

Corporate Social  
Responsibility Report

CSR  
2020



東和鋼鐵  
TUNG HO STEEL

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2020

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# About this Report

This is the sixth Corporate Social Responsibility (CSR) Report published by Tung Ho Steel Enterprise Corp. This Report is compiled in the five major axes of “Integrity Governance”, “Economic Sustainability”, “Environmental Protection”, “Friendly Workplace” and “Social Prosperity”, disclosing the management and current status of sustainable development in corporate governance, environmental and social aspects. Relevant data collected are also detailed.

In this Report, Tung Ho Steel Enterprise Corp. is referred to as “Tung Ho Steel”, “the Company” and “We”. Notes are added on the page where acronyms of key words or explanatory words appear in this Report. The content of this Report is presented through a systematic analysis model for the identification and prioritization of the material topics of the stakeholders’ concern as the basis of reference for information disclosure in this Report. It is hoped that through the issuance of this Report, the general public and our stakeholders can understand Tung Ho Steel’s determination to continue the fulfillment of our social responsibility and the pursuit of sustainable development and share our fruitful results of sustainable management.

## Editing and Finalization

The compilation and editing of this Report of Tung Ho Steel was through the following organizations and procedures of data collection.

### ◎ Corporate Governance Committee

To implement the promotion of our corporate social responsibility, Tung Ho Steel established the “Corporate Social Responsibility Best Practice Principles” in March 2015 and set up a cross-departmental “Corporate Social Responsibility Team” in December of the same year. Since corporate sustainability has been regarded as one of the important corporate strategies, a new functional committee, Corporate Governance Committee, was added to the Board of Directors in September 2019, under which are five groups in charge of relevant business, including Corporate Governance, Corporate Social Responsibility, Integrity Management, Environmental Sustainability, and Risk Management. Among them, the Corporate Social Responsibility Department is divided into five subgroups, including Corporate Governance, Environmental Sustainability, Product Liability, Employee Relations, and Social Welfare. Corresponding department of each group conducts regular discussion on the identification of stakeholders in accordance with the scope of their business. The members of the groups include representatives from all units of the Head Office, works and the Foundation. The Administration Division is in charge of the secretariat business, including the overall planning, communication integration, data collection and editing and revision.

### ◎ Review of Administrative Procedures and Finalization

All the editorial members reviewed and revised relevant content and data after the first draft of the Report came out. After the review by heads of responsible departments, the Corporate Social Responsibility Team selected verification personnel for internal verification. After verified by an impartial third party, the Report was submitted to the Corporate Governance Committee and Board of Directors and was finally issued upon verification by the Chairman.



## Basis and Assurance of the Report

### ◎ Scope of the Report and Basis of Data

The content of this Report covers Tung Ho Steel's relevant operating systems and activities in Taiwan between January 1 and December 31, 2020, excluding the operating performance of related Group enterprises at home and abroad, and there was no significant change in the scope and boundary of the topics compared with the 2019 CSR Report. Meanwhile, the GRI's materiality disclosure principle was also referred to. Among them, for the data in terms of environmental aspects, relevant performance in our facilities of Taoyuan Works, Miaoli Works, and Kaohsiung Works was focused. Partial of the content also covered cases before and after 2020. Part of the content concerning our future policies, goals and plans are also included. Contents of relevant columns also included the performance of our affiliated companies. In this Report, the content in each chapter was based on the results of the identification of material topics for data disclosure in 2020. The reorganization of some data in this Report is also detailed in the text.

### ◎ Professional Guidelines and Principles

The reporting framework of this Report followed the GRI (Global Reporting Initiative) Standards Core Option, G4 Sector Disclosures –Mining and Metals and AA1000 AccountAbility Principles Standard, and also referred to the guidelines and framework listed in Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies and the Sustainable Development Goals (SDGs). In addition, the strategies, goals and specific actions related to the material topics of Tung Ho Steel are also disclosed in accordance with the reporting principles. Please refer to [Appendix 1](#) for the GRI Content Index.

### ◎ Sources of Data and Management

The statistical data disclosed in this Report came from Tung Ho Steel's internal statistics and survey and are presented in International Generic Indicators. The estimates in this Report will be noted in each relevant Chapter and Section. The financial statements are audited and verified by KPMG in accordance with the International Financial Reporting Standards (IFRS) and were all calculated in New Taiwan Dollars. In addition, the Health, Safety and Environmental Management System receives regular internal inspection and annual external verification of ISO 14001, ISO 45001 and TOSHMS, the GHG inventory data passed the third-party external verification in accordance with ISO 14064-1 while the ISO 50001 Energy Management System also receives both internal and external audits.

### ◎ External Verification

The Inclusivity, Materiality, Responsiveness, and Impact of the disclosed data in this Report were assured by independent and credible British Standards Institution (BSI) with the AA1000AS v3 assurance standard of Type 1 moderate-level assurance and the GRI Standards Core Option. See [Appendix 2](#) for the detailed BSI Assurance Report.

# Report Release Schedule and Contact Information

## ⦿Release Schedule

Tung Ho Steel will release its CSR Report annually, and the content is also disclosed on the CSR Section on the Company’ s official website.

Previous edition: Released in June, 2020

Current edition: Released in June, 2021

## ⦿Contact Information

It is hoped that through this Report, our stakeholders can understand better Tung Ho Steel’ s efforts in the promotion of corporate social responsibility. Please contact us through any of the following channels for any suggestions or advice.

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Tung Ho Steel



CSR Section

# Message from the Chairman

Dear friends and colleagues:

Tung Ho Steel has been upholding the core value of “integrity”, believing that good corporate governance lays an important foundation for sustainable development. Therefore, we have not only created higher return on investment for our shareholders but also created value for the society to undertake the corporate social responsibility. Tung Ho Steel has been selected among the TWSE Corporate Governance 100 Index since 2018 and was further ranked in the top 5% among the listed company in the Corporate Governance Evaluation in 2020. This year, Tung Ho Steel was once again honored with the Gold Award in the Traditional Manufacturing Category in Taiwan Corporate Sustainability Awards (TSCA) Corporate Sustainability Report Award for the sixth year. This 2020 Report is divided into six main axes of “Sustainable Management”, Integrity Governance”, “Economic Sustainability”, “Environmental Protection”, “Friendly Workplace”, and “Social Prosperity” to report to all our stakeholders our continued efforts in the promotion of sustainability management issues, disclosure of governance information and the concrete results in economic, environmental and social aspects.

Tung Ho Steel has actively been striving for the improvement in corporate governance and taking the lead with our innovation behavior. We believe that the focus and evaluation criteria of international initiatives should be put into consideration for the establishment of the company’s environmental and greenhouse gas policies. Therefore, the Task Force on Climate-related Financial Disclosures (TCFD) has been introduced to quantify the financial risks caused by climate change systematically so as to better meet the requirements of the mainstream opinions internationally.

To participate in international environmental and climate initiatives progressively, we have given deliberate considerations to the Company’s future goals and policies for carbon reduction and taken concrete actions to actively respond to the expectations of all stakeholders and ensure the sustainable management. Since the second half of 2020, we have carried out TCFD, Carbon Disclosure Project (CDP), Type III Environmental Product Declaration (EPD) and other projects. As of the beginning of 2021, our Miaoli Works has taken the lead in the industry and became the very first domestic factory to obtain EPD certification for section and steel plate. Our Taoyuan and Kaohsiung Works expect to obtain such certification in the second half of 2021.

In terms of economic sustainability, due to the great demand for construction steel resulted from the needs for factory expansion for foreign investors and large semiconductor and electronic factories and the booming construction industry in 2020, the market demand is very strong. Owing to the boom in the steel bar category, our production capacity and the output increased greatly, significantly reducing our costs. Coupled with the effective management of the balance between price and volume among sales, purchases and production, stable and good profitability could be maintained in an environment of fierce fluctuation in prices, enabling the net income after tax to greatly increase by 127%.

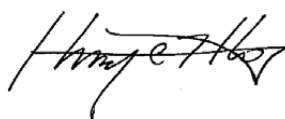
In addition to the promotion of energy conservation, we also actively develop energy resources. Tung Kang Wind Power Corp. has obtained the Electricity Enterprise License and started the sale of electricity since 2016. To cooperate with the Autonomous Regulations of Low-carbon City developed by Taoyuan City Government, our Taoyuan Works installed solar power generation devices by making use of the rented sites. Our Miaoli Works and Kaohsiung Works have planned to install solar power generation devices for self-use. Furthermore, to work in line with the government’s Non-Nuclear Homeland Policy, we have invested in the establishment of a biomass energy processing center for the development of biomass energy. Biogas power is generated through anaerobic fermentation, and the

biogas residues produced are sold as raw materials for organic fertilizer so that the current treatment method of biomass waste can be improved, achieving the dual effects of recycling and energization, conforming more to the circular economy policy and the strategic goal of sustainable management.

2019 marked the 20th anniversary of the 921 earthquake. Tung Ho Steel has launched a series of brand micro-films entitled Lifequake adapted from true stories to stress the spirit of never giving up despite difficulties in life. In 2020, due to the impact of global pandemic of COVID-19, many people felt like experiencing various unprecedented earthquakes in their lives. We launched a passionate movie with the basketball theme, telling a story of how a group of basketball players faced the earthquake in their life with their “never say die” spirit to bring strength in their life, hoping that we can inspire people with this new brand film. We believe that the “lifequake” can be an excuse to give up, but it can also turn into strength in people’s life.

In terms of “Friendly Workplace” and “Social Prosperity”, there was still room for improvement regarding the industrial safety performance in 2020. In view of the work injuries caused by unsafe behavior and environment, since Q3, cross-plant joint inspections of safety and health, deadlines for deficiency improvement and a one-year project audit for the unit having major occupational disasters have been carried out to increase the audit frequency and intensity so as to reduce various occupational safety and health management risks. The AI Team of the Information Technology Division has started to apply AI image automatic detection, alarm monitoring system, automatic protection device, warning notification or PA loudspeaker dispersion to control or manage unsafe behavior or environment for improved on-site safety and health management based on the areas with hazardous equipment proposed by our three works. The three works have completed the ISO 45001 certification conversion, and our Taipei Office has passed the verification this May to establish a safer and healthier environment for the implementation of our corporate social responsibility for a friendly workplace. In addition, after nine times of consultation, the Miaoli Works and the enterprise union have finally signed the collective agreement at the end of 2020.

Looking into the future, we believe the outlook is still optimistic. The world will eventually be unlocked and start its full recovery when the epidemic of COVID-19 is relieved due to the popularization of vaccines. In the meantime, we still maintain a diligent attitude, continue the Lean Management, reduce costs, enhance our competitiveness, strive for environmental protection and GHG emissions reduction, develop new markets and products and improve our performance to lay solid foundation for sustainable management. Our determination of fulfilling our corporate social responsibility is demonstrated through the issuance of the Report this year. We hope that we can work with all our stakeholders to create and share the results of sustainable management together.



Chairman & CEO  
Henry C.T. Ho





# 1 Sustainable Management

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- 1-1 Operation and Performance of Corporate Social Responsibility (CSR)
- 1-2 Communication with Stakeholders
- 1-3 Analysis of Material Topics
- 1-4 Response to Material Topics
- 1-5 Sustainability Goals and Performance

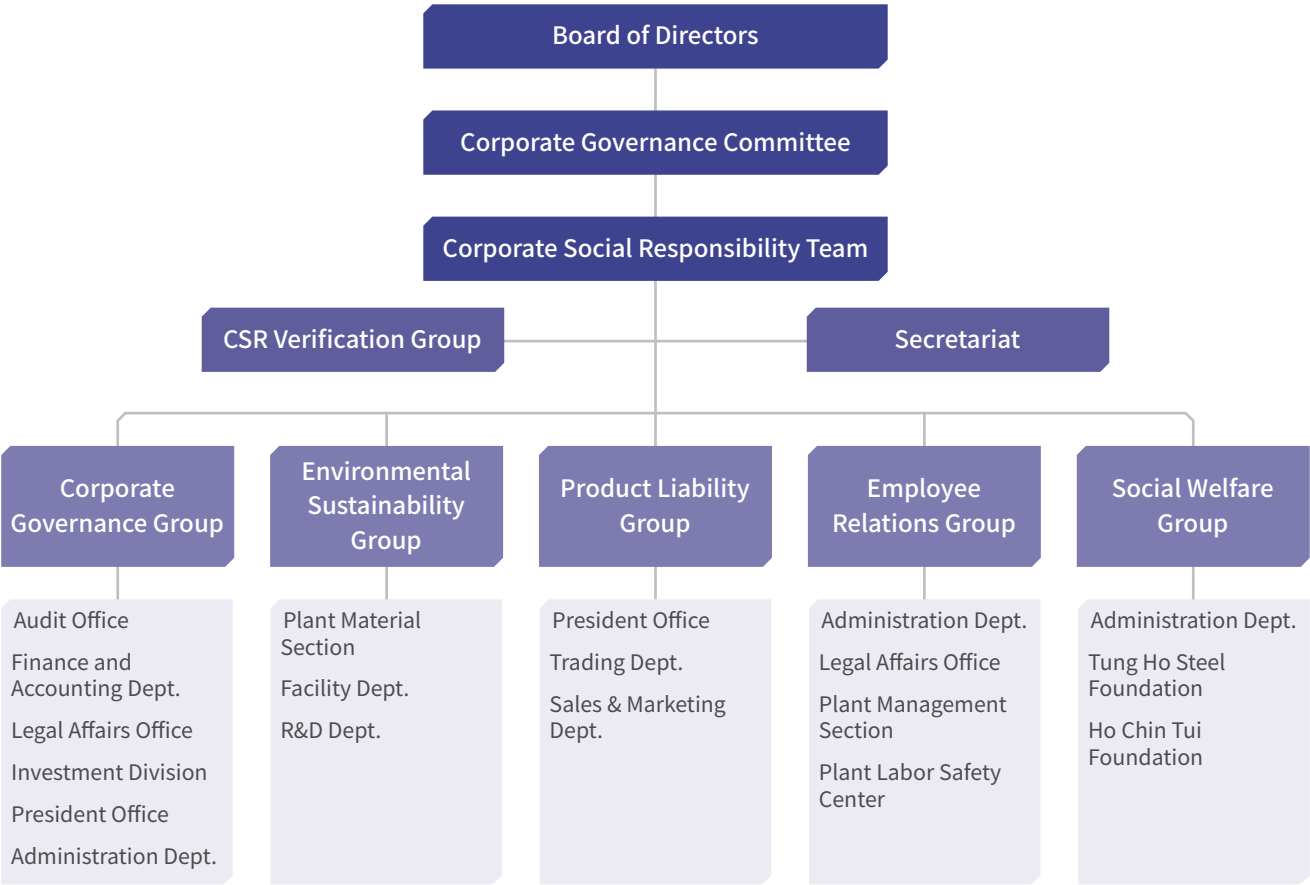


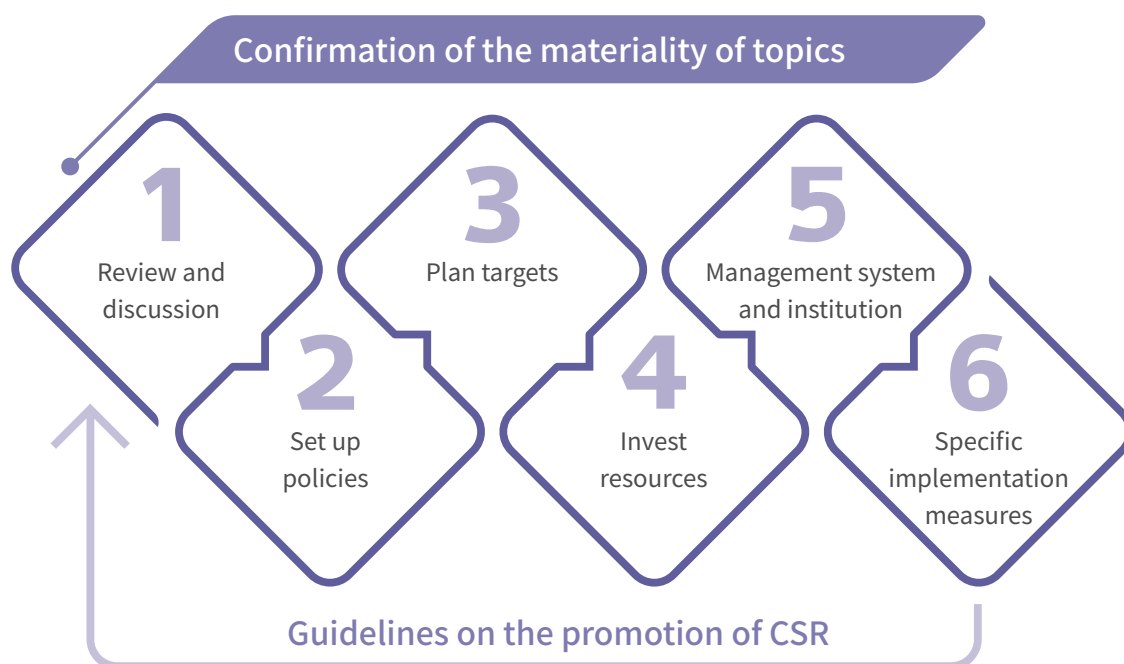
# 1-1 Operation and Performance of Corporate Social Responsibility (CSR)

## Organization and Promotion Policy

To implement the promotion of corporate social responsibility, Tung Ho Steel established the “Corporate Social Responsibility Best Practice Principles” in March 2015 and set up a cross-departmental “Corporate Social Responsibility Team” in December of the same year. Since corporate sustainability has been regarded as one of the important corporate strategies, a new functional committee, Corporate Governance Committee, was added to the Board of Directors in September 2019, under which are five groups in charge of relevant business, including Corporate Governance Group, Corporate Social Responsibility Group, Integrity Management Group, Environmental Sustainability Group, and Risk Management Group. Among them, the Corporate Social Responsibility Group is divided into five subgroups, including Corporate Governance, Environmental Sustainability, Product Liability, Employee Relations, and Social Welfare Groups. Each group responds to its corresponding department and conducts regular discussions on the identification of stakeholders in accordance with the scope of their business, and the Administration Division is in charge of the secretariat affairs.

Organizational Structure of Corporate Social Responsibility Team





## Corporate Social Responsibility Policy

In accordance with the Corporate Social Responsibility Best Practice Principles, Tung Ho Steel established the following CSR Policy, which was approved in the 18th meeting of the 23rd session of Board of Directors on December 31, 2019.

**Integrity Governance** Implement corporate governance, establish high-quality corporate culture, and work for corporate integrity management.

**Economic Sustainability** Innovative technical services, enhance operating performance, maintain stable profitability and work for sustainable operations.

**Environmental Protection** Promote circular use of resources, continue to reduce waste, energy use and carbon emissions and work for the implementation of environmental protection.

**Friendly Workplace** Establish a sound and complete system and harmonious labor-employment relations, and create a safe and friendly workplace environment.

**Social Prosperity** Reward academic and humanistic development, pay attention to social issues, actively participate in public welfare activities and work for social prosperity.

Year	Development
2016	Voluntary publication of the first CSR Report
2017	Established Rules Governing the Internal Verification of Corporate Social Responsibility Report
2018	Tung Ho Steel was included in TWSE Corporate Governance 100 Index
2019	The CSR Team was incorporated into the Corporate Governance Committee and is subordinate to the Board of Directors Established CSR policy and human rights policy
2020	Established Risk Management Policy Established Supplier Management Policy

The CSR Team conducted education and training on the current condition and trends of CSR in November and December, 2020, and the content included sustainable development and challenges, international trends, current legal prescriptions, introduction of revision of GRI Standards for topics and so on. In addition, meetings for stakeholder identification, questionnaire distribution and identification of material topics were held. After data collection, meetings for group discussion and first draft discussion were convened in January and March, 2020. The CSR Verification Group was also established for internal verification operations. The Report was verified by an impartial third party, submitted to the Corporate Governance Committee and Board of Directors, and was finally issued upon approval by the Chairman.

The issuance of this 2020 Corporate Social Responsibility Report was reported to the 2nd meeting of the 2nd Session of Corporate Governance Committee and the 9th meeting of the 24th Session of Board of Directors in May, 2021.

## Internal Verification of CSR

To ensure that the CSR Report issued by Tung Ho Steel confirms to GRI requirements and the prescriptions of Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, the Company has established the Rules Governing the Internal Verification of Corporate Social Responsibility Report. After the first draft of the CSR Report is completed between March and April every year, internal verification and improvement tracking are carried out and the summary report of internal verification and verification statement will be issued.

## 1-2 Communication with Stakeholders



Identification of and communication with stakeholders are the basis for the implementation of corporate social responsibility. Tung Ho Steel respects the rights and interests of all stakeholders and understands their reasonable expectation and needs through appropriate communication methods. All the stakeholders' needs and expectations of the Company are properly responded to and will serve as a reference for the decision making of the company in the hope of creating and sharing the results of sustainable management with all our stakeholders.

### Identification of Stakeholders

Identification of the stakeholders was conducted with the group discussions among the Corporate Social Responsibility Team and all the divisions and by referring to the stakeholder groups identified in the same trade based on the five major principles set forth in AA1000 Stakeholder Engagement Standards (SES), namely Dependency, Responsibility, Influence, Diverse Perspective and Tension. A total of 10 major categories of stakeholders were identified, including shareholders, employees, customers/distributors, suppliers, government agencies, media, community residents, iron and steel industry, contractors/ subcontractors and academic & research institutions.

### Communication with Stakeholders


Tung Ho Steel attaches great importance to the stakeholders' rights and opinions and has set up public and direct communication channels to provide information concerning the Company's CSR management. In addition, by understanding the issues of concern to the stakeholders, we continue to review and improve our performance in CSR.

Stakeholders/ significance to Tung Ho Steel	Communi- cation issues	Communication channels	Frequency	Communication performance in 2020
 <p><b>Shareholders</b></p> <p>Tung Ho Steel has been upholding integrity management and devoted to sustainable governance to improve our operating performance to create value for our shareholders.</p>	Integrity Management Economic Performance Corporate Governance Corporate Sustainability Development Risk Management	Questionnaire survey of CSR topics Shareholders' meeting Annual reports/ financial statements Investors Service Section on the official website External communication mailbox Legal person briefing	Annual Regular Annual/regular Irregular Immediate Annual	<ul style="list-style-type: none"> <li>• 2 legal person briefings</li> <li>• 25 corporate interviews</li> <li>• 1 shareholders' meeting</li> <li>• Disclosure of monthly and quarterly information of revenues and financial statements on our official website and MOPS</li> </ul>
 <p><b>Employees</b></p> <p>Employees are the most important assets of Tung Ho Steel, and they are the driving force of innovation and the cornerstone of our sustainable management.</p>	Occupational Health and Safety Labor-management Relations Education and Training Remuneration and Benefits Corporate Sustainability Development	Questionnaire survey of CSR topics Stakeholders Section on the official website Labor-management meeting Internal communication mailbox Occupational Safety and Health Committee Internal publications Employee Welfare Committee Enterprise union Intranet Plant safety care and advocacy Labor safety education and training in the factory Department meetings in the factory Factory-level meeting Consultation on health with the factory doctor	Annual Immediate Quarterly Immediate Monthly Quarterly Regular Regular Irregular Irregular Regular Weekly Monthly Monthly	<ul style="list-style-type: none"> <li>• Convened 12 sessions of Occupational Safety and Health Committee meetings in each factory</li> <li>• Convened 4 labor-management meetings in each factory</li> <li>• Convened 12 factory-level meetings in each factory</li> <li>• The factory doctor provided 52 times of on-site services</li> <li>• 16,528 person-hours of training for labor safety education</li> </ul>



Stakeholders/ significance to Tung Ho Steel	Communi- cation issues	Communication channels	Frequency	Communication performance in 2020
 <p><b>Customers/ distributors</b></p> <p>Customers/distributors are the partners of the Company. We aim at meeting their needs by improving the quality of products, services and R&amp;D capabilities to create a win-win situation.</p>	<p>Customer Health and Safety</p> <p>Customer Satisfaction</p> <p>Compliance</p> <p>Customer Privacy</p> <p>Innovative R&amp;D</p>	<p>Questionnaire survey of CSR topics</p> <p>Stakeholders Section on the official website</p> <p>Section distributors meeting</p> <p>Customer satisfaction survey</p> <p>Direct communication</p> <p>External communication mailbox</p> <p>Product launch</p> <p>E-commerce sales</p> <p>Tung Ho Steel (THS) Steel shipments messenger (APP)</p>	<p>Annual</p> <p>Immediate</p> <p>Monthly</p> <p>Annual</p> <p>Immediate</p> <p>Immediate</p> <p>Irregular</p> <p>Immediate</p> <p>Immediate</p>	<ul style="list-style-type: none"> <li>• Convened 12 distributors meetings</li> <li>• Fixed window for communication with distributors</li> <li>• Distributors place orders directly through the e-commerce system to reduce the error rate</li> </ul>
 <p><b>Suppliers</b></p> <p>Our suppliers are important partners for our operation. We pursue sustainable management and growth together with our suppliers.</p>	<p>Procurement Policy</p> <p>Corporate Sustainability Development</p>	<p>Questionnaire survey of CSR topics</p> <p>Symposium/ education and training</p> <p>Supplier evaluation questionnaire</p> <p>Stakeholders Section on the official website</p> <p>External communication mailbox</p> <p>E-procurement</p> <p>Direct communication</p>	<p>Annual</p> <p>Irregular</p> <p>Annual</p> <p>Immediate</p> <p>Immediate</p> <p>Immediate</p> <p>Irregular</p>	<ul style="list-style-type: none"> <li>• We had weekly discussion with steel and metal scrap dealers on the market and supply situation</li> <li>• A total of 257 suppliers signed the Supplier Social Responsibility Commitment</li> </ul>
 <p><b>Government agencies</b></p> <p>The government is the creator of sustainability related policies and also the important promoter supporting and influencing the Company to step toward sustainability.</p>	<p>Integrity Management</p> <p>Compliance</p> <p>Environmental Protection</p> <p>Public Safety</p>	<p>Questionnaire survey of CSR topics</p> <p>Stakeholders Section on the official website</p> <p>Exchange of official documents</p> <p>Regulation briefing, public hearing or symposium</p>	<p>Annual</p> <p>Immediate</p> <p>Immediate</p> <p>Irregular</p>	<ul style="list-style-type: none"> <li>• Participated in 11 sessions of decrees propaganda briefings or symposiums held by environmental protection agency</li> <li>• Participated in 3 sessions of Occupational Safety and Health Administration's self-management seminars</li> </ul>

