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### 2023 **Key ESG Performance**





In 2023, the Company's energy consumption intensity per unit of product (volume) was reduced by about 11% for air compressors and 15% for lighting.

**Environmental** In 2023, the Company did not violate relevant Aspect environmental protection laws and regulations, and there were no major fines



No Discrimination Cases in 2023 No forced labor violations in 2023 There were no occupational diseases cases, and no major occupational hazards and deaths in 2023

A total of NTD 888,000 was donated to social welfare in 2023

**Social Aspect** 



Corporate **Governance Aspect**  Listed in the 2023 Corporate Governance Evaluation at 21%-35% In 2023, the Company's customer satisfaction survey reached a score of an average of 89.23 points (out of 100).

The local procurement ratio reached 95.5% in 2023.

In 2023, 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 2023 was 0.58%.

A total of 4 innovative R&D projects were completed in 2023

### 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.



# About the Report

#### **Boundaries and Scope of the Report**

Sheh Kai published its first Sustainability Report since 2022 and has been issuing it annually. This is the third Sustainability Report issued by the Company, which will be issued in August 2024.

The disclosure period of this report is from January 1, 2023 to December 31, 2023. The Company uses an enterprise resource planning (ERP) system to integrate the information of the different entities (company, subsidies, 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 and Sheh Kai (Shanghai) Co., Ltd., 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 2023 report 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, they 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 Dollars (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.

The following is a summary 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 Trading (Shanghai) 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: Issued in September 2023
- · Current edition: Issued in August 2024
- · Next edition: Scheduled to issue in August 2025

#### **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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# Progress step by step

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

### Progress step by step

### 1.1 Stakeholder Engagement

In order to strengthen the sustainability strategy and to present representative stakeholders, Sheh Kai Precision identifies stakeholders according to the five principles of the AA 1000 Stakeholder Engagement standards (SES); namely, dependency, influence, responsibility, tension, and diverse perspectives, and categorizes the impact on stakeholders into the following categories: actual negative impacts, potential negative impacts, actual positive impacts, and potential positive impacts. The six major categories of stakeholders were identified as: employees, suppliers/contractors, shareholders, banks, clients/consumers/distributors, and government agencies. The change from the previous year is the deletion of the stakeholder group unit of the academic and research institutions.

Sheh Kai Precision is committed to establishing transparent and effective multi-directional communication channels. We formally communicate with the public through our website, annual report, and sustainability report. In addition, via appropriate channels, we further understand the interests and opinions of our stakeholders and respond appropriately to important issues of concern to them, so as to continuously review and improve the performance of sustainable development.



### ♦ Stakeholder Communication Channels

Stakeholders	Significance of the stakeholder to the Company	Communication channel	Communication channel	Communication Effectiveness
Employees	Employee happiness is the driving force for the Company's sustainable growth and the most important asset of the Company. Moreover, talent cultivation and retention are the cor- nerstones of the Company's heritage.	Contact: Manager of Administration Department, Yu-Ling Ma (TEL: 07-6225669 #203) Supervisors discuss and communicate with employees and listen to their suggestions. Grievance hotline and mailbox Labor-management meetings Employee Welfare Committee Sexual harassment complaint hotline and mailbox Provide monthly health consultation	Irregularly     Immediately     Quarterly     Irregularly     Immediately/irregularly     Irregularly	<ul> <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-management meetings, including 10 meetings in 2023.</li> <li>We have established an Occupational Health and Safety Committee to ensure a safe working environment.</li> <li>Accredited with ISO 14001 for environmental protection.</li> <li>The Employee Welfare Committee organized family days and cycling activities.</li> <li>Sexual harassment complaint hotline and mailbox: Ns sexual harassment-related complaints were received in 2023.</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	Sheh Kai Precision's high-quality products rely on the stable support and services of many suppliers, and we look forward to establishing a stable, long-term partnership with them to create sustainable business and growth.	Contact person: Procurement Team Leader, Huang (TEL: 07-6225669#310) Supplier Evaluation Supplier interaction Questionnaire Completion	· Every six months · Immediately · Irregularly	Comply with the quality management system and environmental safety system. Contract terms, price discussions, and exchange of market information. The ratio of local procurement of raw materials is > 90%. In 2023, a total of 116 suppliers were evaluated; 116 suppliers passed the evaluation; 0 supplier was disqualified. In 2023, the supplier questionnaire response rate was 100%.
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.	Contact: spokesperson Shou-Chieh Cheng, Assistant Vice President of Finance Department (TEL: 07-6225669 #402) Acting Spokesperson: Wei-Chien Chang, Manager of the Finance Department (TEL: 07-6225669 #420) Annual General Meeting Holding investor conferences Publish quarterly and annual financial statements and operating information. Simultaneous disclosure of material information on the Market Observation Post System (MOPS). An email and contact number are set up on the Company's website to establish a communication channel between investors and the Company. Hold face-to-face meetings or telephone conferences with domestic and foreign institutional investors.	Once a year Irregularly Quarterly/Monthly Immediately Immediately Immediately Immediately	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. In 2023, our company held a total of two investor briefings (including one online institutional presentation), issued 28 major announcements, and convened one shareholders' meeting. Therefore, the Company's communication with shareholders has been effective.

# 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.	Contact person: Shou-Chieh Cheng, Assistant Vice President of Finance Department (TEL: 07-6225669 #402) Annual General Meeting Publish quarterly and annual financial statements and operating information. Simultaneous disclosure of material information on the Market Observation Post System (MOPS). Publication of annual report Immediate update of corporate website information	Once a year Annually/quarterly Immediately Once a year Immediately	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.
Clients/ consumers/ distributors	The Company's main source of operating revenue.  "Pursuing customer satisfaction, implementing high standards of service quality, and protecting customer rights" are the highest principles of Sheh Kai when dealing with clients/consumers.	<ul> <li>Manager Cai, Sales and Marketing Department (TEL: 07-6225669 #213)</li> <li>Customer Satisfaction Survey</li> <li>Advocacy and training of employees facing the media and information disclosure principles.</li> </ul>	Once a year     Immediately/ irregularly	80 points in customer satisfaction survey.     ESG Report     Advocacy and training of employees facing the media and information disclosure principles.     Comply with customers' requirements and audits regarding products, environment, and responsibilities, and collaborate on prevention and continuous improvement.
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.	Shou-Chieh Cheng, Assistant Vice President of Finance Department (TEL: 07-6225669 #402)  Manager of Administration Department, Yu-Ling Ma (TEL: 07-6225669 #203)  Information announcements on the government's official website, letters, and government documents.  Visit by the competent authority or by phone.  Publication of quarterly and annual financial statements.  Disclosure of required announcements on the MOPS.  Participation in explanatory meetings or symposiums organized by government agencies.	Immediately Immediately Quarterly Immediately Immediately Irregularly	80 points in customer satisfaction survey.     ESG Report     Advocacy and training of employees facing the media and information disclosure principles.     Comply with customers' requirements and audits regarding products, environment, and responsibilities, and collaborate on prevention and continuous improvement.



### 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 sactual 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 5 issues were eventually adjusted and selected as the major topics of the Company.
IV. Prioritize the reports with the most significant impact	Depending on the nature of the topic, representatives of the Company and heads of departments conduct a comprehensive assessment with external experts and disclose their management policies by dividing them into chapters and sections of the report.

The Company has identified five material topics for 2023, namely "economic performance", "energy", "labor-management relations", "occupational safety and health", and "customer service management". After evaluating the impacts and focuses, the material topics to be removed are "ethical corporate management & corporate governance" and "risk management".

	Materi	al Topic Identification Re	sult		
		Material Topics			
1 Economic Performance	2 Energy	3 Labor-management Relations	4 Occupational Safety and Health	5 Ethical Corporate Management & Corporate Governance	
		Minor Topics			
6 Ethical Corporate Management & Corporate Governance	7 Risk Management	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 Environmen- tal Assessment	20 Labor/Management Relations	
21 Training and Education					
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	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.	Actual/positive: If the Company's operating performance continues to grow, it will not only enhance the salary and benefits of its employees and fulfill its social responsibility, but it will also lead to the distribution of surplus to shareholders, which will make shareholders more supportive of the Company's share price, and in turn, lead to the growth of the Company's market capitalization.  Actual/Positive:If the Company's operating performance declines, shareholders and banks will become more conservative in their view of the company's future, and will either divest their holdings in the Company or stop having borrowing transactions with the Company, which will affect the Company's working capital adequacy and ability to make repayments.	The Company (causing) Employees (directly related) Shareholders (directly related) Suppliers/contractors/ distributors (contributing) Banks (contributing) Clients/consumers/ distributors (contributing) Government agencies (contributing)	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.	Actual/Positive: Increase the use of renewable energy (1) Economy: By using renewable energy to reduce carbon emissions, enterprises can reduce energy consumption and production costs and improve economic benefits.  (2) Environment: The burning of fossil fuels produces a large amount of greenhouse gases, and the greenhouse effect causes global warming. The use of renewable energy has relatively low carbon emissions, which can mitigate the current impact of climate change.  Potential/negative: Excessive energy use intensity (1) Economy: The screw manufacturing industry is a high-electricity-using industry. If electricity usage increases, Taipower will inevitably increase its power generation capacity, which will lead to higher electricity costs and inflationary pressure from cost changes.  (2) Environment: The screw manufacturing industry is a high carbon emission industry, which will not only cause global climate change problems such as greenhouse gases and ozone layer depletion, but also affect the ecological environment and human health.  (3) Human rights: The process of energy transformation will lead to uneven distribution of resources and social injustice. For example, labor rights in high energy-consuming industries may be affected due to the transition.	The Company (causing) Shareholders (directly related) Clients/consumers/ distributors (directly related) Suppliers/contractors/ distributors (directly related) Employees (contributing) Government agencies (contributing)	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. The Company organizes various activities to build solidarity and happiness among employees.	<ul> <li>Actual/positive: establishing a positive corporate image.</li> <li>Potential/positive: The Company has a good image, built a good corporate reputation through word of mouth, and has a good image as an employer.</li> </ul>	The Company (causing) Employees (directly related) Shareholders (contributing) Government agencies (contributing)	V. Welfare and car



Material Topics List	Describe the Organization's Policies or Commitments Related to Material Topics	Description of impacts (economic, environmental, and people (including human rights))	Major affected parties	Corresponding Chapter
Occupation 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 has 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> <li>Actual/positive: Providing         employees with a safe         working environment to         maintain and ensure the         Company's image and         operating costs.</li> <li>Potential/Positive: To prevent the         recurrence of the said         similar situation, we will         identify the hazards and         risks in the workplace,         provide improvement         suggestions, and         strengthen the employees'         emergency response         capabilities.</li> </ul>	The Company (causing) Employees (directly related) Suppliers/ contractors/ distributors (directly related) Government agencies (contributing)	V. Welfare and care
Clients Service management (Custom theme)	The increase in customer satisfaction can deepen the intimacy with customers, improve product competitiveness, and effectively manage the Company's relationship with customers.	<ul> <li>Actual/Positive: Customers' trust in the Company is enhanced, and the Company's operations are maintained.</li> <li>Potential/Positive: Identify areas of improvement for the company from the customer, so that the company has an indicator for improvement.</li> </ul>	The Company (causing) Clients/ consumers/ distributors (directly related)	III. Unique Products

### Directly related of main subjects of impact

- 1. Causing: The Company's actions and inaction may cause negative impacts.
- 2. Contributing: The organization's activities result in, promote, or induce the emergence and emphasis on significant topics.
- 3. Directly related: It may directly cause a direct impact on the relevant stakeholders.

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

Preventive or Remedial Measures

# **02** Strategic Governance

### **Management Approach**

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> <li>Quality management policy: Innovation, Efficiency, Professionalism, and Service.</li> <li>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>Environmental policy:         <ul> <li>(1) Pollution prevention: Identify the pollutions generated during the manufacturing process, reduce or prevent the environmental</li> </ul> </li> </ol>
<i>,</i>	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 have achieved the goal of sustainable operation.
Goals and Targets	<ol> <li>Business performance: The turnover target for 2023 is NTD 1,405,495 thousand, which is NTD 984,200 thousand for the screw business, NTD 385,295 thousand for the wire drawing business, and NTD 36,000 thousand for the drill business separately.</li> <li>R&amp;D and innovation: There are four innovative R&amp;D projects, three from the screw business and one from the drill business.</li> <li>Product quality and service:         <ul> <li>(1) Screw business:</li> <li>A. Screw wear rate ≤ 3%/ ≥ 50M-Pcs.</li> <li>B. The wear rate of carbon steel anchors ≤ 5%/ ≥ 10M-Pcs.</li> <li>C. The wear rate of composite anchors ≤ 5%/ ≥ 10M-Pcs.</li> <li>D. Customer complaints for screws with responsibility attributable to the Company ≤ 3 cases/year.</li> <li>E. Anchor bolt customer complaint with responsibility attributable to the Company ≤ 3 cases/year.</li> <li>F. Customer satisfaction statistics show that 80% of customers are satisfied.</li> <li>(2) Drill bit business: Wear rate &lt; 0.85%, large-scale customer complaint &lt; 1 case</li> </ul> </li> </ol>
Management Evaluation Mechanism	The Company follows the ISO 9001 internal management review procedure.     Management review of all management systems.
Performance and Adjustment	<ol> <li>In 2023, the turnover of Sheh Kai Precision Co., Ltd. was NTD 1,428,614 thousand, with an achievement rate of 102%, a decrease of 1.5% compared to 2022, a net profit after tax of NTD 245,494 thousand, a growth of 5.21% compared to 2022, and an EPS of NTD 4.95.</li> <li>Execution results of the R&amp;D and innovation plan proposals:         <ol> <li>Screw business: The ETA anchor bolt various burial depths certification is in progress. The other two are medium to long term development cases which are currently under planning and on hold. The cost of the implemented R&amp;D cases is within budget.</li> <li>Drill bit business: The ETA anchor bolt various burial depths certification is in progress. The other two are medium to long term development cases which are currently under planning and on hold. The cost of the implemented R&amp;D cases is within budget.</li> <li>Product quality and service:</li> <li>Screw business:</li></ol></li></ol>

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 Program Control Table," and the progress or results of the regular

Article 2.3.6 of the "Procedures for Continuous Improvement" - When the follow-up management test shows that the company does

review may be explained in the relevant meetings for review.

not meet the requirements, the auditor shall issue a corrective action sheet.

#### 2.1 About Sheh Kai

#### Overview of corporate operations

Founded in 1992, 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 highgrade 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, reward shareholders and employees, and head toward sustainable operations.

	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	289 people
Business Locations	No. 1, Bengong 1st Rd., Gangshan Dist., Kaohsiung City
Capital (NTD thousand)	495,995
Turnover (NTD thousand)	1,428,614

	Ownership structure	
		Closing date: 2024/04/02
Shareholders	Number of Shares Held	Shareholding Ratio
Financial institutions	100,779	0.20
Other Corporate Entities	18,653,491	37.61
Individuals	30,255,919	61.00
Foreign Institutions and Foreign Natural Persons	690,120	1.39





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

### Operational Performance

Sheh Kai 's operating results in 2023 remained high compared to 2022, and its consolidated revenue reached more than NT\$1.4 billion. In particular, the screws revenue grew by over 16%. The export to Europe grew by about 50% is the most, among which the growth of the sharp end screws applied in the installation of solar panels is the most significant. However, sales of wire rod decreased by approximately 30% in volume and 38% in value due to a decrease in domestic and international demand as a result of the economic downturn. Due to the higher proportion of revenue from high-margin screw products, the amount of gross profit increased by more than 13% compared to 2022, and the net income after tax increased by more than 5% compared to 2022. It is remarkable that the company was able to buck the trend and grow despite the poor domestic and international economic situation and the downturn in the steel industry.

