screw joints and cement bits. Sheh Kai Precision recognizes that environmental protection is an important issue that all mankind must work on together. Regarding the waste, scraps, wastewater and other substances generated in the production process, Sheh Kai is committed to adhering to the concept of cleaner production, frugal use, resource recycling, and pollution prevention. In addition, we make use of engineering improvements, education, training, literature promotion, meetings, persuasion and other means to make all employees to understand the importance of environmental protection and implement it, in order to achieve the goal of sustainable corporate management. Through the introduction of the environmental management system, the Company is committed to the following:

1. Pollution prevention: Identify the pollutions generated during the manufacturing process, reduce or prevent the environmental pollution through the improvement of the production schedule, engineering technology, and cleaner production.
2. Fully comply with the requirements of laws and regulations: The government's orders, regulations and the environmental protection requirements of other stakeholders that the Company has agreed to comply are indeed followed. For each process operation, the standard operating procedures are operated, and the process waste reduction and pollution prevention are properly carried out.
3. Committed to achieving continuous improvement: Further improvement of process equipment, strengthening of inspections, and continuous improvement of the PDCA cycle to achieve the goal of sustainable operation.

A review of whether the Company has implemented its commitments on environmental protection in 2022. During the reporting period, the Company has not received any letters from the local government for fines or deadlines for improvement, which shows that the Company is working hard not to cause harm to local communities during its operation or negative impact on the local environment, and we adhere to the concept of sustainable management and environmental protection.



# 05 Appendix

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- Appendix 1 GRI Sustainability Reporting Standards (GRI Standards) Comparison Table
- Appendix 2 Sustainability Accounting Standards Board (SASB) Reference Table
- Appendix 3 Climate-related Information of TWSE and TPEX Listed Companies

# 06 Appendix

## Appendix 1: GRI Sustainability Reporting Standards (GRI Standards) Comparison Table

Material topics with " \* "

Statement of Use	Sheh Kai Precision Co., Ltd. has reported the information as quoted in the GRI Content Index for the period from 2022/01/01 to 2022/12/31 with reference to the GRI Standards.				
GRI 1 Use	GRI 1: Foundations 2021				
Applicability of GRI Industry Standards	N/A				
GRI Standards Category/Topic	Serial number	Disclosures under the GRI Standards	Corresponding Chapter	Page number	Omitted/Remark
1. Organization and reporting practices					
GRI 2 General Disclosure 2021	2-1	Organizational details.	2-1 About Sheh Kai		
	2-2	Entities included in the organization's sustainability reporting.	About the Report		
	2-3	Reporting period, frequency and contact point.	About the Report		
	2-4	Restatements of information.	About the Report		
	2-5	External assurance.	About the Report		
2. Activities and workers					
GRI 2 General Disclosure 2021	2-6	Activities, value chains, and other business relationships	2-1 About Sheh Kai		
	2-7	Employees	5-1 Employee Relations and Overview		
	2-8	Workers who are not employees	5-1 Employee Relations and Overview		
3. Governance					
GRI 2 General Disclosure 2021	2-9	Governance structure and composition	2-2 Governance Strategy		
	2-10	Nomination and selection of the highest governance team	2-2 Governance Strategy		
	2-11	Chair of the highest governance body	2-2 Governance Strategy		
	2-12	The role of the highest governance body in overseeing the management of impacts	2-2 Governance Strategy		
	2-13	Person in charge of impact management	2-2 Governance Strategy		
	2-14	Highest governance body's role in sustainability reporting	2-2 Governance Strategy		
	2-15	Conflict of Interests	2-2 Governance Strategy		
	2-16	Communicating key and significant events	2-2 Governance Strategy		
	2-17	Group Intelligence of the Highest Governance Unit	2-2 Governance Strategy		
	2-18	Performance evaluation of the highest governance body	2-2 Governance Strategy		
	2-19	Remuneration policy	2-2 Governance Strategy		
	2-20	Remuneration decision process	2-2 Governance Strategy		
	2-21	Annual total remuneration ratio	5-1 Employee Relations and Overview		
4. Strategy, policy and practice					
GRI 2 General Disclosure 2021	2-22	Statement of Sustainable Development Strategy	Core Philosophy and Prospects of Sheh Kai		
	2-23	Policy Commitment	2-2 Governance Strategy		
	2-24	Incorporate policy commitments	2-2 Governance Strategy		
	2-25	Procedures for Remediating Negative Impacts	2-2 Governance Strategy		
	2-26	Mechanisms for seeking advice and raising concerns	2-4 Legal Compliance		
	2-27	Legal Compliance	2-4 Legal Compliance		
	2-28	Membership of associations	2-1 About Sheh Kai		
5. Stakeholder engagement					
GRI 2 General Disclosure 2021	2-29	Stakeholder Engagement Policy	1-1 Stakeholder Engagement		
	2-30	Collective bargaining agreements	-		No collective bargaining agreement