Stakeholders/ significance to Tung Ho Steel	Communi- cation issues	Communication channels	Frequency	Communication performance in 2020
 <b>Media</b> Media are also an important bridge connecting the Company and other stakeholders for rapid communication.	Compliance Economic Benefits Social Welfare Environmental Protection Public Safety	Questionnaire survey of CSR topics Stakeholders Section on the official website External communication mailbox Spokesman interview Press release	Annual Immediate Immediate Irregular Irregular	<ul style="list-style-type: none"> <li>2 legal person briefings</li> </ul>
 <b>Community residents</b> Through community participation and care, we can better understand issues of the residents' concern and establish a harmonious relationship with them.	Community Participation Waste Air Pollutant Emissions Community Impact Community Development Social Welfare	Questionnaire survey of CSR topics Stakeholders Section on the official website External communication mailbox Community visits Direct communication	Annual Immediate Immediate Irregular Immediate	<ul style="list-style-type: none"> <li>Our three Works participated in 30 times of community activities</li> </ul>
 <b>Iron &amp; steel industry</b> The manufacturers in the iron and steel industry are in a both competitive and cooperative relations. Through virtuous competition, the manufacturers in the same trade create the overall development of this industry together.	Anti-competitive Behavior Innovative R&D Market Presence	Questionnaire survey of CSR topics Stakeholders Section on the official website External communication mailbox Steel & Iron Industries Association meetings Direct communication	Annual Immediate Immediate Irregular Immediate	<ul style="list-style-type: none"> <li>Participated in 16 Steel &amp; Iron Industries Association meetings</li> </ul>
 <b>Contractors/ subcontractors</b> Under the trend of professional division of labor, we achieve our operational targets through the cooperation and assistance of the contractors.	Occupational Health and Safety Education and Training Corporate Sustainability Development Compliance Environmental Protection	Questionnaire survey of CSR topics Stakeholders Section on the official website External communication mailbox Symposium/ education and training Direct communication Occupational Safety and Health Committee	Annual Immediate Immediate Irregular Immediate Monthly	<ul style="list-style-type: none"> <li>Convened a consultative organization meeting for joint operation</li> <li>All contractors attended the monthly Occupational Safety and Health Committee meeting to review the monthly deficiencies concerning safety</li> <li>Participated in the in-plantsafety and health education and training</li> </ul>

Stakeholders/ significance to Tung Ho Steel	Communi- cation issues	Communication channels	Frequency	Communication performance in 2020
 <p><b>Academic &amp; research institutions</b></p> <p>Academic &amp; research institutions play a leading role in the development and application of forward-looking technologies, and they can assist the Company with innovative R&amp;D to enhance our competitiveness in the market.</p>	<p>Responsible Consumption and Production</p> <p>Emissions</p> <p>Materials</p> <p>Waste</p> <p>Energy/Affordable Energy</p>	<p>Questionnaire survey of CSR topics</p> <p>Corporate visits</p> <p>Industry-Academia Collaboration</p> <p>Patent licensing</p>	<p>Annual</p> <p>Immediate</p> <p>Immediate</p> <p>Annual</p>	<ul style="list-style-type: none"> <li>Received 2 visits from academic units</li> <li>Delivered 1 speech to the Department of Mechanical Engineering in Yuan Ze University</li> </ul>

## Consultation & Grievance Channels for Stakeholders

Tung Ho Steel is dedicated to integrity management and complies with laws and regulations. We have established the Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managers, and Work Rules.

Our integrity management policy is to treat all stakeholders based on the principles of fairness, integrity, honesty and faithfulness, insisting on positive pursuit and interaction, and quality assurance. It is clearly stipulated that the directors, managerial officers, employees, mandatory person or any person having substantial control shall implement the principles, prohibit unethical conduct, unfair competition and avoid conflict of interests, and shall carry out various commercial activities with all stakeholders in a fair, honest, faithful and trustworthy manner.



Consultation & Grievance Channels for Stakeholders	
Category	Consultation & Grievance Channels
Internal stakeholders	<p>Internal stakeholders: directors, managerial officers, employees, mandatory person or any person having substantial control .</p> <p>The Company has established various regulations and made public announcements of information concerning employees' rights, obligations, and work rules. In addition, to protect the rights and interests of our employees to avoid others from improperly infringing upon the Company's interest, we have established "Regulations Governing Employee Grievance and Whistleblowing". Employees can file complaints or report to the unit head or the management unit of each factory in writing, mail (email), orally or by telephone. After receiving the complaints, the unit or personnel responsible will start investigation. If there are major violations of regulations or concerns of major damage to the Company, such unit or personnel shall prepare a report and notify independent directors in writing. If any violation by a director or managerial officer is verified through investigation, relevant information will be instantly disclosed at the MOPS. The Company will also strive to protect the confidentiality of the whistleblower's identity to protect his/her safety so as to avoid any form of retaliation or threats.</p>

Category	Consultation & Grievance Channels
External stakeholders	<p>External stakeholders: Shareholders, customers/ distributors, suppliers, contractors/subcontractors, government agencies, community residents, media, iron &amp; steel industry, and academic &amp; research institutions.</p> <p>We have set up a dedicated contact window for all our external stakeholders and the information is available on our official website. We accept notifications, suggestions, complaints and whistleblowing, and dedicated personnel are assigned to handle and respond to the complaints.</p> <p>Website: <a href="http://www.tunghosteel.com/CSR/mp_investment.html">http://www.tunghosteel.com/CSR/mp_investment.html</a></p>
Email for internal and external complaints	<ul style="list-style-type: none"> <li>• Email: <a href="mailto:tungho@tunghosteel.com">tungho@tunghosteel.com</a></li> <li>• Employees: Ms. Yu-Chen Ding (02) 2551-1100 Ext. 531/<a href="mailto:dingyuj@tunghosteel.com">dingyuj@tunghosteel.com</a></li> <li>• Customers: Mr. Rui-Hong Weng (02) 2551-1100 Ext. 538/<a href="mailto:rhweng@tunghosteel.com">rhweng@tunghosteel.com</a></li> <li>• Shareholders and media: Ms. Shu-Mei Guo (02) 2551-1100 Ext. 568/<a href="mailto:ksm@tunghosteel.com">ksm@tunghosteel.com</a></li> <li>• Suppliers: Mr. Zhong-Ming Pan (02) 2551-1100 Ext. 604 / <a href="mailto:pcm@tunghosteel.com">pcm@tunghosteel.com</a></li> <li>• Email addresses of independent directors: Yi-Ji Liu: <a href="mailto:617ycliu@gmail.com">617ycliu@gmail.com</a> Chuang-Hsi Chang: <a href="mailto:drachang@livemail.tw">drachang@livemail.tw</a> Der-Ming Lieu: <a href="mailto:dmlieu@hotmail.com">dmlieu@hotmail.com</a></li> </ul>

## Complaint Handling and Responses

The handling procedures of complaints in different categories are as follows.

### Handling procedures of complaints in different categories

 <p><b>Environment</b></p>	<p>A dedicated unit in charge of environmental complaints has been set up. When the employees of the factories, related groups outside the factories, or residents from the surrounding communities have opinions or disputes on environmental issues, they can file a complaint to the dedicated unit through face-to-face interviews, phone calls, emails or other channels. The factory will communicate, handle and respond to the complaint in accordance with relevant communication management regulations.</p>
 <p><b>Labor &amp; human rights</b></p>	<p>The Company and the factories hold labor-management meetings regularly to have bilateral communication with our employees for exchange of opinions in an open manner. In addition, we have also set up human rights policy, Regulations Governing Employee Grievance and Whistleblowing, Regulations for the Prevention and Handling of Sexual Harassment, Corporate Social Responsibility Best Practice Principles, and Workplace Violence Prevention Policy Statement. There are also the Tung Ho Steel mailbox and the employee suggestion boxes in the factories so that our employees can propose their opinions or file complaints or any other questions to unit supervisors or the management unit in the factory in the forms of writing, emails, oral or by telephone to ensure effective and timely solution to the problem.</p>



Society

Tung Ho Steel is dedicated to integrity management and complies with laws and regulations. We have established regulations governing relevant internal operation, including Corporate Governance Code, Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managers, Work Rules, Corporate Social Responsibility Best Practice Principles, Regulations Governing Personal Information Data Security Maintenance and Management, and Regulations Governing Intellectual Property Management. It is clearly required that the integrity management philosophy be established and implemented. In addition, dishonest behavior, unfair competition and conflict of interests are prohibited so as to conduct various business activities with all stakeholders in a fair and transparent manner.

Products

When there are discrepancies in the shipping process or quality of products with our customers, Tung Ho Steel will handle the situation in accordance with Regulations for Handling Customer Complaints.

After receiving the customer complaint, the business unit will actively assign staff to understand the situation and fill in the Customer Complaint Handling Form to investigate the preliminary reason for the reference of relevant units. Handling plans will be deliberated in no time to respond to our customers for a solution. The requirements for product control in the internal review meeting will be stricter.

Tung Ho Steel attaches great importance to and actively handles various complaints. As of the end of 2020, there were no complaints concerning gender, racial discrimination or labor practices that violate human rights. In 2020, due to the complaint concerning environmental protection filed by the residents near Taoyuan Works, personnel of the Environmental Protection Bureau visited Taoyuan Works 3 times, 2 for the complaints of air pollution and odor and 1 for the complaint of illegal storage of waste. After the inspections, the results showed that the Company met relevant regulations. The handling of the complaints received in 2020 is detailed as follows.

Complaint cases received		
Category	Content	Handling situations
Environment	Taoyuan Works received 2 complaints for the air pollution and odor and 1 for illegal storage of waste.	The personnel from Environmental Protection Bureau visited the factory for inspection, and the results showed that we all met relevant regulations.
Products	A total of 19 customer complaints were established in 2020. The content of the complaints included the quality of the plant area and operation process of the production units.	<p>All the 19 customer complaints concerning products in 2020 were properly closed. In the future, we will strengthen product testing, collect complete data to establish control information, increase the qualified rate and continue to track improvement plans.</p> <p>Any situation in the operation process should be immediately reported to the production unit for relevant corresponding measures.</p>

# 1-3 Analysis of Material Topics

Tung Ho Steel introduced the materiality analysis during the preparation of this 2020 Corporate Social Responsibility Report as the basis of reference for the disclosure of information, aiming at identifying CSR topics the stakeholders concern about and the ones having significant impact on the sustainable management of the Company in a systematic way. The materiality analysis of CSR topics includes five major steps, including “identification of stakeholders”, “summary of corporate social responsibility issues”, “survey of issues of concern”, “identification of material topics”, and “review and discussion” to determine the material topics and the prioritization of materiality.

## Steps for CSR material topics analysis

### Identification of stakeholders

**10** major  
categories of  
stake

The Corporate Social Responsibility Team of the Corporate Governance Committee had internal discussions with the heads of all the divisions and referred to the stakeholder groups identified in the same trade based on the five major principles set forth in AA1000 Stakeholder Engagement Standards (SES), namely the Dependency, Responsibility, Influence, Diverse Perspective and Tension for the identification of stakeholders. A total of 10 major categories of stakeholders were identified, including shareholders, employees, customers/distributors, suppliers, government agencies, media, community residents, iron & steel industry, contractors/subcontractors and academic & research institutions.

### Collection and summarization of CSR topics

**44**  
CSR topics

For the collection of topics, context of sustainability was put into consideration. It was mainly based on the GRI Standards, and at the same time, the topics and performance index of G4 Sector Disclosures –Mining and Metals, Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies and the Sustainable Development Goals (SDGs) were also referred to. Finally, a total of 44 topics concerning corporate governance, economy and environment were summarized and used as the basis for the questionnaire design.

### Survey on issues of concern

**209** copies  
of questionnaires  
were returned

Questionnaires were distributed for the survey of the issues of the stakeholders’ concern and the impact level of the management on the Company’s sustainable management for the reference of the prioritization of the topics. A total of 209 copies of questionnaires were returned in 2020, among them, 191 copies were level of concern questionnaires and 18 were level of impact questionnaires (filled out by the management of Tung Ho Steel).

### Identification of material topics

**17**  
material topics

Through questionnaire analysis, the scores of each topic in the level of concern survey and the scores of the level of impact to the sustainable management of the company were utilized for matrix analysis. After discussions in the CSR Team, 17 material topics were identified in 2020, and an effective management approach was formulated for each topic.

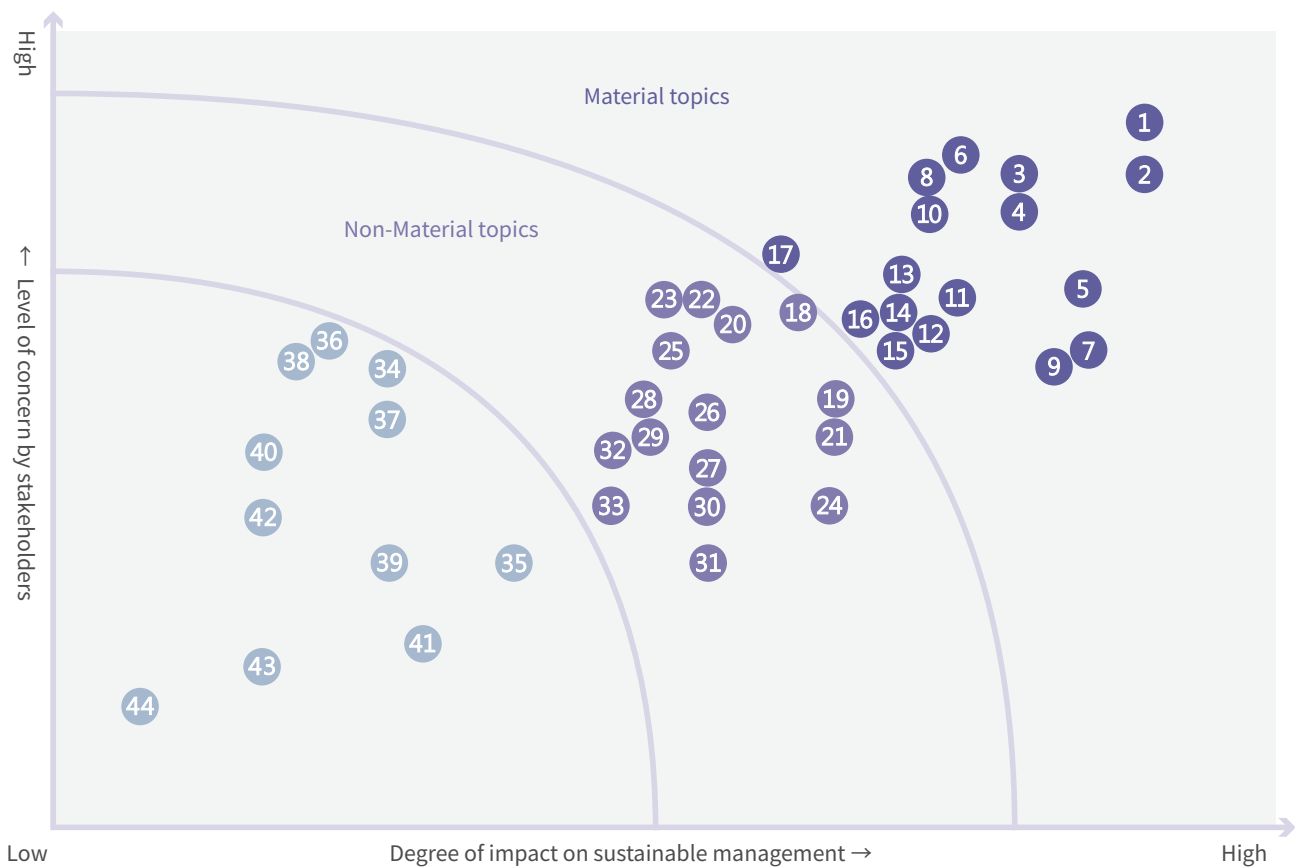
### Review and discussion

The **6<sup>th</sup>**  
CSR Report

Tung Ho Steel will continue to strengthen management and disclose relevant information in the CSR Report based on the material topics identified, responding chapters and boundary analysis. This is Tung Ho Steel’s 6<sup>th</sup> CSR Report. In the future, review of whether adjustment of material topics is needed will be conducted annually.

# Analysis of Materiality

Matrix of material topics analysis



Material topics	
1 Waste	10 Sustainable Cities and Communities (Goal 11 of SDGs)
2 Emissions	11 Customer Health & Safety
3 Environmental Compliance	12 Carbon Management
4 Occupational Safety and Health	13 Green Action (Action Against the Climate) (Goal 13 of SDGs)
5 Economic Performance	14 Materials
6 Responsible Consumption and Production (Goal 12 of SDGs)	15 Labor-Management Relations
7 Corporate Governance	16 Water and Effluents
8 Socioeconomic Compliance	17 Training and Education
9 Energy/Affordable Energy (Goal 7 of SDGs)	

Note: three material topics, including “Corporate Governance”, “Carbon Management” and “Green Action (Action Against the Climate)” were added in 2020.

## 1-4 Response to Material Topics

To strengthen our sustainability strategies, Tung Ho Steel refers to GRI Standards, G4 Sector Disclosures –Mining and Metals, and the Sustainable Development Goals (SDGs) and summarized topics appropriate to the characteristics of Tung Ho Steel. Through the establishment of policy and goals, evaluation mechanism, performance and adjustment, Tung Ho Steel can possess its competitive advantage in the rapidly changing business environment.

After discussions in the CSR Team, a total of 17 material topics were identified this year, which were combined into 12 sustainability issues. Corresponding management actions to these topics are taken and relevant behaviors are detailed as follows.

Aspect	GRI Standards-Material topics	Sustainability issues	Significance to operations	Corresponding chapter	Impact		
					Tung Ho Steel	Customers	Suppliers
Economic Aspect	Economic Performance	1.Stable Operation	The foundation for corporate operations is to increase profitability and to be able to create long-term and stable sustainable performance.	3-1 Operating Status 3-2 Risk Management	●	■	■
	Corporate Governance*	2.Implementation of Corporate Governance	Implementation of the corporate operating responsibility and while giving consideration to the interests of stakeholders to protect the rights and interests of our shareholders.	2-2 Corporate Governance	●	■	■
	Socioeconomic Compliance Environmental Compliance	3.Compliance	Avoid risks of operational disruption, ensure operating results and decrease financial risks caused by fines or impact on reputation.	2-3 Integrity Management 3-2 Risk Management Environmental Compliance	●	■	■
Environmental Aspect	Waste	4.Pollution Control	Reducing the generation of waste and conducting waste recycling can continue to reduce costs and lessen the environmental impacts.	4-3 Pollution Prevention and Control Management Waste Treatment and Recycling	●	■	■
	Emissions Energy/Affordable Energy * Carbon Management* Green Action (Action Against the Climate) *	5.Climate Action  	Appropriate energy management and climate change strategies can reduce operating costs and risks.	3-2 Risk Management 3-3Management of and Strategies for Climate Change Risks and Opportunities 4-2 Use of Energy Resources GHG Inventory Green Process	●	■	■



Aspect	GRI Standards- Material topics	Sustainability issues	Significance to operations	Corresponding chapter	Impact		
					Tung Ho Steel	Custo- mers	Suppliers
Environmental Aspect	Materials Responsible Consumption and Production*	6.Materials Circular Economy 	Implementation of circular economy through the use and management system of raw materials to maximize resources efficiency and mini- mize environmental impacts to enhance economic value and step toward sustainable development.	<u>Introduction of Value Chain</u>  <u>Waste Treatment and Recycling</u>	●	■	■
	Water and Effluents	7.Water Resources Management	Effective water resources manage- ment can reduce operational risks and strengthen corporate competitiveness.	<u>Water Resources</u>	●	■	■
Social Aspect	Sustainable Cities and Communities*	8.Seismic- Resistant Steel Materials 	Provide safe and affordable SN series Steel to accelerate the quality improve- ment of steel for low-rise structures and buildings to enhance the core competitiveness of the company, creating sustainable value for the com- pany and customers.	<u>3-4 Product and Service Quality</u>	●	○	■
	Customer Health & Safety	9.Enhancement of Product and Service Quality	Providing stable and great product quality will help improve customer satisfaction and operational performance.	<u>Quality Management</u>	●	○	○
	Occupational Safety and Health	10.Safe and Healthy Workplace	Employees are important assets to the company, and the safety of the working environment should be ensured to avoid potential costs and risks caused by occupational accidents.	<u>5-4 Occupational Health and Safety</u>	●	○	○

Aspect	GRI Standards- Material topics	Sustainability issues	Significance to operations	Corresponding chapter	Impact		
					Tung Ho Steel	Custo- mers	Suppliers
Social Aspect	Labor-Management Relations	11.Talent Retention	Good labor-manage- ment relations can facilitate employee communication and coordination to strengthen the cohesion among employees.	<u>5-1 Manpower Structure with Equality</u>  <u>5-2 Labor-Manage- ment Relations</u>	●	■	■
	Training and Education	12.Talent Cultivation	To stimulate the potentials of emplo- yees and enhance their professional capabilities, we pro- vide diverse channels for learning resour- ces to enable fit for work for all the employees to enrich the human resources of the company.	<u>5-3 Career Develop- ment and Training</u>	●	■	■

Note:

1. The topic boundary is expressed in the value chain. The newly added impact items include direct impact, contributing impact and business impact. ● means direct impact, ○ indicates contributing impact and ■ means business impact.
2. \* means customized material topics.

1

Sustainability Issues  
in Economic Aspect

## Stable Operation

Material topic covered / Economic Performance

Boundary limit

In this 2020 CSR Report, disclosure of the topic of continuous profitability only reveals the information of Tung Ho Steel's economic performance in the form of consolidated statements.

Importance

In the face of the changes and challenges in the external environment, it is our corporate mission to continue the development of new products and applications, reinforce our competitiveness and reduce production costs to strive for the creation of value for our shareholders and the fulfillment of our social responsibility.

Purpose of  
management

To strengthen our competitiveness, improve performance and create value for our shareholders.

## Material topic covered / Economic Performance

## Policies

- To continue the improvement of technical capabilities, enhancement of management efficiency, reduction in production costs, close cooperation among production, sales and purchase to enhance the competitive advantage in the domestic market.
- Actively expand new foreign markets and new customers and research and develop new steel products and applications.
- Implement environmental protection and GHG emission reduction to construct a solid foundation for sustainable management.

## Goals

Stable growth and profitability.

Resources  
invested

1. The high-level management regularly discuss the operating situations and make decisions.
2. The Company has a task force for business analysis and develops an information system to cooperate with management.
3. Set up technical units for research and development of new products and technologies, reduce costs and increase production performance.
4. Invest in green energy industries, including wind power generation, biogas power generation, waste recycling and so on.

Evaluation  
mechanism

1. Prepare annual budgets and conduct tracking and reviews of goals through monthly meetings and take necessary measures.
2. Grasp real-time economic trends and have close cooperation among production, sales and purchase for integrated operation.
3. Continue to actively strive for improvement of technical capabilities and management efficiency and reduction of production costs, and explore new foreign markets and new customers to enhance our competitive advantage in both domestic and foreign markets.
4. Engage in R&D of new steel products and new applications to explore business opportunities.

Performance  
and adjustment

## Performance:

- In 2020, the EPS was NTD 3.52.
- In 2021, the cash dividend was NTD 1.5.

## Adjustment mechanism:

Prepare annual budgets and regularly convene target management meetings and production, sales and purchase meetings to track and review target achievement situations and take necessary measures for management.