F	inancial information of Sheh-Ka	i in the past three years	
Item/Year	2021	2022	2023
Operating revenue (NTD thousand)	1,442,108	1,450,487	1,428,614
Operating cost (NTD thousand)	1,109,287	1,051,656	974,913
Gross profit (NTD thousand)	332,821	398,831	453,701
Operating income (NTD thousand)	202,967	267,454	307,459
Non-operating income and expenses (NTD thousand)	(16,619)	16,761	(3,601)
Net income before tax (NTD thousand)	186,348	284,215	303,858
Net profit after tax for the period (NTD thousand)	149,161	233,347	245,494
Total comprehensive income (NTD thousand)	147,718	234,813	249,331
Earnings per share (NTD)	3.31	4.91	4.95
Employee benefits (NTD thousand)	2,626	3,579	3,829
Dividend (NTD thousand)	135,000	148,799	223,201
Employee salary (including employee benefits) (NTD thousand)	222,334	244,990	263,534
Retained economic value (NTD thousand)	(34,586)	88,923	204,645
Payments to investors (NTD thousand)	101,584	146,735	160,949
Payments to the government (NTD thousand)	41,311	52,416	87,142
Community investment (NTD thousand)	2,178	767	965

Note: The payment to investors in 2023 includes dividends paid to shareholders and interest paid to lenders; therefore the total amount was NTD 160,949 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	
Land tax, Land value tax, Fuel tax, License tax	Finance Department	Preparation of vouchers for debit and payment	

The Company's 2023 annual report or financial report can also be viewed at the following link:

#### 2023 Financial Report:

https://doc.twse.com.tw/server-java/t57sb01?step=1&colorchg=1&co\_id=2063&year=112&seamon=&mtype=A&

#### 2023 Annual Report:

https://doc.twse.com.tw/pdf/2023\_2063\_20240531F04\_20240718\_211704.pdf

#### **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 sustainab	uture and sustainable operations.				
Year	Company history				
1992	· Sheh Kai Industrial Co., Ltd. was established with a paid-in capital of NTD 10,000,000 and began to engage in R&D and production of composite screws.				
1994	· Successful R&D of composite screws.				
1996	· Successful improvement of the production technology and quality of composite screws.				
1999	· Received orders from foreign customers and significantly increased annual turnover.				
2000	· Received quality certification from a German customer in Europe.				
2002	<ul> <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> <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> <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, Bengong 1st Road, Ben Chou Village, Gangshan Township, Kaohsiung County.</li> </ul>				



Year	Company history
2005	<ul> <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> <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> <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> <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	The Company was registered for trading of emerging stocks. New products composite cement bolts and composite screws applied to stainless steel plates were successfully developed. Capitalization of earnings by NTD 38,750,000, and then the paid-in capital was NTD 232,500,000 after the capital increase. Accredited with ISO 14000.
2010	<ul> <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> <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> <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>Regarding 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> <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> <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>Zhunan 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>

Year	Company history
2015	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.  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.  Completion of new plant in Zhunan, and commencement of relocation.
2016	<ul> <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>Capital increase from earnings totaling NTD 17,310,330, and the paid-in capital amounted to NTD 450,000,000.</li> </ul>
2017	The Drill Bit Business Department of Zhunan Plant completed the first stage of mass production of composite cement drill bits.     Concrete screw anchor won the "Taiwan Excellence Award" awarded by the Ministry of Economic Affairs.
2018	<ul> <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	Issued the first domestic secured convertible bonds with a total amount of NTD 303,000,000 and an issuance period of three years.     The Southern Taiwan Science Park Bureau, NSTC approved the Company to become a manufacturer of the park.
2020	Reinvested in Sheh Kai Precision (South Korea) Co., Ltd. to expand the market of cement drill bits and hardware fasteners in South Korea.     The Drill Bit Business Department completed the development of new product vacuum cleaner bits and large cement drill bits.
2021	· Completed the R&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.
2022	The first domestically convertible secured bonds was terminated from TPEx.  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.  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.  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.  Received ICC-ES certification for carbon steel screw anchor products and is entering the high-end public construction market in the United States.
2023	The total face value of domestic unsecured convertible bonds is NT\$6,000,000 thousand, and the total number of bonds issued is 6,000. The bonds were publicly underwritten through bidding and auction, and the actual amount raised was \$643,940 thousand with a 3-year term.  We have completed the high-performance high-frequency machine development project, and it is expected to join the production in the first quarter of 2024, which will significantly increase the production capacity, save energy and reduce carbon emissions, reduce the unit cost of the process, and reduce the floor space to improve the utilization of plant space.

As of the end of 2023, the Company has a total of 289 employees and a total of 5 operating locations, including the headquarters. The turnover of the year was NTD 1,428,614 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	261,192	1,000pcs		
Cables and wires Domestic		Manufacture of Metal Products	2,776	Metric ton		
Cement drill bits	Domestic and Europe, America, Asia, and Oceania	Hardware Trading	393,483	Pieces		
Others	Domestic and Europe, America, Asia, and Oceania	Hardware Trading	7,087,721	NTD		

The list of entities in the Company's consolidated financial statements for 2023 is as follows:

#### Affiliates in the Company's consolidated financial statements

As of 2023.12.31, 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 (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)

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

Upstream - Raw materials	Midstream - Product manufacturing	Downstream - Applied industries
General steel wire rods and wires, stainless steel wire rods and wires, and others	Screws Bolts Nut Gasket Nails and tips	Industrial Machinery Metal Products Electronics, Computer and Communications Industry Aerospace industry Instrument-related businesses Transport Industry Metal Basic Industry Construction Engineering Industry

#### Involvement of External Organizations

In order to continue to strengthen the sustainable competitiveness and bring the company's operation in line with the international trend, the Company proactively participates in relevant business associations, guilds, societies, associations and other organizations to obtain the latest domestic and foreign industry information and share their own experience, and join hands with all sectors to create our sustainable value chain.

Associations and organizations in which Sheh Kai is a Member	Membership qualifications (position held)	Associations and organizations in which Sheh Kai is a Member	Membership qualifications (position held)
Gang Du Listed Company Entrepreneurs Association	Former chairperson	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	Taiwan Fastener Industries Association	Membership
Curtainwall Technology Development Association of Taiwan	Membership		

#### Membership certificate

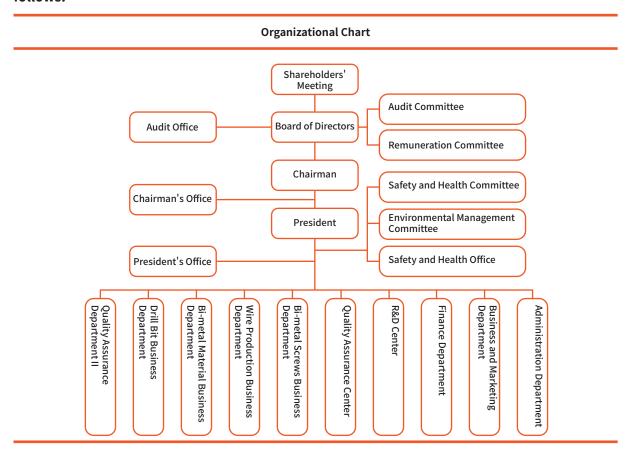






### 2.2 Governance strategy

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



Main department	Duties and responsibilities
Remuneration Committee	<ul> <li>Regularly review these Procedures and propose amendments.</li> <li>Formulate and regularly review the annual and long-term performance goals and remuneration policies, systems, standards and structures for the Company's directors and president (managers).</li> <li>Regularly evaluate the achievement of the performance targets of the Company's directors and president managers, and establish the content and amount of their individual remunerations.</li> </ul>
Audit Committee	<ul> <li>Supervising the fair presentation of the Company's financial statements.</li> <li>Supervising the appointment (dismissal), independence, and performance of CPAs.</li> <li>Supervising the effective implementation of the Company's internal control.</li> <li>Supervising the Company's compliance with relevant laws and regulations.</li> <li>Supervising the management and control of existing or potential risks of the Company.</li> </ul>
Chairman's Office	· Planing business strategy and set business goals.

Main department	Duties and responsibilities
President's Office	<ul> <li>Assisting the president in the management and execution of various businesses of the Company.</li> <li>Participating in the formulation of strategies and operational goals, and being responsible for the promotion and execution.</li> <li>Supervising the business and related matters of the department under its purview.</li> <li>Proposing and implementing sustainable development policies, systems or related management policies and specific promotion programs.</li> <li>Responsible for formulating and supervising the implementation of ethical corporate management policies and prevention plans.</li> </ul>
Audit Office	<ul> <li>Auditing and evaluating the operation of the internal control system, and assisting the management in implementing the Company's internal regulations.</li> <li>Responsible for auditing the Company's finances, business, and operations, analyzing abnormalities, and providing improvement plans.</li> </ul>
Safety and Health Office	<ul> <li>Formulating, planning, supervising and promoting safety and health management issues and directing relevant departments in their implementation.</li> </ul>
Environmental Management Committee	Analyzing the organization's situation and formulating risk and opportunity strategies.     Promoting management system to promote coordination.
Safety and Health Committee	The committee makes recommendations on safety and health policies prepared by the Employer and reviews, coordinates, and recommends safety and health related matters.
Bi-metal Screws Business Department	<ul> <li>Responsible for the scheduling and production of screws and anchors to meet the delivery time required by customers.</li> <li>Controlling the manufacturing process and improving product quality.</li> <li>Controlling manufacturing costs and reducing wear and tear.</li> <li>Continuously improving the production process and technology.</li> <li>Maintaining production equipment and operational safety.</li> <li>Responsible for the implementation of company-wide procurement matters.</li> <li>Responsible for warehousing and logistics management.</li> </ul>
Wire Production Business Department	<ul> <li>Responsible for the scheduling and production of screws and anchors to meet the lead time required by customers.</li> <li>Controlling the manufacturing process and improving product quality.</li> <li>Controlling manufacturing costs and reducing wear and tear.</li> <li>Continuously improving the production process and technology.</li> <li>Maintaining production equipment and operational safety.</li> </ul>
Bi-metal Material Business Department	<ul> <li>Responsible for the scheduling and production of screws and anchors to meet the lead time required by customers.</li> <li>Controlling the manufacturing process and improving product quality.</li> <li>Controlling manufacturing costs and reducing wear and tear.</li> <li>Continuously improving the production process and technology.</li> <li>Maintaining production equipment and operational safety.</li> </ul>
Drill Bit Business Department	<ul> <li>Responsible for the coordination, execution, and integration of cement drill production processes.</li> <li>Coordination of personnel scheduling for each section of cement drills.</li> <li>Responsible for developing the cement drill production plan and tracking and controlling the production progress of each team.</li> <li>Occupational safety and health matters</li> </ul>

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Main department	Duties and responsibilities
R&D Center	<ul> <li>R&amp;D and continuous improvement of operating equipment, molds and other materials, and process enhancement.</li> <li>New product development planning, product improvement, and sample production.</li> <li>Promoting relevant application technologies, cooperating with customers to shorten the R&amp;D and design time, and reducing costs.</li> </ul>
Quality Assurance Center	<ul> <li>Implementing quality management.</li> <li>Maintaining the quality assurance policy, rules and system.</li> <li>Supervising and ensuring the implementation of the quality assurance system and promoting the implementation of quality certification.</li> <li>Establishment of incoming material inspection, process control, and shipment inspection.</li> </ul>
Quality Assurance Department II	<ul> <li>Additions and amendments to the ISO quality management system.</li> <li>Establishment and supervision of product production quality inspection operations.</li> <li>Custody, management, and calibration of measuring equipment.</li> <li>Analyzing causes of quality problems, tracking and supervising quality management.</li> </ul>
Sales and Marketing Department	<ul> <li>Establishment and execution of business objectives.</li> <li>Planning and execution of marketing strategies.</li> <li>Investigation and development of domestic and foreign business markets.</li> <li>Achieving business goals and improving the quality of customer service.</li> </ul>
Finance Department	<ul> <li>Responsible for budgeting and settlement of costs.</li> <li>Responsible for the Company's financial management and fund scheduling and raising.</li> <li>Matters related to stock affairs.</li> <li>Tax credit application</li> <li>Budget preparation, planning and review.</li> <li>Analysis of operating statements.</li> <li>The department is the unit in charge of the meetings of the Board of Directors and is responsible for the management of the performance evaluation of the Board of Directors and the Audit Committee.</li> </ul>
Administration Department	<ul> <li>Human resource planning and execution.</li> <li>Payroll management.</li> <li>Planning and execution of education and training.</li> <li>Amendment and implementation of the management system.</li> <li>Planning of employee benefits and management of labor-management relations.</li> <li>Management of fixed assets and general affairs.</li> <li>Responsible for the planning, construction, improvement, and management of the Company's software and hardware.</li> </ul>

#### 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.

The Company has established a diversity policy in its Corporate Governance Best-Practice Principles. The current Board members come from different fields of expertise. The current Board of Directors has members with different professional backgrounds. In accordance with the Company's Articles of Association, the number of independent directors shall not be less than three and shall not be less than one-third of the number of directors' seats, and the term of office shall be three years. On May 29, 2023, the 11th Board of Directors was reelected. The current term is composed of 7 directors (including 3 independent directors) with extensive experience and expertise in the fields of finance, accounting, business operation and management, steel industry, law, etc. The term of office is from May 29, 2023 to May 28, 2026. In order to demonstrate the diversity in the composition of the Board of Directors, there is one female director, and in the future, the ratio of female directors will be increased to 1/3. The percentage of directors who are employees is 29%, and the percentage of independent directors is 43%. All independent directors meet the independence requirements, and the board meetings are held regularly according to law. 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
Chairman	Tai-Yuan Tu	Male	Over 50 years old	1993 8.24	EMBA, National Kaohsiung University     Vice President, Sheh Fung Screws Co., Ltd.	<ul> <li>and President, Sheh Kai Precision Co., Ltd.</li> <li>Chairman, Sheh Fung Screws Co., Ltd.</li> <li>Chairman, HYE TECHNOLOGY CO., LTD</li> <li>Chairman, BYMIT INC.</li> <li>Chairman, Guan Yi Investment Co., Ltd.</li> <li>Chairman, Longyuan Investment Co., Ltd.</li> <li>Director and President, Sheh Kai Trading (Shanghai) Co., Ltd.</li> <li>Chairman, BI-METAL Ltd.</li> <li>Chairman, Litai Co., Ltd.</li> </ul>
Director	Chun-Yen Chen	Male	30–50 years old	2020 6.10	EMBA, National Sun Yat-Sen University     President, Sheh Chiang Industry Co., Ltd.	President, Sheh Kai Precision Co., Ltd. President, Sheh Fung Screws Co., Ltd. Chairman, Sheh Feng Investment Co., Ltd.
Director	Shang-An Lin	Male	Over 50 years old	2008 5.12	Graduated from Department of Aeronautics and Astronautics, National Cheng Kung University     Institute of Aeronautics and Astronautics, National Chung Shan Institute of Science and Technology (NCSIST)     Flight Science Team, Aerospace Industrial Development Corporation (AIDC)	· Independent Director, MILDEX OPTICAL INC.
Director	Tang-Kun Liu	Male	Over 50 years old	2023 5.29	Graduated from Department of Political Science, Chinese Culture University	Representative of Green World Hotels Co., Ltd.     Chairperson of Board of Directors, Singo Biotechnology Co., Ltd.
Independent Director	Fu-Bin Lee	Male	Over 50 years old	2023 5.29	<ul> <li>Graduated from Department of Accounting, National Chung Hsing University</li> </ul>	Independent Director, Argo Yachts Development Co., Ltd.     CPA, Tai Chiao United CPA Firm
Independent Director	Kai-Li Wang	Male	Over 50 years old	2023 5.29	· Ph.D. in Economics, Utah State University, USA	Independent Director, Dyaco International Inc.     Independent Director, Aker Technology Co.,Itd     Independent Director, Paiho Shih Holdings Corporation     Full-time Professor, Department of Finance, Tunghai University
Independent Director	Chia-Chia Lin	Female	30–50 years old	2023 5.29	· Bachelor of Law, Soochow University	· Independent Director, Sun Yad Construction Co., Ltd



		Informa	tion on th	e members o	of the Board	of Director	s of Sheh K	ai Precision		
Job Title	Name	Operational judgment	Accounting and financial analysis	Business administration	Crisis management	Steel industry knowledge	Other industry knowledge	International market perspective	Leadership ability	Decision- making ability
Chairman	Tai-Yuan Tu	V		v	V	V		V	V	V
Director	Chun-Yen Chen	V		v	V	V		V	V	V
Director	Shang-An Lin	V		V	v	V		v	V	V
Director	Tang-Kun Liu	V		v	v		V		V	v
Independent Director	Fu-Bin Lee		٧	V					V	v
Independent Director	Kai-Li Wang		V					v		
Independent Director	Chia-Chia Lin		V	V					V	v

#### ♦ 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 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.

- 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 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 2024, the first meeting of the Board of Directors was held to report the implementation of the Company's promotion of sustainable development in 2023.