GRI Standards Category/Topic	Serial number	Disclosures under the GRI Standards	Corresponding Chapter	Page number	Omitted/ Remark
Topic-specific Guidelines: 200 Series (Economic Topics)					
Market position					
GRI 202 Market position Topic Disclosure 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5-1 Employee Relations and Overview		
	202-2	Proportion of senior management hired from the local community	5-1 Employee Relations and Overview		
Indirect economic impact					
GRI 203 Indirect economic impact Topic Disclosure 2016	203-1	Infrastructure investments and services supported	5-4 Participation in Social Practices		
	203-2	Significant indirect economic impacts	5-4 Participation in Social Practices		
GRI 204 Procurement Practices Topic Disclosure 2016	204-1	Proportion of spending on local suppliers	3-1 Supply Evaluation and Management and Control		
GRI 205 Anti-corruption Topic Disclosure 2016	205-1	Operations assessed for risks related to corruption	-		
	205-2	Communication and training about anti-corruption policies and procedures	2-4 Legal Compliance		
	205-3	Confirmed incidents of corruption and actions taken	2-4 Legal Compliance		
GRI 206 Anti-competitive Behavior Topic Disclosure 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices.	2-4 Legal Compliance		
GRI 207 Taxation Topic Management Disclosure 2019	207-1	Tax policy	2-1 About Sheh Kai		
	207-2	Tax governance, control and risk management	2-1 About Sheh Kai		
	207-3	Stakeholder engagement and management of concerns related to tax	2-1 About Sheh Kai		
GRI 207 Taxation Topic Disclosure 2019	207-4	Country-by-country reporting	-		None
Topic-specific Guidelines: 300 Series (Environmental Topics)					
Materials					
GRI 301 Materials Topic Disclosure 2016	301-1	Materials used by weight or volume	4-3 Materials and Waste		
	301-2	Recycled input materials used	4-3 Materials and Waste		
	301-3	Reclaimed products and their packaging materials	4-3 Materials and Waste		
Water and Effluents					
GRI 303 Water and Effluents Topic Management Disclosure 2018	303-1	Mutual impact of shared water	4-2 Energy and Water Resources		
	303-2	Management of water discharge-related impacts	4-2 Energy and Water Resources		
	303-3	Water withdrawal	4-2 Energy and Water Resources		
GRI 303 Water and Effluents Topic Disclosure 2018	303-4	Water discharge	4-2 Energy and Water Resources		
	303-5	Water consumption	4-2 Energy and Water Resources		
Biodiversity					
GRI 304 Biodiversity Topic Disclosure 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	-		Not applicable
	304-2	Significant impacts of activities, products, and services on biodiversity.	-		Not applicable
	304-3	Habitats protected or restored.	-		Not applicable
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations.	-		Not applicable