Corresponding  
chapters

3-1 Operating Status  
3-2 Risk Management

## Material topic covered / Corporate Governance

Boundary limit	The scope of information disclosure in this 2020 CSR Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of Tung Ho Steel's corporate governance is disclosed.
Importance	The fulfillment of our corporate social responsibility is an important project Tung Ho Steel keeps paying attention to in order to meet the stakeholders' expectation in terms of corporate governance, environmental protection and social prosperity.
Purpose of management	To complete the functions of the board of directors and strengthen the management mechanism.
Policies	Establish effective corporate governance structure, protect the shareholders' rights and interests, strengthen the functions of the board of directors, bring the functions of the functional committees into full play, respect the stakeholders' rights and interests, and increase the information transparency.
Goals	To follow the international development trend of corporate governance and the Corporate Governance 3.0 - Sustainable Development Roadmap, implement corporate governance, fulfill our corporate social responsibility and be committed to ESG development to achieve sustainable management.
Resources invested	<ul style="list-style-type: none"> <li>The Corporate Governance Committee was added to the board of directors, which is composed of 3 committee members and convenes at least 2 meetings annually.</li> <li>Under the Corporate Governance Committee, there are Departments of Corporate Governance, Corporate Social Responsibility, Integrity Management, Environmental Sustainability, and Risk Management. The president assigns supervisors of relevant units to be in charge of the work in the departments and implementation of operational plans. In addition, the work plans and implementation results will also be submitted to the Committee.</li> <li>The position of a Corporate Governance Senior Officer is set up to be in charge of corporate governance related businesses. The Senior Officer will continue further education to assist directors and supervisors with business execution, serving as a bridge between the board of directors and all business units and competent authorities.</li> <li>Arrange courses on integrity management and prevention of insider trading as well as laws and regulations propaganda online on a regular basis.</li> </ul>
Evaluation mechanism	<ul style="list-style-type: none"> <li>Corporate governance evaluation: TWSE set up corporate governance indicators to score the corporate governance items of listed/OTC-listed companies.</li> <li>Evaluation of the performance of board of director: Set up Rules for the Performance Evaluation of the Board of Directors, and the scope of evaluation includes the performance of all functional committees.</li> </ul>



## 2

Sustainability Issues  
in Economic Aspect

## Implementation of Corporate Governance

## Material topic covered / Corporate Governance

Performance and adjustment	<p><b>Performance:</b></p> <ul style="list-style-type: none"> <li>• In 2020, Tung Ho Steel was ranked in the top 5% among the listed companies in the TWSE Corporate Governance Evaluation.</li> <li>• Tung Ho Steel was selected as a constituent company of the TWSE Corporate Governance 100 Index for 3 consecutive years between 2018 and 2020.</li> <li>• Kick-off meetings of the Environmental Sustainability Department and Risk Management Department of the Corporate Governance Committee.</li> <li>• Set up the Company's Risk Management Policy and Supplier Management Policy.</li> <li>• Require the suppliers to sign the Supplier Social Responsibility Commitment, and the commitments include labor rights and human rights, environmental protection, emphasis on climate change mitigation and adjustment, integrity management and ethics.</li> </ul> <p><b>Adjustment mechanism:</b></p> <p>The adjustment mechanism follows the Corporate Governance 3.0 - Sustainable Development Roadmap and the relevant regulations and procedures of the latest regulatory adjustment, and the review is conducted based on the results of the corporate governance evaluation of the year.</p>
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Corresponding  
chapters

2-2 Corporate Governance

## 3

Sustainability Issues  
in Economic Aspect

## Compliance

## Material topic covered / Socioeconomic Compliance, Environmental Compliance

Boundary limit	The scope of information disclosure in this 2020 CSR Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of environmental and social compliance in all factories in Taiwan is disclosed.
Importance	Compliance is the basic standard and requirement in corporate operation. Incidents that are likely to occur can be eliminated through prioritized improvement action plans, achieving the goals of management and raising expectations of stakeholders. Incidents of violations may affect the social perception, damage corporate image and even lead to losses from suspension of work or even termination of business, impacting on the sustainable operation of the company.
Purpose of management	To effectively manage legal risks of the company, fulfill the company's corporate social responsibility and avoid major violations and penalties.

## Material topic covered / Socioeconomic Compliance, Environmental Compliance

## Policies

**Environmental aspect:**

- Compliance, Continuous Improvement, Pollution Prevention, Sustainable Management”.
- Compliance with relevant laws and regulations of both central and local governments as well as the operating standards formulated by the Company.
- Continuous reduction in waste, maintenance of natural environment, improvement of the working environment and dedication to sustainable management of the enterprise.

**Socioeconomic Aspects:**

The Company has set up a legal unit to provide employees with legal education and training and regulatory consultation, and the unit reviews the contracts with the stakeholders to provide timely advice. Internal review is established, and through the annual audits, compliance with laws and regulations can be confirmed to ensure all operations are conducted in accordance with relevant regulations of the industry.

## Goals

To comply with relevant laws and regulations of both central and local governments as well as the operating standards formulated by the Company and avoid major violations and penalties.

Resources  
invested**Environmental aspect:**

Establish dedicated personnel to be in charge of environmental protection related work, such as air pollution, water pollution and waste removal, to continue the promotion of environmental protection improvement plans set up in accordance with the Environmental Management System (ISO 14001).

**Socioeconomic Aspects:**

Establish a dedicated unit to promote compliance with relevant laws and regulations, convene relevant meetings regularly to review social and economic regulations and provide employees with necessary training.

Evaluation  
mechanism**Environmental aspect:**

- Every year, the effectiveness of PDCA is evaluated for the emission management in accordance with the internal management review procedures of ISO 14001, ISO 14064-1 and ISO 50001.
- Carry out daily patrol inspections on environmentally sensitive area (ESA) in the factories and notify relevant units to implement improvement when there are abnormalities.
- Make weekly inquiry into the outsourced waste treatment in the factories and check the contents of the stationary pollution source operating permit and the water pollution control permit every 6 months. If there is any difference between the content and the current situation, changes of content in the permit will be immediately conducted.

**Socioeconomic Aspects:**

Each unit conducts self-evaluation annually in accordance with the laws and regulations. The Audit Office checks the compliance with regulations on a yearly basis to ensure that all units are aware of the latest laws and regulations. In addition, the management regulations are formulated to effectively respond to all operations to lower the risks of violations.

## 3

Sustainability Issues  
in Economic Aspect

## Compliance

Material topic covered / Socioeconomic Compliance, Environmental Compliance

Performance  
and  
adjustment

## Environmental aspect:

- Assigned dedicated personnel to check the environmental compliance.
- In 2020, there were no records of violations and fines in Kaohsiung Works.

## Socioeconomic Aspects:

Socioeconomic Aspect: The audit unit will regularly make inspections and provide suggestions for improvement. All responsible departments revise relevant management regulations after evaluation analysis and report to the board of directors regularly.

Corresponding  
chapters

2-3 Integrity Management  
3-2 Risk Management  
Environmental Compliance

## 4

Sustainability Issues  
in Environmental Aspect

## Pollution Control

Material topic covered / Waste

## Boundary limit

The scope of information disclosure in this 2020 CSR Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating activities of related Group enterprises at home and abroad. Therefore, only the information of pollution prevention and control behavior of all the factories in Taiwan is disclosed.

## Importance

Waste management will have direct impacts on the costs of the Company and the issues of legal compliance, which will affect the operation of the factories and the corporate image.

Purpose of  
management

To reduce environmental impacts, production risks and costs .

## Policies

- Comply with relevant laws and regulations of both central and local government as well as the operating standards the Company has established.
- Establish an environmental management system to continue the improvement of pollution so as to achieve improvement in environmental performance.



## Goals

The Company adopts the best available control technology (BACT) to effectively reduce the emission of particulate pollutants. The waste is all recycled so as to step toward the goal of zero waste.

Resources  
invested

- ISO 14001 has been introduced into all factories to effectively manage emissions.
- Expenses on industrial waste disposal reached approximately NTD 332 million in 2020.

<div> <div>4</div> <div>Sustainability Issues in Environmental Aspect</div> </div> <div>Pollution Control</div>	
Material topic covered / Waste	
Evaluation mechanism	The Company conducts evaluation of the effectiveness of PDCA for the management of emissions annually in accordance with the ISO 14001 internal management review process.
Performance and adjustment	<p><b>Performance:</b></p> <ul style="list-style-type: none"> <li>• All the average monitoring values meet the air pollutant emission standards.</li> <li>• The waste recycling rate reached 99.86% in 2020.</li> </ul> <p><b>Adjustment mechanism:</b></p> <p>Relevant units continue to propose improved management plans in PDCA model in accordance with the ISO 14001 environmental management system on a regular basis.</p>
Corresponding chapters	<p>4-3 Pollution Prevention and Control Management</p> <p>Waste Treatment and Recycling</p>

<div> <div>5</div> <div>Sustainability Issues in Environmental Aspect</div> </div> <div>Climate Action</div> <div> <div>SDGs Goals</div> <div>   </div> </div>	
Material topic covered / Emissions, Energy/Affordable Energy, Carbon Management, Green Action (Action Against the Climate)	
Boundary limit	The scope of information disclosure in this 2020 CSR Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating activities of related Group enterprises at home and abroad. Therefore, only the information of energy management behavior of all factories in Taiwan and corresponding behavior to climate change related risks is disclosed. Currently we do not require our suppliers to provide GHG reduction related information.
Importance	In the face of the global trends of accelerated climate policies and advanced carbon control, the impact of GHG emissions generated from energy use on the environment has been included in statutory control. Active responses and proper carbon management strategies can help the company with the reduction of CO <sub>2</sub> emissions, the conservation of energy use, reduction in costs and enhancement of product competitiveness.
Purpose of management	To reduce emissions to reduce production costs and enhance product competitiveness to avoid possible operational risks in the future for sustainable management.
Policies	<ul style="list-style-type: none"> <li>• Work in line with the development of the national strategy for overall GHG reduction while taking into account the goals of sustainable energy development for resource efficiency, energy conservation and environmental protection.</li> <li>• Strengthen disclosure of carbon information to enhance our corporate competitiveness.</li> </ul>

Material topic covered / Emissions, Energy/Affordable Energy, Carbon Management, Green Action (Action Against the Climate)

## Goals

- To carry out the annual energy conservation program based on ISO 50001 and cooperate with the government policy to reach an annual power-saving rate pf 1%.
- To carry out risk and opportunity assessment in accordance with the TCFD framework and improve the way and depth of public disclosure of carbon information.
- To publicly declare the company’ s stance on supporting climate change mitigation, the public policies and regulations.
- To pass the performance verification of carbon reduction, strive for the exemption of GHG management fees and use more energy-efficient and highly energy-efficient equipment.

## Resources invested

- Introduced ISO 50001 Energy Management System, ISO 14064-1 GHG Inventory, PAS 2050 Product Carbon Footprint, and ISO 14067 Product Carbon Footprint.
- Evaluate risks and opportunities in accordance with the TCFD framework and participate in international ranking mechanism such as CDP.
- Conduct research on advanced carbon reduction technology.

## Evaluation mechanism

- The energy management personnel conduct monthly monitoring and measurement of energy and the GHG inventory is conducted by external units.
- Monitor the fuel prices, compare future cost scenarios and perform cost-benefit analysis.
- Grasp the conditions of natural gas or fuel use to reduce the consumption of non-renewable natural resources.

## Performance and adjustment

### Performance:

- Implement energy conservation program and the rolling equipment without the heating furnace has been installed in Taoyuan Works.
- The harmonic devices and capacitors are used to effectively improve the voltage and reduce power loss in the system, increasing the electric power to 99%.
- During the peak demand for electricity in summer, we actively cooperate by shifting to off-peak power consumption period for our power consumption to maintain the balance between people’ s livelihood and industrial power consumption. In addition, we also promote improvement of energy conservation of equipment to reduce energy consumption and reach the goal of reducing electricity consumption every year.
- Invested in a wind power company and installed 5 units of wind power generation equipment to provide green energy.
- Implemented energy conservation and carbon reduction measures in 2020, reducing a total of 4,004 tons of CO<sub>2</sub>e.
- In 2020, the section and steel plate produced in Miaoli Works passed the verification of Environmental Product Declaration (EPD) .

### Adjustment mechanism:

- The energy management personnel submit the annual performance evaluation report in the management review meeting and analyze the reasons and countermeasures that will be implemented upon the approval by the management representative.
- Collect, summarize and analyze energy consumption related information every month and review the implementation status of the targets and the energy saving performance.
- Relevant units report to the Environmental Sustainability Group for summary and discussion and report to the Corporate Governance Committee.



Material topic covered / Emissions, Energy/Affordable Energy, Carbon Management, Green Action (Action Against the Climate)

## Corresponding chapters

3-2 Risk Management  
3-3 Management of and Strategies for Climate Change Risks and Opportunities  
4-2 Use of Energy Resources  
GHG Inventory  
Green Process



Material topic covered / Materials, Responsible Consumption and Production

## Boundary limit

This Report discloses the management practices of materials and hazardous industrial waste Tung Ho Steel's Works throughout Taiwan. In addition, the subsidiary, Katec R&D Corporation's assistance in the treatment of anti-epidemic waste is also detailed in the Special Column.

## Importance

Scrap steel is the primary raw materials we produce. Steel is a kind of material that can be reused and remanufactured and is with the highest recycling and reuse rate. Through the use and the management system of raw materials, the recycling and reuse rate of resources can reach the highest in the production stage, which can extend the circulation as long as possible to meet the goal of energy and resources conservation and reduce pollution, increasing social benefits while reducing social costs, laying a foundation for the development of circular economy of the Company.

## Purpose of management

To meet the government and public's environmental protection requirements of the industrial waste generated by the Iron and Steel Industry and to catch up with the international trends of environmental protection, shaping a good corporate image while at the same time maximizing the efficiency of resource use.

## Policies

To increase the domestic purchase amount of scrap steel and increase the recycling rate of in the steel-making process.

## Goals

- To reach the goals of circular economy and reuse of resources and at the same time extend the value chain to create the value of resources reuse.
- To solve the problem of treating the in-plant electric arc furnace (EAF) dust in the steel making industry, and the EAF dust (containing heavy metal of zinc oxide) can be refined for recycling and reuse.
- To jointly handle the treatment for the recycling of industrial waste, such as EAF dust, oxide slag and reductive slag to reach the goal of a circular economy of zero waste, zero pollution and making the best of materials.
- To purchase scrap steel in accordance with the monthly production plan.



## 6

Sustainability Issues  
in Environmental Aspect

## Materials Circular Economy

SDGs Goals



Material topic covered / Materials, Responsible Consumption and Production

### Resources invested

- Establish a fine crushing workshop to increase the recovery rate of steel making.
- Establish the ISO 9001 management system, establish operating standards for scrap steel acceptance and electric furnace operations.

### Evaluation mechanism

Relevant responsible units follows relevant standards established by the ISO 9001 and ISO 14001 management systems in the acceptance of scrap steel, waste treatment and electric furnace operations, organize monthly documents and activities related to raw materials and waste recycling for review and discussion of relevant implementation effectiveness and goals so as to effectively grasp the domestic and international markets of scrap steel to increase the recovery rate in the steel making process.

### Performance and adjustment

#### Performance:

- In 2020, the ratio of the weight of recyclable materials to the primary raw materials reached 97.6%.
- The waste recovery rate (recycle and reuse) reached 99.86%.
- Effectively grasp the scrap steel markets at home and abroad and increase the recovery rate in the steel making process.

#### Adjustment mechanism:

- Report the achievement status and evaluation level of the implementation performance in the annual management review committee meeting for necessary review and adjustment.
- Review the way to reduce the unit consumption of primary and secondary raw materials in accordance with the results of WSA CO<sub>2</sub> Data Collection.

### Corresponding chapters

Introduction of Value Chain  
Waste Treatment and Recycling

## 7

Sustainability Issues  
in Environmental Aspect

## Water Resources Management

Material topic covered / Water and Effluents

### Boundary limit

The scope of information disclosure in this 2020 CSR Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating behavior of related Group enterprises at home and abroad. Therefore, only the information of the amount of water intake, drainage and water consumption of all factories in Taiwan is disclosed. The scope of information disclosure concerning water recovery rate and water resources management behavior mainly covers our production facilities of Taoyuan Works, Miaoli Works and Kaohsiung Works.

<div>Sustainability Issues in Environmental Aspect</div> <div>7</div>	Water Resources Management
Material topic covered / Water and Effluents	
Importance	Cooling water is used in the steel making and steel rolling process for indirect and direct cooling of the equipment and other purposes. Therefore, the management of its recovery rate can reduce the costs risks and increase our products' competitiveness in sustainability issues.
Purpose of management	To effectively manage the water intensity and regulatory risks concerning Water Act.
Policies	To conform to the committed value in the Water Usage Plan and strengthen the recycling rate of water resources.
Goals	<p><b>Taoyuan Works:</b> To conform to the committed recycle value<sup>Note</sup> in the Water Usage Plan.</p> <p><b>Miaoli Works:</b> To adjust the rain recovery amount in Retention Basin C to increase the reuse rate of water resources. To continue the promotion of water conservation policy and improvement of manufacturing process so as to conform to the water and cooling water recovery rate in the Water Usage Plan committed when the factory was built.</p>
Resources invested	<ul style="list-style-type: none"> <li>The wastewater treatment costs amounted to approximately NTD 13.27 million in 2020.</li> <li>Miaoli Works: The pump for water recycling in the Retention Basin C was replaced and a filter was added to it to reduce blockage of the pump.</li> </ul>
Evaluation mechanism	<p><b>Taoyuan Works:</b> The Water Resources Agency requests for annual inspection to the units submitting Water Usage Plans. According to regulation, every year the declaration report should be submitted and the evaluation of the effectiveness of PDCA for the management of water recovery rate is also conducted annually.</p> <p><b>Miaoli Works:</b> Establish the ISO 9001 management system and set up 5 operating standards for water treatment and wastewater treatment equipment. Water footprint inventory is also conducted.</p>
Performance and adjustment	<p><b>Performance:</b></p> <ul style="list-style-type: none"> <li>All the factories comply with the committed recycle value of water and cooling water in the Water Usage Plan.</li> <li>In 2020, the water recovery rate reached 90% and above in all factories.</li> <li>After displacing the water recycling pump and adding a filter to it in Retention Basin C in Miaoli Works, the average monthly recovery amount reached 3,167 tons, and the recovery amount of rainwater and surface water increased by 860 tons.</li> <li>The effluents are 100% compliant with the legal discharge standards.</li> </ul> <p><b>Adjustment mechanism:</b></p> <ul style="list-style-type: none"> <li>A dedicated unit is established in accordance with regulation, responsible for the system management and regular reporting work. Management and control are strengthened to increase the reuse rate of water resources.</li> </ul>

## Water Resources Management

Material topic covered / Water and Effluents

Corresponding  
chapters

Water Resources

Note: The promised value of water recovery rate is based on the Water Usage Plan for the expansion of steel rolling line. The promised water recovery rate of Taoyuan Works is the highest standard in this industry. Therefore, the short-, medium- and long-term goals are based on the committed value of the latest version of the Water Usage Plan.

## Seismic-Resistant Steel Materials

SDGs Goals



Material topic covered / Sustainable Cities and Communities

Boundary limit

In this 2020 Report, topic concerning the Company's seismic-resistant steel only discloses information of H-Beam (CNS SN400YB) and the survey of customers' willingness of purchase.

Importance

SN steel is a kind of steel development for regions in seismic zone, which responses to the target of SDGs to "develop quality, reliable, sustainable and resilient infrastructure". Tung Ho Steel supplies high-quality and reasonably priced H-Beam (CNS SN400YB) to accelerate quality improvement of steel for low-rise structures and buildings domestically.

Purpose of  
management

To make cities and human settlements safer.

Policies

Produce 100% full-weight of seismic-resistant H-Beam (CNS SN400YB) to accelerate quality improvement of steel for low-rise structures and buildings domestically.

Goals

- To change the custom of material using in low-rise structures and buildings to the use of at least 90% of seismic-resistant H-Beam (CNS SN400YB).
- To increase the traceability of steel products to ensure the safety of domestic construction materials, Tung Ho Steel has promoted the revision of the prescription concerning roll marks in CNS 2473, 2947, and 13812 related standards and added the requirement that CNS mark shall be printed.

Evaluation  
mechanism

The ratio of the sales of SN steel in the sales of H-Beam in the Company.



## Material topic covered / Sustainable Cities and Communities

Performance  
and  
adjustment

Tung Ho Steel focused on the promotion of concept of “SN Steel, Best Choice for Earthquake Resistance” by launching TV commercial and through other media between 2014 and 2020. According to the statistics of H-Beam sales from 2014 to 2020, the percentage of SN steel sales was increased from 54% to 94.16% of the sales of overall products. The increasing percentage in sales shows that the TV commercials has achieved certain effects. This also shows that the SN steel products have been generally accepted in the domestic market. The market share of SN steel in the domestic market has also increased every year.

Corresponding  
chapters

3-4 Product and Service Quality

## Material topic covered / Customer Health &amp; Safety

## Boundary limit

In this 2020 Report, topic concerning the Occupational Health and Safety only discloses information of the advancement in products and service quality of all factories in the Company.

## Importance

The quality of products is the key to sustainable management, corporate reputation and the establishment of corporate image to an enterprise. Tung Ho Steel’s stakeholders expect strict control over the production activities to provide safe and reliable building materials to the public.

Purpose of  
management

To conduct strict control over production activities to provide safe and reliable building materials.

## Policies

- “Pursuit of Sustainable Innovation, Improvement of Product Quality, Meeting What Customers Need and Promotion of Environment Purification.”
- Insistence on “Quality First, Credit First and Customers First”.

## Goals

- To strive for the establishment of a complete quality management system and continue the implementation effectiveness of the system.
- To produce products conforming to relevant legal regulations and the customer requirements and make on time delivery as the customers require.

## Material topic covered / Customer Health &amp; Safety

Resources  
invested

To ensure the appropriateness and implementation of the quality management system, the Quality Management Committee composed of the factory director and heads in production, administration, sales and purchase departments is established in each factory to hold regular meetings discussing the status of quality and proposing improvement measures. In response to the requirements of JIS Certification and KS Certification, dedicated personnel in charge of quality management are established to take full responsibility of the quality of certified products. In addition, ISO 9001 and TAF accredited laboratory have been introduced to set up related operating standards and automated auxiliary systems.

Evaluation  
mechanism

Relevant departments have set up quality goals annually and put forward corresponding quality implementation plans in accordance with the annual goals. The implementation results of the plans are reviewed every 6 months, and the quality goals are reported and reviewed in the annual management review meeting (including the continuous applicability of the quality management system, quality policy and quality goals).

Performance  
and  
adjustment

## Performance:

- To work in line with the CNS 560 Steel Bars Standard in 2018 and conduct various tests to ensure that relevant laboratory tests can comply with the requirements.
- The products are 100% free of radioactive contamination.
- The rebar products have passed 15 types of certification marks.
- Section and steel plate products have passed 23 types of certification marks.

## Adjustment mechanism:

- Every year, we conduct customer satisfaction survey for analysis and review to grasp every opportunity and kinetics for improvement. In addition, we will also conduct reviews for the needs of individual customers according to our customers' irregular evaluation. Internal task force hold regular meetings to continue tracking the results of each evaluation and also review the quality of products to see if there is still room for improvement and identify the cause and countermeasures systematically, transforming the spirit of continuous improvement into concrete actions to improve customer satisfaction.

Corresponding  
chapters

Quality Management

## Material topic covered / Occupational Safety and Health

Boundary limit	In terms of the topic of Occupational Safety and Health in this 2020 Report, information of the Company's occupational safety system and performance and information of reduction of risks of occupational accidents and health promotion, as well as data concerning the injury rate, the number of work-related deaths and the management practices of subcontractors' workers in Tung Ho Steel are disclosed.
Importance	It is the corporation's due social responsibility to take care of the safety and health of workers, which are the necessary conditions for work.
Purpose of management	To enhance workers' safety awareness and establish a working environment with occupational safety, health and comfort.
Policies	<ul style="list-style-type: none"> <li>The "Friendly Workplace" in our corporate social responsibility: To establish a complete system and harmonious labor-management relations and create a friendly as well as safe working environment.</li> <li>Human rights policy: To provide a safe and healthy working environment.</li> </ul>
Goals	<ul style="list-style-type: none"> <li>Short-term goal: No occurrence of major accidents. The establishment and verification of ISO 45001 and TOSHMS in the Taipei Office were completed in May 2021.</li> <li>Medium-and long-term goal: Zero personnel disasters and prevention of occupational diseases.</li> </ul>
Evaluation mechanism	The dedicated unit regularly carries out the hazard identification, risk evaluation and control of the working environment and job hazards in accordance with ISO 45001, TOSHMS and the "safety and health improvement proposal system". The unacceptable medium and high-level risks are listed in the management plans to reduce the risk level and improvement is continuously made through internal audits and external verification so as to comply with laws and regulations and ensure the effectiveness of the management system.
Performance and adjustment	<p><b>Performance:</b></p> <ul style="list-style-type: none"> <li>Zero disaster is the indicator for the safety of all activities and units with excellent performance will be commended. In terms of the management mechanism for accidents, the statistics and causes analysis are carried out through the electronic information system and on-site investigation of the course of the incident, and relevant personnel will jointly participate in the investigation meeting to thoroughly understand the problem. Remedial and improvement measures are taken based on the results of the investigation to prevent similar incidents from happening. The responsible unit should re-evaluate the risk assessment and make adjustment when necessary to establish a complete notification and investigation system.</li> <li>Totally compliant with the requirement that there shall be more than one-third of labor representatives participating in the Occupational Safety and Health Committee, and the average percentage of labor representatives in the Committee was 40% in 2020. The contractors/subcontractors make communication and coordination through the monthly Occupational Safety and Health Committee and coordination organization meetings.</li> </ul>



Material topic covered / Occupational Safety and Health

Performance  
and  
adjustment

- The three Works have completed the ISO 45001 certification conversion in 2020.
- The occupational health physicians provide “integrated employee health service” to ensure the health and safety of the workplace. There was no occurrence of occupational diseases among the company employees and workers from contractors.
- Occupational safety and health training courses have been organized and the contractors have been assisted with the promotion of safety and health management. In 2020, the company’ s investment in safety and health education and training was approximately NTD 1.77 million, with a total of 16,528 person-hours, increased by 25% and 10% respectively compared with 2019.
- We organize employee health checkups exceeding the frequency and items required by law every year. In 2020, there were 1,501 people receiving general health checks and 1,618 people receiving special health checks. The costs of these health checkups amounted to NTD 2.66 million, increased by 18% compared with 2019.
- Organized 20 sessions of emergency response and disaster prevention drills. The operating environment test showed that all items were lower than the regulatory standard values except the noise.