The person in charge of impact management of each responsible unit will constantly monitor the operation of internal units and report and track the situation with the Board of Directors when necessary to ensure that the environmental, economic, and social sustainability criteria are met:

Nature	Major events	Number of Cases	Communication Outcomes
Environmental Aspect	GHG inventory and verification schedule of subsidiaries.	1 case	
	Economic Performance	41 cases	The Board of Directors shall authorize the senior management to
Economic Aspect	Risk Management	14 cases	handle and report to the Board of Directors, if necessary. For resolutions of the Board of Directors, the Board of Directors must
	Ethical Corporate Management, Corporate Gover- nance	11 cases	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.
Social Aspect	Employee remuneration distribution and salary adjustment, Quarterly bonus distribution policy and year-end bonus	5 cases	

#### Continuing education of board members

In addition to the experience and expertise in the relevant industries, the Company also arranges educational training programs for its directors on a regular basis. By arranging a variety of external training programs, the professionalism of the staff will be strengthened, and they will be able to perform their duties, take on the responsibility as prudent administrators to make reasonable efforts, thereby fully utilizing the functions of operational decision-making, leadership and  $supervision.\ In\ 2023, the\ average\ training\ hours\ of\ each\ director\ was\ 6\ hours, and\ the\ total\ training\ hours\ was\ 42\ hours.$ 

Job Title	Name	Date of continuing education	Organizer	Course name	Hours	
Chairman	Tai-Yuan Tu				6	
Director	Chun-Yen Chen	2023.08.03				
Director	Shang-An Lin			Governance Association     Board governance under ESG	6	
Director	Tang-Kun Liu		Asian Corporate Governance Association		6	
Independent Director	Fu-Bin Lee		covernance Association	2. Source governance under 250	6	
Independent Director	Kai-Li Wang				6	
Independent Director	Chia-Chia Lin				6	

#### ♦ Performance Evaluation of the Board of Directors

In order to implement corporate governance and enhance the functions of the Board of Directors, the Company has formulated the "Regulations Governing the Evaluation of the Performance of the Board of Directors," which clearly defines performance objectives to enhance operational efficiency. The Company conducts 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, the content review and results of the Company's board performance evaluation in 2023 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).					
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.					
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.					
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.					
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.					

Assessment item	Assessment results (total score 5)			
E. Internal control				
17. The directors can effectively evaluate and supervise the effectiveness of various internal treasury systems and risk management.				
18. The internal control system approved by the board of directors includes five major elements/principles, and covers all operational activities 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:

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)

### ▶ The state of the company's implementation of corporate governance:

A total of 8 directors' meetings of the Company were held in 2023. The attendance of directors is as follows:

Job Title	Name	Actual attendance rate	Number of proxy attendances	Actual attendance rate (%)	Remarks
Chairman	Tai-Yuan Tu	8	0	100	Re-elected on May 29, 2023
Director	Chun-Yen Chen	6	0	100	The director was newly appointed in the re-election May 29, 2023, and they are required to attend 6 meetings.
Director	Shang-An Lin	7	0	87.5	Re-elected on May 29, 2023
Director	Sheh Fung Screws Co., Ltd. Representative: Chun-Yen Chen	2	0	100	In May 29, 2023, the directors were resigned at the election, and they are required to attend 2 meetings.
Director	Tang-Kun Liu	6	0	100	The director was newly appointed in the re-election May 29, 2023, and they are required to attend 6 meetings.
Director	Yu-Lin Chang	2	0	100	In May 29, 2023, the directors were resigned at the election, and they are required to attend 2 meetings.
Independent Director	Fu-Bin Lee	6	0	100	The director was newly appointed in the re-election May 29, 2023, and they are required to attend 6 meetings.
Independent Director	Kai-Li Wang	6	0	100	The director was newly appointed in the re-election May 29, 2023, and they are required to attend 6 meetings.
Independent Director	Chia-Chia Lin	6	0	100	The director was newly appointed in the re-election May 29, 2023, and they are required to attend 6 meetings.
Independent Director	Pei-Hao Huang	2	0	100	In May 29, 2023, the directors were resigned at the election, and they are required to attend 2 meetings.
Independent Director	Wen-Che Chen	2	0	100	In May 29, 2023, the directors were resigned at the election, and they are required to attend 2 meetings.
Independent Director	Sheng-Chia Su	2	0	100	In May 29, 2023, the directors were resigned at the election, and they are required to attend 2 meetings.



#### 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.
  - ${\bf 4.\,Procedures\,for\,handling\,significant\,financial\,and\,business\,activities\,confirmed\,by\,the\,Company.}$
  - 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.

#### Operation of the Audit Committee

The Company's Audit Committee consists of three independent directors. At the 2023 general shareholders' meeting, the second audit committee was re-elected by the board of directors. Fu-Bin Lee, member with financial accounting background, acted as the Convenor, while Kai-Li Wang and Chia-Chia Lin acted as the Members of the Audit Committee.

A total of 7 Audit Committee meetings were held in 2023, and the attendance records are as follows:

Job Title	Name	Actual attendance rate	Number of proxy attendances	Actual attendance rate (%)	Remarks
Independent director (convener)	Pei-Hao Huang	2	0	100	
Independent director (member)	Wen-Che Chen	2	0	100	2023.05.29 The directors were newly appointed, and they are required to attend 2 meetings.
Independent director (member)	Sheng-Chia Su	2	0	100	
Independent director ( convener)	Fu-Bin Lee	5	0	100	
Independent director (member)	Kai-Li Wang	5	0	100	2023.05.29 The directors are newly appointed in the re-election, and they are required to attend 5 meetings.
Independent director (member)	Chia-Chia Lin	5	0	100	

Date of meeting	Proposal Content	Resolutions of the Audit Committee	The Board of directors' response to the audit committee's opinions
First time 2023/03/02	1. The Company's 2022 business report, parent company only financial statements and consolidated financial statements.  2. 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 2022.  3. Amendments to the Company's "Corporate Governance Best Practice Principles".  4. Amendments to the Company's "Insider Trading Prevention and Management"  5. Amendments to the Company's "Procedures for Handling Material Inside Information."  6. Assessment of the independence and suitability of the external auditors and adjustment of audit fees  7. GHG inventory and verification schedule of subsidiaries.  8. Renewal of short-term financing facilities for financial institutions.  9. Distribution of earnings for the fourth quarter of 2022	1–4. Unanimously approved by all members present     5. After the Chair's consultation with all members present, this proposal will be discussed by the next committee.     6–8. Unanimously approved by all members present     9. Approved after review.	Referred to the Board of Directors for discussion
Second round 2023/05/04	1. Consolidated financial statements for the first quarter of 2023. 2. Amendments to risk management measures 3. Amendment to "policy for valuation of inventory decrease and obsolescence loss" 4. Amendment to "internal control system - payroll cycle" 5. Assessing the independence and suitability of CPAs according to the audit quality indicator (AQI) 6. Renewal of financing facilities for financial institutions. 7. Application for pre-closing risk limit from financial institutions.	Unanimously approved by all members present	Referred to the Board of Directors for discussion
Third Round 2023/0/17	Proposed election of the convener of the 2nd Audit Committee     The Company's issuance of the second unsecured convertible corporate bonds in Taiwan     Renewal of financing facilities for financial institutions     Application for pre-closing risk limit from financial institutions.	Unanimously approved by all members present	Referred to the Board of Directors for discussion
4th meeting 2023/08/03	Consolidated financial statements for the second quarter of 2023.     The Company's earnings distribution proposal for the second quarter of 2023	Unanimously approved by all members present	Referred to the Board of Directors for discussion
5th meeting November 3, 2022	1. Consolidated financial statements for the third quarter of 2023. 2. The Company's earnings distribution proposal for the third quarter of 2023. 3. Setting revenue targets for 2024 4. Establishment of the Company's 2024 annual audit plan. 5. Appointment of a dedicated information security officers 6. Participation in the 2023 Cash Capital Increase of Green River Holding Co. Ltd. 7. Amendments to the Company's "Procedures for Handling Material Inside Information."	Unanimously approved by all members present	Referred to the Board of Directors for discussion
6th meeting 2023/12/14	2024 Budget     Renewal of short-term financing facilities for financial institutions.     Application for pre-closing risk limit from financial institutions.	Unanimously a pproved by all members present	Referred to the Board of Directors 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 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.

Job Title	Name	Actual attendance rate	Number of proxy attendances	Actual attendance rate (%)	Remarks
Independent director (convener)	Fu-Bin Lee	4	0	100	Re-elected on July 17, 2023
Independent director (member)	Kai-Li Wang	2	0	100	Newly appointed on July 17, 2023
Independent director (member)	Chia-Chia Lin	2	0	100	Newly appointed on July 17, 2023
Independent director (convener)	Pei-Hao Huang	2	0	100	Resigned on July 17, 2023
Independent director (member)	Wen-Che Chen	2	0	100	Resigned on July 17, 2023

Date of meeting	Proposal Content	Resolution result	The Company's handling of the opinions of the Remuneration Committee	
First time 2023/03/04	The Company's Remuneration Committee reviewed the distribution of remuneration for directors and employees in 2021.	Agreed by all attending members.	Reported to the Board of Directors, which was approved by all attending directors.	
2023/03/04	Proposal to adjust the salary of the Company's managers	Agreed by all attending members.		
	Amendments to the "Regulations Governing Employee Dividend Distribution and Incentive Measures"	Resolutions will be re-examined after the measures are revised and improved		
Second round 2023/05/04	Establishment of the "Regulations Governing the Distribution of Quarterly Bonuses to Employees"	Agreed by all attending members.	Except for Proposal 1., all other proposals were submitted to the Board of Directors	
	Discussion of the distribution of the Company's remuneration to directors in 2022.	Agreed by all attending members.	and approved by all directors present.	
	Discussion of the allocation of managerial officers' remuneration of the Company in 2022.	Agreed by all attending members.		
Third Round 2023/12/14	Allocation of the Year-end Bonus to the Managers of the Company in 2023	Agreed by all attending members.	Reported to the Board of Directors, which was approved by all attending directors.	

### 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".

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.

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.



#### 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.

In 2023, the Corporate Governance Officer attended 12 hours of courses related to corporate governance, including "Scope, Restrictions, and Risk Analysis of Insider Equity Trading," "Board Governance under ESG," and "Insider Equity Promotion Seminar for TPEx Listed Companies or emerging stock companies." "Seminar for TWSE/TPEx Listed Companies - Insight into Derivative Financial Instruments, Towards Corporate Sustainability." Directors participate in 6 hours of corporate governance-related courses every year, which includes "scope, limitations and risks of insider equity transactions", 'board governance under ESG', etc. In addition, staff from the Finance Department participated in the course "ESG Sustainability: How to build a culture and report well".

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. Moreover, risk management is integrated into operational activities and daily management processes to achieve the following objectives

- I. To achieve corporate goals
- II. To enhance management efficiency
- III. To provide of reliable information
- IV. To allocate resource effectively

In terms of occupational safety and health, in order to cope with sudden emergencies, the Company follows the "Emergency Response Management Regulations of Gangshan Plant" and "Emergency Response Management Regulations of Zhunan Plant" of the ISO 14001 environmental management system. Employees are able to quickly utilize their team's mutual assistance skills and make systematic notifications so that management can fully grasp the situation and take necessary procedures to minimize losses. Furthermore, 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						
Туре	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 2023, 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. The R&D expenses in 2023 increased by 2.5% compared to 2022. It is estimated that NTD 28,738 thousand will be invested in R&D in 2024, an increase of about 20%. The R&D projects are to develop high-efficiency production machines and repair welding bolt products.				
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				

### 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  $\label{eq:coordinate} % \[ \frac{1}{2} \left( \frac{1}{2} \right) \left( \frac{1}{2} \left( \frac{1}{2} \right) \left( \frac{1}{2} \right) \left( \frac{1}{2} \right) \left( \frac{1}{2} \left( \frac{1}{2} \right) \left( \frac{1}{2} \right)$ 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**

**Board of Directors** 

Administration De-



	Information Security Management Guidelines				
Policy Action	Specific plan				
Network Security Management	<ul> <li>(1) Multi-functional protective firewalls are configured to prevent illegal invasion by hackers.</li> <li>(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.</li> <li>(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.</li> </ul>				
System access mechanism	<ol> <li>(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.</li> <li>(2) The password set for the account number shall meet the specified strength and contain both alphanumeric characters.</li> <li>(3) When employees resign, they must contact the Information Section to delete accounts in each system.</li> </ol>				
Implementation of information security training	<ul><li>(1) Add information security courses to the training of new employees.</li><li>(2) Disseminate the latest information security protection messages from time to time, such as: ransomware, phishing software, and fraudulent URL links.</li></ul>				
Virus protection and management	<ul><li>(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.</li><li>(2) The email server is equipped with a spam filter to prevent viruses or spam from entering the user's PC.</li></ul>				
Ensure system availability	<ol> <li>(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 Luzhu Plant or an external backup device) for mutual backup.</li> <li>(2) Regularly implement disaster recovery drills and select a recovery reference point to restore the backup files to the system host.</li> </ol>				
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:

## **02** Strategic Governance

## Sheh Kai Precision's Definition of Major Violations

- 1. The customer requests for order cancellation, return of goods, compensation, or loss of more than NTD 1,000,000.
- 2. The production line cannot produce or ship for more than one month.
- 3. Stakeholders gathered around the plant to protest.
- 4. An occupational safety accident results in serious injury or death to an
- 5. Overall average score of less than 59 in customer satisfaction survey.
- 6. Media coverage that damages the corporate image.
- 7. Pollution affects the global environment.
- 8. The permit is revoked by the competent authority.
- 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.

