

Differences in Promoting Sustainable Development and Departure from the Sustainable Development Best Practice Principles for TWSE/TPEX-listed Companies and Reasons:

- 一、The Company has formed its Sustainable Development Promotion Group that is led by the President and supervised by the Board of Directors. Under it are the Sustainable Project Division, Corporate Governance Division, Environmental Sustainability Division, and Social Care Division to embark on respective tasks, keep track of sustainable developments around the world, and analyze sustainability issues concerning governance, environment, and society. Product innovations and services at the core of its operation are combined while strategic sustainable directions are defined and projects are promoted to ensure that the sustainability strategy is fully implemented in the day-to-day operations of the Company.
Projects promoted are further divided to ESG disclosure and carbon inventory checks. The former has to do with the release of the ESG Report each year and gathering information on requirements of respective competent authorities while the latter deals with the planning and implementation of carbon inventory checks and carbon verification that concern greenhouse gases.
Reporting to the Board of Directors takes place at least once a year; strategic directions of the Group in sustainability and net zero are clarified and discussed. The implementation status and the progress in the preparation of the ESG Report were already reported to the Board of Directors on August 9, 2023. The Board of Directors reviews relevant progress, provides supervision and suggestions, and urges the management team to make adjustments when necessary.
- 二、The information disclosed herein covers the performance of main sites of the Company from January 2023 through December 2023. The risk assessment is focused mainly on the Company and primarily in the region of Taiwan.
The Company's relevant sustainability topics include GRI Standards, SASB standards and SDGs. Following evaluation by external experts and discussions in respective departmental meetings of the Company, the significance and possibility of impacts of the issues were explored through prior operational experiences. The 11 material sustainability issues of the Company were analyzed and sorted out/combined. Details are provided in (V) Risk Assessment on pages 66-69
- 三、Environmental Issues：
 - (一) Taking advantage of its existing ISO 14000 Environmental Management System in 2023, the Company sets the targets, objects, and solutions of environmental management and accordingly continues with waste reduction, prevention against pollution, and recycling of resources throughout its manufacturing process. In addition, by means of the periodic internal audit and management review procedures, achievements in implementation are evaluated and the goal of sustainable environmental development is fulfilled.
Since the electronic material division was terminated in the second half of 2023, ISO 14000 certification was discontinued. Whether other related systems will be introduced in the future will be evaluated separately

(二) The Company is devoted to improving the efficiency of energy used during production and continues with its energy conservation and carbon reduction move. In honor of corporate social responsibilities and the purpose of green production and sustainable management, the international energy management system has been applied in respective plants. This management standard and approach, once defined, will serve as the framework for a necessary procedure of the Company to be followed by the Company. Without affecting existing operations, the energy use efficiency can be enhanced to the best extent possible.

Although it is impossible for the Company to use renewable materials in production due to the unique manufacturing process of the industrial sector it is in, the primary material is copper, which may be used and manufactured repeatedly and is the material that may be recycled and is utilized the most frequently among all non-renewable raw materials and regular materials; it plays an important role in the regenerative cycle.

For the sake of reducing pollution, in its manufacturing process, the Company seeks the maximum efficiency in the use of raw materials and supplies and energies and resources in order to bring down the volume and conserve energy. Meanwhile, toxic materials are avoided or reduced to minimize toxic discharge from the source. As far as products are concerned, research and development are continued to comply with the international green product standards and impacts on the environment are examined. In the prevention against pollution, respective pollution preventive equipment is properly operated and emissions are comprehensively monitored. Generated waste is processed as required by law and recycling for reutilization is prioritized to be resource-oriented and to reduce waste

(三) The Company must fulfill its corporate social responsibilities in order to continue to exist in the industry given the extreme weathers caused by global warming and the rising awareness of environmental protection, energy-saving, safety and health, and conservation. Also in response to the impacts brought about by climate change, impacts of the climate change risk on governance, strategies, risk management, indicators and goals are identified and evaluated with reference to the TCFD (Task Force on Climate-related Financial Disclosures) structure. Based on assessment findings, the management strategy and greenhouse gas inventory check/carbon reduction plans are defined and enforced following approval by the Board of Directors to hopefully reduce energy consumption and carbon emissions, improve carbon reduction management performance, and consolidate corporate sustainable development goals.