Adjustment mechanism:

- Convene monthly Occupational Safety and Health Committee meetings and require the subcontractors to attend the meetings to implement the promotion of safety and health management. All factories will set the goals of the following year based on the execution status of the safety goals in the previous year to improve equipment and prevent personnel injuries and the occurrence of major accidents.
- The Audit Office and the Labor Safety Centers in all factories will conduct joint cross-plant inspection every quarter and report to the president the deficiencies and corrective measures. For major occupational accidents that require hospitalization, the section chief and the division head should conduct monthly and factory director and deputy director should conduct autonomous management every two months and report to the president for review.
- In the company-wide target management meeting chaired by the president every month, analysis of statistics and corrective measures of the occupational disasters in the previous month are reviewed.
- In view of unsafe behavior and environment that cause harm, the AI Team of the Information Technology Division has started to apply AI image automatic detection, surround view monitoring system, and AI automatic protection device to stop operation. When detecting the entry of personnel, warning notification or PA loudspeaker dispersion is immediately made to control or manage unsafe behavior or environment for improved on-site safety and health management based on the areas with hazardous equipment proposed by our three works.
- The Taoyuan Works introduces courses on hazard prediction methods, hazard prediction meetings and 5-minute toolbox meetings every day for on-site shift and division leaders. Before the actions, a foresight can be made by pointing and calling to enable the employee to discover, grasp and solve hidden dangers more easily to ensure safety during operation.

Corresponding  
chapters

5-4 Occupational Health and Safety

## Material topic covered / Labor-Management Relations

Boundary limit	The scope of information disclosure in this 2020 CSR Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of labor-management relations in all factories in Taiwan is disclosed.
Importance	Employees are the important assets of the company. Harmonious labor-management relations can increase the cohesion among employees and improve productivity, which will further enhance our corporate image and performance, achieving the purpose of personal growth and corporate development.
Purpose of management	To establish harmonious labor-management relations to attract and retain good talents to maintain our competitive advantages through sooth and diverse communication channels.
Policies	<ul style="list-style-type: none"> <li>Construct a fair and safe working environment, harmonious labor-management relations and a complete system.</li> <li>Organize diversified education and training and welfare measures for employees.</li> </ul>
Goals	To provide a complete remuneration and welfare system and a good working environment to maintain the employees' health and safety.
Resources invested	<ul style="list-style-type: none"> <li>Organize employee education and training as employee welfare measures. Set up work rules, internal rules and remuneration systems.</li> <li>Work in line with the revision of relevant regulations, check relevant forms and documents of the company and review the legality of all operating procedures.</li> </ul>
Evaluation mechanism	<ul style="list-style-type: none"> <li>Through regular labor-management meetings, Occupational Safety Committee meetings, Welfare Committee meetings and enterprise unions, the employees can fully express their opinions for the establishment of smooth communication channels.</li> <li>Employees can submit their opinions or complaints to the unit head or the management unit in writing, email, orally or by telephone through the Regulations Governing Employee Grievance and Whistleblowing to respond to any problems at any time to protect their own rights and interests and express their thoughts so that the problems can be solved effectively and immediately.</li> </ul>
Performance and adjustment	<p><b>Performance:</b></p> <ul style="list-style-type: none"> <li>There were no labor disputes in 2020.</li> <li>The percentage of employees joining the union companywide reached 98% and more.</li> <li>In 2020, Miaoli Works signed the collective agreement with the enterprise union.</li> </ul> <hr/> <p><b>Adjustment mechanism:</b></p> <ul style="list-style-type: none"> <li>Regularly review the remuneration system and welfare measures, and make adjustments in accordance with the revised labor laws and regulations.</li> </ul>
Corresponding chapters	<p><u>5-1 Manpower Structure with Equality</u></p> <p><u>5-2 Labor-Management Relations</u></p>

## Material topic covered / Training and Education

Boundary limit	The scope of information disclosure in this 2020 CSR Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of training and education in all factories in Taiwan is disclosed.
Importance	Employees are the important assets of the company. We stimulate the potentials of employees and enhance their professional capabilities, provide diverse channels for learning resources, aiming to enable fit for work for all the employees to enrich the human resources of the company through a complete education and training system.
Purpose of management	To enhance the competitiveness of talents to maintain the competitive advantage through diverse learning channels.
Policies	<ul style="list-style-type: none"> <li>• Enrich human resources, provide employees with learning opportunities and proper job rotations to reach fit for work.</li> <li>• Provide employees with planned training to meet their needs for self-growth and improve techniques and performance of business management.</li> </ul>
Goals	To enhance the employees' techniques and core functions through the education and training system to improve their work performance and organizational goals while reaching fit for work.
Resources invested	<ul style="list-style-type: none"> <li>• Establish a human resources development system to organize internal and external training of the company.</li> <li>• Convene the business management meeting every quarter to discuss the development strategies of the Company, the current financial conditions, and the global trends in the iron and steel industry. Every year, we organize business expansion management meeting every year and garner consensus through activities such as visits to related industries, team activities and keynote speeches.</li> <li>• Organize the annual Tung Ho Steel Growth Camp and conduct research project on industry-related content in groups to cultivate logical thinking and capabilities of management, communication and interpersonal relations among members. At the same time, the teamwork spirit and cohesion can also be established.</li> <li>• Provide subsidies for language courses and incentives for language certifications to encourage our employees to improve their language skills.</li> </ul>
Evaluation mechanism	<ul style="list-style-type: none"> <li>• The training needs of all departments are surveyed in the previous year, and the management unit will unify and integrate the information to establish education and training plans.</li> <li>• Education and training is included in the department performance indicators in all factories, which is also included in the performance evaluation of section supervisors.</li> </ul>

Material topic covered / Training and Education

Performance  
and adjustment

In 2020, the total education and training hours reached 36,675 hours, and the average training hours was 24 hours per person.

Corresponding  
chapters

5-3 Career Development and Training

## 1-5 Sustainability Goals and Performance

### Annual Sustainability Performance



#### Performance of Integrity Governance



Tung Ho Steel has been selected among the **TWSE Corporate Governance 100 Index**.



The directors are **fully compliant** with the principle of avoidance of conflict of interest.



The average attendance rate of the functional committees all reached **100%** (Compensation Committee, Audit Committee, Corporate Governance Committee).



The directors' attendance rate of shareholders' meetings reached **100%**.



Directors and supervisors averagely received **8.2** hours of education and training per person.



**No** violation of Commercial Law.



Ranked in the **top 5%** among the listed companies in the 7th TWSE Corporate Governance Evaluation.



As a member of the **Anti-epidemic National Team**, Katec R&D Corporation assisted in the removal and treatment of anti-epidemic waste.



## Performance of Economic Sustainability



The earnings per share (EPS) was reported as NTD **3.52** and the cash dividends was NTD **1.5**.



The **very first in iron and steel industry** to obtain the Certificate of Green Recycled Product.



Honored with the **Gold Award in the Traditional Manufacturing Category** in Taiwan Corporate Sustainability Awards (TSCA) Corporate Sustainability Report Award.



The rebar products have passed **15** types of certification marks.  
Section and steel plate products have passed **23** types of certification marks.



Scored **91** points in customer satisfaction among section steel customers and **92** points among rebar customers.



**No violation** of health and safety regulations related to products and services, and the products are **100%** free of radioactive contamination.



## Performance of Environmental Protection



Scrap steel accounts for **more than 90%** of the primary raw materials.  
The ratio of recycled steel used in production reached **97.6%**.



The section and steel plate produced in Miaoli Works passed the **verification of Environmental Product Declaration (EPD)**.



The first rebar works **without the heating furnace** in Taiwan.



The water recovery rate in all areas of the factories was higher than **91%**.  
The recovery and reuse rate of water in Taoyuan Works reached **99.23%**.



The waste recycling rate (recycle and reuse rate) reached **99.86%**.



Taoyuan Works cooperated with the local government and installed **green energy equipment**.

## Performance of the Friendly Workplace



Employed **55** indigenous employees (accounting for 3.1% of all employees).

Employed **27** employees with disabilities (accounting for 1.5% of all employees).



Organize employee health checkups **better than what is required by law.**

**No** occurrence of **occupational diseases.**



The percentage of employees joining the union companywide reached **98%** averagely.

Miaoli Works **signed the collective agreement.**



**There was no** human rights violation or discrimination.



On-the-job safety and health education and training totaled **16,528** person-hours.



In response to the impact of COVID-19 epidemic, **dispatched employees returned to Taiwan safe and sound.**



## Performance of Social Prosperity



The cumulative number of winners receiving Hou Jindui Distinguished Honor Award reached **163** in total.



There were **no** petition cases on impacts on the ecological area.



Sponsored **the girls' basketball team of Kaohsiung Municipal Siaogang Senior High School.**



The public welfare expenditure was approximately **NTD 6.88 million.**





## 2 Integrity Governance

2-1 Company Profile

2-2 Corporate Governance

2-3 Integrity Management

Special Column: Katec R&D Corporation's Assistance in the Removal and Treatment of Anti-epidemic Waste as the Anti-epidemic National Team Member

## 2-1 Company Profile



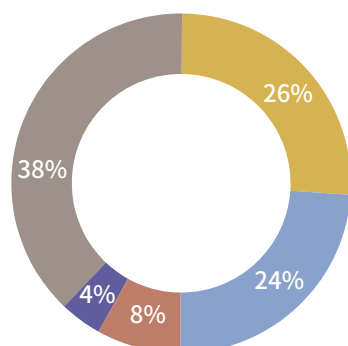
### Corporate Missions

From its beginnings in “Tung Ho Hang” to today's Tung Ho Steel Enterprise Corporation, the company has always made trustworthiness the corporate spirit in its business. “Self-discipline, Love of Knowledge, Optimism” have been the company's core business values. Trustworthiness does not merely represent the company's trustworthiness in relation to outside parties, customers, and society, but also signifies trustworthiness in its employees and in itself. Therefore, the integrity management policy of Tung Ho Steel is to “treat all stakeholders with fairness, integrity and honesty”.

Tung Ho Steel has been upholding the concept and policy of integrity and trustworthiness, insisting on positive pursuit and interaction as well as the assurance of quality. The driving force based on this insistence also serves as the starting point of value and dignity, leading us to a future of innovation and sustainable management.

TUNG HO STEEL ENTERPRISE CORP.	
Equity status/Market Type	Public offering/ Listed company (Stock Ticker: 2006)
Industry	Iron and Steel
Main business	Manufacturing, processing and sale of rebar, section steel, steel plate, channel iron, coil, steel sheet pile and other steel products.
Operating bases	Head Office, Taoyuan Works, Miaoli Works, Taichung Harbor Logistic Office, and Kaohsiung Works
Date of establishment	May 30, 1962
Paid-in capital	NTD 10,587,599,300
Chairman/President	Henry C. T. Ho
Head Office	6F., No.9, Sec. 1, Chang-an E. Rd., Taipei City 10441, Taiwan
Number of employees	1,758 (as of the end of December, 2020)
Net sales in 2020	NTD 42,866,290 thousand
Gross sales in 2020	1,862,414 tons

Shareholding ratio (%)



- Individuals
- Foreign institutions and foreign individuals
- Financial institution
- Government agency
- Other legal persons

Data on base day: April 26, 2021

## Invested Businesses

Tung Ho Steel bases on the axis of steel manufacturing business, having a footing in Taiwan with its product value while moving toward diversification management strategies that include steel structure, construction, environmental protection and wind power generation, aiming at the cooperation with the overall operation of steel manufacturing to give full play to the operational synergies. Please refer to the Consolidated Financial Statements for Q4 2020 (pp.11~12) for detailed information of our invested businesses.



Info. of invested  
businesses

## Exchanges and Cooperation

Tung Ho Steel actively participates in associations, trade associations and other organizations at home and abroad in iron and steel, industrial, commercial and economic industries to build relationships for exchanges and cooperation.

Name of organization	Exchange and cooperation (◆ Group member)	Remarks
International exchanges		
World Steel Association	Regular member	Regular member since April, 2019
South East Asia Iron & Steel Institute	Member of Taiwan Chapter	Kai-Yu Wu, Head of Research & Technical Development Department serves as the technical representative of the Taiwan Chapter
Iron and Steel Industry		
Chinese National Federation of Industries	◆	Honorary Chairman, Earle J.S. Ho serves as the honorary president Chairman Henry C.T. Ho serves as the standing director
Taiwan Steel & Iron industries Association	◆	Chairman Henry C.T. Ho serves as the standing director
Chinese Institute of Mining and Metallurgical Engineers	◆	Executive assistant David Ho serves as the director
Taiwan Institute of Steel Construction	◆	Assistant vice president J. B. Chiu serves as the director
Chinese Institute of Civil and Hydraulic Engineering	◆	
Taiwan Concrete Institute	◆	Executive assistant David Ho serves as the president
The Corrosion Engineering Association of the Republic of China	◆	
Chinese Society of Structural Engineering	◆	

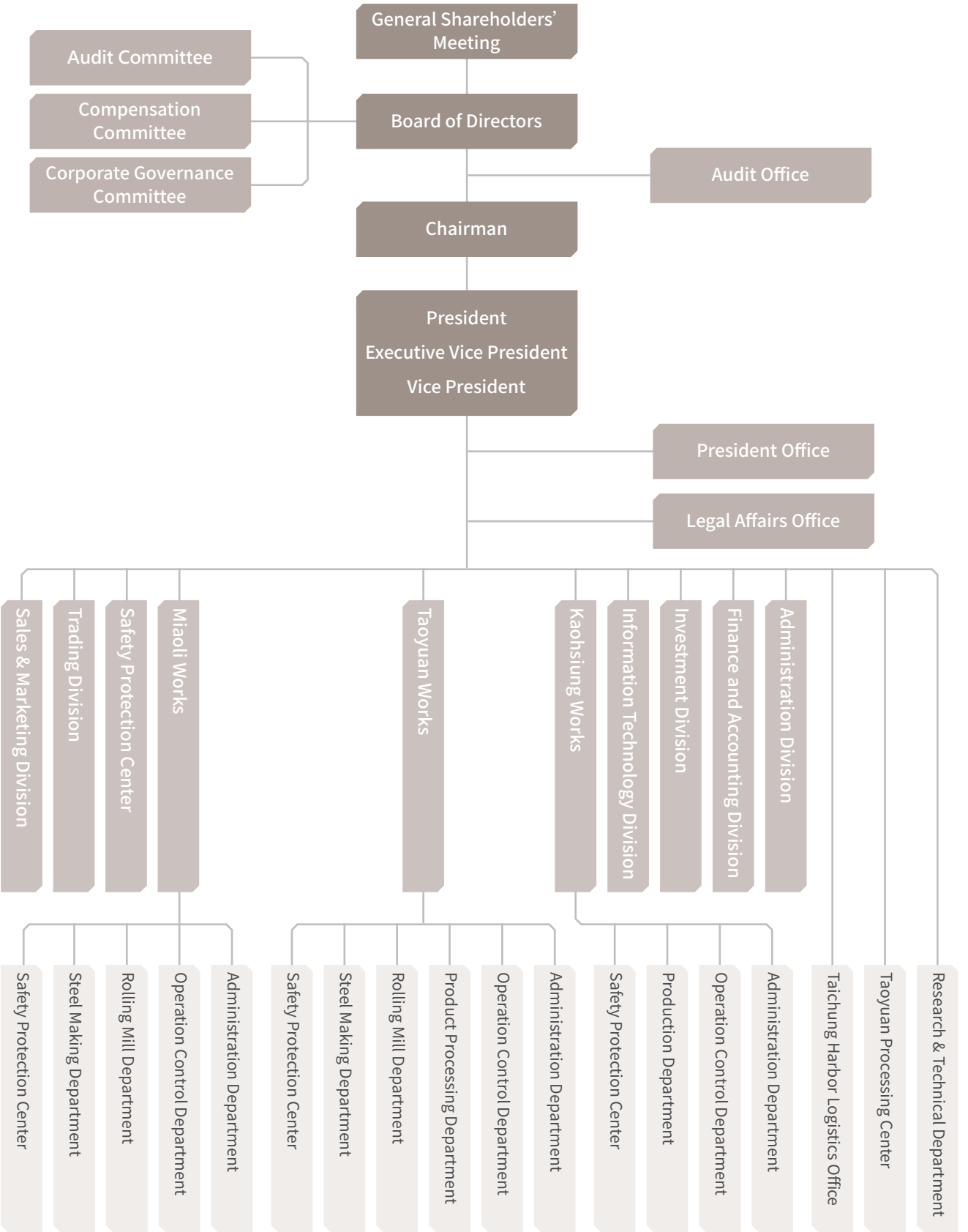
Name of organization	Exchange and cooperation (◆ Group member)	Remarks
Others		
Chung-Hua Association for Financial And Economic Strategies	◆	
Customs Association of the R.O.C.	◆	
CNS Certification Mark Association, R.O.C.	◆	
Association of Police Friends of R.O.C.	◆	Chairman Henry C.T. Ho serves as the director
Taiwan Architectural Aesthetics Cultural Economics Association	◆	

## 2-2 Corporate Governance

### Governance Structure

The board of directors of the Company has set up functional committees as needed. It was approved to set up the Compensation Committee on December 21, 2011, the Audit Committee on June 16, 2017, and the Corporate Governance Committee on September 26, 2019. The Audit Office is subordinate to the board of directors, and appropriate number of full-time internal auditors are assigned. In addition, in accordance with operational requirements, the President Office, Legal Affairs Office, six Divisions, three Works, the Taichung Harbor Logistics Office, Taoyuan Processing Center, the Research & Technical Development Office and Safety Protection Center are set in place, and the head of each division or unit is assigned by the president to take charge separately.

The chairman also serves as the president of the Company to unify power for smooth operation. To maintain the effectiveness and efficiency of company operation, it is necessary to temporarily maintain this mode. In addition, more than 50% of the directors do not serve as employees or managers for the purpose of supervision. Considering the need for long-term and sound corporate governance, we are currently actively fostering candidates to succeed the position of the president and will also appoint a president at an appropriate time based on the actual needs of the Company.



## The Composition and Operation of Board of Directors

A candidate nomination system is adopted by the Company for the nomination and selection of members of the board of directors in accordance with the Articles of Incorporation, Guidelines Governing Election of Directors, and the board is in charge of developing planning based on the Company's operating style.

### A. Method of Nomination and Selection

1. In accordance with Article 21 of the Articles of Incorporation, Tung Ho Steel has 11 directors and adopts the candidate nomination system. There shall be at least three directors who shall be elected by the shareholders' meeting from the list of candidates of directors. The professional qualifications, shareholding, concurrent positions held, assessment of independence, nomination and selection methods and other matters to be observed shall be handled in accordance with the relevant regulations of the competent authority for securities. Independent directors and non-dependent directors are nominated separately and elected together, and the number of elected candidates is calculated separately.
2. The Company currently has 11 directors (including 3 independent directors), and all of them have business, financial and accounting backgrounds and the abilities required for company business. In the future, the composition structure of members of the board of directors and their experience as well as background will be maintained.
3. In regard to the succession planning of the board of directors, we maintain good communication with the existing corporate shareholders from time to time and make discussions on the selection of successors. According to law, independent directors are required to have work experience in business, legal affairs, finance, accounting or company business. Therefore, independent directors will be selected by professionals from domestic academic and industrial circles.
4. In accordance with the Articles of Incorporation, independent directors shall not serve more than three consecutive terms to maintain their independence.

### B. Re-election of Directors

The re-election of board members was carried out in 2020, and the Company has set up 11 directors, including 3 independent directors, and the nomination system is adopted for the election of directors (including independent directors). The re-election of the 24<sup>th</sup> session of board of directors was announced on the MOPS on January 3, 2020. Nominations were accepted between January 4 and January 14, 2020, and the nomination of directors and independent directors were approved in the 19<sup>th</sup> meeting of the 23<sup>rd</sup> session of board of directors on February 27, 2020, and re-election was held in the general shareholders' meeting on May 19, 2020 for a new term from May 19 in 2020 to May 18 in 2023.



## Structure of Board of Directors

Title		Chair- man	Vice Chair- man	Directors						Independent Directors		
Name		Henry C. T. Ho	George Y. S. Ho	Hui- Ming Wu	Joshua P.H. Tung	Chih- Ming Huang	Pao-He Chen	Yen- Liang Ho	Chao-He Lin	I-Chi Liu	Chuang- Hsi Chang	Der- Ming Lieu
Age of directors	70 years old and above			●					●	●		
	Above 60 years old but less than 70				●	●	●					●
	Less than 60 years old	●	●					●			●	
Education		BA in Economics, Harvard University USA	BA in Visual and Environ- mental Studies, Harvard University USA	Graduated from Dept. of Materials and Mineral Resources Engineering of the National Taipei Institute of Technology	EMBA, College of Commerce, National Chengchi University	MBA, California State Univerity, USA	EMBA, Royal Roads University, Canada	EMBA, Aalto University, Finland	BA in Economics, Soochow University	MA in Accounting, National Chengchi University	Ph.D., Law and Political Science, Paris 2 Panthéon Assas University, France	PhD in Economics, Ohio State University USA
Core items	Operational judgement	●	●	●	●	●	●	●	●	●	●	●
	Accounting and financial analysis	●		●	●	●	●	●	●	●		●
	Business management	●		●	●	●	●	●	●	●	●	●
	Crisis management	●		●	●	●	●	●	●	●	●	
	Industry knowledge	●		●	●	●			●			
	International market	●	●	●	●	●		●	●		●	
	Leadership	●	●	●	●	●	●	●	●	●	●	
	Decision- making capacity	●	●	●	●	●	●	●	●	●	●	●
	Sustainable management	●	●	●	●	●	●	●	●	●	●	●

Note: All board members have a nationality of Republic of China (R.O.C.) and are all males.

## ◎ Board of Directors Meetings

The board of directors convenes at least a meeting every quarter, and a total of 9 board meetings were held in 2020. The average attendance rate of all directors was 100% and the attendance rate of directors to the shareholders' meetings was 100%. The contents of board meetings are drafted in accordance with the Articles of Incorporation, Rules of Procedures for Board of Directors Meetings and other laws and regulations concerning the issues related to economic, environmental and social impacts, risks and opportunities. The contents of board meetings are as follows.

Frequency	Content	
Every time	<ul style="list-style-type: none"> <li>Important financial business reports</li> <li>The Company's derivative commodity transactions</li> </ul>	<ul style="list-style-type: none"> <li>Reports of audit business</li> <li>The Company's loan credit line, credit guarantee line, and riskline of derivative products with various financial institutions</li> </ul>
Every quarter	<ul style="list-style-type: none"> <li>Quarterly financial report</li> </ul>	
Every year	<ul style="list-style-type: none"> <li>Annual financial statements and business reports</li> <li>Annual distribution of earnings</li> <li>Reports of liability insurance of directors, supervisors and important officers</li> <li>The allocation of remuneration of directors and employees</li> <li>The convention of shareholders' meetings and related matters concerning the distribution of dividends</li> <li>Progress report of the issuance of the CSR Report</li> <li>Report on the implementation of integrity management</li> <li>Donations to Tung Ho Steel Foundation</li> </ul>	<ul style="list-style-type: none"> <li>Independence and suitability assessment of certified public accountants (CPAs)</li> <li>Deliberation of the CPA's audit fee</li> <li>Reporting of the annual audit plan</li> <li>Issuance of declaration of internal control system</li> <li>Performance evaluation report of the board of directors</li> <li>Report of risk projects and countermeasures of management</li> <li>Report on the implementation of corporate governance</li> </ul>
Irregular	<ul style="list-style-type: none"> <li>Nomination of director candidates</li> <li>Proposal of directors' remuneration</li> <li>Appointment and remuneration of functional committee members</li> <li>Lift the prohibition on business strife for the 24<sup>th</sup> session of directors and their representatives</li> <li>Set up the Company's risk management policy</li> <li>Issuance of convertible corporate bonds</li> <li>Appointment of accounting supervisor</li> <li>Set up compensation and remuneration policies</li> <li>Set up GHG management strategies, reduction goals and plans</li> </ul>	<ul style="list-style-type: none"> <li>Report of the progress of revision of Regulations Governing the Management of the Procedures for Preparation of Financial Statements</li> <li>The formulation of Supplier Management Policy</li> <li>Appointment of senior executives and managers of important subsidiaries</li> <li>Appointment of consultant</li> <li>The formulation and revision of regulations</li> <li>Acquisition and disposal of real estate</li> <li>Related party transaction</li> <li>Supervision of subsidiaries, including cash capital increase and loan credit line endorsement</li> </ul>

## ◎ Further Study of Directors

Every year, the Company will arrange regular courses for directors, with the topics covering corporate governance, including but not limited to finance, risk management, business, commerce, legal affairs, accounting, corporate social responsibility, internal control system and financial reporting responsibilities. Directors participating in the courses reached 30 person-times, with a total of 90 training hours, and the average training hours amounted to 8.2 hours per person in 2020. The training hours of all directors were 100% compliant with the regulations stipulated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. Please refer to our [official website](#) for detailed information.

The courses organized included “Risks and crises enterprises face in the digital wave”, “Takeover contest and case analysis”, “How to prevent fraud and establish a whistleblowing system to strengthen corporate governance”, “Summit Forum on “Corporate Governance 3.0- Sustainable Development Roadmap”, and “How to supervise the company for good risk management and crisis management for directors and supervisors”. The course of “Corporate climate governance and practice in TCFD disclosures” will be held in May 2021.

## Functional Committees

### ◎ Compensation Committee

To complete the compensation system for directors and managers in the Company, it was approved to establish a Compensation Committee in accordance with 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 on December 21, 2011. The allocation of directors’ remuneration follows the prescriptions in the Company Act and Article 28 of the Article of Incorporation, and directors shall be paid fixed amount every month. The Compensation Committee will propose recommendations to the board of directors on the compensation and remuneration policies of the Company while referring to the standards of the same trade and other listed companies for decision making.