Sheh Kai Precision attaches great importance to the Company's integrity and ethics, and adopts a zero-tolerance attitude toward 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 clear 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 2023, no corruption (fraud) incidents have occurred. Corruption risk assessments have been planned for all operating locations of the Company. Any corruption is strictly prohibited. We have strengthened relevant anti-corruption education and training courses to establish correct moral concepts for employees, and stipulated the prevention and control of malpractice, sexual harassment, theft or embezzlement, acceptance of bribes, commissions, or intentional damage to the Company's property. We will be dismissed substantiated offenders from duty and terminated them depending on the circumstances to prevent the occurrence of corruption and malpractice. 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. In 2023, There were 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
V No violation of the Company Act. V No violation of commercial laws. V No violation of securities and financial regulations. V No corruption incidents involved. V No legal proceedings arising from anti-competitive behavior, anti-trust and monopoly behavior.	V No violation found. V No forced labor. V No use of child labor.	V No prohibited or controversial products.  V No violations of marketing-related laws and regulations and voluntary code of conduct.  V No violation of laws and regulations and the imposition of huge fines due to the provision and use of products and services.  V No legal proceedings arising from anti-competitive behavior, anti-trust and monopoly behavior.

## 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		

# Unique products

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

ESG永續報告書

3. Unique products

## 03 Unique products



## **Management Approach**

	Material Topic: Customer Service Management				
Material Causes of This Topic	Customer satisfaction must be improved to deepen customer intimacy and improve product competitiveness.				
Influence and Impact	<ul> <li>Economic aspect: Customer satisfaction is a way to identify customers' confidence in the Company and to maintain the Company's revenue stability.</li> <li>Environmental aspect: Only with stable revenue can we be able to strengthen environmental protection measures.</li> <li>People and human rights: Only with stable revenue can we enhance employee benefits and rights.</li> </ul>				
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	The customer satisfaction in 2023 reached 90.16 points and 88.29 points. Although they were up by 6.59 points and down by 2.88 points, respectively, from 2022, 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. There were a total of 112 suppliers in 2023. and local procurement reached 95.5%. The following table shows the proportion of the Company's procurement expenditure from suppliers in the past three years.

		Supplier	Category and Procurem	ent Proportion	in the Recent Three Years		
		2021		2022		2023	
Type of contract	Procurement Area	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		3	0.43	3	0.42	3	0.63
(Contracting and services)	Domestic	0	0	0	0	0	0
Property	Domestic	33	93.11	31	74.56		
(Raw materials)	Overseas	0	0	0	0	5	0.3
Construction project	Domestic	26	2.29	21	2.21	22	3.5
(Architecture and equipment)	Overseas	0	0	0	0	0	0
Drososing	Domestic	41	1.24	43	19.06	38	25.75
Processing	Overseas	0	0	0	0	0	0
Materials	Domestic	18	2.92	14	3.3	16	4.12
	Overseas	0	0	1	0.15	1	0.13
Total		121	100%	118	100%	112	100%

- $1.\ Domestic\ refers\ to\ Taiwan; for eign\ refers\ to\ areas\ other\ than\ Taiwan\ (such\ as,\ the\ United\ States,\ Vietnam,\ etc.).$
- 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.



## ♦ Supplier screening and evaluation

## **Supplier Environmental Assessment**

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 every six months. The evaluation is based on the quality of the supplier's transactions, the accuracy of the delivery schedule, and the friendliness of the environment (supplier's environmental assessment form). In 2023, a total of 116 suppliers were evaluated, and the supplier evaluation rate was 35.26%.

## Procedures for Screening New Suppliers (updated on 2023/08/01)

- (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 management unit or the procurement unit fills in the basic information of the suppliers, signs the Supplier Commitment to Integrity, Human Rights, and Environmental Sustainability, and conducts an initial evaluation (40%) to confirm that the suppliers meet the followings:
    - 1. The suppliers have delivery accuracy management
    - 2. There are complete procedures and written records for process control.
    - 3. The suppliers have obtained ISO 9001 or domestic and foreign quality certifications, or their company has quality inspection personnel.
    - 4. The supplier obtained ISO 14001, GHG and other environmental certifications, or have environmental protection control organizations in place.
    - 5. The Company has an independent financial and accounting department.
    - 6. Suppliers comply with laws and regulations and do not employ illegal labor or child labor.
    - 7. Their plants are equipped with safety and health equipment such as firefighting and alarm systems.
    - 8. No industrial safety incidents have occurred.
  - 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. Retest order must be completed in more than six months, if there is any special condition, it should be signed and submitted to the president of the company for approval before inclusion.
- (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.

## 03 Unique products

2022 supplier evaluation results				
Total number of suppliers	329 enterprises			
Number of supplier appraisals conducted	116 enterprises			
Number of Disqualified Suppliers	0			
Evaluation Rate	100%			
Pass ratio	100%			

Note:

## 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.

<sup>1.</sup> In 2023, 6 new qualified suppliers were added in accordance with the Company's data analysis regulations. (one supplier in Gangshan; two processors and three suppliers of Zhunan).

<sup>2.</sup> There were 26 processing suppliers for the Gangshan Plant, 61 suppliers for the Gangshan Plant and the Luzhu Plant, and 6 processors and 23 suppliers for the Zhunan Plant, for a total of 116 suppliers.



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		
Design and manufacturing of steel screws and anchors Design and manufacture of cement drill bits	ISO 14001:2015(CNS 14001:2016)	100.00		
Sheh Kai Screw Sk 8-12 (carbon steel, A4)		100.00		
Sheh Kai Screw Sk 6 (carbon steel, A4)	Europe Technical Accessment	100.00		
Concrete Screw Anchors	EU and Germany ETA certification: ETA 15/0815, ETA 16/0067	100.00		
Four-Edge Cement Drill SDS-PLUS (Ø6, 7, 8, 10, 12, 13, 14, 16)	Prüfgemeinschaft Mauerbohrer e. V., Germany (PGM Masonry Drill Bit Certification Board)	26.78		

Note: Percentage = (Total amount of assessed products or services provided to customers/Total amount of products or services provided to customers) \*100.

## Statistics of international system certifications obtained by Sheh Kai Precision

## ISO 9001:2015 (Chinese certificate)

## Certificate

## Certifica Certificate of Registration



## ISO 9001:2015 (Certificate issued overseas)



## ISO 14001:2015 (Chinese certificate)



## European technical assessment

## ETA-15/0815 of 16 April 2018

## ETA-16/0067 of 29 March 2018





## 03 Unique products

## 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.

## Product Guarantee

Zhunan 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 Zhunan Plant to maintain the suitability, effectiveness, and adequacy of the quality system.

With a belief in continuous improvement, Sheh Kai Precision has developed its own quality policy of innovation, professionalism, efficiency, and service based on the various quality specifications of its customers. During the manufacturing process of all products, in addition to the sophisticated skills possessed by our operators, we also use computerized quality inspection equipment to ensure that the quality of our products is under complete control. As a result, we are not only able to guarantee the quality of our products, but we are also confident that our products exceed the quality standards required by our customers. The quality management evaluation is as follows:

- (1) ISO 9001 certification: Appearance, size, and penetration tests are performed for each order specification.
- (2) Hexavalent chromium is not used in post-processing procedures.
- (3) The Company's products undergo acid rain and salt spray tests according to customer requirements to ensure the rust-proof condition of products, and pass the professional SGS certification and rigorous audit.

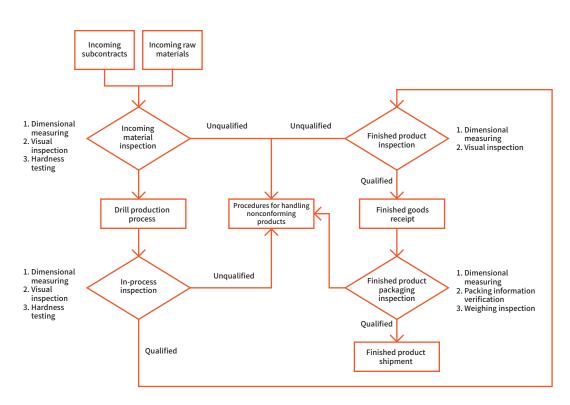
During the reporting period, there were no incidents of fines due to violation of laws and regulations in the quality of screws and bolts measured by the Quality Inspection Section.

## 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 2023, 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.

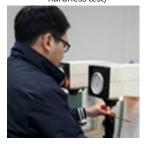




Incoming material/process inspection (Appearance inspection with an imaging microscope)



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



Incoming material inspection (Dimensional measurement with image tool microscope)



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



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



Shipping inspection (packaging information verification)



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



Shipping inspection (Packaging and weighing inspection)



## 03 Unique products

## 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 2023, the Company's customer satisfaction survey results were 90.16 points and 88.29 points, respectively. The average overall customer satisfaction was 89.23 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	90.16	89.23
Second Business Unit	Delivery, unit price, service, quality	88.29	05.23

## Remarks:

- 1. From September 1, 2021 to August 31, 2023, a total of 73 questionnaires were distributed for the customer satisfaction survey report of the first business unit, and 33 were recovered. 28 of them were valid. There were no invalid questionnaires.
- 2. 2. From September 1, 2021 to August 31, 2023, a total of 31 questionnaires were distributed, and a total of 31 were recovered; of which, 30 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 privacy

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 2023, 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

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

## 04

## **Green environment**

## **Management Approach**

	Material Topic: *Energy				
Reporting Requirements	Reporting Requirements and Instructions				
Material Causes of This Topic	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.				
Influence and Impact	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.     Environmental aspect: The goal is to implement energy conservation and carbon reduction, and reduce the negative impact of energy emissions on the environment.     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.				
Policy/Strategy	Enhance energy efficiency.     Implement energy conservation and carbon reduction plans.     Comply with national policies and regulations.				
Goals and Targets	<ul> <li>Short-term goals:</li> <li>1. The unit energy consumption is reduced by 1% compared to the previous year.</li> <li>2. In accordance with the "Requirements for Energy Consumers to Set Energy Saving Targets and Implement Programs," Gangshan Plant achieved an average annual energy saving rate of more than 1%.</li> <li>Medium- and long-term goal (3 - 5 years): To gradually replace old equipment with new ones and increase the proportion of renewable energy use.</li> </ul>				
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	<ul> <li>The Company's greenhouse gas emission is 2023 as the base year, and the performance comparison will be conducted in next year.</li> <li>From 2015 to 2023, the average annual electricity saving rate of the Gangshan Plant has reached 1.59%, which is higher than the 1% standard required by the Energy Administration.</li> </ul>				
Preventive or Re- medial 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**

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 Board of Directors, as the highest governance unit for sustainable development, regularly reviews risks and opportunities related to climate change. The Company has also established a Risk Management Team, which is chaired by the President or Vice President of the Company, to formulate risk management policies with respect to various risks, in order to effectively identify, measure, and control the Company's risks, and to regularly track the progress of the Company's achievement of its sustainability goals. In addition, the R&D Center has been instructed by the senior management to concurrently handle climate-related issues, and is responsible for preparing the annual greenhouse gas inventory report, overseeing and managing climate change-related issues, calling on the relevant departments to formulate strategies for implementation, and reporting to the Board of Directors quarterly on the key information of the current period and the progress of the implementation.

Strategy (risk category)

The risk management policy is to define various risks according to the Company's operating guidelines, prevent possible losses within the risk tolerance range, increase shareholders' value, and achieve the principle of optimal resource allocation, while reducing the impact of risks on the operation of Sheh Kai Precision. Through the risk management process, risks in 2023 include: transition risks, rising costs of changes in domestic and foreign climate change-related laws and regulations. Also, we will keep a close eye on relevant laws and regulations and formulate corresponding strategies. Regarding physical risk, we use "insurance" to diversify risks for the decrease in revenue due to delay in shipping, The Company uses "insurance" to diversify risks in the event of work stoppage or property damage caused by climate-related disasters. Unstable and rising raw material costs due to climate disasters. Increase safety stocks while keeping costs under control. The detailed countermeasures are as follows:

Risk Aspect	Risk Type	control. The detailed countermeasur  Potential impact	Countermeasures
RISK ASPECT	RISK Type	Potential impact	Countermeasures
Environmental Aspect	"Transition risk" Climate Change	Carbon tax is levied domestically.     European CBAM carbon tax.     Energy conservation and carbon reduction requirements and implementation.	1. We execute greenhouse gas inventory, train internal verifiers, collected carbon emission data in 2023, completed the internal verification of greenhouse gas inventory in March 2024, and completed the external verification procedure in July 2024.  2. The domestic carbon fee and the EU CBAM tariff are expected to have no impact before 2026; therefore we must continue to follow.  3. Reduction of carbon emissions and energy conservation and carbon reduction are the global trends. In the future, carbon tay in various countries will have an impact on the Company's operations. It is necessary to let 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.
	"Transition risk" Environmental Risks	Wastewater, waste, and air pollution must meet the standard values. Avoid environmental pollution.	Regularly check the test value.     Improvement of existing equipment to maintain the stability of sewage equipment.     Regularly update and review environmental protection laws.     Participation in seminars of government agencies and service centers.
	"Physical risk" Long-term Labor Shortage	Affect the Company's production capacity and delay the delivery of orders.	Use of other labor resources.     Goals:         (1) Improve the salary structure.         (2) Develop equipment to reduce manpower, improve efficiency and increase production capacity.
	"Physical risk" Human Resource Management	I. It is difficult to recruit talents,     which affects the Company's     production capacity and delivery     time.     Talent cultivation and high     turnover rate, increasing labor     costs.	Increase industry-academia collaboration.     Employee group activities.     Formulate employee benefits.     Diversify the evaluation and bonus system.     Establishment of employee promotion system.
Social Aspect	"Physical risk" Operational Hazard Management	Safe working environment for employees.     Safe work practices.     Employees' ability to handle crises in response to emergencies.	Education and training to improve employees' occupational safety knowledge.     Conducting the effectiveness audit.     The implementation of improvement and corrective measures ar effective.
	"Physical risk"	Employees using illegal software	Regular information security promotion to enhance employees' information security awareness.     It is strictly prohibited for employees to install illegal software.     Purchase and use legitimate software.
	Information risk	Hackers and ransomware attacks	Control over the access to individual accounts.     Dissemination of phishing emails.     Mail protection servers.     Purchase of application firewalls.
	"Transition risk" 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.	The Company launched the identification personnel training course and added agent personnel for regulations identification.

## **04** Green environment

Climate Change Risk					
	"Transition risk" 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.	Regularly follow the publicity of government laws and regulations.     On-the-job training for employees.     Revision of relevant internal control system.		
Social Aspect		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.		
	"Physical risk" 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.	We suggest pre-sale of forward exchange for hedging when the order amount reaches a certain amount in USD or EUR.     If the foreign currency income is higher than the original quoted exchange rate, it will be transferred to NTD to supplement the working capital.     Target: Exchange loss within NTD 10 million or 0.6% of operating revenue.		
Economic Aspect		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.		
		Due to the economic downturn, the number of orders is reduced, and the idle capacity is at a loss.	1.Manufacturing process 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.		
		The economic downturn reduces the order quantity, and the price parity effect emerges.	Accurate assessment of internal cost.     The external cost is based on volume.     Reduce prices to maintain market share.     Target: To approximate the quoted gross profit to the actual gross profit.		
Strategic Aspect	"Physical risk" Geopolitics	Geopolitical conflicts may cause customers to consider the risk of sourcing from other countries.	Considering setting up factories in other countries.     Target: To reduce customers' doubts.		