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GRI Standards Category/Topic	Serial number	Disclosures under the GRI Standards	Corresponding Chapter	Page number	Omitted/ Remark
Topic-specific Guidelines: 300 Series (Environmental Topics)					
Emissions					
GRI 305 Emissions Topic Disclosure 2016	305-1	Direct (Scope 1) GHG emissions	4-4 Greenhouse Gas Emissions		
	305-2	Energy indirect (Scope 2) GHG emissions	4-4 Greenhouse Gas Emissions		
	305-3	Other indirect (Scope 3) GHG emissions	-		None
	305-4	Greenhouse gas emission intensity	4-4 Greenhouse Gas Emissions		
	305-5	GHG Emission Reduction	4-4 Greenhouse Gas Emissions		
	305-6	Emissions of ozone depleting substances (ODS)	-		None
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	4-4 Greenhouse Gas Emissions		
Waste					
GRI 306 Waste Topic Management Disclosure 2020	306-1	Waste generation and significant waste-related impacts	4-3 Materials and Waste		
	306-2	Management of significant waste-related impacts	4-3 Materials and Waste		
GRI 306 Waste Topic Disclosure 2020	306-3	Waste Generation	4-3 Materials and Waste		
	306-4	Waste diverted from disposal	4-3 Materials and Waste		
	306-5	Direct Disposal of Waste	4-3 Materials and Waste		
GRI 306 Effluents and Waste Topic Disclosure 2016	306-3	Major spills	4-3 Materials and Waste		
Supplier Environmental Assessment					
GRI 308 Supplier Environmental Assessment Topic Disclosure 2016	308-1	New suppliers that were screened using environmental criteria	3-1 Supply Evaluation and Management and Control		
	308-2	Negative environmental impacts in the supply chain and actions taken	3-1 Supply Evaluation and Management and Control		
Topic-specific Standards: 400 Series (Social Topics)					
Labor/Management Relations					
GRI 402 Labor/Management Relations Topic Disclosure 2016	402-1	Minimum notice periods regarding operational changes	5-1 Employee Relations and Overview		
Training and Education					
GRI 404 Training and Education Topic Disclosure 2016	404-1	Average hours of training per year per employee	5-2 Talent Cultivation and Training		
	404-2	Programs for upgrading employee skills and transition assistance programs	5-2 Talent Cultivation and Training		
	404-3	Percentage of employees receiving regular performance and career development reviews	5-2 Talent Cultivation and Training		
Employee Diversity and Equal Opportunity					
GRI 405 Employee Diversity and Equal Opportunity Topic Disclosure 2016	405-1	Diversity of governing bodies and employees	5-1 Employee Relations and Overview		
	405-2	Ratio of basic salary and remuneration of women to men	5-1 Employee Relations and Overview		
Non-discrimination					
GRI 406 Non-discrimination Topic Disclosure 2016	406-1	Incidents of discrimination and corrective actions taken	5-1 Employee Relations and Overview		



GRI Standards Category/Topic	Serial number	Disclosures under the GRI Standards	Corresponding Chapter	Page number	Omitted/ Remark
Topic-specific Standards: 400 Series (Social Topics)					
Freedom of Association and Collective Bargaining					
GRI 407 Freedom of Association and Collective Bargaining Topic Disclosure 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	5-1 Employee Relations and Overview		
Child Labor					
GRI 408 Child Labor Topic Disclosure 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	5-1 Employee Relations and Overview		
Security Practices					
GRI 409 Forced or Compulsory Labor Topic Disclosure 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	5-1 Employee Relations and Overview		
Rights of Indigenous Peoples					
GRI 411 Rights of Indigenous Peoples Topic Disclosure 2016	411-1	Incidents of violations involving rights of indigenous peoples	5-1 Employee Relations and Overview		
Local community					
GRI 413 Local community Topic Disclosure 2016	413-1	Operations with local community engagement, impact assessments, and development programs	5-4 Participation in Social Practices		
	413-2	Operations with significant actual and potential negative impacts on local communities	5-4 Participation in Social Practices		
Supplier Social Assessment					
GRI 414 Supplier Social Assessment Topic Disclosure 2016	414-1	New suppliers that were screened using social criteria	3-1 Supply Evaluation and Management and Control		
	414-2	Negative social impacts in the supply chain and actions taken	3-1 Supply Evaluation and Management and Control		
Public Policy					
GRI 415 Public Policy Topic Disclosure 2016	415-1	Political contributions	-		None
Customer Health and Safety					
GRI 416 Customer Health and Safety Topic Disclosure 2016	416-1	Assessment of the health and safety impacts of product and service categories	3-2 Product Quality and Management		
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3-2 Product Quality and Management		
Marketing and Labeling					
GRI 417 Marketing and Labeling Topic Disclosure 2016	417-1	Requirements for product and service information and labeling	3-2 Product Quality and Management		
	417-2	Incidents of non-compliance concerning product and service information and labeling	3-2 Product Quality and Management		
	417-3	Incidents of non-compliance with regulations and voluntary codes concerning marketing communications	3-2 Product Quality and Management		
Customer privacy					
GRI 418 Customer privacy Topic Disclosure 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	3-3 Customer service communication		