The compensation of managers of the Company is decided by the Compensation Committee from a professional and objective perspective while referring to the standards of the same trade and considering the individual performance evaluation, time invested, responsibilities taken, personal goal attaining situations, performance in other positions, achievement of the Company’s short-term and long-term business goals and the financial status of the Company for the assessment of the rationality of the relation between personal performance and the Company’s operating performance as well as future risks. Suggestions will also be made for the board of directors to refer to for decision making.

The Compensation Committee is currently composed of two independent directors and a university professor with a professional background, all with more than five years of work experience and relevant qualifications that are sufficient to maintain the independence, professionalism and impartiality of the Compensation Committee. The Committee convenes at least two meetings annually. In 2020, a total of three meetings were convened, with an average attendance rate of 100%. Please refer to [pp. 37~38](#) of the 2020 Annual Report of Shareholders’ Meeting for details.

### ◎ Audit Committee

The Audit Committee was established in accordance with the Articles of Incorporation and Article 3 of Regulations Governing the Exercise of Powers by Audit Committees of Public Companies on June 16, 2017. The Audit Committee is composed of three independent directors, responsible for assisting the board of directors with the supervision and evaluation of the appropriate expression of the Company’s financial statements, the selection, independence and performance of the CPAs, the effective implementation of the internal control system, compliance with regulations and rules, management of existing and potential risks of the Company and so on to ensure that the Company’s operation is in compliant with the relevant government laws and regulations as well as practical norms.

The Committee meeting is convened at least once every quarter. In 2020, a total of eight meetings were held, with the average attendance rate of 100%. Please refer to [pp. 21~22](#) of the 2020 Annual Report of Shareholders’ Meeting for details.

## ◎ Corporate Governance Committee

To complete the functions of the board of directors and strengthen the management mechanism, it was approved on September 26, 2019 to establish the Corporate Governance Committee, under which are five Groups of Corporate Governance, Corporate Social Responsibility, Integrity Management, Environmental Sustainability, and Risk Management. This is the Company's decision-making committee in charge of economic, environmental and social topics. The president assigns relevant unit supervisors to take charge of each group's work, implement the work plans, and report the work plans and implementation results to the Committee annually. The Corporate Governance Committee is composed of three committee members, responsible for the formulation, supervision and review of the corporate governance practices and implementation effectiveness, CSR policies and related management policies, environmental sustainability system and risk management policies. Please check our [official website](#) for details.

The Committee meeting is held at least twice a year. A total of two meetings were held in 2020, with the attendance rate of 100%. In addition, the Committee reported on the issuance of the 2019 CSR Report and the implementation status of the Corporate Governance Committee and integrity management at the 3<sup>rd</sup> and 6<sup>th</sup> meetings of the 24<sup>th</sup> session of BOD.

Members of functional committees					
Name	Gender	Education	Compensation Committee	Audit Committee	Corporate Governance Committee
Henry C. T. Ho	Male	BA in Economics, Harvard University, USA			◎
I-Chi Liu	Male	MA in Accounting, National Chengchi University	●	◎	
Chuang-Hsi Chang	Male	Ph.D., Law and Political Science, Paris 2 Panthéon-Assas University, France	◎	●	●
Der-Ming Lieu	Male	PhD in Economics, Ohio State University, USA		●	●
Cheng-Ming Chu	Male	PhD in Business Administration, National Taiwan University	●		

Note: ◎ is the convener. The term of the Compensation Committee and the Corporate Governance Committee is from June 3, 2020 to May 18, 2023 while the term of the Audit Committee is from May 19, 2020 to May 18, 2023.

### Compensation Policy

The Company provides reasonable and competitive compensation to attract, retain and motivate talents to facilitate the long-term development and achieve the business goals of the Company. The salary payment is based on stable compensation, and flexible bonuses that take into account the content of each job, the responsibility, contribution and personal work performance are also provided. The Company's compensation policy has been set up based on the principle of profit sharing.



Compensation  
Policy

## 2-3 Integrity Management

It is clearly prescribed in the Rules of Procedures for Board of Directors Meetings that when a director is an interested party with respect to any agenda item, the director shall evade himself/herself. When it is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. The directors of the Company uphold a high degree of self-discipline, and if the proposal involves their own interests, they all uphold the principle of avoidance of conflict of interest and evade themselves. Please refer to [p. 12](#) of the 2020 Annual Report of Shareholders' Meeting for details information concerning the positions of the Company's board members in other affiliated companies.

The status of the recusal of directors that are an interested party with respect to the agenda item(s) in 2020 is shown in the following table.

Name of director	Date of board meeting / term	Reason for avoidance of conflict of interest	Participation in voting
	Content of agenda items		
Chuang-Hsi Chang I-Chi Liu	June 3, 2020/ 2 <sup>nd</sup> meeting of the 24 <sup>th</sup> session of BOD	Independent directors, Mr. Chuang-Hsi Chang and Mr. I-Chi Liu were the nominated parties in this proposal.	Except for the recusal of the above-mentioned two directors for the avoidance of conflict of interest, other directors passed the proposal unanimously without objection.
	The proposal of the 4 <sup>th</sup> session of Compensation Committee Appointment		
Henry C. T. Ho Chuang-Hsi Chang Der-Ming Lieu George Y. S. Ho	June 3, 2020/ 2 <sup>nd</sup> meeting of the 24 <sup>th</sup> session of BOD	Chairman, Mr. Henry C. T. Ho, the independent directors, Mr. Chuang-Hsi Chang and Mr. Der-Ming Lieu were the nominated parties, and Vice President, Mr. George Y. S. Ho is a blood relative within the second degree of kinship of the chairman.	The independent director, Mr. I-Chi Liu served as the acting chairman for the discussion and voting of this proposal. Except for the recusal of the above-mentioned directors, other directors passed the proposal unanimously without objection.
	The proposal of the 2 <sup>nd</sup> session of Compensation Committee Appointment		
Yen-Liang Ho	June 3, 2020/ 2 <sup>nd</sup> meeting of the 24 <sup>th</sup> session of BOD	Director, Mr. Yen-Liang Ho is a blood relative within the first degree of kinship of the appointed person.	Except for the recusal of the above-mentioned director for the avoidance of conflict of interest, other directors passed the proposal unanimously without objection.
	The proposal of appointment of Mr. Chin-Cheng Ho as the consultant of the Company		
Henry C. T. Ho George Y. S. Ho	June 22, 2020/ 3 <sup>rd</sup> meeting of the 24 <sup>th</sup> session of BOD	Chairman, Mr. Henry C. T. Ho, serves as the director of the Foundation and the Vice Chairman, Mr. George Y. S. Ho, is a blood relative within the second degree of kinship of the chairman.	The independent director, Mr. I-Chi Liu served as the acting chairman for the discussion and voting of this proposal. Except for the recusal of the above-mentioned directors, other directors passed the proposal unanimously without objection.
	The proposal of donation to the Tung Ho Steel Foundation		

Name of director	Date of board meeting / term	Reason for avoidance of conflict of interest	Participation in voting
	Content of agenda items		
Henry C. T. Ho George Y. S. Ho	June 22, 2020/ 3 <sup>rd</sup> meeting of the 24 <sup>th</sup> session of BOD	Chairman, Mr. Henry C. T. Ho, serves as the director of the Foundation and the Vice Chairman, Mr. George Y. S. Ho are the interested parties in this proposal.	The independent director, Mr. I-Chi Liu served as the acting chairman for the discussion and voting of this proposal. Except for the recusal of the above-mentioned directors, other directors passed the proposal unanimously without objection.
	The proposal of remuneration of Chairman and Vice Chairman		
Hui-Ming Wu Joshua P.H. Tung Chih-Ming Huang Pao-He Chen Chao-He Lin	June 22, 2020/ 3 <sup>rd</sup> meeting of the 24 <sup>th</sup> session of BOD	Directors Mr. Hui-Ming Wu, Mr. Joshua P.H. Tung, Mr. Chih-Ming Huang, Mr. Pao-He Chen and Mr. Chao-He Lin were the interested parties of this proposal.	Except for the recusal of the above-mentioned directors for the avoidance of conflict of interest, other directors passed the proposal unanimously without objection.
	The proposal of remuneration of the legal representatives of the Company		
Yen-Liang Ho	June 22, 2020/ 3 <sup>rd</sup> meeting of the 24 <sup>th</sup> session of BOD	Director Yen-Liang Ho was the interested party of this proposal.	Except for the recusal of the above-mentioned director for the avoidance of conflict of interest, other directors passed the proposal unanimously without objection.
	The proposal of remuneration of Director, Mr. Yen-Liang Ho		
Chuang-Hsi Chang I-Chi Liu Der-Ming Lieu	June 22, 2020/ 3 <sup>rd</sup> meeting of the 24 <sup>th</sup> session of BOD	Independent directors, Mr. Chuang-Hsi Chang, Mr. I-Chi Liu and Mr. Der-Ming Lieu were the interested parties of this proposal.	Except for the recusal of the above-mentioned directors for the avoidance of conflict of interest, other directors passed the proposal unanimously without objection.
	The proposal of remuneration of independent directors		
Henry C. T. Ho Chuang-Hsi Chang I-Chi Liu Der-Ming Lieu George Y. S. Ho	June 22, 2020/ 3 <sup>rd</sup> meeting of the 24 <sup>th</sup> session of BOD	Chairman, Mr. Henry C. T. Ho, the independent directors, Mr. Chuang-Hsi Chang, Mr. I-Chi Liu and Mr. Der-Ming Lieu were the appointed members of the functional committees, and Vice President, Mr. George Y. S. Ho is a blood relative within the second degree of kinship of the chairman.	The independent director, Mr. Chih-Ming Huang served as the acting chairman for the discussion and voting of this proposal. Except for the recusal of the above-mentioned directors, other directors passed the proposal unanimously without objection.
	The proposal of remuneration of members of the functional committees		
Henry C. T. Ho Chih-Ming Huang George Y. S. Ho	June 22, 2020/ 3 <sup>rd</sup> meeting of the 24 <sup>th</sup> session of BOD	Chairman, Mr. Henry C. T. Ho, and Director Chih-Ming Huang served as the director and supervisor of Dong Youn Xin Industrial Corporation, and the Vice Chairman, Mr. George Y. S. Ho, is a blood relative within the second degree of kinship of the chairman.	The independent director, Mr. Chuang-Hsi Chang served as the acting chairman for the discussion and voting of this proposal. Except for the recusal of the above-mentioned directors, other directors passed the proposal unanimously without objection.
	The proposal of the signing of a technical service contract with Dong Youn Xin Industrial Corporation and the assignment of the manager		

Name of director	Date of board meeting / term	Reason for avoidance of conflict of interest	Participation in voting
	Content of agenda items		
Joshua P.H. Tung	Nov. 12, 2020/ 5 <sup>th</sup> meeting of the 24 <sup>th</sup> session of BOD	Director Joshua P.H. Tung was the interested party of this proposal.	Except for the recusal of the above-mentioned director for the avoidance of conflict of interest, other directors passed the proposal unanimously without objection.
	The proposal of appointment of senior vice president		

## Performance Evaluation of Board of Directors and Corporate Governance Evaluation

The “self-evaluation questionnaire for directors” is self-evaluated by all directors while the “self-evaluation questionnaire for the performance evaluation of functional committees” is conducted by the convener of each functional committee. The “self-evaluation questionnaire for the performance evaluation of the board of directors” is conducted by the Corporate Governance Senior Officer.

Based on the results of the self-evaluation of each director, the results were rated as “above the standard” and “superior to the standard”, and the results of the evaluation of the BOD and functional committees were rated as “superior to standards”, indicating that the overall operation is complete and in line with the requirements of corporate governance, effectively enhancing the functions of the BOD.

The 2020 board performance evaluation results were reviewed and approved on March 19, 2021 in the 3<sup>rd</sup> meeting of the 4<sup>th</sup> session of Compensation Committee and were reported to the 8<sup>th</sup> meeting of the 24<sup>th</sup> session of BOD on March 23, 2021 for review and improvement. Relevant content of evaluation, evaluation methods and implementation status will be disclosed in the Annual Report and submitted to the 2021 Shareholders’ Meeting.

Items of Performance Evaluation			
Evaluation target	Board of directors	Functional committee	Board members
Aspects of evaluation	<ul style="list-style-type: none"> <li>• Participation in the operation of the company</li> <li>• Improvement of the quality of the board of directors' decision making</li> <li>• Composition and structure of the board of directors</li> <li>• Election and continuing education of the directors</li> <li>• Internal control</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in the operation of the company</li> <li>• Awareness of the duties of the functional committee</li> <li>• Improvement of quality of decisions made by the functional committee</li> <li>• Makeup of the functional committee and election of its members</li> <li>• Internal control</li> </ul>	<ul style="list-style-type: none"> <li>• Alignment of the goals and missions of the company</li> <li>Awareness of the duties of a director</li> <li>• Participation in the operation of the company</li> <li>• Management of internal relationship and communication</li> <li>• The director's professionalism and continuing education</li> <li>• Internal control</li> </ul>
Measurement items	45	17~22	28





## Katec R&D Corporation's Assistance in the Removal and Treatment of Anti-epidemic Waste as the Anti-epidemic National Team Member

Katec R&D Corporation is an affiliated company of Tung Ho Steel Enterprise Corp. and has been devoted itself to the introduction and development of cutting-edge environmental protection technologies in the spirit of environmental protection and social service for a long time. Katec R&D Corporation is a renowned waste collecting and disposing service provider for Category 1-Class A infectious industrial waste in Taiwan, and during epidemic of Severe Acute Respiratory Syndrome Coronavirus (SARS-CoV) between 2002 and 2003, it was in charge of the disposal and treatment of infectious waste in many hospitals and centralized isolation and quarantine centers in northern Taiwan and was even publicly awarded and commended by the Taoyuan County Government at that time.

On the eve of Lunar New Year in 2020, COVID-19 started to spread to the world and the epidemic became more serious. Ministry of Health and Welfare then established the Central Epidemic Command Center (CECC) to coordinate and integrate resources and manpower of various ministries to respond to a potential epidemic domestically. When the first confirmed case of COVID-19 appeared in Taiwan, Katec R&D Corporation carried out the preparation of various anti-epidemic materials right away and re-examined and drafted the standard operating procedures (SOPs) of various scenarios. In addition to providing the first-line removal and processing personnel with the most adequate, safest, and the most reliable operation protection, it also made thorough preparation to face the coming challenges of potential epidemic in a solemn attitude.

On the second day after the Lunar New Year holidays ended, the "Epidemic response coordination meeting for civil affairs and health care systems of local governments" was convened by the Executive Yuan to deliberate matters concerning mobilization of civil affairs and health care systems by the local governments. The Environmental Protection Administration (EPA) instructed Katec R&D Corporation to participate in the meeting, and on the same day, it was entrusted by the EPA of Executive Yuan to be in charge of handling and disposing the waste of people undergoing home quarantine or home isolation in 10 cities and counties, including Taipei City, New Taipei City, Taoyuan City, Hsinchu County, Hsinchu City, Miaoli County, Keelung City, Yilan County, Hualien County and Lianjiang County.

The complicated and huge amount of cleanup operations of home quarantine and centralized quarantine waste involved EPA, Ministry of Health and Welfare, the Ministry of National Defense, county and city governments and various state-run business units. Katec R&D Corporation provided its previous work experience in the implementation of epidemic prevention and shared this difficult task together with the representatives of various ministries and agencies. So far, the quarantine waste collected and treated amounted to nearly 1,000 tons, completing the commission entrusted by EPA. Therefore, Katec R&D Corporation was publicly commended by the Minister of EPA on behalf of the Executive Yuan.

The threat of COVID-19 to humans has not ceased, and there is still a long way to go to prevent the epidemic. Katec R&D Corporation will uphold its long-term stance of providing professional services, fulfilling its corporate social responsibility and continuing to play its part as a member of the anti-epidemic national team to safeguard the health of the public.



2019 Excellent Unit of Environmental Cleaning and Maintenance & 2020 Commending Activity for Personnel of Waste Removal Agency of the Epidemic Prevention and Disinfection Team



Certificate of Appreciation for Epidemic Prevention

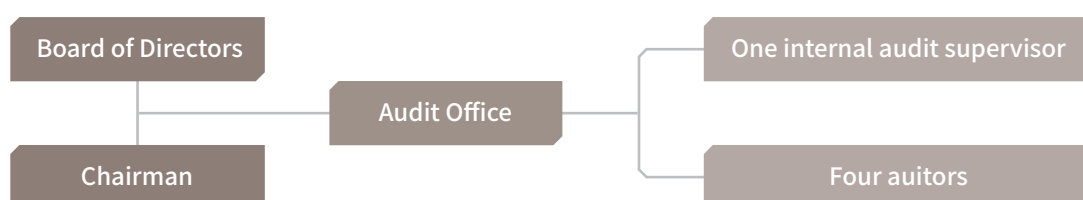
## Internal Control

To assist the board of directors and managers with the checking and reviewing the effectiveness of the internal control system and the evaluation of the operational effectiveness and efficiency, the Audit Office has been established under the Board of Directors, and appropriate number of full-time internal auditors are assigned, acting as agents for each other.

The appointment of the Internal Audit Supervisor is reported to the Financial Supervisory Committee (FSC) for review after approved by the board of directors. The Internal Audit Supervisor also attends the board meeting to report audit affairs and provides timely improvement suggestions and management assistance to ensure the continuous and effective implementation of the internal control system. The appointment, dismissal, evaluation, compensation and remuneration of the Audit Supervisor will be submitted to the chairman for approval.

Operation of Internal Audit	
Content	Description
Scope	Check and evaluate the appropriateness and effectiveness of the internal control system of all departments of the Company and the efficiency of operating activities
Target	The audit targets include all the units of the Company and the businesses the subsidiaries are in charge of.
Timing	<ul style="list-style-type: none"> <li>● <b>Planned audits:</b> The Audit Office will draw up annual audit plans for the following year at the end of every year in accordance with regulations and the results of risk assessment. These annual audit plans will be reported to the board of directors for discussion and approval as the basis for the implementation of audit operations.</li> <li>● <b>Project audits:</b> Depending on the operational requirements, the senior executives or the head of the Audit Office will designate the subject and time of the audit, and the auditors shall conduct various audit operations within the designated time.</li> <li>● <b>Self-audit (internal audit) operations:</b> To implement self-management and the supervision mechanism to ensure the design and implementation of the internal control system of the Company is effective, the Company will carry out the self-assessment once a year. The Audit Office will review the self-assessment report and add the deficiencies and abnormalities of internal control found by the Audit Office as well as relevant improvement to serve as a basis for the board of directors and the president to evaluate the overall effectiveness of the internal control system and also the issuance of the Statement of Internal Control.</li> </ul>

### Organization of Internal Audit



## Socioeconomic Compliance, Improvement and Prevention

Tung Ho Steel has set up the Legal Affairs Office, providing employees with legal education and training, regulatory consultation and review of contracts with stakeholders. In addition, internal audits are also in place to ensure the effective implementation of the internal control system, prevent business risks and enhance the operational effectiveness of the Company.

Tung Ho Steel attaches great importance to the ethical requirements of its employees and constantly reminds them of concepts of integrity and honesty, avoidance of conflicts of interest and declaration, privacy protection, protection of confidentiality, intellectual property rights protection, personal data protection, anti-corruption and code of ethics. Every year the internal audit unit includes anti-corruption incidents in the audit content for the auditing of important operating bases and our invested businesses. No matter it is the director or the employee, everyone is required to sign his/her name after reading the documents to keep a complete record. Our suppliers also play an indispensable part in our implementation of code of business conduct and ethics and compliance. Through continuous and specific actions, we convey our determination to maintain high standards of code of business conduct and ethics to our suppliers to invite them to adopt the same standards of code of business conduct and ethics with us.

Dishonest behavior is prohibited in the Company. All business activities are conducted based on the principle of integrity management in a fair and transparent manner. In addition, Procedures for Ethical Management and Guidelines for Conduct is also formulated to specifically regulate matters for the personnel to pay attention to and comply with when performing business. In addition to the signing of the integrity declaration by the directors and the code of conduct commitment letter by the employees, every year, the directors, managers, employees and personnel in affiliated companies all have to receive anti-corruption and anti-bribery training and education to fully understand the Company's determination, policies and prevention plans for integrity management and also the consequences of violation or dishonest behavior. In 2020, the Company has conducted risk assessment and drawn up necessary preventive plans and measures for various possible dishonest behavior in all our operating bases and subsidiaries, and the results of the overall assessment showed low risk.

We attach great importance to the equality of human rights at work, provide equal job opportunities to all employees, and does not discriminate against race, gender, physical and mental disabilities, religion, or other characteristics in the hiring of talents or to the employees of our contractors, and do not use any form of forced or compulsory labor.

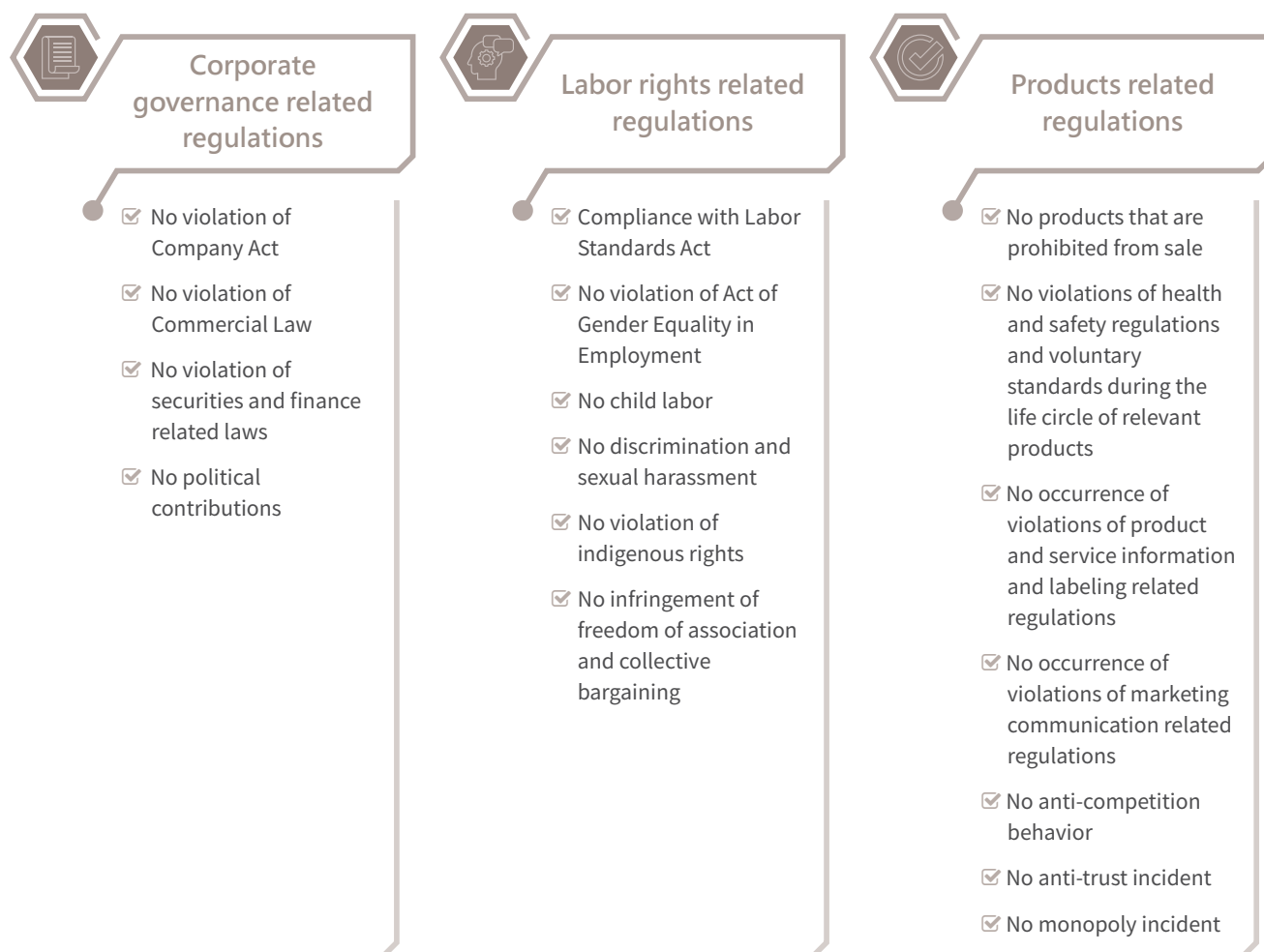
In terms of product sales, the products of the Company conform to international standards and comply with relevant regulations and customer requirements for product marketing and labeling. All products meet the requirements of safety impact assessment and improvement and product information and labeling, and the quality management system is implemented with the most stringent standards. During the reporting period, there were no violations of health and safety regulations and voluntary standards during the life cycle of relevant products, nor were there any incidents of violating product and service information and labeling, violations of market communication regulations, or prohibition or sales of controversial products in accordance with the voluntary regulations, and therefore, there were no penalties for violations of these regulations. Improvement measures for social-compliance related violations have went through improvement. Detailed compliance situations and improvement and preventive measures taken are listed as follows.