## Strategy Type of opportunity

Aspects	Type of opportunity	Potential impact	Countermeasures
Environmental	Energy conservation and carbon reduction	Development of carbon rights.     Energy conservation and carbon reduction are the global trends.	Keep abreast of the latest international trends, promote the development of carbon rights, reduce corporate carbon risks and costs, formulate comprehensive carbon reduction plans, and transform into a low-carbon and sustainable industry.
Aspect	New process technology development	Reducing energy consumption in the production process.	We improve resource and energy efficiency through innovative R&D technologies to reduce energy consumption in the production process.
	Long-term Labor Shortage	Improving production efficiency and increasing production capacity.	Reduce the reliance on human resources, adopt automated equipment or technology, improve production efficiency, and increase production capacity through process optimization.
Social Aspect	Talent cultivation	Enhance the professional knowledge and skills of employees through training programs to enable them to cope with the work environment and challenges.	We cultivate talents and provide career development paths to enhance employees' recognition of the corporate culture, reduce talent loss, enhance productivity and competitiveness, thereby contributing to the sustainable development of the Company.



	Climate Change Risk						
	Collaborative low carbon transformation	Cooperate with the upstream and downstream supply chains to carry out low-carbon transformation and reduce product life cycle footprint.	Work with the supply chain to promote low-carbon transformation plans to reduce carbon emissions in the production process.				
Strategic Aspect	Climate change response	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 orders and profits.	In response to climate change, we will continue to expand stainless steel products, actively develop new technologies, and develop corresponding production conditions to comply with market trends and increase revenue.				
	Upstream and down- stream supply chain cooperation	Reducing product carbon footprint.	Work with the supply chain to respond to low-carbon transformation, establish product carbon emission baselines, reduce carbon footprints, and enhance the Company's environmental image and competitiveness.				

## **Risk Management**

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 analyzes the level of risk and assess its priority, and formulates 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 convened depending on the implementation status, we also convene a general review meeting perior to be depended 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. The Company's corporate risk management includes risk detection, assessment, reporting, and handling procedures. There are three levels (mechanisms) for risk control:

(I) The organizer or undertaker is the "first mechanism" for the initial risk discovery, assessment, and control.

(II) The second mechanism is the review or evaluation committee chaired by the president (or vice president), which is responsible for not only the feasibility

- assessment but also various risk assessments.

  (III) The third mechanism is the audit by the Audit Office, the review by the Audit Committee and the Board of Directors.

- The relevant management policies are as follows:

  1. Negotiate with customers or adopt Free on Board (FOB).

  - Disaster grouping to reduce climate disaster damage.
     Inventory of raw materials and maintain a certain amount of inventory
  - 4. Committed to the greenhouse gas inventory of the factories to accurately grasp the greenhouse gas emission status.

## Indicators and goals

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 2023 as the base year:

- Short-term goal: Reduce unit energy consumption by 1% compared to the previous year.
   (3 5 years) Medium- and long-term goal: To gradually replace old equipment with new ones and increase the proportion of renewable energy use.
   In addition, the Company is also committed to the greenhouse gas inventory of factories to accurately grasp the status of greenhouse gas emissions:

   It is expected to reduce carbon emissions by 1% every year.
   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 massures.
- - carbon-reduction measures. 3. Strengthen the Company's existing green power generation scale (solar power generation).
    4. Reward all employees for complying with environmental protection laws and regulations and participating in energy saving and carbon reduction

  - 5. Assist and request suppliers/contractors to perform GHG inventory, and to provide data and cooperate with other relevant requirements.

## Financial impact

- 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
- 2. Energy opportunities brought about by extreme weather, and long screws for insulation/cold insulation will increase revenue by 3%.

## Carbon pricing basis

The Company has not yet planned; in the future, we will continue to pay attention to carbon pricing system and other related issues, including carbon tax, carbon emissions, carbon trading, etc. At present, we focus on the "Clean Competition Act" (CCA) in the United States and the "Carbon Border Adjustment Mechanism" (CBAM) in the European Union.

## **Greenhouse Gas Inventory Plan**

The Company has set climate-related goals to reduce carbon emissions and adapt to climate change. The Company completed the setting of the inventory base year in 2023, continues to conduct greenhouse gas inventory, and conducts detailed risk assessment and strategic planning for the covered activities, emission scope, and schedule, and further sets climate-related goals; moreover, it works with manufacturers to jointly formulate short-, medium-, and long-term carbon reduction goals to reduce the carbon footprint of products. The inventory operations were implemented in 2023 and the internal audit was completed in March 2024; and the external audit procedures were completed in the July.

## External assurance

We commissioned BellCERT International Inspection and Certification Organization Taiwan, BellCERT International Inspection and Certification Group to perform an external GHG audit in accordance with ISO 14064-3:2019, with 2023 as the base year. The scope of assurance includes direct emissions from Category 1 and indirect emissions from Category 2 energy inputs of the parent company (Gangshan Plant, Luzhu Plant, Packaging Plant, Bi-Metal Material Plant, and Zhunan Plant). Based on the audit, the assurance level for Category 1 and Category 2 was determined to be a reasonable level.

## **Green environment**

## 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	2021	2022	2023		
Water quenching oil	Non-renewable	3.38	4.80	4.07		
Screw molding oil	Non-renewable	0.59	0.95	0.96		
Anti-rust oil	Non-renewable	0.81	1.19	1.02		
Stain removal oil	Non-renewable	3.18	3.30	2.7		
Diesel fuel	Non-renewable	21.88	30.38	27.92		
Motor oil	Non-renewable	3.22	4.12	3.42		
White iron oil	Non-renewable	2.18	3.56	3.06		
Hydrochloric Acid	Non-renewable	12.87	18.76	13.53		
Iron and steel	Non-renewable	1,815.22	2,132.02	1,606.56		
Chromium-molybde- num alloy steel	Non-renewable	39.92	26.54	25.7		
Tungsten steel	Non-renewable	0.45	0.43	0.43		
Stainless steel wire rod	Non-renewable	4260.1	4260.1	2,787.73		
PC coating powder (8%)	Non-renewable	1.75	1.75	1.55		
Oxalate film (14%)	Non-renewable	26.15	26.15	18.4		
Acid remover	Non-renewable	14.48	14.48	11.5		
Lubricant powder	Non-renewable	6.78	6.78	5.38		
Ammonia (gaseous)	Non-renewable	50.39	50.39	49.74		

## 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, raw materials from the car repairing process, scrap iron from inventory, waste sludge from the acid cleaning process, and waste oil mixture. In 2023, the total amount of waste generated was 282.29 tonnes. No serious leakage incident has occurred to Sheh Kai during the reporting period.



Sheh Kai Precision's waste disposal plan ii	า 2023		
Hazardous waste			
Composition of waste	Off-	site	
ltem	Waste Generation (Tons)	Treatment Method	
Ashes or sludge from the emission control of the iron-chromium alloy process in Luzhu Plant (A-7301)	51.6	Other disposal operations	
Composition of waste	On-	site	
ltem	Waste Generation (Tons)	Treatment Method	
General chemical waste mixture (D-2399) in Gangshan Plant	0.2	Other recycling operations	
Non-hazardous waste			
Composition of waste	Off-	site	
ltem	Waste Generation (Tons)	Treatment Method	
Gangshan Plant & Luzhu Plant & Packaging Plant Waste plastic mixture (D-0299)	0.46		
Gangshan Plant & Packaging Plant Waste paper mixture (D-0699)	1.82		
Gangshan Plant & Packaging Plant Waste wood mixture (D-0799)	5.19	Incineration (excluding energy recovery)	
Gangshan Plant & Luzhu Plant & Packaging Plant Waste fiber or mixture of other cotton and cloth (D-0899)	0.48		
Gangshan Plant & Luzhu Plant & Packaging Plant Domestic waste (D-1801)	2.04		
Gangshan Plant & Luzhu Plant Inorganic sludge (D-0902)	24.45	Other disposal operations	
Waste oil mixture in Gangshan Plant (D-1799)	18	Incineration (including energy recovery)	
Waste wood in Gangshan Plant (R-0701)	0.08	Recycling and	
Waste iron in Gangshan Plant (R-1301)	172.57	utilization	
Waste activated carbon in Luzhu Plant (D-2403)	5.4	Incineration (excluding energy recovery)	

## Remarks:

## 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	2021	2022	2023
Electricity Consumption	Degree/year	11,296,266	12,660,991	10,607,539
	GJ	40,666.56	45,579.57	38,187.14
Gasoline consumption	L/year	17,282	17,447	15911
	GJ	864.00	569.77	519.61

Remarks:

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

2. The general chemical waste mixture (D-2399) generated by the Company's Gangshan Plant was cleaned on-site in the Company and turned into iron scrap (R-1301) from the Gangshan Plant.

## **Green environment**

Quantitative Indicators			2021 2022	
B: 1 ::	L/year	59,214	70,210	16975
Diesel consumption	GΊ	2,081.11	2,469.22	96509
Natural gas (LNG)	m³	127,668	124,394	3232.51
consumption	GΊ	4,273.30	4,166.50	3232.51
Organization-specific Metrics	Revenue of NTD thousand	1,442,108	1,450,487	1,428,614
Total Energy Consumption	GЛ	47,584.97	52,785.06	42,536.26
Energy intensity	GJ/NTD thousand revenue	0.0334	0.0364	0.0298

## Remarks:

- 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/m³; 1 kcal = 4.1868 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.
- 6. The 2021 energy consumption data includes only the totals of the Company's Gangshan, Luzhu, and Zhunan Plants.
- 7. The data of 2023 is extracted from the greenhouse gas inventory assurance data.

## Green and energy-saving performance

Sheh Kai Precision promotes energy-saving and carbon reduction actions based on corporate social responsibility and the goal of sustainable green production. In terms of energy saving and carbon reduction measures, the replacement of high energy-consuming air compressors is planned according to the schedule, and regular inspections are conducted to prevent gas circuit leakage. In terms of lighting equipment, we have been encouraging our employees to turn off the lights when leaving and stop the lights for one hour during the lunch break, and to replace metal halide lamps with LED high-efficiency bulbs. Thanks to the efforts of our employees, our electricity usage in 2023 decreased by approximately 11% for air compressors and 15% for lighting equipment, compared to the 2022 electricity usage.

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
Replacement of old air compressors	Calculation method: Energy intensity per unit of product (volume) in 2022: 1,450,920/276,740 = 5.24. Energy intensity per unit of product (volume) in 2023: 1,285,880/276,740 = 4.65. Comparing 2023 with 2022, the energy consumption intensity per unit of product (volume) was (4.65-5.24)/5.24=-11%, a decrease of about 11%.
Lights off for one hour during lunch break, replace metal halide lamps with LED high efficiency bulbs, turn off lights when leaving .	Calculation method:  Energy intensity per unit of product (volume) in 2022: 246,560/276,740 = 0.89.  Energy intensity per unit of product (volume) in 2023: 207,940/276,740 = 0.75.  Comparing 2023 with 2022, the energy consumption intensity per unit of product (volume) was (0.75-0.89)/0.89=-15%, a decrease of about 15%.

Note: The calculation method of energy consumption intensity per unit of product (volume): Electricity consumption (kWh) for the year/output (MPCS) for the



## 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

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

## Water resource utilization

In 2023, the water consumption of Sheh Kai Precision was 20.94 million liters, an increase of 6.98 million liters compared to 2022. This is due to the difference in the scope of water consumption statistics for 2021, 2022, and 2023 (the details are shown in the notes of the table

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. Gangshan

	Water consumption statistics of Sheh Kai in the past three years						
Year	2021	2022	2023				
Water Withdrawal (million liters)	12.98	13.96	20.94				
Water Discharge (million liters)	7.17	8.29	10.41				
Water Consumption (million liters)	5.81	5.67	10.53				
Recycled water consumption in the plant (million liters)	1,704.65	1,708.53	1,704.65				
Water Recycling Rate (%)	99.24	99.19	98.79				
Organization-specific measurement (thousand revenue)	1,442,108	1,450,487	1,428,614				
Water Use Intensity	0.0000090	0.0000096	0.0000147				

- 1. Water consumption = water intake water discharge.
  2. The scope of water consumption statistics for 2021 and 2022 includes only the Gangshan Plant. The statistical scope in 2023 is the total water withdrawal (Gangshan + Luzhu + Packaging + Bi-Metal Material + Zhunan Plants), the amount of water discharged (Packaging + Bi-Metal Material + Zhunan Plants as calculated by 80% of the tap water), and the amount of water consumed.
- 3. The circulating water volume in the plant is the water circulating in the cooling towers. Based on the hourly circulation rate of each cooling water tower (calculated as 16 hours per day), the circulation volume is about 429.6 T/hr\*16 hours of operation per day\* number of working days per month=monthly
- 4. Water recovery and reuse rate = volume of recycled water in the plant / (volume of water withdrawn + volume of recycled water in the plant) \* 100%. 5. The calculation of water intensity is: Water withdrawal (million liters) / organization-specific measured value.

## 04

## **Green environment**

## Effluent discharge status

In 2023, Sheh Kai Precision's total wastewater discharge was approximately 10.41 million liters. 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		2023		
	Emission standard (ppm)	Annual average monitoring value (ppm)	Emission standards (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	7.25	7.41	
Suspended Solids (SS)	330	13.98	330	8.54	330	9.35	
Chemical oxygen demand (COD)	710	95.13	710	54.84	710	44.06	
Ammonia nitrogen (NH3-N)	125	29.83	125	26.36	125	27.06	
Zinc (Zn)	5	0.06	5	0.07	5	0.09	
Dissolved iron (D-Fe)	10	0.018	10	0.18	10	0.1	

Note: 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:

	Wastewater discharge (m³) by each operation location						
				Unit: Million liters			
Busines	Business Locations 2021 2022 2023						
	Gangshan Plant	7.17	8.29	6.78			
Kaohsiung	Luzhu Plant	1.01	0.88	0.61			
	Packing plant	-	0.38	1.17			
	Zhunan Plant	1.37	1.53	1.05			
Miaoli	Bi-Metal Materi- al Plant	0.75	0.62	0.81			

## Remarks:

- 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.
- 3. In 2022, there was a unit conversion error which resulted in a mistake. The correct information should be 8.29 (million liters) for the Gangshan Plant, 0.88 (million liters) for the Luzhu Plant, 0.38 (million liters) for the Packaging Plant, 1.53 (million liters) for the Zhunan Plant, and 0.623 (million liters) for the Bi-Metal Material Plant.

## 4.4 Greenhouse gas emissions

The Company attaches great importance to environmental protection and reduces carbon emissions by minimizing the amount of energy consumed through specific energy-saving action plans. The organizational boundary of Sheh Kai Precision includes the parent companies (Gangshan Plant, Luzhu Plant, Packaging Plant, Bi-Metal Material Plant, and Zhunan Plant) The scope of the inventory includes Category 1 direct emissions and Category 2 indirect emissions from imported energy. The total GHG emissions in 2023 reached 5,556.9343 metric tons of CO<sub>2</sub>e.