A primary potential risk posed by climate change for the Company is interruption in the supply chain, rising costs of raw materials and supplies, and natural disasters such as floods because of typhoons, etc. The Company also proactively explores new sources, organizes educational training on industrial safety, and utilizes energy more efficiently by building solar power-generating equipment in response.

In 2024, the company installed "solar panels" at its Tainan Jiali facility with a capacity of 226.44 kW and a cost of NT\$9,171,396. As of November this year, the generated electricity totaled approximately 240,000 kWh, with electricity sales amounting to about NT\$1.05 million.

(四) The Company keeps track of greenhouse gas emissions, amount of water used, and the weight of waste each year and discloses statistical data over the past 2 to 3 years in its ESG Report. The data on greenhouse gas emissions, water consumption and weight of waste are summarized in the table below. For more details, please refer to the Company's ESG Sustainability Report.

Year	Parent company Greenhouse gas emissions (tons CO ₂)	
2022	Scope 1	1,450.65
	Scope 2	10,846.96
	Total	12,297.11
2023	Scope 1	767.90
	Scope 2	8,969.96
	Total	9,737.86

Year	Parent company Water consumption (million liters)	
2022	Water intake	67.77
	Water discharge	26.87
	Water consumption	40.90
2023	Water intake	58.90
	Water discharge	31.66
	Water consumption	27.24

Year	Weight of waste of parent company (Ton)	
2022	Hazardous waste	131.67
	Non-hazardous waste	257.23
	Total	388.90
2023	Hazardous waste	52.20
	Non-hazardous waste	237.45
	Total	289.64

As global low-carbon economic developments are the trends, enterprises are

playing a more and more important role in the management of environmental risk. To fulfill its responsibilities as a corporate citizen, the Company will continue to enforce the greenhouse gas reduction policy at the corporate and supply chain levels with substantial energy-saving and carbon reduction and water-saving measures.

Related energy conservation and carbon reduction policies defined by the Company include the following: (1) enhanced energy use efficiency, reduced waste of resources, and promotion of environmental greenery on premises, (2) promotion of respective waste reduction and recycling projects, (3) introduction of green raw materials and supplies and environmentally-friendly processes and technologies, and (4) evaluation of suppliers on environmental protection.

And, for the various types of waste that will impact the environment, to abide by governmental regulatory requirements, to prevent against air pollution, and to protect the living environment and public health, contracts are signed with legal professional clearance service providers as required by law for removing and recycling the waste and related data of waste are precisely collected and monitored.

四、Social Issues

(一) The Company has the human rights policy statement in place and it is available on the official corporate website to declare that the Company follows applicable labor laws and regulations while protecting the legitimate rights of employees and respecting the internationally accepted basic human rights of workers; no conditions that jeopardize the fundamental rights of workers are allowed. The human resources policy of the Company also respects the protection of fundamental rights of workers with adequate management approaches and procedures in place.

Substantial practices of the Company in the protection of human rights include: Communicate the Company's human rights policy, set up the sexual harassment filing and investigation committee, periodically arrange doctors and nurses to provide advisory service in the premises (number of consultations in 2023: 111), safety training, and periodically provide in-service employees with free health exams in accordance with the law (number of health checkups in 2023: 265), among others.

In 2023, there were a total of 14 sessions, 283 participants, and 630 hours of education and training on human rights protection (including: human rights policy advocacy, labor safety education, health management and mental health, etc.)