## Overview of Compliance

Facilities	Description of case	Improvement and preventive measures
Taoyuan Works	Sanction Date: Dec. 10, 2019   Date of Announcement: Feb. 7, 2020 Extended the working hours beyond legal requirements.	Participate in the recruitment activities in the employment service center to recruit enough employees to reduce the overtime hours.
	Sanction Date: Aug. 14, 2020   Date of Announcement: Nov. 9, 2020 Failed to install proper heat insulation and other necessary safety facilities and did not stop the operation of related machinery, causing the employees to contact high temperature, violating the provision of Paragraph 1 of Article 6 of the Occupational Safety and Health Act and was fined NTD 120,000.	Implement work safety analysis, set up warning signs and slogans, revise operating standards and strengthen safety observation and education and training.
	Sanction Date: Oct. 19, 2020   Date of Announcement: Jan. 4, 2021 Failed to install equipment to prevent objects from falling off during the hanging operation, violating the provision of Paragraph 1 of Article 6 of the Occupational Safety and Health Act and was fined NTD 180,000.	Equipment should be properly placed after dismantled to prevent it from falling. Revise the standard operations, implement advocacy of occupational disasters and include similar operations in the whole plant for risk assessment.
	Sanction Date: Nov. 5, 2020   Date of Announcement: Feb. 9, 2021 Failed to have good drainage equipment and other necessary measures to prevent water vapor explosions, violating provision of Paragraph 1 of Article 6 of the Occupational Safety and Health Act and was fined NTD 60,000.	Revise relevant operating standards and take necessary control measures to prevent water vapor explosion in places where water is used for the treatment of hot slag.
Miaoli Works	Sanction Date: Jan. 6, 2020 The new elevator construction project started before obtaining the construction permit, violating Article 25 of the Building Act, and was fined NTD 52,590.	The building permit of miscellaneous work was obtained on Dec. 16, 2020, and the procedures of improvement have been completed.
	Sanction Date: May 5, 2020   Date of Announcement: Sep. 10, 2020 An employee pinched his fingers and was hospitalized, violating Paragraph 1 of Article 57 of the Regulations for the Occupational Safety and Health Equipment and Measures and Paragraph 2 of Article 37 of the Occupational Safety and Health Act and was fined NTD 60,000.	Set up the Operational Safety Standards for the use of jacks, implement education and training of Operational Safety Standards and safety observations and use cases for propaganda.
	Sanction Date: Jul. 21, 2020   Date of Announcement: Nov. 9, 2020 The employee was crushed because the air pressure was not eliminated, leading to the occupational accident described in Paragraph 2 of Article 37 of the Occupational Safety and Health Act, violating the provision of Paragraph 1 of Article 6 of the Occupational Safety and Health Act and was fined NTD 60,000.	Add the manual pressure relief ball valve on the air cylinder of the baffle, revise operating standards, implement education and training of Operational Safety Standards, make safety observations, fill out the green safety card and use cases for propaganda.

Overview of Compliance		
Facilities	Description of case	Improvement and preventive measures
Miaoli Works	Sanction Date: Dec. 3, 2020   Date of Announcement: Mar. 10, 2021 Did not send supervisors during the maintenance of the fixed crane, violating Paragraph 1 of Article 22 of the Regulations for the Occupational Safety and Health Equipment and Measures and Paragraph 2 of Article 22 of the Regulations for Safety of Cranes and Hoist Equipment and was fined NTD 60,000.	Re-implement hazard identification and risk assessment to identify major hazardous operations, revise relevant operating standards and add lighting equipment in the maintenance area.  Increase the frequency of supervisory safety inspections and audits and implement education and training for safety and health.
	Sanction Date: Dec. 15, 2020   Date of Announcement: (Not yet announced) The maintenance personnel fell and was injured, violating Paragraph 1 of Article 224 of the Regulations for the Occupational Safety and Health Equipment and Measures and was fined NTD 60,000.	Implement hazard identification and risk assessment, check and repair relevant facilities, revise operating standards and carry out education and training, fill out the green safety card, and use cases for propaganda.

## Other operational compliance status of the Company







# 3 Economic Sustainability

3-1 Operating Status

3-2 Risk Management

3-3 Management of and Strategies for Climate Change Risks and Opportunities

3-4 Product and Service Quality

Special Column: Type III Environmental Product Declaration

3-5 Customer Service

Special Column: Lifequake- Passing on Power of Life

## 3-1 Operating Status

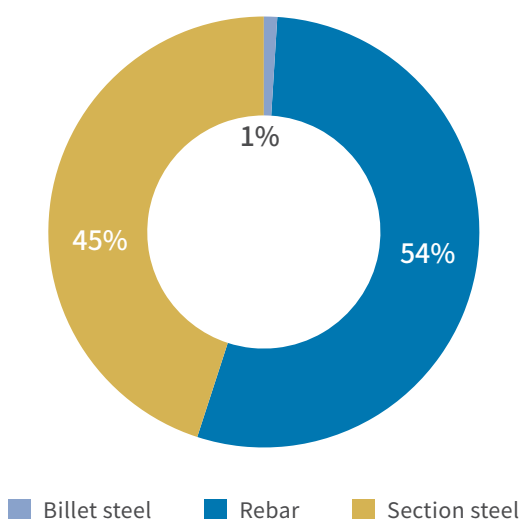
The weakened prosperity of the iron and steel industry in the world in 2020 was affected by the epidemic, and quantities of raw materials, finished products, shipments and even the prices all declined. However, the booming manufacturing industry in Taiwan helped reverse the decline of the overall iron and steel industry in Taiwan. Construction steel in particular benefited from the huge demands from the foreign companies' plant construction needs in Taiwan, coupled with the semiconductor and electronics manufacturers' factory expansion needs as well as the booming construction industry, leading to strong market demands and increase in both the prices and the volume, resulting in general rebound of profits in this industry. Tung Ho Steel also benefited from the booming demand for steel bar, and both the production capacity and output increased drastically while the production costs decreased significantly. What is more, because of the balance between the volume and prices resulted from the effective management of the sales, purchase and production, stable and good profits in an environment of fierce fluctuations of prices can be thus maintained. Moreover, great amount of orders in the steel structure business of our subsidiaries also led to significant growth in profits. Our subsidiary in Vietnam steadily stepped on the right track, and the losses were reduced significantly and even turned into profits. These all contributed greatly to the drastic growth in profits of the Company this year.

The main products of the Company include rebar, section steel and steel plate, which are mainly provided to the construction market in Taiwan and its outlying islands. Our services are provided to instruction industry, wholesaler of rebar (processing industry), traders and subcontractors (such as transport companies). In 2020, the sales of rebars mainly focused on the domestic sales. Domestic sales of section steel accounted for 93.96% while foreign sales of it accounted for 6.04%, mainly to countries such as Australia and New Zealand. There was no prohibition on sale of these products.

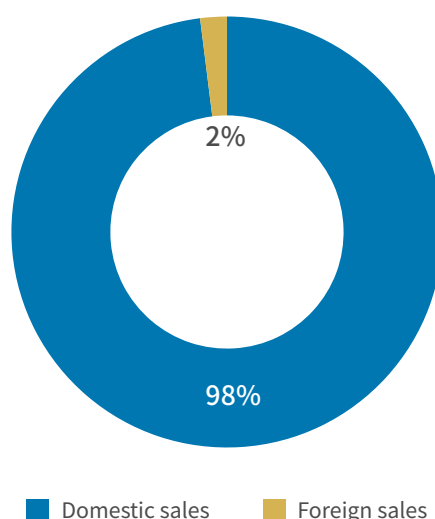
Overview of production and sales of products			
Item	Total annual production capacity (tons)	Output (tons)	Sales (tons)
Billet steel	2,650,000	1,896,688	31,591
Rebar	1,500,000	1,047,326	1,074,268
Section Steel *	1,200,000	744,435	732,490
Total	5,350,000	3,688,449	1,838,349

\* Section steel includes H-beam, steel plate, channel steel, I-Beam and steel sheet pile.

Percentage of product turnover



Domestic and foreign sales of products





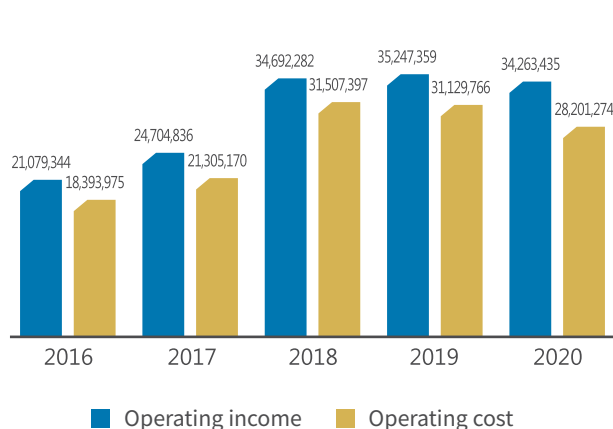
## Financial Performance

The Company's annual revenue dropped by 2.79% compared with 2019, and the net income after tax amounted to NTD 3,562,064 thousand, an increase of 127.45% compared with 2019. The earnings per share was NTD 3.52. In 2020, the employee compensation and benefits were NTD 2,001,608 thousand.

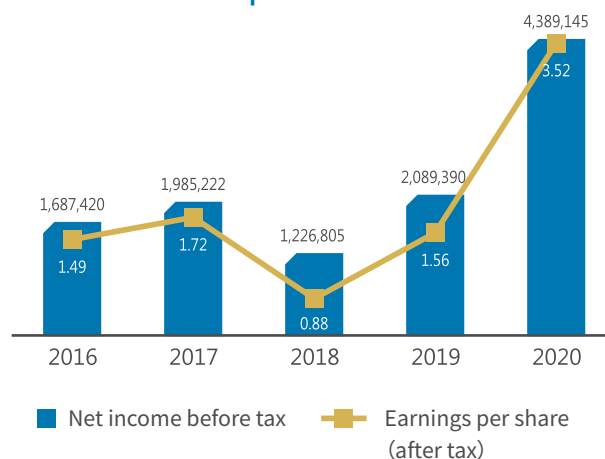
Financial performance over the years							Unit: NTD 1,000
Year	Operating income	Operating cost	Net income before tax	Net income after tax	Employee compensation and benefits	Contribution to the government	Donations
2016	21,079,344	18,393,975	1,687,420	1,484,673	1,483,489	426,612	28,474
2017	24,704,836	21,305,170	1,985,222	1,714,931	1,629,892	380,282	18,586
2018	34,692,282	31,507,397	1,226,805	887,932	1,591,062	455,520	19,081
2019	35,247,359	31,129,766	2,089,390	1,566,059	1,790,990	678,976	11,152
2020	34,263,435	28,201,274	4,389,145	3,562,064	2,001,608	1,339,957	6,882
YoY (%)	-2.79%	-9.41%	110.07%	127.45%	11.76%	97.35%	-38.29%

Earning distribution over the years				Unit: NTD
Year	Earnings per share (after tax)	Cash dividend	Total dividend payout ratio	
2016	1.49	1.30	87.2%	
2017	1.72	1.40	81.4%	
2018	0.88	1.20	136.4%	
2019	1.56	1.35	86.5%	
2020	3.52	1.50	42.6%	

### Operating income and operating cost



### Net income before tax and earnings per share



## ◉ Govern subsidies

Government subsidies received over the years					Unit: NTD
Item	2016	2017	2018	2019	2020
Investment tax credit- Article 10 of the Statute for Industrial Innovation	5,613,164	4,289,840	6,034,480	5,928,815	7,344,964
Five-year exemption (2013.01.01~2017.12.31)- Exemption of Profit-Seeking Enterprise Income Tax as prescribed in Article 9 and Article 9-2 of Statute for Upgrading Industry	44,481,411	56,540,876	-	-	-
Motor-driven systems subsidy for Taoyuan Works (Industrial Technology Research Institute)	-	-	924,000	-	-
Industrial low carbon technology subsidy program for Taoyuan Works (China Productivity Center)	-	-	-	1,457,500	-
Industrial low carbon technology subsidy program for Miaoli Works (China Productivity Center)	-	-	778,378	-	-
Subsidy for water-cooled, fixed-frequency screw air compressor for Kaohsiung Works (Industrial Technology Research Institute)	-	-	924,000	-	-
Motor-driven systems subsidy for Taichung Harbor Logistic Center (Industrial Technology Research Institute)	-	-	-	207,355	-
Subtotal	50,094,575	60,830,716	8,660,858	7,593,670	7,344,964

## ◉ Country-by-Country Report

The distribution of the Company's income, taxes and operating activities in various tax jurisdictions in the world in 2020 is as follows.

Unit: NTD 1,000

Tax jurisdiction	Income			Income before tax	Income tax paid	Current income tax payable	Paid-in capital	Number of employees	Tangible assets
	Unrelated party	Related party	Total						
Taiwan	39,564,536	2,603,241	42,167,777	4,887,878	560,317	943,328	14,145,930	2,221	29,769,083
British Virgin Islands	1,291	0	1,291	-71,762	0	0	445,673	0	0
Vietnam	3,228,569	744,922	3,973,491	-387,482	0	0	4,985,342	479	5,912,337
China	439,573	10,135	449,707	-71,595	5,802	4,224	568,729	135	498,224

Unit: NTD 1,000

Tax jurisdiction	Income			Income before tax	Income tax paid	Current income tax payable	Paid-in capital	Number of employees	Tangible assets
	Unrelated party	Related party	Total						
Samoa	0	0	0	-4,331	0	0	81,558	0	0
United States	0	0	0	-37	0	0	14,775	0	0

Note:

1. The entities covered in the consolidated financial report include Tung Kang Steel Structure Corp., Tung Kang Engineering & Construction Corp., Tung Kang Wind Power Corp, Katec Creative Resources Corp, Fa Da Enterprise Corp., and Tung Tang Energy Corp. in Taiwan, Tung Ho Steel Vietnam Corp., Ltd. and Duc Hoa International Joint Stock Company in Vietnam and Fujian Tung Kang Steel Co. Ltd. and Fujian Dong Sheng Metal Processing Co., Ltd. in China.
2. The difference between the current income tax and the statutory tax rate was mainly because of the investment deduction, permanent and temporary difference, the difference between the overestimation and underestimation in the approved and previous estimates, and the difference in the time point of tax assessment arising from the time point of declaration at each tax district.
3. Tung Ho Steel Vietnam Corp., Ltd. applies to the preferential tax rate for 4-year tax exemption and 9-year 50% tax reduction.
4. The companies established in the British Virgin Islands and Samoa do not involve tax exemption for local profits, therefore, there is no need to file taxes.
5. In the United States: The Company sold its holdings in Best-Steel in November 2020 and lost its control over this company.

## Technology and R&D

The Company's R&D expenses in 2020 amounted to NTD 38,966,428, accounting for 0.09% of the revenue. The R&D achievements of steelmaking include the development of billet steel of high purity and high ductility, the steelmaking of slab for 50mm SM570 steel plate, and continuous development of ultra-high-strength steel. The R&D achievements of steel rolling include the development of technology for endless welding rolling for billets to ensure uninterrupted production of rebar, the R&D of the Ultra High Tensile Re-Bar by direct rolling process that increase the strength by 1.6 times, the rolling of H beams with B value  $\geq 300$ mm by means of UE (Universal Edging) technology, and the R&D of online automated dimensional measurement and surface defect detection system of H beams/steel plate. The major R&D projects for 2021 include the continuous development of UE technology for the rolling of H beam, the development of the H/V (horizontal/vertical) rolling of angle steel and slab, the application of AI to the development of intelligent plant technology, the research on pavement and testing of asphalt concrete containing carbon steel oxidizing slags and the development of scrap pre-heating in an electric arc furnace and low-carbon green process technology.

### Investment in New Industries

Tung Ho Steel's investment in green energy and environmental protection businesses not only has positive benefits to the environment but also can enhance the competitive advantage in the iron and steel industry in the future. Green energy saving, waste reduction and carbon reduction will be the core competitiveness of the Company, and we continue to plan for future investment directions.

## Major Capital Expenditure and Benefits



The Company invested in the establishment of Tung Tang Energy Corp. in 2019, with the capital of NTD 15 million. The main shareholders include Taiwan Sugar Corporation, Tung Ho Steel, Katec R&D Corporation and Far East Steel Enterprise Corp. The business items include renewable energy power generation equipment, fertilizer manufacturing, wholesale and retail industries and resource recycling industry.

A biomass energy processing center is planned to be set up on the state-owned land in Neipu Industrial Park in Pingtung County, and the latest professional equipment, technology, manpower, and funds are introduced for the investment in the development of biomass energy to properly handle the biomass materials available in Taiwan.

Biomass materials generate biogas for power generation through anaerobic fermentation, and the biogas residues are sold as raw materials for organic fertilizers. By improving the current biomass waste treatment method, the dual benefits of recycling and energization can be reached, and it is expected that the goals of zero waste and sustainable management can be reached in the future. This center is expected to start production in 2022. The return rate of this investment project is approximately 5~8%, and industrial waste in the food processing industry can be effectively reduced. This project not only works in line with the government's Non-nuclear Homeland Policy (renewable energy to account for 20% of the total power generation by 2025), but also conforms more to the circular economy policy and the strategic goals of sustainable management.

## 3-2 Risk Management

A Corporate Governance Committee is added to the board of directors of the Company, under which are five groups, including Corporate Governance, Corporate Social Responsibility, Integrity Management, Environmental Sustainability, and Risk Management. Risk Management Group is the responsible unit for the implementation of risk management, responsible for the coordination of relevant departments for the recognition, assessment, control and supervision of risks and regularly reporting the implementation status to the Corporate Governance Committee. Corporate Governance Committee will then report the overall status of risk management to the board of directors at least once a year. We formulated the Risk Management Policy in June 2020 and the Risk Management Policy and Procedure in November of the same year, which were approved in the 3<sup>rd</sup> and 5<sup>th</sup> board meetings of the 24<sup>th</sup> session of board of directors respectively.

Relevant departments assess the possibility of occurrence of various risk factors and the extent of impact based on the content of their job responsibilities, set up necessary measures and implement these measures, and properly manage various risks. The Audit Office will draw up annual audit plans based on the Risk Management Policy and the risk assessment results, implement the audit operations of various systems based on the plans, assist the board of directors in the supervision and control of the potential risks of policy implementation, ensuring effective control over all operational risks and putting forward timely suggestions for improvement.



## Risk management policy

We effectively recognize, prevent and control risks through systematic and institutionalized management to maintain normal operations and achieve sustainable management of the Company.

### Risk items and management

#### Risk in operational aspect

Corporate governance risk	For directors, managers, and employees to have rules to abide by, the Company has formulated internal regulations such as the Ethical Corporate Management Best Practice Principles and Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managers. In addition, Procedures for Ethical Management and Guidelines for Conduct was also established to specifically regulate matters the personnel should pay attention to when conducting business. In addition, to implement the integrity management policy, directors, management level and employees all have to sign the code of conduct commitment letter, and the concept of integrity and prohibition of dishonesty are continuously promoted through internal publications and meetings. The board members will evade themselves when the proposal involves their own interests to avoid conflict of interest and prevent dishonest behavior. The Company also insures liability insurance for directors to reduce potential liability risks arising from the execution of duties by directors.
Reputation risk	The Corporate Governance Committee is responsible for the formulation, supervision and review of Integrity Management Policy and prevention plans of the Company. Our integrity management policy is to treat all stakeholders based on the principles of fairness, integrity, honesty and faithfulness, insisting on positive value and quality assurance.
Strategic risk	The managers and senior executives of the Company hold group meetings several times a week to conduct thorough research and analysis of the Company in the aspects of business, finance, production and purchase and make appropriate decisions considering the Company's competitive advantages and the future market as well as the environmental conditions. Meanwhile, revisions are also made properly in response to changes in the environment to ensure operational stability and reduce risks.
Operational risk	Operational performance of production and sales is reviewed through the cross-departmental goal management meetings, and the operational goals are set to ensure they are reached. Production, sales and purchase are coordinated smoothly through production-sales-purchase coordination meetings for smooth supply at production end and also for the reduction of inventory risks. The purchase of raw materials has to match the volume and price of orders to avoid price losses at transactions to ensure stable operation.
Human resources risk	The Company has set up human rights policies, remuneration policies and internal rules and regulations, such as the Work Rules, Employee Performance Evaluation Regulations, Education and Training Regulations, and Job Rotation Regulations. In addition, we also revise the contents of these regulations in accordance with relevant laws and regulations, regularly check relevant forms and documents, and review the legality of various operating procedures. To create smooth channels for communication, labor-management meetings, Occupational Committee meetings and Welfare Committee meetings are regularly held in all factories. If employees need to express their opinions, they can do so through the procedures prescribed in the Regulations Governing Employee Grievance and Whistleblowing. To meet the needs for industrial development, we regularly review the allocation of manpower, make up for manpower and conduct operations to cultivate their professionalism.

Risk items and management	
Risk in operational aspect	
Impact of important policies and legal changes at home and abroad on the sustainable management of the Company	We pay close and immediate attention to related information concerning important policies and laws at home and abroad in the newspapers and media. Analysis, deliberation and corresponding measures need to be taken regarding future policies and legal changes will be made in the annual or monthly meetings to reduce negative impacts on the Company's future operation.
Risks in financial aspects	
Financing risk	The Finance and Accounting Department is responsible for evaluating the money flow generated during the process of operation and the financing measures to be taken in accordance with future changes and surplus or deficit. In addition, it also negotiates financing methods with domestic and foreign financial institutions to diversify financing partners appropriately to avoid excessive concentration of financing lines, and conducts various financing operations within the scope of authorization by the board.
Investment risk	The Company has established reasonable management procedures for different types of investment, including Procedures for Obtaining and Disposing of Assets and Regulations Governing Investment Businesses and controls these invested businesses in accordance with approved authority.
Liquidity risk	The Company has regular control over the proportion of various assets, including current and non-current assets and non-current liabilities as well as the relevant proportions of them to regulate the debt-paying ability so as to reduce the liquidity risk.
Exchange rate risk	Information of changes in exchange rates is collected every day to have full grasp of the trends so as to make timely conversion of the currency or to keep the foreign currency borrowings. Procurement of foreign funds is through regular import and export transactions, and the foreign currency claims and debts are offset to generate a natural hedging effect. We also consult the foreign exchange department of the bank for hedging strategies and decision on the foreign exchange position based on the actual capital needs and the exchange rates.
Interest rate risk	Within the scope authorized by the board of directors, we conduct financing operations with financial institutions and negotiate an advantageous fund interest rate by referring to the market interest rate for the purpose of controlling the Company's financing costs. In addition to financial institutions, the Company also prudently evaluates other low-cost financing tools for major capital expenditures.
Lending funds to other parties risk	The Company has established operating procedures for lending funds to other parties, restricting the objects and conditions of the loans and setting standards for the total amount and limits of individual objects while the loan objects' operating conditions, financial status, debt-paying ability, credit status, profitability and the purpose of borrowing are investigated, evaluated and reported to the board of directors as a basis of risk assessment. Appropriate guarantee conditions are required, and the operations of fund lending are to be processed after the resolution is passed.
Endorsement risk	The Company has the operating procedures for endorsement guarantee, restricting the objects and conditions of the guarantee and has set standards for the total liability amount of the guarantee and the limit of individual objects. In addition, the Finance and Accounting Department shall review in advance and check on the loan line before submitting it to the chairman and reporting to the board of directors for resolution. After the resolution is passed, the guaranteed items, objects, amount and other relevant information will be recorded, and the Company's internal auditors regularly audit the operating procedures and implementation status of the endorsement guarantee.



Risk items and management	
Risks in financial aspects	
Derivative commodity trading risks	The Company has established the Procedures Governing Derivatives Trading, stipulating the principles and types of transactions, and the board of directors authorizes executives to take full control by referring to the financial situation and operational needs. In regard to the total amount, individual amount and the upper limit of the contract transaction losses of the transaction contract, the Finance and Accounting Department will be in charge of the collection and provision of relevant data, giving transaction orders, evaluating the position, and setting the evaluation cycle of the derivative commodity position held, which will be submitted to the chairman or to the executive authorized by the chairman as reference for management. The transaction status and profit and loss assessment report will be reported to the board of directors.
Financial decision risk	All the Company's financial-related decisions, including disposition, fund lending, endorsement guarantee, derivative commodity transactions, and management of invested businesses, have relevant regulations for the content of operations. In addition, we are also compliant with laws and regulations and the decisions are handled in accordance with the level of authority approved. The audit unit also conducts auditing related operations to reduce the possibility of risks.
Risks in operational aspects	
Compliance risk	Integrity management and compliance with various laws and regulations are the most fundamental standards and requirements. The Administration Department and Finance and Accounting Department pay attention to the regulations proclaimed by the competent authorities for revision of the labor, management and financial regulations. The responsible unit in the factory carry out monthly compliance inspection on safety and health and environment (air pollution, water pollution soil pollution, waste removal, GHG, etc.) to make improvement or establish relevant operating procedures in case of deficiencies to reduce the compliance risk.
Information security risk	To implement information security management, the Company has set up the Information Security Management Regulations and relevant operating rules and carry out information work plans in accordance with such rules. In addition, the Regulations Governing Personal Information Data Security Maintenance and Management has also been established to strictly manage the use and security maintenance of data and build firewalls, the encryption systems of emails and electronic personal data storage platform to control the usage and access record. Meanwhile, the server endpoint protection function and privileged account management are also strengthened to prevent information security incidents from happening. The Company has also established a system backup mechanism and implemented annual disaster recovery drill to ensure the recovery of normal operation of the system and data preservation and reduce system interruption risks caused by unexpected natural disasters or human negligence.
Occupational safety and health management risk	The Company has a Labor Safety Center in the Head Office and each factory, which serves as the coordinating unit of safety and health management. To cope with the new version of the Occupational Safety and Health Management System (ISO/CNS 45001: 2018), each factory has revised the Safety and Health Management Manual and other related regulations and obtained certification to ensure the effectiveness and compliance of the system. In addition, we continue to promote safety and health management, improvement of process and equipment, risk identification and elimination or reduction of hazards to ensure safety and health of our personnel. Since 2020, cross-plant joint inspection of safety and health, deadlines for the improvement of deficiencies inspected, zero-disaster activities and the one-year project inspection for units experiencing major occupational disasters have been carried out. The frequency and intensity of inspections are increased to reduce as many occupational safety and health management risks as possible.