# 06 Appendix

## Material Topic Disclosure

GRI Number	Issues	Industry Code No.	Serial number	Disclosures under the GRI Standards	Corresponding Chapter	Page number	Omitted/Remarks
GRI 3: Material Topics 2021	Management Approach		3-1	Process for determining material topics	1-2 Identification and analysis of material topics		
GRI 3: Material Topics 2021	Management Approach		3-2	List of Material Topics	1-2 Identification and analysis of material topics		
Material Topic: Economic Performance (GRI 201)							
GRI 3: Material Topics 2021	Management Approach		3-3	Material Topic Management	II. Strategic Governance		
GRI 201	Economic Performance Topic disclosure 2016		201-1	Direct economic value generated and distributed	2-1 About Sheh Kai		
			201-2	Financial implications and other risks and opportunities due to climate change	4-1 Climate Change Risks		
			201-3	Defined benefit plan obligations and other retirement plans	5-1 Employee Relations and Overview		
			201-4	Financial assistance received from government	-		None
Material Topic: *Energy (GRI 302)							
GRI 3: Material Topics 2021	Management Approach		3-3	Material Topic Management	IV. Green Environment		
GRI 302	Energy Topic disclosure 2016		302-1	Energy consumption within the organization	4-2 Energy and Water Resources		
			302-2	Energy consumption outside of the organization	4-2 Energy and Water Resources		
			302-3	Energy intensity	4-2 Energy and Water Resources		
			302-4	Reduction of energy consumption	4-2 Energy and Water Resources		
			302-5	Reduce the energy requirements of products and services	4-2 Energy and Water Resources		
Material topic: labor-management relations (GRI 401)							
GRI 3: Material Topics 2021	Management Approach		3-3	Material Topic Management	V. Welfare and care		
GRI 401	Labor/ Management Relations Topic disclosure 2016		401-1	Employee turnover & Number of new hires	5-2 Talent Cultivation and Training		
			401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5-2 Talent Cultivation and Training		
			401-3	Parental leave	5-2 Talent Cultivation and Training		
Material Topic: Occupational Health and Safety							
GRI 3: Material Topics 2021	Management Approach		3-3	Material Topic Management	V. Welfare and care		
GRI 403	Occupational Safety and Health Topic Management Disclosure 2018		403-1	Occupational Health and Safety Management System	5-1 Employee Relations and Overview		
			403-2	Hazard identification, risk assessment and accident investigation	5-1 Employee Relations and Overview		
			403-3	Occupational Health Services	5-1 Employee Relations and Overview		
			403-4	Worker participation, consultation, and communication on occupational health and safety	5-1 Employee Relations and Overview		
			403-5	Worker training on occupational health and safety	5-1 Employee Relations and Overview		
			403-6	Promotion of Worker Health	5-1 Employee Relations and Overview		
			403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5-1 Employee Relations and Overview		
	Occupational Safety and Health Topic disclosure 2018		403-8	Workers covered by an occupational health and safety management system	5-1 Employee Relations and Overview		
			403-9	Occupational injury	5-1 Employee Relations and Overview		
			403-10	Work-related ill health	5-1 Employee Relations and Overview		