(二) The Company has established a reasonable compensation system, including that it is specified in the Company's Articles of Incorporation that 2% to 8% of earnings, if any, shall be set aside as the remuneration to employees. There are also regulations governing the distribution of various types of prizes, the regulations governing the distribution of various types of prizes, the Employee Promotion and Transfer Guidelines, and the employee performance valuation guidelines, among other specifically effective reward and punishment systems, and combine them with the Corporate Social Responsibilities Policy.

In the allocation of the pension fund under the old system, professional actuaries are to issue the actuarial report in order to protect the rights of colleagues in the future when they claim their pension fund. The ratio to be set aside for the pension fund under the new system is 6%; the Company has set it aside completely.

The Company has an Employee Welfare Committee in place and the welfare fund set aside for 2023 by the Company totaled NT\$6.22 million. It was meant as Employee travel subsidies, birthday and three-festival gift money, wedding, child birth, and funeral allowances, among others.

Talent is an important asset of the Company. In addition to promotion planning based on performance, development potential, organizational needs and career development intentions every year, salary adjustments are also made from time to time based on the Company's profitability, industry prospects and market salary surveys in order to maintain salary competitiveness to attract and retain talent.

The Company adheres to the philosophy of sharing operating achievements with its employees. Each year, the Company grants annual bonuses, employee compensation and quarterly competition bonuses based on the overall operating performance, achievement of team goals, and individual employee contributions and performance.

(三) The Company provides employees with a safe and healthy workplace that has necessary health and first-aid facilities available and is devoted to reducing risk factors for the safety and health of employees in order to prevent against occupational hazards.

Meanwhile, educational training on safety and health is provided periodically to employees. Related educational trainings of 2023 (including: safety and health trainings, fire prevention and safety trainings, toxic chemical disasters impromptu drills, among others). For other related information, refer to Point 7.

(四) The Company provided various types of internal and external trainings to meet different needs, including orientation, professional skills, managerial ability, to help colleagues learn and grow continuously in a variety of ways. In addition, for important successors and potential prioritized cadres, the Company provides them with in-service training and send them to receive external training, have them to rotate among duties, or assign them with projects as needed in order to effectively improve their occupational capabilities.

(五) Respective plants of the Company have been certified for the ISO 9001 series of international quality; the marketing and labeling of all products of the Company are based on applicable laws and regulations and international standards. The sales department of the Company, besides proactively addressing complaints filed by customers, spontaneously conducts customer satisfaction survey each year to know the issues and to protect the rights of customers.

In addition, the Company has the "Personal Data Protection Management Guidelines" in place to ensure that the privacy of colleagues and customers is not disclosed.

(六) The Company has the Supplier Management Guidelines and the Supplier

Management Procedure in place. Suppliers need to be investigated, evaluated and qualified before official business relationships begin. During investigation and evaluation, records of suppliers in terms of prior impacts on the environment or society will be paid attention to. The Company requires that major suppliers sign the Agreement for joint devotion to the enhancement of corporate social responsibilities, the environment, and integrity. If suppliers violate the Agreement with significant impacts, the Company will no longer renew the Agreement with the specific supplier.

五、 At present, the Company refers to the following while preparing its ESG Report, which is yet to be authenticated by a third party:

1. GRI Standards Reference Table.
2. Sustainability Accounting Standards Board (SASB) Reference Table.
3. TCFD climate-related financial information disclosure.
4. Taiwan Stock Exchange Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies.

六、 If the Company has established its own sustainable development principles based on the “Sustainable Development Best Practice Principles for TWSE/TPEX-Listed Companies”, please specify the differences between how it actually takes place and what is defined in the Principles: The Company has its Corporate Social Responsibility (CSR) Code of Conduct in place and no major differences are found so far.

七、 Other key information useful for explaining status of corporate social responsibility

practices:

- (一) Since the company's establishment in Taoyuan over 50 years ago, we have consistently upheld our commitment to corporate social responsibility, actively giving back to society and the community. Through donations, public welfare activities, industry-academia collaborations, and other efforts, we have contributed to social well-being, demonstrating our care and responsibility for the development of the local community.