Risk items and management	
Risks in operational aspects	
Fraud risk	The Company conducts an annual evaluation plan for the implementation of internal control system. All units carry out self-evaluation of the actual implementation situation, the current system, and the implementation of the regulations. In addition, improvement plans are found out to revise operating procedures and methods through the recommendations for deficiencies in inspections to reduce fraud risks. Furthermore, legal education for employees is also strengthened and effective communication channels are established to reduce the possibility of fraud risks.
Risk in environmental aspects	
Climate change risk	We have started to understand the content of various international initiatives/organizations concerning sustainability and climate change to put the focus of international initiatives and evaluation criteria into consideration when establishing environmental and greenhouse gas policies of the Company so as to comply with the international development trends and to enhance the Company's capability to respond to climate change. The Corporate Governance Committee is the responsible unit for environmental management. It intends to identify and evaluate the impacts and possibility of transition risks, physical risks, and opportunities in accordance with the climate risk and opportunity framework provided by TCFD. Please refer to <a href="#">3-3 Management of and Strategies for Climate Change Risks and Opportunities</a> for details.
Environmental pollution liability risk	A dedicated unit in charge of the promotion of the ISO 14001 Environmental Management System is set up to have effective management of exhaust gas, wastewater and waste. Funds for the improvement of pollution prevention equipment are continuously invested, and Best Available Control Technology (BACT) is adopted. Meanwhile, pollution prevention and industrial waste reduction are implemented and water conservation and wastewater recovery for reuse are strengthened to ensure environmental compliance. We strictly control the production, storage and removal procedures of waste and establish an internal self-check and audit waste system.
Natural disaster risk	Emergency response measures for natural disaster risks have been formulated so that when natural disasters occur, immediate and effective response measures can be taken to reduce personnel injuries and equipment and property losses. In addition, buildings and equipment, such as the offices, plants, equipment and income-generating equipment are all covered by property insurance while precision instruments and equipment are covered by additional electronic device insurance to reduce losses brought by disasters.
Major external hazard risk	Aside from changes in international situations, industrial policies and laws and regulations, the recent major external hazard risks are the impacts of the global epidemic of COVID-19. We have evaluated possible impacts of the epidemic and formulated emergency countermeasures and plans for continuous operational management in advance. The emergency response organization and contact network are established and plans for continuous operational management (including personnel, equipment, information system, raw materials, transport, finance and back up plans) have been set up based for the key business under the premise of advanced preparation.

### 3-3 Management of and Strategies for Climate Change Risks and Opportunities

In view of global warming, extreme weather events, and the rise in the awareness of environmental protection, energy conservation, safety, health, and ecological conservation, the Company has established a framework to identify potential material risks and opportunities in operations with respect to the four core elements stated in the Task Force on Climate-Related Financial Disclosures (TCFD) published by the Financial Stability Board (FSB) and propose corresponding countermeasures: "Governance", "Strategy", "Risk Management", and "Metrics and Targets". The Company also signed to become a TCFD Supporter\* in February 2021.

The Company pays close attention to the trend of global climate change and the direction of global responses, including climate change as a material issue in sustainable corporate development and one of the critical, material risks for continual analysis and control, and engages in the adaptation and mitigation of greenhouse gases (GHGs). Besides engaging in GHG emission inventory since 2003, the Company has also participated in the voluntary reduction program to actively disclose GHG management information for the reference of stakeholders. Apart from registering the inventory results in the Taiwan GHG Emissions Registry, the Miaoli Works implemented the product carbon footprint (CFP) verification of hot-rolled H beams and steel plates in 2010, the Kaohsiung Works the product CFP verification of hot-rolled H beams and re-bars in 2013, and the Taoyuan Works the product CFP verification re-bars in 2014 and 2019.

#### Climate-Related Governance

##### ◉ The Board is Responsible for the Governance of Climate Change Issues

The board reviews and guides strategy, action plans and objectives, monitors implementation and performance every year, and reviews GHG reduction targets and achievement rates.

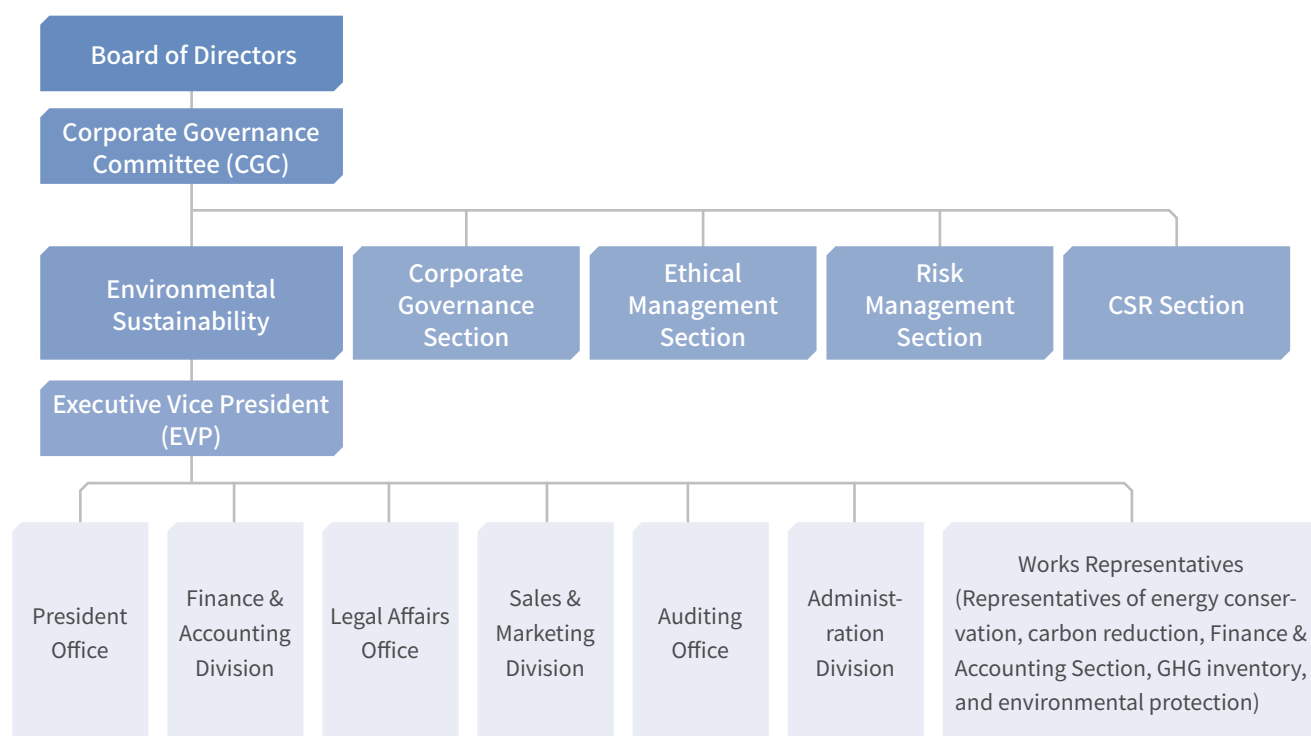
The Corporate Governance Committee (CGC, a functional committee) has been established under the board with three members. With the chairperson as the convener, over half the committee members are independent directors and appointed by the board to handle issues related to climate change, including the establishment, overseeing, and review of the systems and targets for achieving environmentally sustainable development. The corporate governance committee holds at least two committee meetings a year and reports content related to climate change to the board every year. The risk management, strategy, and targets related to climate change in this report were approved at the 9th meeting of the 24th board on May 11, 2021.

In response to climate change-related issues, the Company has hired external instructors to provide related training and education on climate governance and TCFD disclosure practice for board members and senior officers for a total of 60 hours.

##### ◉ Climate Issue Representative (CIE) Under the Board

The Environmental Sustainability Section (ESS) has been established under the board's CGC with staff assigned by all corresponding departments, with the executive vice president (EVP) as the section chief. The ESS assesses and manages climate-related risks and opportunities and establishes the relevant strategies and targets. ESS periodically reports its performance to CGC.

## Organizational Chart of the THS Climate Change Governance Body



### ◉ Reward Mechanisms for Climate Change-Related Issues

Article 10 of the "Board Performance Evaluation Regulations" stipulates that the results of board performance evaluation shall be the reference for director election or nomination, and the results of performance evaluation of individual directors the reference for the determination of their salary and remuneration. The "Board Performance Evaluation Regulations" will be amended in 2021 to include climate change-related items in the evaluation.

In addition, the Company has established the "Improvement Proposal Reward Regulations" to accept proposals for improvements related to climate change countermeasures, GHG reduction, and energy conservation. Rewards will be awarded according to the review results and project performance.

## Management of Climate Change-Related Risks and Opportunities

### ◉ Identification of Climate Change-Related Risks and Opportunities

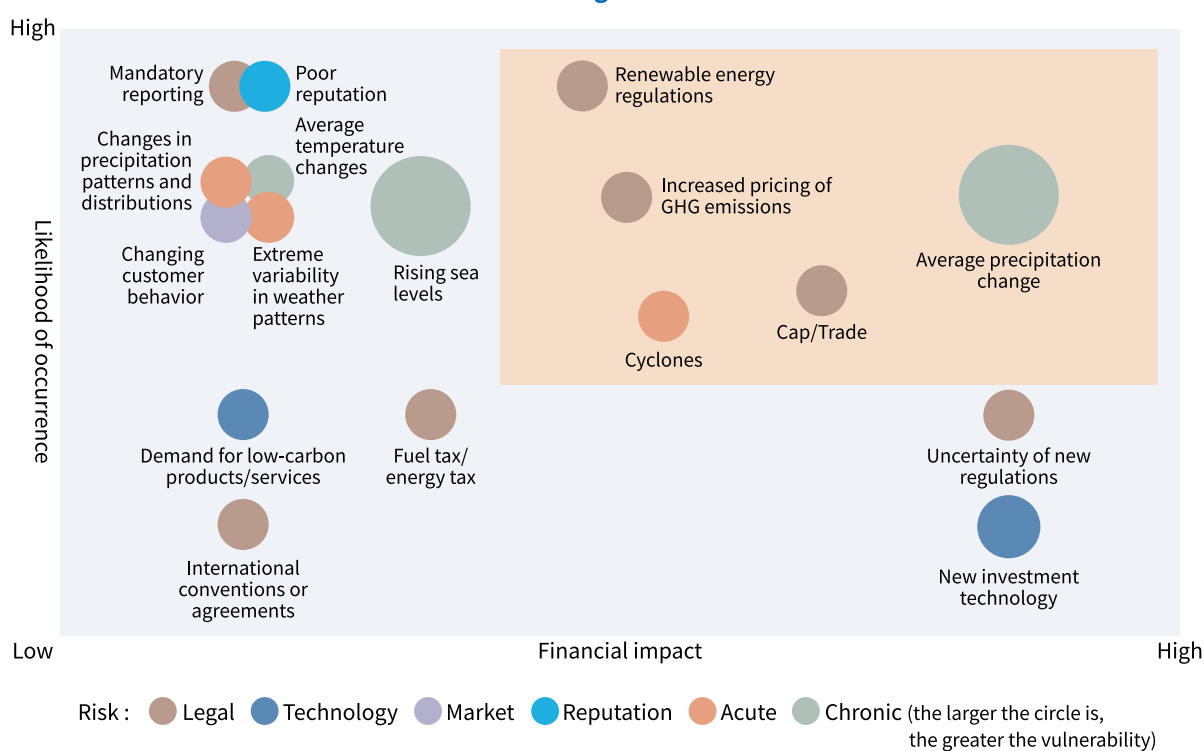
The ESS under the CGC of THS is responsible for the management of climate change-related issues. Besides learning about the contents of international initiatives and organizations related to various sustainability and climate change issues, the Company has taken the concerns and evaluation criteria of international initiatives into account when establishing environmental and GHG policies to facilitate conformity with international development trends and to enhance the Company's capacity in addressing climate change.

At the climate risk and opportunity identification meeting convened by the ESS, apart from assessing the countermeasures and financial impacts of the major short-, medium-, and long-term risks and opportunities identified with respect to the list of transition risks, physical risks, and opportunities recommended by the TCFD, departments also consider the impacts on the Company's business operations and strategies of products and services, the supply chain, adaptation and mitigation activities, R&D investment, and business operations (including business types and facility locations). The identification and assessment of climate change-related transition risks and physical risks includes the degree of impact on business operations, likelihood of occurrence, and vulnerabilities

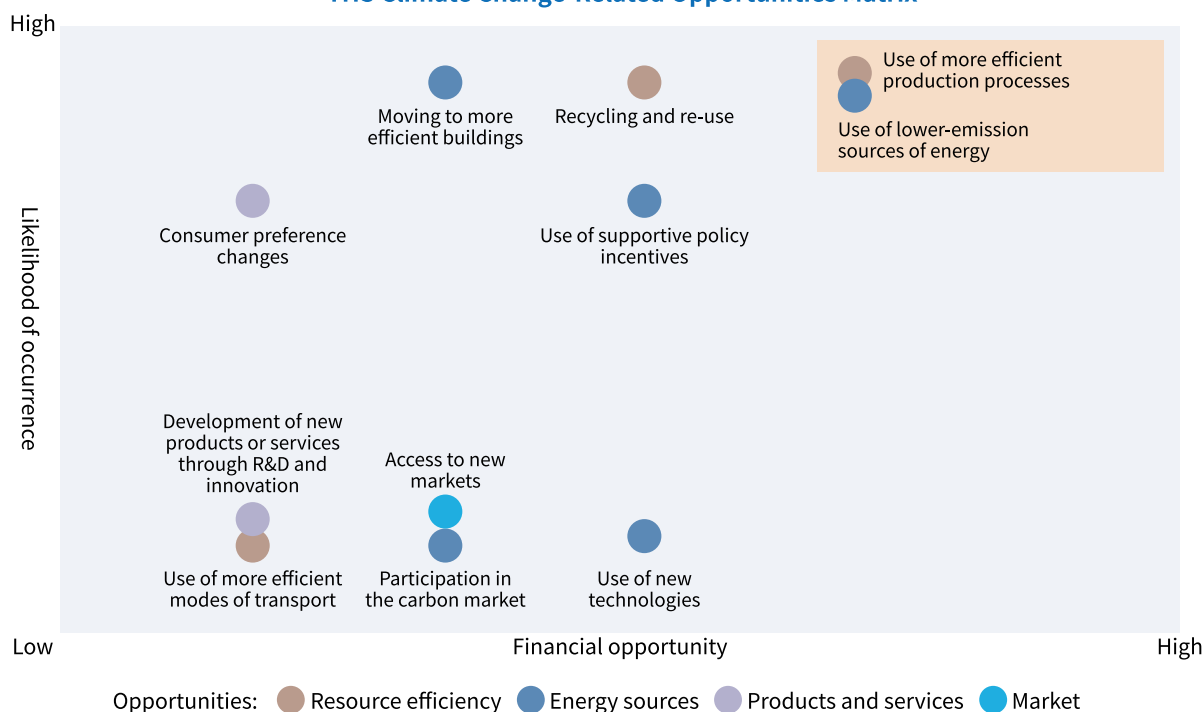
caused. The identification and assessment of climate change-related opportunities also includes the degree of impact on business operations and likelihood of occurrence. After discussing the results of the matrix analysis of the identification results, the ESS eventually identified five climate change-related risks and two climate change-related opportunities for the CGC to hold the TCFD risk and opportunity response discussion meeting to determine the Company's climate change-related countermeasures.

Below shows the climate change-related risk and opportunity matrix established according to the identification results:

**THS Climate Change-Related Risk Matrix**



**THS Climate Change-Related Opportunities Matrix**



## ◉ Description of Climate Change-Related Risks

Risk ranking from high to low: average precipitation change, cap/trade, increased pricing of GHG emissions, tropical cyclones, and renewable energy regulations. The following describes the contents, financial impacts, countermeasures, and costs of individual risks:

Results of risk identification		
Category / Item	Description of financial impacts and risks	Corresponding measures
Transition Risk - Policy and Legal Risk	<p><b>Cap/Trade</b></p> <p><u>Increase in direct costs</u> After the passage of the "Greenhouse Gas Reduction and Management Act", if enterprises fail to purchase quotas from the carbon market for their excessive emissions, the fine will be NTD3,000/tCO<sub>2</sub>e. This means the Company will face increased direct costs.</p>	<p>1.To comply with the terms for large power users, each plant has installed solar panels with about 20MW of installed capacity.</p> <p>2.Our affiliated company, Tung Kang Wind Power Corp., has obtained the Electricity Enterprise License in 2016, and it currently has 5 wind turbines. In response to the amendment of Greenhouse Gas Reduction and Management Act in Taiwan, it intends to add wind turbines, and the total installed capacity is expected to reach 19.9MW.</p> <p>3.The installed capacities of renewable energy of Tung Ho Steel from 2023 include the followings. The installed capacity of solar energy is 20MW, wind turbines 19.9MW (including 11.5 MW installed in 2015). The total power generation of renewable energy will account for 6.3% of the total electricity demand, reducing 38,048 t (4.7%) of CO<sub>2</sub> emission.</p>
	<p><b>Increased pricing of GHG emissions</b></p> <p><u>Increase in direct costs</u> It is estimated that after the passage of the "Greenhouse Gas Reduction and Management Act", the carbon fee for GHG emissions will be NTD100/tCO<sub>2</sub>e, increasing the direct cost of business operations. The cost will increase more if the unit price per tCO<sub>2</sub>e increases.</p>	
	<p><b>Renewable Energy Regulations</b></p> <p><u>Increase in direct costs/capital expenditures</u> The capital expenditure increases if the generation cost of the self-installed solar energy system is higher than the equivalent electricity price from Taiwan Power Company (TPC).</p>	
Physical Risk - Acute	<p><b>Cyclones</b></p> <p><u>Decrease in revenue</u> Typhoons will damage the factory buildings and equipment, affecting production.</p> <p><u>Increase in direct costs</u> Typhoons reduce production and increase costs.</p> <p><u>Increase in indirect costs</u> Typhoons will damage factory buildings and equipment, thus more insurance expenditures must be made.</p> <p><u>Increase in capital expenditures</u> Cyclones will damage factory buildings, which requires extra cost for repairing.</p>	<p>We have transferred risks by insurance. Currently, the whole company has insured property insurance, covering fires, fires caused by explosions, lightning strikes, explosion insurance, earthquake insurance, typhoon and flood insurance and so on.</p>
Physical Risk - Chronic	<p><b>Average precipitation change</b></p> <p><u>Decrease in revenue</u> Reduced precipitation results in insufficient water sources in reservoirs which leads to water rationing by zone and decreased production.</p> <p><u>Increase in direct costs/indirect costs/capital expenditures</u> The Company's Miaoli Works and Kaohsiung Works have groundwater rights, while the Taoyuan Works have reduced production due to water rationing. Purchasing water can fulfill production demand.</p>	<p>1.There are underground water wells in our Miaoli Works and Kaohsiung Works, and water scarcity has little effect on these two works.</p> <p>2.Taoyuan Works has to purchase water to cope with water rationing.</p>

## ◉ Description of Climate Change-Related Opportunities

Opportunities include the use of more efficient production processes and lower-emission sources of energy. The following describes the contents, their financial impacts, countermeasures, and costs of individual opportunities:

Results of opportunities			
Category / Item		Description of financial impacts and opportunities	Corresponding measures
Resource efficiency	Use of more efficient production processes	<p><u>Decrease in direct cost/ indirect cost</u></p> <p>After equipment improvement, product costs are reduced as production efficiency is effectively enhanced, unit energy consumption is reduced, equipment availability is enhanced, and recycling rates are enhanced.</p> <p><u>Increase in capital expenditures</u></p> <p>Purchase of new equipment.</p>	<p>1. Invest in the purchase of high-efficiency equipment in the works.</p> <p>2. Participate in World Steel Association's Set Up Program, and WSA will provide free guidance. Through the use of the existing mature technologies and practices, Tung Ho Steel can reach the highest level of the top 15% in the iron and steel industry in terms of emissions and energy intensity performance.</p>
Energy sources	Use of lower-emission sources of energy	<p><u>Increase in revenues/ capital expenditures</u></p> <p>Purchase of new wind turbines and gain from the sales of renewable energy certificates (RECs).</p>	<p>Our affiliated company, Tung Kang Wind Power Corp., has obtained the Electricity Enterprise License in 2016, and it currently has 5 wind turbines. In response to the amendment of Greenhouse Gas Reduction and Management Act in Taiwan, it intends to add wind turbines, and profits can be made by selling green electricity certificates.</p>

## Climate Change-Related Strategy

### ◉ Analysis of Climate Change-Related Scenarios

Climate change-related risks and opportunities affect the Company's strategy and financial planning. Therefore, climate change-related scenarios are analyzed both qualitatively and quantitatively to facilitate the adoption of appropriate countermeasures. After discussing climate change-related scenarios with respect to the 2°C scenarios (2DS), 1.5°C scenarios, NDC, and representative concentration pathways (RCPs), and assessing climate change-related physical risks with the tools provided by the National Science and Technology Center for Disaster Reduction (NCDR) and the Taiwan Climate Change Projection Information and Adaptation Knowledge Platform (TCCIP), the Company eventually selected 2DS and RCP2.6 as the climate change-related scenarios for assessing physical risks and described the climate change-related risks and opportunities with respect to the physical risks and transition risks (legal) contained in these scenarios.

## ◉ Climate Change-Related Strategy

With respect to the risk responses (risk elimination, risk reduction, risk dispersal, and risk transfer) in the Company's "Risk Management Policy and SOP", the Company has assessed the identified risks and opportunities and established corresponding countermeasures.

Climate change has been worsening as extreme weather events increase, giving rise to the public's awareness and initiatives for climate change mitigation and great opportunities for expanding the use the low-carbon and recycled steel made with electric arc furnaces (EAFs), as is the case of THS. When all steelmakers pay the fair carbon fee based on their emissions, EAFs emitting only one fourth of the CO<sub>2</sub> of traditional blast furnaces will be more cost-competitive.

Besides promoting energy conservation, THS is also actively engaged in energy development. For example, after investing in five wind turbines, the Company acquired the electricity enterprise license and began the wholesale of electricity in 2016. In 2019, THS founded the Tung Sugar Energy Service Co., Ltd. and established a biomass energy processing center to generate electricity using the biogas from anaerobic fermentation. In addition, the biogas residue is sold as organic fertilizers to improve the current disposal of biomass waste, to achieve the goal of turning waste into resources and waste into energy and thereby fulfill the spirit of the circular economy and sustainable development. Generation at 4,238,000 kWh/year is expected to start in Q3 2022. In addition, the Company has actively planned spaces within the works, such as open spaces and rooftops, to install renewable energy generation equipment to enhance the proportion of renewable energy use. We aim to become the leader of the world's EAF steel and lead the industry with a lower intensity of carbon emissions.

Through industry-government-academia seminars and communication with government agencies, we actively promote the low-carbon emission characteristic of EAFs. We also actively participate in related international initiatives, such as the EPD, CDP, and TCFD. By following the recommendations of TCFD and other internationally accepted frameworks, we make a full disclosure and good practice of climate changerelated risks and opportunities. Apart from connecting with the world, we also consider our future targets and policies for carbon reduction and take concrete actions to actively respond to the expectations of all stakeholders and thereby ensure the Company's sustainable development.

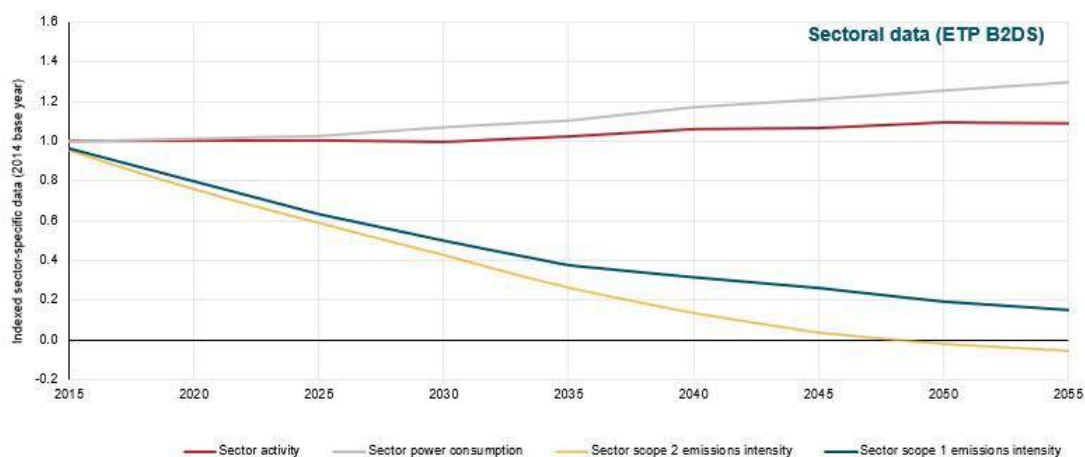
## Climate Change-Related Metrics and Targets

### ◉ Science-Based Target (SBT)

Besides assessing climate change-related metrics and targets based on the science-based targets, the president follows up, reviews, and determines the necessary measures for the "performance and target differences in GHG emission intensity of the works" at the monthly target meeting.