2023 Greenhouse gas emissions statistics						
ltem	Gangshan Plant	Luzhu Plant	Packing plant	Bi-Metal Material Plant	Zhunan Plant	Total
Scope 1: Direct greenhouse gas emissions (tCO <sub>2</sub> e)	95.6772	185.0944	11.2616	22.0460	2.7308	316.8100
Scope 2: Indirect greenhouse gas emissions (tCO <sub>2</sub> e)	3,461.5568	1,419.9141	31.4176	164.2846	162.9512	5,240.1243
Total greenhouse gas emissions	3,557.2340	1,605.0085	42.6792	186.3306	165.6820	5,556.9343
GHG emission intensity (ton CO <sub>2</sub> e/ Thousand dollars in revenue)	0.002490	0.001123	0.000030	0.000130	0.000116	0.003890

- 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 sixth Assessment Report) of the Bureau of Energy, Ministry of Economic Affairs.

- 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 (CO2), methane (CH4), nitrous oxide (N2O) and hydrofluorocarbons (HFCs).

  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 kgCO2e/kWh; the 2022 electricity emission factor = 0.495 kgCO2e/kWh; and the 2023 electricity emission factor = 0.494 kgCO2e/kWh

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) in the previous three years: During the reporting period, Sheh Kai Precision also produced no emissions of substances that deplete the ozone layer.

	2021				2022		2023			
Test Item	Discharge (kg)	Emission standard (ppm)	Annual average monitoring value (ppm)	Discharge (kg)	Emission standard (ppm)	Annual average mon- itoring 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)	3.28	30	1	3.29	30	0	2.48	30	0	
Sulfur oxides SOx	0	0	0	0	0	0	0	0	0	
Nitrogen oxides NOx	106.16	100	54	109.3	100	0	82.68	100	0	

## Remarks:

- The unit of TSP of particulate pollutants is mg/Nm3.
   There is no air pollution monitoring system, and the information filled in the form is the detection value when the operation permit is changed.

- --- 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 To establish a harmonious labor-management relationship, the Company provides employees with comprehensive working conditions, Material Causes 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. The Company of This Topic organizes various activities to build solidarity and happiness among employees. Economic aspect:We 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. Influence and People and human rights aspect: To establish a good and competitive compensation and benefit and welfare system, the Company will Impact 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. 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-Policy/ Management Meetings" and "Employee Welfare Fund Act" and other relevant laws and regulations, in order to establish a competitive salary Strategy and welfare system. We will also continue to revise and provide a complete internal performance appraisal system and employee reward Short-term goals (within three years): 1. Optimizing the employee bonus system and providing diversified rewards for employees. 2. Replacement of the ERP system. Goals and Targets 3. To strictly comply with laws and regulations, and do not receive penalties for violating labor laws and regulations. · 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. 1. Conduct evaluation and grade in accordance with the salary management regulations and work rules. Management Convene the Remuneration Committee to provide fair and reasonable remuneration. Evaluation Mech-Hold monthly supervisors' meetings and labor-management meetings. anism Establish the Employee Welfare Committee. $1. \ \ \, \text{The Company provides a comprehensive salary system to give employees a salary level that is superior to the industry. Salary adjust-superior to the company provides a salary system to give employees a salary level that is superior to the industry. Salary adjust-superior to the company provides a salary system to give employees a salary level that is superior to the industry. Salary adjust-superior to the company provides a salary system to give employees a salary level that is superior to the industry. Salary adjust-superior to the salary system to give employees a salary level that is superior to the industry. Salary adjust-superior to the salary system to give employees a salary level that is superior to the industry. Salary adjust-superior to the salary system to give employees a salary level that is superior to the salary system to give employees a salary sys$ ments are made every year based on the Company's operating conditions. The average salary increase in the past three years is about 5%.2. Bonuses are issued based on the Company's operating performance. Bonuses in 2023 are better than those in 2022. Performance and Adjustment According to the Company's Articles of Incorporation, more than 1% of the profit is allocated as employee compensation each year. In 2023, 3.45% of the profit is allocated as employee compensation. 4. There were no labor disputes or mediation applications from 2021 to 2023. Preventive or The Company has a dedicated mailbox and channel. Employees can also get in touch with workplace issues through the following methods: Contact: Administration Department · Employee complaint hotline: (07) 6225669 ext 203 Measures Employee Complaint Email: pony@shehkai.com.tw

## Material topic: occupational health and safety

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 has 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.
Influence and Impact	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.  People and human rights aspect: If a major occupational accident occurs to employees during the execution of their duties, the Company will also immediately initiate relevant occupational safety investigations, and care about the physical and mental health of employees and help them overcome difficulties.
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> <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.

## Material topic: occupational health and safety

Adjustment

- 1. There was one more work-related injury in 2023 than in 2022, mainly due to accidental work-related injuries.
- 2. As of 2023, there has been no occurrence of occupational diseases.

The safety and health office reviews and assesses the report, proposes improvement measures, and Preventive or Remedial Measures 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

Preventive or Remedial Measures

- with the following methods: Contact: Safety and Health Office
- · Employee complaint hotline: (07) 6225669 ext 217
- · Employee Complaint Box: cynthia@shehkai.com.tw

## 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 2023, the Company's headquarters and all of its plants had 289 full-time employees (187 males and 102 females). During the reporting period, the number of non-employee workers in the plant was 10 (5 interns, 2 outsourced security guards, 2 dispatched cleaners, and 3 dispatched 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 2023								
Region/type Female Male Tota									
	Number of employees	102	187	289					
Taiwan	Number of permanent employees	102	187	289					
	Number of temporary employees	0	0	0					

- 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.

Informat	Information on the company's non-employee workers in 2023						
Worker type	Contractual relationship with the Company	Total workers					
Dispatched security personnel	Undertaking of contracts	5					
Dispatched cleaners	Undertaking of contracts	2					
Professional consultants	Appointment	3					

- Number of security guards in 2023: 2 in Gangshan Factory; 2 in Luzhu Factory; and 1 in Packaging Factory.
   Contracted cleaning personnel in 2023: 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		2021	2022	2023			
Item/Gender Age			(Number of people)	(Number of people)	(Number of people)			
		Under 30 years old	0	0	0			
	Male	30-50 years old	34	38	34			
C		Over 51 years old	7	6	7			
Supervisors		Under 30 years old	0	0	0			
	Female	30-50 years old	9	7	7			
		Over 51 years old	2	4	5			
Tota	l number of supe	rvisors	52	55	53			
		Under 30 years old	59	62	46			
	Male	30-50 years old	84	84	86			
Non-key		Over 51 years old	10	12	14			
management personnel		Under 30 years old	15	13	12			
	Female	30-50 years old	71	70	71			
		Over 51 years old	4	5	7			
Total non	-key managemen	t personnel	243	246	236			
Total number of permanent employees			295	301	289			

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 2023, Sheh Kai Precision hired a total of 67 international migrant workers and 4 employees from minority or disadvantaged groups. The proportion of employees with disabilities accounting for 1.38% 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 the Company in the past three years is shown below:

	Age and gender distribution of employee diversity							
	Year		2021	2022	2023			
Item/Gender Age			(Number of people)	(Number of people)	(Number of people)			
		Under 30 years old	0	0	0			
	Male	30-50 years old	3	3	3			
Minority or		Over 51 years old	0	0	1			
vulnerable group	Female	Under 30 years old	0	0	0			
		30-50 years old	1	1	0			
		Over 51 years old	0	0	0			
		Under 30 years old	29	29	35			
	Male	30-50 years old	23	23	28			
International		Over 51 years old	0	0	0			
migrant workers		Under 30 years old	2	2	2			
	Female	30-50 years old	0	0	2			
		Over 51 years old	0	0	0			

## 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 2023, a total of 30 employees (17 males and 13 females) were recruited, and the new hire rate was 10.38%; a total of 40 employees (27 males and 13 females) resigned, and the turnover rate was 13.84%. The following is an overview of the new and resigned employees of Sheh Kai Precision in the past three years.

			Empl	oyee recr	uitment	rate in th	e past thi	ree years				
Year		20	21		•	20	22			20	23	
Gender	Ma	ale	Fen	nale	Ma	ale	Fen	nale	М	ale	Fer	nale
Age\item		New recruit rate (%)								New recruit rate (%)		New recruit rate (%)
Under 30 years old	16	5.42	9	3.05	36	11.84	9	2.96	11	3.81	6	2.08
30-50 years old	18	6.10	11	3.73	14	4.61	15	4.93	6	2.08	7	2.42
Over 51 years old	0	0	0	0	2	0.66	1	0.33	0	0	1	0.33
Total number of new employees	54			77				30				
Total number of employees	295			299			289					
Total new recruit rate (%)		18.31				25	.75			10	.38	

## Remarks:

- 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.

				Turnove	er rate in	the past	three yea	rs				
Year		20	021			20	)22			20	)23	
Gender	Ma	ale	Fen	nale	Ma	ale	Fen	nale	Ма	ale	Fen	nale
Age\item			Number of people									
Under 30 years old	20	6.78	9	3.05	23	7.57	5	1.64	11	3.81	5	1.73
30-50 years old	24	8.14	8	2.71	22	7.24	19	6.25	16	5.54	8	2.77
Over 51 years old	0	0.00	0	0.00	3	0.99	1	0.33	0	0	0	0
Total number of employees resigned		(	51			7	'3					
Total number of employees	295			299								
Total severance rate (%)		20	).67			24	.41					

- Remarks:

  1. Defining 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 male and (female) employees of that age group 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	1.06

## Remarks:

- 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 2023 was NTD 26,400.

	Female to male basic salary ratio						
Rank category	Female	Male					
Management positions	1	1.32					
Non-management position	1	0.94					
Direct personnel	1	1.13					
Indirect personnel	1	1.70					

## 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

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.

Job category Remuneration	Number	of people	Total annual	salary (NTD)	Remuneration ratio		
ratio	Female	Male	Female	Male	Female	Male	
Management positions	12	41	13,624,622	61,385,708	1	1.32	
Non- management position	90	146	54,940,318	83,375,241	1	0.94	
Direct personnel	35	138	18,508,987	82,658,565	1	1.13	
Indirect personnel	67	49	50,055,953	62,102,384	1	1.70	

- 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 2023 was NTD 26,400.

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	12.11	2.65

- 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 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.

## 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 and routine 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. The Company has not yet established a labor union and has no collective bargaining agreement.

## 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 2023, 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.

· Contact person: Manager Ma

· Contact number: (07) 6225669 ext 203

· E-mail: pony@shehkai.com.tw



## 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. In 2023, there was a need for retraining for occupational safety and security certificates, and there were more opportunities to participate in training due to the lifting of the COVID-19 pandemic, which resulted in a large difference in the total number of training hours. 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		: Manageme	ement positions Non-		Non-management position		Direct personnel		Indirect personnel	
Unit/gender		Male	Female	Male	Female	Male	Female	Male	Female	
Total attendance	Number of persons	35	11	49	53	47	26	37	38	
Total training hours	Hours	477	163.5	563.5	303.5	534.0	152	506.5	315	
Average hours of training	Hours/ person-time	13.63	14.86	11.5	5.73	11.36	5.85	13.69	8.29	
Training expenses	NTD	74,753	25,567	83,010	7,998	70,713	7,055	87,050	26,510	

## Remarks:

1. Sheh Kai's education and training statistics in 2023 were based on the actual total number of people trained.

## Photos of Sheh Kai's 2023 education and training activities

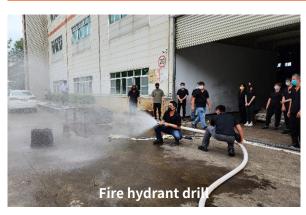








## Photos of Sheh Kai's 2023 education and training activities













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:

ltem	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	



## 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: List of full-time employee benefits Considerate benefits · Children's Education Scholarship Year-end bonus Maternity allowance Educational subsidies for children (full Hospitalization consolation payment Bonuses for three festivals subsidy for elementary school tuition for the third child of an employee, full subsidy Birthday bonus Funeral allowance Wedding monetary gift Employee training subsidies for elementary school tuition for the child of a single parent) System and facilities · Staff uniforms Provide childcare and early childhood Breastfeeding rooms · Protective equipment education services for the children of For employees to breastfeed or to collect breast milk Education and training employees; enable employees to balance Signing contracts with neighboring child care institu-· Employee-proposed work and family care responsibilities tions by way of entrustment bonuses Employee parking area Leave application/leave system Comprehensive insurance system Menstrual leave · Entitled to special leave Parental leave upon arrival Labor insurance Time of breastfeeding (collection) Paid natural disaster leave, etc., and other types of Maternity leave · National health insurance Paternity leave · Employee group insurance leave in compliance with the latest laws and Family care leave Friendly and care: employee health care travel and leisure activities · Scheduled regular health checkups · Domestic travel · Appointed on-site nurses six times a month and clinic physicians to provide on-site Overseas travel services once every two months to provide employees with health and education

## Photo of employee welfare activities



and infectious disease prevention.

services such as health checkup abnormalities consultation, maternal labor care,



Irregular dinner gatherings

Spring reception or year-end banquet

















## 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		2021		2022			2023		
Gender/total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Number of people eligible for unpaid parental leave A	5	6	11	4	5	9	4	0	4
Actual number of people applying for unpaid parental leave in the current year B	0	5	5	0	6	6	1	1	2
Number of employees expected to return to work after unpaid parental leave in the current year: C	0	5	5	0	5	5	1	0	1
The actual number of people returning to work from unpaid parental leave in the current year D	0	4	4	0	2	2	0	0	0
Number of employees actually returning from unpaid parental leave in the previous year E	0	0	0	0	4	4	0	2	2
Number of employees having worked continuously for one year after reinstatement from unpaid parental leave in the previous year F	0	0	0	0	4	4	0	2	2
Unpaid parental leave for raising children reinstatement rate for the current year% (D/C)	0	80	80	0	100	100	0	0	0
Unpaid parental leave retention rate for the current year % (F/E)	0	0	0	0	100	100	0	100	100

- 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 2023 = Number of employees who were actually reinstated in 2022 and still in service on December 31, 2023.
- 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:

- 1. 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.
- 2. 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
  - A. Those who have worked for more than 15 years and are at least 55 years old.
  - B. Those who have worked for more than 25 years.
  - C. Those who have worked for ten years or more and are at least 60 years old.
- 3. 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
- 4. 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.

## 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.

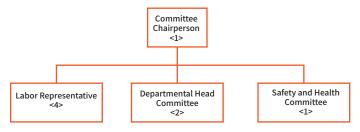
Although the Company has not yet established an occupational safety and health management system, Sheh Kai Precision has a "Safety and Health Committee" and a dedicated unit for labor safety and health. The unit is responsible for the formulating, planning, and promotion of safety and health management 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	289	100		
Total number of non-employees	27	100		

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

## Organizational structure of the Safety and Health Committee

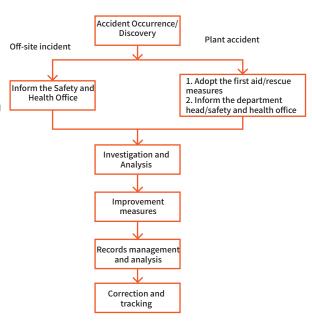


Sheh Kai Precision has established the "Gang Shan Plant Emergency Response Management Regulations," "Investigation, Handling, and Statistical Analysis of Occupational Accidents, False Alarms, and Events Affecting Physical and Mental Health" and related procedures in accordance with the Occupational Safety 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 2023, there were 1 high-risk case, 6 medium-risk cases, and 8 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.