The Company, in honor of its corporate social responsibility, donated a total of NTD 1,000,000 throughout 2023 to charity groups, organizations for the disadvantaged, and anti-pandemic units, including:

Recipient	Amount (NTD)
Huashan Social Welfare and Charity Foundation	\$1,000,000 in total
Prader Willi Syndrome Association Taiwan	
The Garden of Hope Foundation	
Taiwan Fund for Children and Families	
Taoyuan Heart Light Education Institute for the Mentally-Impaired	
Taoyuan White Kite Orphanage	
Taoyuan Holistic Life Education Association	
Taoyuan Guanyin Garden of Love	
ROC Retired Fire Fighters Association	
Parents' Association for Persons with Intellectual Disability	
Autism Society of Taiwan	
Taoyuan Indigenous Peoples Development Foundation	
Mennonite Social Welfare Foundation	
CNS Certification Mark Association	
Taiwan Electric Power Association	

- (二) Protection of Employee Personal Safety and Workplace and Implementation:

1. Policy Goal for Operating Environment Measurements

The related environmental measurement policies prepared for the Company's Occupational Safety and Health Management System are stated below, which not only help outsiders and the employees know the attitude and commitment of the specific business in ensuring safety and health in the workplace but also fulfill the attachment of employees to the Company by involving everyone; they are the highest directives of the specific business in environmental monitoring.

(1) Policy Statement

Comply with laws and regulations and customers' or other relevant requirements; answer to the green environmental protection movement around the world; and create a sound workplace.

Continue to improve, prevent against pollution, and prevent against risk factors for minimized costs associated with risk control.

Create the environmental/occupational safety and health management system/organization and operating system to improve performance in environmental protection/occupational safety and health.

(2) Goal

To meet basic requirements under laws and regulations governing occupational safety and health:

Keep track of the pattern of work in the operating environment and evaluate the hazardous condition that workers are exposed to (or of energy) in order to improve the field environment and to prevent against occupational disasters.

(3) Organization and Responsibilities of Members

Before the Workplace Monitoring Plan (including the sampling strategy) is defined, the Safety and Health Office shall form a "Workplace Monitoring Group". The Workplace Monitoring Group shall be capable of performing the following duties:

1. Deciding the purpose of environmental determination and the exposure management target
2. Planning and performing environmental measurements
3. Discussing environmental measurement findings

2. Performance in Industrial Safety

The Company has prepared its annual extensive occupational safety audit group action plan. The President serves as the convener and the Management Service Department is the steering unit. The Safety and Health Office and department heads form the audit group. The Safety and Health Office compiles reports on matters pending improvement and submit them to the President and respective departments for the improvements to be made, works around on a daily basis for industrial safety audits, and discusses improvements in the quarterly industrial safety committee meetings in order to protect staff safety and health.

Occupational Safety and Health Audits	
1. Extended Occupational Safety Joint Audit Group	At least once a year
2. Occupational Safety Rounds Management	At least twice a day
3. Factory Affairs Department Rounds Management	At least once a week
4. Supervisor Field Trip Management	At least once a day

3. Equipment Management

The Company classifies equipment and manages it accordingly. All hazardous machinery and equipment are controlled as required by law and careful maintenance is performed on the machinery and equipment to ensure their safe operations. Hazardous machinery and equipment of Hong Tai Electric Industrial Co., Ltd. includes 4 sets of fixed cranes and 2 sets of high-pressure gas-specific equipment totaling 6 units. 4 of them were inspected throughout 2023.