*Custom theme	Serial number	Disclosures under the GRI Standards	Corresponding Chapter	Page number	Omitted/ Remark
*Ethical Corporate Management & Corporate Governance					
GRI 3 Ethical Corporate Management & Corporate Governance Management Approach	3-3	Material Topic Management	II. Strategic Governance		
*Risk management					
GRI 3 Risk Management Management Approach	3-3	Material Topic Management	II. Strategic Governance		
*Customer service management					
GRI 3 Customer service management Management Approach	3-3	Material Topic Management	III. Unique Products		

## Appendix 2: Sustainability Accounting Standards Board (SASB) Reference Table

By industry: Resource conversion_machinery and products					
Disclosure Topics	Indicator No.	Disclosure Indicator	Nature	Comparison for the chapters of the Report	Page number
Energy Management	RT-IG-130a.1	(1) Total energy consumption (2) Percentage of transmission network (3) Percentage of renewable energy	Quantification	4-2 Energy and Water Resources	
Employee Health and Safety	RT-IG-320a.1	(1) Total Recordable Incident Rate (TRIR) (2) Death rate (3) Near Miss Frequency Rate (NMFR)	Quantification	5-1 Employee Relations and Overview	
Fuel Economy and Emissions Use Phase	RT-IG-410a.1	Weight of fuel efficiency for medium and heavy duty power tools	Quantification	4-2 Energy and Water Resources 4-3 Materials and Waste 4-4 Greenhouse Gas Emissions	
	RT-IG-410a.2	Proportion of fuel efficiency of non-powered motor vehicles			
	RT-IG-410a.3	Sales proportion of fuel efficiency of backup generators			
	RT-IG-410a.4	The proportion of total sales of suspended particulates in (1) nitrogen oxides, (2) (a) marine diesel engines, (b) motorcycle diesel engines, (c) on-road medium and heavy-duty engines, and (d) other off-highway diesel generators.			
Raw material procurement	RT-IG-440a.1	Risk management related to the use of key raw materials	Qualitative	4-3 Materials and Waste	
Remanufacturing Design and Service	RT-IG-440b.1	Revenues from remanufactured products and remanufactured services	Quantification	Not applicable	



# 06 Appendix

## Production Locations

Plant area		Address
Kaohsiung	Gangshan Plant	No. 1, 3, 5, Bengong 1st Rd., Ben Chou Village, Gangshan Dist., Kaohsiung City
	Packing plant	No. 1, Bengong W. 1st Rd., Gangshan Dist., Kaohsiung City
	Luzhu Plant	No. 161, Minyou Rd., Luzhu Dist., Kaohsiung City
Miaoli	Zhunan Plant	No. 58, Neigh. 9, Dacuo Vil., Zhunan Township, Miaoli County
	Bi-Metal Material Plant	No. 70-29, Shishan, Neigh. 23, Dacuo Vil., Zhunan Township, Miaoli County

## Appendix 3: Climate-related Information of TWSE and TPEX Listed Companies

Item	Corresponding Chapter	Page number
1. Describe the board's and management's supervision and governance over climate-related risks and opportunities.	4-1 Climate Change Risks	
2. Describe how the identified climate risks and opportunities affect the business, strategy and finance of the Company (short-, medium-, and long-term).	4-1 Climate Change Risks	
3. Describe the financial impacts of extreme climate events and transformational actions.	4-1 Climate Change Risks	
4. Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	4-1 Climate Change Risks	
5. If scenario analysis is used to assess resilience in the face of climate change risks, specify the scenarios, parameters, assumptions, analysis factors, and major financial impacts.	4-1 Climate Change Risks	
6. If there is a transformation plan in response to the management of climate-related risks, describe the content of the plan, and the indicators and goals used to identify and manage physical risks and transformation risks.	4-1 Climate Change Risks	
7. If internal carbon pricing is used as a planning tool, the basis for setting the price shall be explained.	-	
8. If climate-related goals are set, the activities covered, the scope of greenhouse gas emissions, the planning period, and the progress of each year should be explained; if carbon offsets or renewable energy certificates (RECs) are used to achieve the goals, it should be explained of the source and volume of carbon reduction credits or the number of renewable energy certificates (RECs).	4-1 Climate Change Risks	
9. Greenhouse gas inventory and assurance.	4-4 Greenhouse Gas Emissions	