## Accident investigation flow chart





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 2023, there were 3 employee injuries. The biggest cause was the accidental cut of an employee while operating the machine, FSI = 6.63. Looking forward to 2024, all employees of the Company will continue their efforts to achieve zero disasters.

In addition, according to the Company's regulations, employees can stop or leave when facing immediate hazards while performing 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.

Contact points for contractors to gibe advices and whistleblower protection mechanism

- $\cdot \ \mathsf{Regarding} \ \mathsf{confidentiality} \ \mathsf{of} \ \mathsf{the} \ \mathsf{whistleblowers'} \ \mathsf{identity} \ \mathsf{and} \ \mathsf{information}, we \ \mathsf{shall} \ \mathsf{not} \ \mathsf{disclose} \ \mathsf{identifiable}$ information.
- Unemployed , 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.

Statistics of occupational health and safe	ty training items	
Name of training item	No. of trainees	Training fee (NTD)
Safety and health education and training for fixed crane operators with a load of over 0.5 metric tons and less than 3 metric tons	5	20,025
On-the-job education and training for hazardous work supervisors	1	1,500
Safety and health on-the-job education and training for supervisors in charge of organic solvent operations	1	700
Safety and health education and training for supervisors in charge of organic solvent operations	2	5,880
Special safety and health education and training for personnel using crane tools for hanging operations	3	11,025
Special safety and health on-the-job education and training on using crane tools for hanging operations	15	6,000
On-the-job education and training for stationary crane operators	7	2,900
On-the-job health and safety education and training for first responders	2	800
On-the-job health and safety education and training for first responders	1	3,360
High pressure gas container operators	2	1,600
On-the-job education and training for forklift operators	1	500
Safety and health education and training for forklift operators with a load of over one metric ton	3	14,700
Special safety and health education and training for forklift operators with a load of over one metric ton	11	24,540
On-the-job education and training for radiation protection personnel	2	2,400
On-the-job boiler operation health and safety education and training for first responders	1	400
On-the-job education and training for occupational safety and health class A supervisors	1	1,000

I. 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 the Company in 2023.

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 (persons)	222				
Inspection fee (NTD thousand)	340				
Special health checkup					
Inspection Item	Noise, dust, n-Hexane				
Number of persons examined (persons)	98				
Inspection fee (NTD thousand)	0				

## Employee health checkup











### Occupational injury and disease statistics

The types of occupational injuries that occurred in Sheh Kai Precision in the past three years are as follows: in 2021, there were 2 injuries related to burns and finger injuries at work; in 2022, there were 3 injuries related to pinched fingers and cuts at work; and in 2023, there were 3 injuries related to injuries caused by carelessness at work. The Company has strengthened the education of employees, and the department supervisors are responsible for disseminating the need to pay attention to the working environment and their own safety, and to follow the SOP operation procedures.

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

Employee occupational injuries							
Category	ltem	2021	2022	2023			
	Total working hours of women	196,416	192,024	154,368			
Total working hours	Total working hours of men	390,848	375,312	297,856			
	Total working hours	587,264	567,336	452,224			
	Female fatalities (number of times)	0	0	0			
Number of fatalities due to occupational injuries	Male fatalities (number of times)	0	0	0			
to occupational injuries	Total number of deaths	0	0	0			
	Total number of serious occupational injuries (times) among females	0	0	0			
Number of serious occupational injuries (excluding deaths)	Total number of serious occupational injuries (times) among men	0	0	0			
(excluding deaths)	Total number of serious occupational injury person (times)	0	0	0			
Number of recordable work-related injuries	Total number of female occupational injuries (times)	1	0	1			
(including fatalities and serious work-related	Total number of work-related injuries (times) among men	1	3	2			
injuries)	Total number of work-related injuries	2	3	3			
Death rate due	to occupational injuries (%)	5.09	0	0			
Serious oc	cupational injury rate %	2.55	0	0			
Documented	occupational injury rate %	3.40	5.28	6.63			

- $1.\,Fatality\,rate\,due\,to\,occupational\,injuries\,=\,(Number\,of\,fatalities\,due\,to\,occupational\,injuries/work\,hours)\,\,^*\,1,000,000.$
- Frainty rate due to occupational injuries = (Number of rataitues due to occupational injuries) (Nork nours) = 1,000,000.
   Serious occupational injury rate = (Number of serious occupational injuries (excluding fatalities)/Working hours) \* 1,000,000.
   Recordable occupational injury rate = "Number of recordable occupational injuries (including number of deaths and number of serious occupational injuries)/work hours" \* 1,000,000.
   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.

## **05** Welfare and care

Occupational injuries by non-employees							
Category	ltem	2021	2022	2023			
	Total working hours of women	57,536	57,768	35,712			
Total working hours	Total working hours of men	15,872	15,936	17,856			
	Total working hours	73,408	73,704	53,568			
	Female fatalities (number of times)	0	0	0			
Number of fatalities due to occupational injuries	Male fatalities (number of times)	0	0	0			
occupational injuries	Total number of deaths	0	0	0			
Number of serious occupa- tional 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 (in-	Total number of female occupational injuries (times)	0	0	0			
cluding fatalities and serious work-related injuries)	Total number of work-related injuries (times) among men	0	0	0			
	Total number of work-related injuries	0	0	0			
Death rate du	ue to occupational injuries (%)	0.00	0.00	0.00			
Serious o	occupational injury rate %	0.00	0.00	0.00			
Documente	d occupational injury rate %	0.00	0.00	0.00			

- 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. 6. Revised the information on occupational hazards of non-employees in 2021 and 2022.

### 5-5 Participation in social practices

### 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 2023						
Name of public welfare activity	Amount (\$)	Description				
In response to the "Smoke Detection and Peace of Mind" project of the Kaohsiung City Government Fire Bureau, we jointly donated residential fire alarms to the Fifth Brigade, Kaohsiung City Government Fire Bureau.	584,000	On July 4, 2023, the Company, the Group's affiliated companies, Sheh Fung Screws Co., Ltd and Hye Technology Co., Ltd., jointly donated 3,000 residential fire alarms in response to the Kaohsiung City Government Fire Department's "Smoke Detection and Peace of Mind" project. The Company donated 2,086 Residential fire alarms to the 5th Brigade of Kaohsiung City Government Fire Bureau with a total amount of NTD 584,000. Six employees participated in the project, including employees in the Chairman's Office, Finance Department and Administration Department.				
The Genesis Social Welfare Foundation initiated the activity to adopt pomelo trees and to care for the elderly in a vegetative state, dependent elders, demented elders, disabled elders and people in poverty	104,000	We donated NTD 24,000 to the Genesis Social Welfare Foundation in October 2023 in support of the foundation's activities to adopt the pomelo tree. The number of people participating in the project was 3 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. We donated NTD 80,000 to the Genesis Social Welfare Foundation. The number of people participating in the project was 3 persons, including employees of the Chairman's Office and Administration Department. The donation will be used to build a hospice for impoverished vegetative patients.				



#### Social welfare participation of Sheh Kai Precision in 2023

"Planting Love & Charity Gratitude Dinner" held by Genesis Social Welfare Foundation

200,000

On December 17, 2023, the Company, the Group's affiliates Sheh Fung and Hye Technology, and the Genesis Social Welfare Foundation co-organized the "Planting Love & Charity Gratitude Dinner." The Group's President, Mr. Chun-Yen Chen led the employees to participate in the 55-table dinner, with a total of 55 employees and 76 family members, sponsoring a total amount of NT\$200,000 at the dinner. The dinner brought 100 vulnerable family members living with vegetative patients out of their homes to meet and enjoy a meal in love. The proceeds from the sale of 99-year-old founder of Genesis Social Welfare Foundation, Tsao Ching's ink paintings done by cotton swabs were donated to the Foundation's Kaohsiung branch to raise funds for the construction of a hospice for the vegetative state patients.

Total \$888,000

### Donation of house fire alarms





### Participation in the activities of the Genesis Social Welfare Foundation









# **05** Welfare and care

### 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. Efforts to prevent pollution: 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: By further improvement of process equipment, we are strengthening of inspections, and continuous improvement of the PDCA cycle to achieve the goal of sustainable operation.

We reviewed whether the Company's environmental protection commitments were fulfilled in 2023. 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.

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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 Sustainability disclosure indicator: steel industry

Appendix 4 Climate-related information implementation of TPEx listed companies

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

Statement of Use	Sheh Kai Precision Co., Ltd. has reported the information as quoted in the GRI Content Index for the period from 2023/01/01 to 2023/12/31 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 p	ractices		
	2-1	Organizational details.	2-1 About Sheh Kai		
GRI 2 General	2-2	Entities included in the organization's sustainability reporting	About the Report		
Disclosure	2-3	Reporting period, frequency and contact point.	About the Report		
2021	2-4	Restatements of information.	About the Report		
	2-5	External assurance.	About the Report		• • • • • • • • • • • • • • • • • • • •
		2. Activities and workers	5		
GRI 2 General	2-6	Activities, value chains, and other business relationships	2-1 About Sheh Kai		
Disclosure	2-7	Employees	5-1 Employee Relations and Overview		
2021	2-8	Workers who are not employees	5-1 Employee Relations and Overview		
		3. Governance			
	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	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		
GRI 2 General	2-14	Highest governance body's role in sustainability reporting	2-2 Governance strategy		
Disclosure	2-15	Conflict of Interests	2-2 Governance strategy		
2021	2-16	Communication of critical concerns Collective knowledge of the highest	2-2 Governance strategy		
	2-17	governance body	2-2 Governance strategy		
	2-18	Evaluation of the performance of the highest governance body	2-2 Governance strategy		
	2-19	Remuneration policies	2-2 Governance strategy		
	2-20	Process to determine remuneration	2-2 Governance strategy		
	2-21	Annual total compensation ratio	5-1 Employee Relations and Overview		
		4. Strategy, policy and prac	tice		
	2-22	Statement on sustainable development strategy	Core Philosophy and Prospects of Sheh Kai		
	2-23	Policy commitments	2-2 Governance strategy		
GRI 2 General	2-24	Embedding policy commitments	2-2 Governance strategy		
Disclosure	2-25	Processes to remediate negative impacts	2-2 Governance strategy		
2021	2-26	Mechanisms for seeking advice and raising concerns	2-4 Legal Compliance		
	2-27	Legal Compliance	2-4 Legal Compliance		
	2-28	Membership associations	2-1 About Sheh Kai		
		5. Stakeholder engageme	nt		
GRI 2 General	2-29	Approach to stakeholder engagement	1-1 Stakeholder Engagement		
Disclosure 2021	2-30	Collective bargaining agreements	5-1 Employee Relations and Overview		



GRI Standards Category/Topic	Serial number	Disclosures under the GRI Standards	Corresponding Chapter	Page number	Omitted/ remark
category/ ropic	Humber	Topic-specific guidelines: 200 series (economic topics	· •	Humber	Telliark
		Market position			
GRI 202	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	5-1 Employee Relations and Overview		
Market position Topic disclosure 2016	202-2	Proportion of senior management hired from the local community	5-1 Employee Relations and Overview		
J		Indirect economic impact	und overview		
GRI 203	203-1	Infrastructure investments and services supported	5-4 Participation in Social Practices		
idirect economic impact Topic disclosure 2016	203-2	Significant indirect economic impacts	5-4 Participation in Social Practices		
		Procurement Practices	ridettees		
GRI 204			216   5   11		
Procurement Practices Topic disclosure 2016	204-1	Proportion of spending on local suppliers	3-1 Supply Evaluation and Management and Control		
		Anti-corruption			
GRI 205	205-1	Operations assessed for risks related to corruption	2-4 Legal Compliance		
Anti-corruption Topic disclosure 2016	205-2	Communication and training about anti-corruption policies and procedures	2-4 Legal Compliance		
Topic disclosure 2010	205-3	Confirmed incidents of corruption and actions taken	2-4 Legal Compliance		
		Anti-competitive Behavior			
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		
		Taxation			
GRI 207 Taxation	207-1	Tax policy	2-1 About Sheh Kai		
Topic Management	207-2 207-3	Tax governance, control and risk management  Stakeholder engagement and management of concerns related to tax	2-1 About Sheh Kai 2-1 About Sheh Kai		
Disclosure 2019 GRI 207 Taxation Topic Disclosure 2019	207-4	Country-by-country reporting	-		The Compar does not us country-by- country report
		Topic-specific Guidelines: 300 Series (Environmental Top	pics)		
		Materials			
	301-1	Materials used by weight or volume	4-3 Materials and Waste		
GRI 301 Materials Topic disclosure 2016	301-2	Recycled input materials used	-		The Compan does not use scraps from the manufacturing process
	301-3	Reclaimed products and their packaging materials	4-3 Materials and Waste		
		Water and Effluents			
GDI 202	303-1	Mutual impact of shared water	4-2 Energy and Water Resources		
GRI 303 Water and Effluents	303-2	Management of water discharge-related impacts	4-2 Energy and Water		
Topic Management Disclosure 2018	303-3	Water withdrawal	Resources 4-2 Energy and Water		
GRI 303	303-4	Water discharge	Resources 4-2 Energy and Water		
Water and Effluents Topic Disclosure 2018	303-5	Water consumption	Resources 4-2 Energy and Water		
		Biodiversity	Resources		
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	-		Not applicab
GRI 304	304-2	Significant impacts of activities, products, and services on biodiversity.	-		Not applicab
Biodiversity					
	304-3	Habitats protected or restored.	-		Not applicab

GRI Standards Category/Topic	Serial number	Disclosures under the GRI Standards	Corresponding Chapter	Page number	Omitted/ remark
	- Table	Topic-specific Guidelines: 300 Series (Environmental Topi			
		Emissions			
	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
GRI 305 Emissions Topic disclosure 2016	305-4	Greenhouse gas emission intensity	4-4 Greenhouse Gas Emissions		
	305-5	Reduction of GHG emissions	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	306-1	Waste generation and significant waste-related impacts	4-3 Materials and Waste		
Topic management disclosure 2020	306-2	Management of significant waste-related impacts	4-3 Materials and Waste		
GRI 306	306-3	Waste generation	4-3 Materials and Waste		
Waste Topic disclosure 2020	306-4	Waste diverted from disposal	4-3 Materials and Waste		
Topic disclosure 2020	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	308-1	New suppliers that were screened using environmental criteria	3-1 Supply Evaluation and Management and Control		
Assessment Topic disclosure 2016	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			
	404-1	Average hours of training per year per employee	5-2 Talent cultivation and training		
GRI 404 Training and education Topic disclosure 2016	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	405-1	Diversity of governing bodies and employees	5-1 Employee Relations and Overview		
and equal opportunity Topic disclosure 2016	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 nd 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		
		Topic-specific guidelines: 200 series (economic topics)			
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		
		Security practices			
GRI 410 Security practices Disclosure 2016	410-1	Security personnel trained in human rights policies or procedures	5-2 Talent cultivation and training		
		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	413-1	Operations with local community engagement, impact assessments, and development programs	5-5 Participation in social practices		
Local community Topic disclosure 2016 413-2		Operations with significant actual and potential negative impacts on local communities	5-5 Participation in social practices		
		Supplier Social Assessment			
GRI 414 Supplier Social	414-1	New suppliers that were screened using social criteria	3-1 Supply Evaluation and Management and Control		
Assessment Topic disclosure 2016	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	416-1	Assessment of the health and safety impacts of product and service categories	3-2 Product quality and management		
safety Topic disclosure 2016	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			
	417-1	Requirements for product and service information and labeling	3-2 Product quality and management		
GRI 417 Marketing and labeling Topic disclosure 2016	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		