4.2023 Professional Occupational Safety and Health Licenses

License holder	Quantity	License holder	Quantity
Occupational safety and health administrator	2	Fire prevention manager	2
Class A occupational safety and health operation supervisor	2	Dust operation supervisor	2
Class B occupational safety and health operation supervisor	1	Oxygen-deprived operation supervisor	1
Operator of a stacker with a weight capacity of 1 ton and above	40	Ionizing radiation operator	2
Operator of a fixed crane with a weight capacity of 3 tons and above	15	Energy manager	1
Boiler operator	1	Class B air pollution controller	1
Organic solvent operation supervisor	1	Waste clearance professional technician	1
First-aid staff	7		
High pressurized gas-specific equipment operator	4		

Hours of training on occupational safety and health completed over the past three years and headcount

Year	Headcount	Hours
2021	213	698.5
2022	356	1,215
2023	228	776

5. Performance in Industrial Safety

Disability-related injuries suffered by employees of the Company over the past three years		
Plant Year	Death	Disability
2021	0	0
2022	0	0
2023	0	1

6. For the implementation of respective ESG items of the Company, refer to the Company's website at <http://www.hong-tai.com.tw> -> Company Profile -> ESG Report.

(三) Ethical Corporate Management Policy and Solution:

- (1) In honor of its belief in ethical corporate management, the Company prepared the Guide to the Moral Behavior of Company's Management and related regulations and policies, signed agreements externally, all of which are based on the principles of integrity and reciprocity and include reasonable contents, and proactively puts its commitment to ethical corporate management into action.
- (2) Major suppliers of the Company have signed the Commitment to Ethical Conduct. For employees that interact with outsiders, there are strict work regulations for them to follow and also the monitoring and auditing mechanisms to prevent against unethical conducts.
- (3) For parties that it does business with, the Company has the evaluation mechanism in place. Upon signing of an agreement, the principles of integrity and reciprocity are honored, too, to render reasonable contents and the agreement requirements are proactively fulfilled.
- (4) The Company constantly instills ideas about ethical corporate management in its supervisors at all levels and has precisely implemented the policy about recusal in case of conflicting interests. In cases of conflicts of interest, one may report it to the Audit Office or the President's Office directly.
- (5) The Company encourages its employees to report on illegal acts, and the whistleblower will be rewarded if it is found to be true. To report illegal acts, one can do so directly to the supervisor he/she reports to or to the Audit Office or the President's Office according to the "Whistleblowing Standards". Such reports will be treated highly confidential in order to protect against improper treatment borne by the whistleblower for reporting.

(五) Risk Assessment

Major Issue	Item	Strategy
E - Environment	Energy	<ol style="list-style-type: none"> 1. Recycling of resources: Recycle resources for use to reduce waste of resources. 2. Continuous improvement: Continue to improve the environmental management system for enhanced environmental performance. 3. Work with the Bureau of Energy under the Ministry of Economic Affairs as exploring sources of income and reducing expenses is a duty expected of a business.
	Emission	<ol style="list-style-type: none"> 1. Environmental management: HONG TAI is devoted to reducing “impacts on the environment as a result of its corporate activities, products, and services” and abides by the following environmental policies accordingly. 2. Compliance with regulatory requirements: Comply with regulatory requirements on environmental management such as air pollution, water pollution, waste, toxic chemicals, and noise control. 3. Fulfillment of obligations: Fulfill obligations expected of HONG TAI, including commitments to customers, government agencies, the management, and employees, among other stakeholders. 4. Prevention against pollution: Select suitable raw materials/regular materials or processes to avoid or reduce environmental pollutions; Set up pollution prevention equipment or adopt appropriate measures to avoid or reduce environmental pollution. 5. Energy conservation and waste reduction: Reduce the use of energy and the amount of waste generated.
	Waste	<p>The Company follows domestic and international laws and regulations in its operations and pays attention to developmental trends of domestic and international policies as well as regulatory changes at all times in order to adjust related operational strategies and to fulfill sustainable management goals.</p>

Major Issue	Item	Strategy
E - nvironment	Customer service management	Satisfy customers' requirements, implement practical and pragmatic management, pursue system excellence, and create win-win situation for both supply and demand.
	Occupational safety and health	<ol style="list-style-type: none"> 1. Promote the safe culture at HONG TAI and consolidate basic education on occupational safety. 2. Define the safety operating criteria and precisely abide by safety and health requirements. 3. Reinforce supervisor dynamic management to eliminate potential hazardous factors. 4. Improve environmental machinery equipment and work all out in the pursuit of essential safety. 5. Perform precise spontaneous inspections to resolve equipment abnormalities and failures. 6. Reinforce fire prevention safety measures to make the best of fire prevention features. 7. Request safety and health facilities from contractors for improved safety at work of contractors.
S - Society	Innovative product and technology	<p>Innovation and advancement, integrity and honesty, sustainable management. Quality Policy --- The quality policy featuring [Quality of HONG TAI assures customers] is a substantial extension of the Company's management belief. While pursuing corporate sustainable management, getting to the bottom of everything and constantly improving the overall corporate quality management are the only way to hopefully best protect the quality of products and services provided to customers and fulfillment of customers' needs is the underlying theme of corporate operation. Environmentally-friendly policy ---- For the sake of continuous management and to answer to the green tendency, besides comprehensive lead-free products, the Company promotes HSF (hazardous substances-free) management of its products. Their control is in compliance with international regulatory requirements. The hazardous substance process management (HSPM) was enforced in compliance with IECQ QC080000 in 2009 and the IECQ QC080000 certificate was received in December 2009.</p>

Major Issue	Item	Strategy
S - Society	Customer health and safety	The power business of the Company constantly advances by adjusting the insufficient through its customer satisfaction survey system. Optimal customer relations are maintained reciprocally.
	Labor-management and worker/employer relations	<ol style="list-style-type: none"> 1. Release human rights policy declaring that efforts will be made so that everyone is entitled to fair and respectful treatment. 2. Set up the Employee Welfare Committee to maximize employee welfare. 3. Periodically hold the labor-management meeting; any issue on labor-management relations is sufficiently discussed and communicated between the labor representatives and the management. The right of labor representatives to negotiate work conditions is respected. 4. Create a channel to facilitate periodic communications and dialogs with employees because they are entitled to gain information and express opinions regarding the operational and management activities and decisions of the Company. Employees shall also be notified in a reasonable way of operating activities that may bring about significant impacts. 5. Set up as required by law the Labor Retirement Reserve Supervisory Committee to take charge of managing the retirement reserve.

Major Issue	Item	Strategy
G - Governance	Economic performanc e	<p>1. Compliance with regulatory requirements: Comply with regulatory requirements on environmental management such as air pollution, water pollution, waste, toxic chemicals, and noise control.</p> <p>2. Fulfillment of obligations: Fulfill obligations expected of HONG TAI, including commitments to customers, government agencies, the management, and employees, among other stakeholders.</p> <p>3. Prevention against pollution: Select suitable raw materials/regular materials or processes to avoid or reduce environmental pollutions; Set up pollution prevention equipment or adopt appropriate measures to avoid or reduce environmental pollution.</p> <p>4. Energy conservation and waste reduction: Reduce the use of energy and the amount of waste generated.</p> <p>5. Recycling of resources: Recycle resources for use to reduce waste of resources.</p> <p>6. Continuous improvement: Continue to improve the environmental management system for enhanced environmental performance.</p> <p>7. Protect the industry under the belief in “integrity and honesty”. Improve competitive advantages on the market with the commitment to “innovation and advancement”.</p> <p>8. Diversified operation: Form international investment strategic alliance in order to improve competitive advantages on the market.</p>
	Anti-corruption	Ethical corporate management, eradication of bribery, banned acceptance of gifts.
	Regulatory Compliance	The Company follows the requirements of the Air Pollution Control Act. We follow regulatory requirements, fulfill our obligations, prevent against pollution, conserve energy and reduce waste, and recycle resources.