### Material topic disclosure

Gri		Industry code	Serial		Corresponding	Page	Omitted/
number	Issues	no.	number	Disclosures under the GRI Standards	Chapter	number	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:	Management		3-2	List of Material Topics	1-2 Identification and		
Material topics 2021	Approach		Mater	rial topic: economic performance (GRI 201)	analysis of material topics		
GRI 3:	Management						
Material topics 2021	Approach		3-3	Material topic management	II. Strategic Governance		
			201-1	Direct economic value generated and distributed Financial implications and other risks and opportunities	2-1 About Sheh Kai		
	Economic		201-2	due to climate change	4-1 Climate change risks		
	Performance		201-3	Defined benefit plan obligations and other retirement plans	5-3 Care and Welfare		
GRI 201	Topic disclosure 2016		201-4	Financial assistance received from government agencies	-		The Company has not received financial subsidies from the government agencies
				Material Topic: *Energy (GRI 302)			
GRI 3: Material Topics 2021	Management Approach		3-3	Material topic management	IV. Green Environment		
		* * * * * * * * * * * * * * * * * * * *	302-1	Energy consumption within the organization	4.3 Energy and water resources		
	Energy		302-2	Energy consumption outside of the organization	4.3 Energy and water resources		
GRI 302	Topic disclosure		302-3	Energy intensity	4.3 Energy and water resources		
	2016		302-4	Reduction of energy consumption	4.3 Energy and water resources		• • • • • • • • • • • • • • • • • • • •
		• • • • • • • • • • • • • • • • • • • •	302-5	Reductions in energy requirements of products and	4.3 Energy and water resources		
			Material	topic: labor-management relations (GRI 401)			
GRI 3:	Management						
Material topics 2021	Approach		3-3	Material topic management	V. Welfare and care		
	Labor/ Management		401-1 401-2	Employee turnover & Number of new hires  Benefits provided to full-time employees that are not	5-1 Employee Relations and Overview 5-3 Care and Welfare		
GRI 401	Relations Topic		401-2	provided to temporary or part-time employees	5-3 Care and Wellare		
	disclosure 2016		401-3	Parental leave	5-3 Care and Welfare		
			Material t	opic: occupational health and safety (GRI 403)			
GRI 3: Material topics 2021	Management Approach		3-3	Material topic management	V. Welfare and care		
			403-1	Occupational health and safety management system	5-4 Occupational health and safety management		
			403-2	Hazard identification, risk assessment and accident investigation	5-4 Occupational health and safety management		• • • • • • • • • • • • • • • • • • • •
	Occupational		403-3	Occupational health services	5-4 Occupational health and safety		
	safety and health Topic		403-4	Worker participation, consultation, and communication on occupational health and safety	management 5-4 Occupational health and safety		
	management disclosure 2018		403-5	Worker training on occupational health and safety	management  5-4 Occupational health and safety  management		
GRI 403			403-6	Promotion of worker health	5-4 Occupational health and safety management		
			403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	management  5-4 Occupational health and safety  management		
				Surery impacts unectty tinked by business relationships	management	1	<b></b>
			403-8	Workers covered by an occupational health and safety	5-4 Occupational health and safety		
	Occupational safety and health		403-8 403-9	management system	management 5-4 Occupational health and safety		
			403-8 403-9 403-10	, ,	management		



(custom theme)	Serial number	Disclosures under the GRI Standards	Corresponding Chapter	Page number	Omitted/ remark
		Customer service management			
GRI 3 Customer service man- agement 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 number	Unit	Disclosure Indicator	2023 Disclosure	Corresponding Chapter	Page number
Energy management	RT-IG-130a.1	Gigajoules (GJ), percentage (%)	(1) Total energy consumption (2) Ratio of electricity consumption from the grid (3) Percentage of renewable energy use in total energy use	(1)42,536.26 GJ (2)89.78 % (3)0 %	4.3 Energy and water resources	
Employee Health and Safety	RT-IG-320a.1	Ratio	(1) Total recordable incident rate (TRIR) (2) Death rate (3) Near miss frequency rate (NMFR)	(1)1.32 % (2)0 % (3)0 %	5-4 Occupational health and safety management	
	RT-IG-410a.1	Fuel consumption per thousand ton- miles (gallons/ thousand ton- miles)	Sales-weighted fleet fuel efficiency for medium- and heavy-duty vehicles			
Fuel economy and	RT-IG-410a.2	Fuel consumption per hour (gallons/ hour)	Sales-weighted fuel efficiency for non-road equip- ment	Not applicable	-	
emissions use phase	RT-IG-410a.3	Power generation per gallon (W/G)	Sales-weighted fuel efficiency for station- ary generators			
	RT-IG-410a.4	Air pollution per kWh (g/kWh)	Sales weighted average emission rates of (1) nitrogen oxides (NOx) and (2) particu- late matters (PM) from (a) marine diesel en- gines, (b) train diesel engines, (c) medium- and heavy-duty road vehicles and (d) non- road diesel engines.			
Raw material procurement	RT-IG-440a.1	None	Describing the risk management practices for the use of critical controversial raw materials	In 2023, the Company did not use conflict minerals	-	
Remanufacturing design and service	RT-IG-440b.1	Amount	Revenue from remanufactured products and remanufacturing services	Not applicable	-	

By industry: Resource conversion_machinery and products							
Activity indicator	Indicator number	Disclosure in 2023	Production volume	Unit			
Production quantity of each product category	RT-IG-000.A	Product category (1) Screws and bolts (2) Cables and wires (3) Cement drill bits	(1)237,647 (2)4,450 (3)156	(1) 1,000 pcs (2) Metric ton (3) 1,000pcs			
Number of employees	RT-IG-000.B	289 people					

### Appendix 3 Sustainability disclosure indicator: steel industry

Serial number	Indicator	Unit		2023 disclosure	e	Corresponding Chapter	Page number
ı	Total energy consumption, percentage of purchased electricity, renewable energy utilization rate, and total self-generated energy for self-useNote 1	Gigajoules, percentage (%)	Total fuel consumed 42,536.26 GJ Percentage of purchased electricity 89.78 % Renewable energy utilization rate 0 % Total self-generated energy for self-use 0 GJ		4-2 Energy and Water Resources		
II	Total fuel consumption, percentage of coal, percentage of natural gas, and percentage of recycled fuel	Gigajoules, percentage (%)	Total fuel consumed 4,349.12 GJ Coal percentage 0 % Natural gas percentage 74 % Percentage of recycled fuel 0 %		4-2 Energy and Water Resources		
III	Total water intake and consumption	Thousand cubic meter	Total water withdrawal: 20.94 thousand cubic meters Total water consumption: 10.53 thousand cubic meters		4-2 Energy and Water Resources		
IV	Weight of waste generated, percentage of hazardous waste, and recycling percentage	Tonne (t), percentage (%)	282.29 metric tons of waste generated Percentage of hazardous waste: 18.35 % Waste recycling percentage: 0%		4.2 Materials and Waste		
V	Weight of waste generated, percentage of hazardous waste, and recycling percentage	Percentage (%), quantity	Number of occupational disaster victims: 3 persons Disabling injury rate (FR): 6.63 Disabling injury severity rate (SR): 15		5-4 Occupational safety and health Hygiene management		
	Production volume of major products by product category	Varies by product type	Product category	Production volume	Unit		
VI			Screws and bolts	237,647	1,000pcs		
			Cables and wires	4,450	Metric ton	-	
			Cement drill bits	156	1,000pcs		

Note 1: Total self-generated energy for self-use is as defined in the "Renewable Energy Development Act," "Implementation Regulations Governing Renewable Energy Certificates," or relevant sub-laws.



### Appendix IV: Climate-related information implementation of TPEx listed companies

ltem	Corresponding Chapter
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.	-
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.	-
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).	-
9. Greenhouse gas inventory and assurance, as well as reduction targets, strategies, and specific action plans (indicated separately in 1-1 and 1-2).	1-1. Greenhouse Gas Inventory and Assurance in the Last Two Years 1-2 GHG Reduction targets, strategies and specific action plans

### 1-1. Greenhouse Gas Inventory and Assurance in the Last Two Years

### 1-1-1 Greenhouse gas inventory information

Describe the amount of greenhouse gas emissions (tCO2e), intensity (tCO2e/NTD 1,000 in revenue), and data coverage for the most recent two years.

Sheh Kai Precision's GHG inventory data for the most recent two years summarizes the Company's GHG emissions in accordance with the Operational Control Act. The scope of the inventory includes the parent company (Gangshan Plant, Luzhu Plant, Packaging Plant, Bi-Metal Material Plant, and Zhunan Plant). Only internal inventory was conducted for 2022. The 2023 GHG emissions were assured by an external third party, as described below:

Year	20	022	2023		
Item	Parent company	Total	Parent company	Total	
Scope 1: Total emissions (tCO2e)	390.68	390.68	316.8100	316.8100	
Scope 1: Total emissions (tCO2e)	6,264.03	6,264.03	5,240.1243	5,240.1243	
Total greenhouse gas emissions	6,654.71	6,654.71	5,556.9343	5,556.9343	
Intensity (tCO2e/NTD thousand of revenue)	0.0046	0.0046	0.0039	0.0039	

Note 1: Direct emissions (Scope 1, i.e., emissions directly from sources owned or controlled by the Company), energy indirect emissions (Scope 2, i.e., indirect GHG emissions from inputs of electricity, heat, or steam), and other indirect emissions (Scope 3, i.e., emissions from the Company's activities that are not indirect emissions from energy, but are from sources owned or controlled by other companies).

indirect emissions from energy, but are from sources owned or controlled by other companies).

Note 2: The scope of information on direct emissions and indirect emissions from energy sources shall be handled in accordance with the timetable set forth in the second paragraph of Article 4-1 of the "Procedures for the Preparation and Reporting of Sustainability Reports by TPEx Listed Companies" (hereinafter referred to as "the Procedures") of the Taipei Exchange, and information on other indirect emissions may be disclosed on a voluntary basis.

Note 3: Greenhouse gas inventory standard: ISO 14064-1 published by the International Organization for Standardization (ISO).

Note 4: The intensity of greenhouse gas emissions is calculated based on the turnover (NTD million).

#### 1-1-2 Greenhouse Gas Assurance Information

Specify a statement of assurance for the most recent two years, including the scope of assurance, the assurance organization, the assurance criteria, and the opinion of the assurance.

According to the "Sustainable Development Roadmap for TWSE/TPEx Listed Companies" formulated by the FSC, we have introduced the ISO 14064-1:2018 greenhouse gas inventory standard to disclose the greenhouse gas inventory and assurance information in stages. The parent company of TPEx listed in the steel industry completed the greenhouse gas inventory in 2023 and completed the verification in 2024; the subsidiaries in the consolidated statement should complete the inventory in 2025 and complete the verification in 2027.

The Company commissioned BellCERT International Inspection and Certification Organization Taiwan, BellCERT International Inspection and Certification Group to perform an external GHG audit in accordance with ISO 14064-3:2019, with 2023 as the base year. The scope of assurance includes direct emissions from Category 1 and indirect emissions from Category 2 energy inputs of the parent company (Gangshan Plant, Luzhu Plant, Packaging Plant, Bi-Metal Material Plant, and Zhunan Plant). Based on the audit, the assurance level for Category 1 and Category 2 was determined to be a reasonable level.

Note 1: It shall be handled in accordance with the schedule specified in Paragraph 3, Article 4-1 of these Procedures.

Note 2: The assurance institution shall comply with the requirements related to the assurance institution for sustainability reports set forth by the Taiwan Stock Exchange and Taipei Exchange.

### 1-1-2 Greenhouse Gas Assurance Information

Describe the GHG reduction base year and data, reduction targets, strategies, and specific action plans, as well as the status of achievement of the reduction targets

#### Greenhouse gas reduction strategy

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 2023 as the base year: 4. The Company is committed to the greenhouse gas inventory of the factories to accurately grasp the greenhouse gas emission status:

- 1. It is expected to reduce carbon emissions by 1% every year.
- 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.
- ${\it 3. Strengthen the Company's existing green power generation scale (solar power generation)}.$
- 4. Reward all employees for complying with environmental protection laws and regulations and participating in energy saving and carbon reduction activities.
- $5. As sist and \ request \ suppliers/contractors \ to \ perform \ GHG \ inventory, \ and \ to \ provide \ data \ and \ cooperate \ with \ other \ relevant \ requirements.$

#### **Greenhouse gas reduction targets**

- · Short-term goals:
  - 1. The unit energy consumption is reduced by 1% compared to the previous year.
  - 2. To comply with the "Requirements for Energy Consumers to Set Energy Saving Targets and Implement Programs" and achieve an average annual energy saving rate of more than 1%.
- · Medium- and long-term goal (3 5 years): To gradually replace old equipment with new ones and increase the proportion of renewable energy use.

#### 2023 Reduction achievement status

Sheh Kai Precision promotes energy-saving and carbon reduction actions based on corporate social responsibility and the goal of sustainable green production. In terms of energy saving and carbon reduction measures, the replacement of high energy-consuming air compressors is planned according to the schedule, and regular inspections are conducted to prevent gas circuit leakage. In terms of lighting equipment, we have been encouraging our employees to turn off the lights when leaving and stop the lights for one hour during the lunch break, and to replace metal halide lamps with LED high-efficiency bulbs. Thanks to the efforts of our employees, our electricity usage in 2023 decreased by approximately 11% for air compressors and 15% for lighting equipment, compared to the 2022 electricity usage.

Energy conservation measures and practices	Actual reduction in energy consumption		
Replacement of old air compressors	Calculation method: Energy intensity per unit of product (volume) in 2022: 1,450,920/276,740=5.24. Energy intensity per unit of product (volume) in 2023: 1,285,880/276,740 = 4.65. Comparing 2023 with 2022, the energy consumption intensity per unit of product (volume) was (4.65-5.24)/5.24=-11%, a decrease of about 11%.		
Lights off for one hour during lunch break, replace metal halide lamps with LED high efficiency bulbs, turn off lights when leaving .	Calculation method: Energy intensity per unit of product (volume) in 2022: 246,560/276,740 = 0.89. Energy intensity per unit of product (volume) in 2023: 207,940/276,740 = 0.75. Comparing 2023 with 2022, the energy consumption intensity per unit of product (volume) was (0.75-0.89)/0.89=-15% a decrease of about 15%.		

Note: The calculation method of energy consumption intensity per unit of product (volume): Electricity consumption (kWh) for the year/output (MPCS) for the year.

Note 1: It shall be handled in accordance with the schedule specified in Paragraph 4, Article 4-1 of these Procedures.

Note 2: The base year shall be the year in which the inventory is completed within the boundaries of the consolidated financial statements. For example, in accordance with the second paragraph of Article 4-1 of the Regulations, companies with a capital of NT510 billion or more should complete an inventory of their consolidated financial statements for the year 2024 in 2025. Therefore, the base year is 2024. If the Company has completed the inventory of the consolidated financial statements in advance, it may use the earlier year as the base year, and the data of the base year may be calculated as a single year or the average of several years.