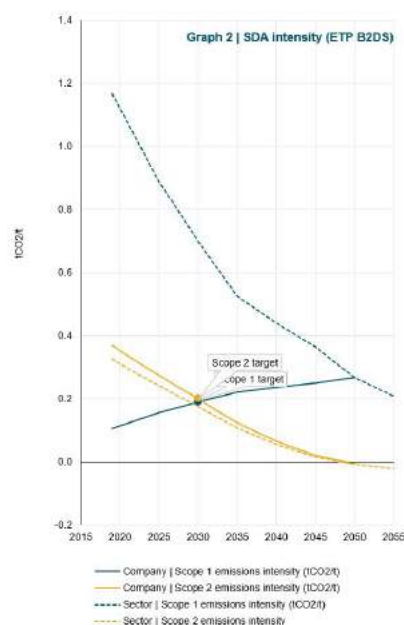
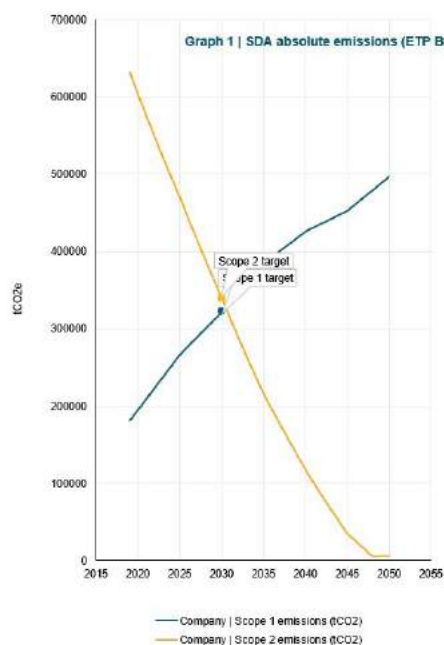
## Tung Ho Steel's Science-Based Target of Climate Change



### IEA ETP B2DS scenario

[Review all target modelling data](#)

	Base year (2019)	Target year (2030)	% Reduction
Company   Scope 1 emissions (tCO <sub>2</sub> )	181,832.00	322,077.06	-77.1%
Company   Scope 2 emissions (tCO <sub>2</sub> )	630,931.00	339,224.11	46.2%
Company   Scope 1+2 emissions (tCO <sub>2</sub> )	812,763.00	661,301.17	18.6%
Company   Scope 1 emissions intensity (tCO <sub>2</sub> /t)	0.107	0.190	-78.1%
Company   Scope 2 emissions intensity (tCO <sub>2</sub> /t)	0.370	0.200	45.9%
Company   Scope 1+2 emissions intensity (tCO <sub>2</sub> /t)	0.477	0.368	22.8%



## GHG emission targets

When setting the absolute reduction targets, the Company calculates the reduction target using the SBTiTool (sectoral decarbonization approach (SDA) SDA\_Tool\_v1.2.1) provided by the Science Based Target Initiative as the scientific foundation. With 2005 as the base year, short-term (2023) and medium-term (2030) reduction targets are set similar to those of the GHG reduction pathways of Taiwan's NDC (i.e., the reduction targets are 2% less than in the base year of 2005 for 2020, 10% less than in the base year for 2025, and 20% less than in the base year for 2030).

Year	Carbon emission set in accordance with SBI tool (tonnes of CO <sub>2</sub> e)	Carbon reduction percentage
2005 (Base year)	831,012	-
2020 (Reporting annual data)	810,993	2.40%
2023 (Short-term Goal: 0-3 years)	776,736	6.50%
2030 (Medium-term goal: 3-10 years)	674,304	18.90%

Note: Emissions cover both scope 1 and scope 2. The total emissions covered by the base year within the selected boundary in the base year total emissions are 100%.

### ◉ Description of Other Climate-Related Targets

The short- and medium-term targets set for the percentage of renewable energy use with 2019 as the base year is as follows, and the targets cover the entire company.

Year	Percentage of renewable energy use	Status
2019 (Base Year)	0%	-
2020 (Reporting annual data)	0%	Besides studying and inventorying all executable renewable energy installation projects within the Company, the government's energy policies have been integrated to predict the development trends of wind power/solar energy technologies and the long-term efficiency of self-use/lease has been compared to prioritize projects and predict the implementation timing.
Short-term goal: 2023~2024	2.1%	Based on the heavy electricity user requirements, the Company will complete a 20 MW renewable (solar) energy system by the end of 2023, with a capacity equivalent to 8% of the contract capacity at 250 MW and an output capacity equivalent to 2.1% of the total electricity demand to reduce CO <sub>2</sub> emissions by 1.6% (compared to the base year of 2019).
Medium-term goal: 2025 ~2031	3.9%	New wind turbines with a capacity of 8.4 MW will be completed by the end of 2024, with a total output capacity equivalent to 3.9% of the total electricity demand to reduce CO <sub>2</sub> emissions by 2.9% (compared to the base year of 2019). The Company will determine the self-use or wholesale of electricity to TPC or customers with green power demands based on the carbon fee and cap condition.
Long-term goal: After 2032	6.3%	The wholesale contract with TPC of the existing wind turbines with a capacity of 11.5 MW will end at the end of 2031. The total output of renewable energy will be equivalent to 6.3% of the total electricity demand to reduce CO <sub>2</sub> emissions by 4.7% (compared to the base year of 2019). The Company will determine the self-use or wholesale of electricity to TPC or customers with green power demands based on the carbon fee and cap condition.

Tung Ho Steel’s Task Force on Climate-related Financial Disclosures (TCFD) Report 2021 has been verified by BSI. According to BSI, the maturity model for Climate-related Financial Disclosures is Level 5: Excellence grade.

### Investment in Clean Energy in Response to Climate Change

#### Tung Kang Wind Power Corp.

Tung Kang Wind Power Corp. has obtained the Electricity Enterprise License in 2016 and started to sell electricity to Taiwan Power Company, contributing approximate 28,000,000 kWh of green electricity every, reducing 14,252 tonnes of carbon emissions<sup>Note1</sup>, equivalent to 1,437 hectares of afforestation<sup>Note2</sup>, and the income from the sale of electricity can amortize the costs of green electricity investment. In 2020, the total gross power generation amounted to 27,089,748 kWh, contributing to reduction of 13,789 tons of carbon emission.

Overview of Tung Kang Wind Power Corp.	
Address	Longgang Industrial Park in Houlong Town, Miaoli County
Equipment invested	5 Enercon E-70/2300kw wind turbines
Annual generation capacity	28,000,000kWh
Total installed capacity	11,500 (kW)

Note:

1. Electricity emissions were calculated based on the electricity carbon emission coefficient of 0.509 kg announced by the Energy Bureau of MOEA on June 30, 2020.
2. According to the data in the Thematic Forum on Planting Forests to Save the Earth by Reducing Carbon Emissions of the Statistics and Publications of Council of Agriculture, Executive Yuan, published in May 2014 (Vol 263), the plantation of Red cypress per hectare per year can absorb 9.53 to 10.31 tons of carbon dioxide annually. The data here is the average value of 9.92 tons.
3. The Company has signed an electricity sales and purchase contract with Taiwan Power Company (feed in tariff system). Therefore, we cannot apply for the renewable energy certificate. However, the green energy generated still makes contributions to the environment.

#### Solar Power Generation

Tung Ho Steel installed green energy generation equipment in its Taoyuan Works in accordance with the local autonomous regulations and rents some sites for the installation of solar power generation devices. In the 2nd phase, the construction permit was obtained in June 2020, and the electricity meter was installed on December 4 for electricity supply. In accordance with the branch law for large power users in the Renewable Energy Development Act newly promulgated, the response measure of Kaohsiung Works is to install solar panels, whose obligatory installed capacity is 650 kW. After evaluation, 4.8 MW can be installed on the roof of our Kaohsiung Works, and the total installation cost is estimated to be NTD 210 million. The installation will be conducted in 3 stages. After the installation of all the solar panels, approximately NTD 15 million of electricity bills can be covered annually.

## 3-4 Product and Service Quality

Tung Ho Steel is the first professional steelmaking plant supplying steel plates, hot-rolled H-beams, rebar and other rolled steels for building structure in Taiwan. We imprint “TH” for rebar and “THAS” for our H-beam steel. In addition to showing that the steel truly complies with the national standards, the imprints also represent excellent products and services, which is our lifetime guarantee for consumers on every piece of steel we produce.



## ◉ Introduction of Main Products

### Rebar



Rebar refers to the building material used in reinforced concrete and prestressed reinforced concrete.

Screwed Re-Bar, Compact Bar in Coil, Deformed Steel Re-Bar, Round Bars, Ultra-high Tensile Re-Bar

### Beam



Formed steel is a bar-shaped steel material that has a specific cross-sectional shape and size. The steel billet is heated and undergoes rolling and extension, and is one of the main steel materials used in buildings (steel structures) and other construction projects (bridges, ships, vehicles, and so on).

H-beams, I-beams, channel beams, U-beams

### Steel plate



Plate-type steel products from billet through hot-rolling production processes have optimal steel strength and resilience, good weldability, and are easily processed into components of various complex shapes.

Steel plate products

## ◉ Processing

Tung Ho Steel not only produces high-quality steel materials, but also offers specialized processing services ranging from custom rebar cutting, bending processing and forming, friction welding, welded steel mesh, and built-up H-beam. We simplify customer's procurement from order placing to end products in requisite sizes and dimensions. Strict material inserting plus production management reduce the number of material shipments and simplify project purchase schedules. This ensures the quality of single-source materials, offering the best solution for one-stop purchases for all services.



Re-Bar  
processing  
process



Built-up  
H-beam  
processing  
process

## Quality Management

In line with the philosophies of ensuring product value and respect for life, Tung Ho Steel strives to provide safe services involving quality steel building materials. We have insisted and stood by “Quality First, Credit First, Customer First”. Every year, we achieve the goal to improve the quality of our products through the efforts and improvement of the annual quality target and the review of the applicability of quality policy, striving to make efforts from customers’ perspective to ensure customer satisfaction.

To ensure the appropriateness and the implementation of the quality management system, the Quality Management Committee composed of the factory director and heads of production operation control, sales and procurement departments is set up in each factory, which is convened regularly for the review of quality achievement status and proposal of improvement measures. In addition, quality control (Q/C) laboratory is set up, and various instruments and equipment for testing are purchased and maintained for their normality to provide accurate and objective results to ensure the quality of products.



### Our declared product quality philosophy

To seek ongoing innovations to improve product quality, satisfy customer needs, and promote a cleaner environment








In 2020, there were 6 customer inspections, 2 sampling tests for beam customers and 4 inspections or product sampling tests for Rebar customers in Kaohsiung Works, and the results all met the customers’ requirements for quality.

### ◉ Verification of Management Systems of Each Factory

As always, our products have received positive recognition by the market and customers. Over the years, in addition to plants receiving the honors for outstanding First Grade Plants, we have also obtained international certifications including ISO, EU CPR and ACRS. We have even passed the Japanese Ministry of International Trade and Industry JIS (Japan Industrial Standards) MARK plant certification and KS mark Certification from Korean Standards Association (KSA). The laboratories in all plants have been accredited by Taiwan Accreditation Foundation (TAF).

At the same time, for products offered by Tung Ho Steel, strict product verifications have been obtained from the Department of Rapid Transit Systems, the Ministry of National Defense, nuclear power stations, the American Bureau of Shipping, Det Norske Veritas, and Germanischer Lloyd. In response to relevant inspection requirements, the H-beam tests and plant inspections were required to be completed in the first half of 2019. After inspection, certificates of product verification for CNS 2473, 2947, 13812, 5083 steel products were obtained, and on December 25, 2020, the certificate for product registration for SD690 D36 Screwed Re-Bar from MOEA was also obtained.

Our Rebar products have passed 15 types of certification marks while our beam and steel plate products passed 23 types of certification marks in 2020. All the product information and labelling not only meet the regulatory requirements, they are also established from the customers’ perspective while the product purchase information and instruction for use are also provided. All of our products meet the requirements of safety impact evaluation and improvement and the product information and labelling. We implement the quality management system with the most stringent standards. All of these attest to our product quality, integrity, and our insistence that customers always come first.

Certification marks our major products passed					
■ means 100% passed					
Category of certificate marks	Product Type / Certification mark	Rebar	Beam	Steel plate	Billet steel
Occupational Safety and Health Management System	ISO 45001	■	■	■	
	TOSHMS	■	■	■	
Environmental Management System	ISO 14001	■	■	■	
Product Certification	MIT Smile Logo 	■	■	■	
	Product Safety Mark 	■	■	■	
	CNS Mark (CNS560-2018) 	■	■	■	
	ACRS 	■	■	■	
	JIS 	■	■	■	
	ABS 		■	■	■
	NIPPON KAIJI KYOKAI 		■	■	■
	BV 		■	■	■
	DNV GL		■	■	■
	Lloyd's Register		■	■	■
	KS 	■	■	■	
	BC1		■		
	Certificate of Green Recycled Product				■
Quality Management System	ISO 9001	■	■	■	

Certification marks our major products passed					
■ means 100% passed					
Category of certificate marks	Product Type / Certification mark	Rebar	Beam	Steel plate	Billet steel
Product Carbon Footprint	ISO / TS 14067	■	■	■	
Energy Management System	ISO 50001 	■	■	■	
Laboratory Accreditation	TAF Physics Laboratory 	■	■	■	
	TAF Chemistry Laboratory 	■	■	■	
Factory Production Control Certificaition	Lloyd's Register CPR 		■		
Environmental Labels and Declarations	EPD Tpye III Environmental Product Declaration		■	■	

Note: Rebar products are expected to obtain Tpye III Environmental Product Declaration in the second half of 2021.

### ◉ Management Hazardous Substance

The steel products produced by Tung Ho Steel are strictly checked by the radiation detection system from the incoming raw materials to the inspection of finished products and to the delivery inspection. Relevant document of proof is also provided upon delivery to ensure that all our products are 100% free of radiation contamination.





## Type III Environmental Product Declaration

Tung Ho Steel has recently passed the UL verification and obtained the Environmental Product Declarations (EPD) for our steel section and steel plate, making Tung Ho Steel the very first steelmaker to obtain the EPD for both steel section and steel plate products.

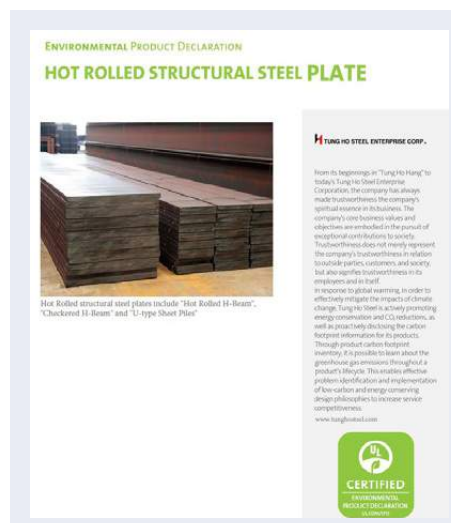
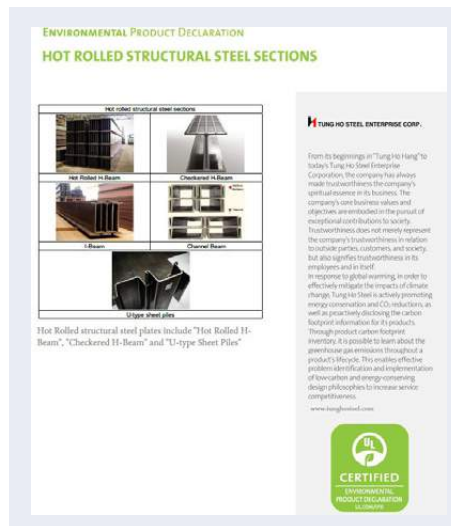


EPD (Environmental Product Declarations) derived from the issues in response to global warming, climate anomalies and other issues. Based on the characteristics of product life cycle and in accordance with ISO 14025 standard (Environmental labels and declarations), consumers are provided with quantitative and comparable environmental performance results, which is a kind of international report. EPD does not rank products, nor does it mean the verified products have reached environmental performance standards. EPD is a disclosure tool, so it is mainly provided to help consumers to better understand the environmental impact of a product.

EPD conducts assessment of the environmental data of a product's entire life cycle (LCA), calculating value of the environmental impact of a product from the acquisition of raw materials, manufacturing, transportation, use and disposal, such as ozone depletion, acid rain, eutrophication, climate change, and potential toxicity risks. The results are then verified by an independent and impartial third party, serving as an important reference basis for consumers when purchasing environmentally-friendly products.

Currently, guidelines and systems in the world all suggest the use of EPD certified products, including LEED (Leadership in Energy and Environmental Design) and BREEAM. LEED is the green building rating certification of US Green Building Council, one of the most renowned and credible green building rating system in the world, whose 4.1 version has a total score of 110 points of the 9 major scoring items. Those steel materials with EPD certification can score 2 points in the item "Materials and resources". Therefore, obtaining EPD certification can help our customers obtain higher grade of certification in green building rating.

To gradually participate in international environmental and climate-related initiatives, Tung Ho Steel has started to carry out projects of CDP (Carbon Disclosure Project), TCFD (Task Force on Climate-Related Financial Disclosure), and EPD (Environmental Product Declarations). Our Miaoli Works has obtained EPD certification for the section and steel plate products. Our Taoyuan Works and Kaohsiung Works are currently working on related operations and planned to obtain EPD certification in 2021.



## 3-5 Customer Service

### Customer Satisfaction

To provide our customers with the best and satisfactory products and services, Tung Ho Steel actively attaches great importance to our customers' opinions. In addition to assigning dedicated personnel to provide purchase services, consultation and suggestions, a dedicated e-mail box is also established to handle and respond to customers' comments and suggestions.

In addition, regular distributors meetings are held to understand customer's comments and feedback. In addition, we also actively conduct customer satisfaction survey every year. We will review and improve the problems our customers report and continue making improvement so as to provide the most satisfactory services. In 2020, we scored 91 points from our section steel customers and 92 points from our rebar customers.

### Customer Privacy

Tung Ho Steel attaches great importance to the issues of customer information confidentiality and privacy. To effectively manage customer data and for security maintenance, we have set up the Regulations Governing Personal Information Data Security Maintenance and Management in 2015, and the legal affair unit implements education and training for business-related personnel. Moreover, a firewall, an e-file encryption system and an electronic personal data storage platform are established to control and check the access and records of relevant personnel to implement customer data security protection. In 2020, there were no complaints of infringement of customer privacy or loss of customer data.

### Rebar Processing Service

Due to the small construction sites in the urban areas in Taiwan, it is difficult to conduct on-site processing or to control the quality of processing. In addition, the problem of labor shortage is getting more and more serious. Tung Ho Steel has started to provide cutting services to customize finished product lengths to help construction industry reduce their operating costs and also reduce transportation, energy and environmental issues.

In view of the wide range of demands for the back-end processing of Rebar for domestic engineering industry, we have stepped into forming processing services and integrated the upstream and downstream operations of the iron and steel industry. Currently, we have set up three rebar processing plants, including the Guanyin Processing Plant in Taoyuan Works, the Taichung Harbor Logistic Office, and the Processing Plant in Kaohsiung Works. Our production capacity and shipments of rebar have reached more than one million tons per year, and the shipments accounted for more than 18% of the total domestic demands. Through processing, the total production volume has accounted more than 60% of the total shipment volume of the Company, taking the lead in the industry by the production scale and output.

With the increasing demand in the construction industry for processing, Tung Ho Steel decided to accelerate the expansion of the scale of processing services and conducted the planning of a processing industrial park. In addition, the automatic machinery and equipment has been increased and rebar processing field has been deepened to provide safe and innovative steel products as a complete range rebar provider to meet the needs of domestic engineering companies and to research and develop new methods.



Cut to Length



Bending



Fiction Welding Coupler



Re-bar Wire Mesh



## Lifquake- Passing on Power of Life

Tung Ho Steel is devoted to the quality of construction steel and the provision of security services and has been long committed to caring for social welfare. We continue to launch a series of brand films entitled “Lifquake”.

Taiwan is located in the Pacific Rim Seismic belt, and therefore, the requirements for earthquake-resistant design of buildings or the demands for seismic performance of rolled steel of building structure have to be raised. Tung Ho Steel produces 100% lumping weight “SN400YB” imprinted H-beam steel whose performance best conforms to the earthquake-resistant design requirements of low-rise steel frame buildings. Tung Ho Steel actively promotes the material selection concept and supplies H-beam steel type CNS SN400YB at reasonable prices to set an example for others to follow, hoping to accelerate the quality of steel used in domestic low-rise steel frame buildings. To help consumers know how to choose safe building materials, we have been launching broadcast and TV commercials promoting the comprehensive use of SN earthquake-resistant steel since 2014. 2019 marked the 20th anniversary of the 921 earthquake. Tung Ho Steel has launched a series of brand micro-films entitled Lifquake adapted from true stories to stress the spirit of never giving up despite difficulties in life.

In the course of life, we will encounter many unpredictable, uncontrollable and unprepared things along the way, just like the 921 earthquake, and the global epidemic of COVID-19 in 2020. These are all the unprecedented “lifquake” to many people. In our new brand film for 2021, we specially invited the Golden Horse Award Winning director of “Touch of the Light” and “We are Champions” to shoot this passionate film based on the theme of basketball adapted from a true story. The film tells a story that due to the spread of the epidemic, aside from public health and economic difficulties, many athletes who pursue their dreams also had to miss the one-time only opportunity in their lives. However, these athletes did not give up hope because of this. This film tells a story of how a group of basketball players faced the earthquake in their life with their “never say die” spirit to bring strength in their life, aiming at inspiring people with this new brand film. We believe that the “lifquake” can be an excuse to give up, but it can also turn into strength in people’s life.

Note: Since the release of the series of brand films in September, 2014 until the year 2020, there has never been violations of laws and regulations concerning marketing communication (including advertising, promotion and sponsorship).





# 4 Environmental Protection

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4-1 Green Procurement Management

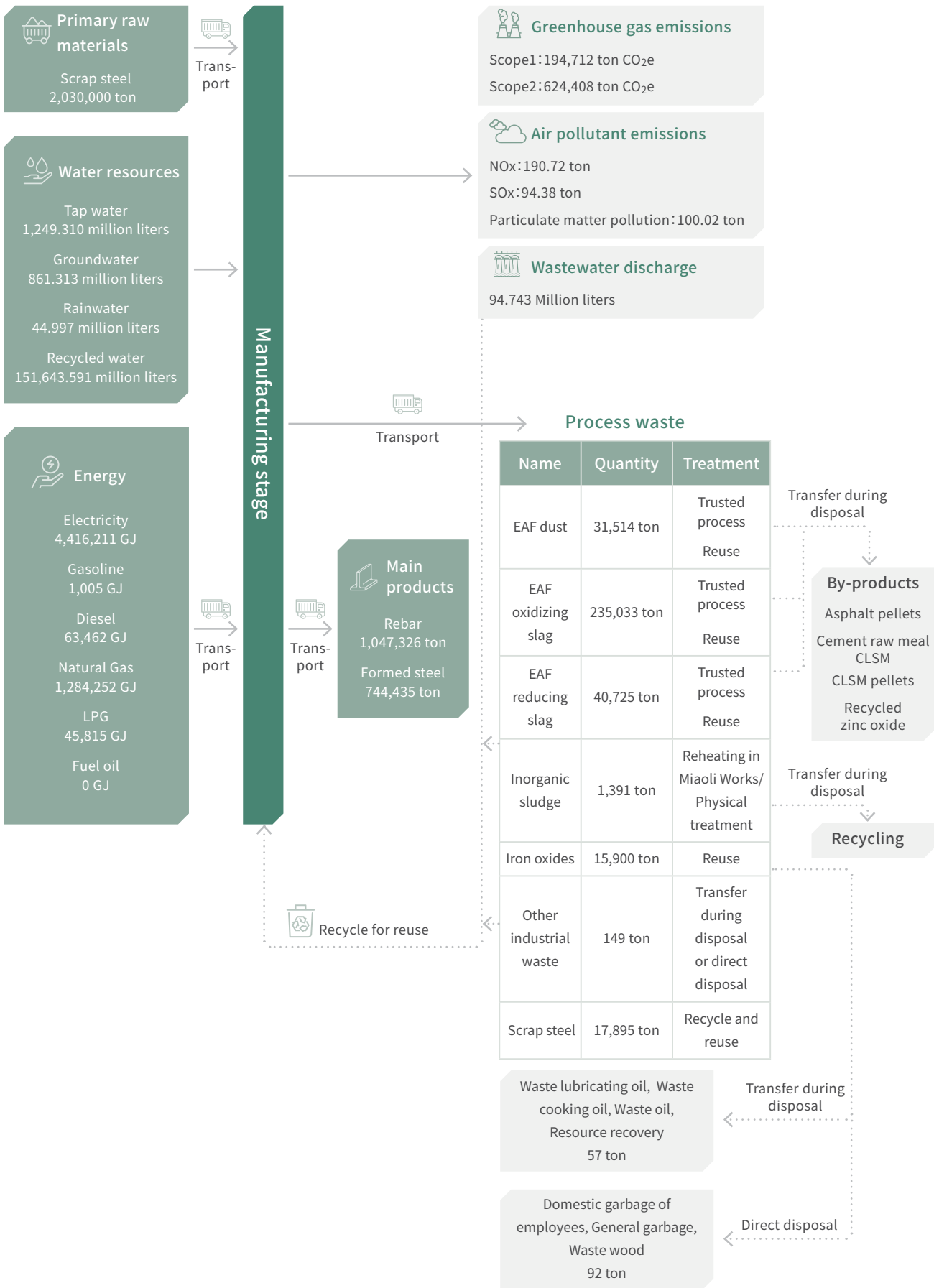
4-2 Use of Energy Resources

Special Column: Taoyuan Works Cooperates  
with Local Government in the  
Establishment of Green Energy

4-3 Pollution Prevention and Control  
Management

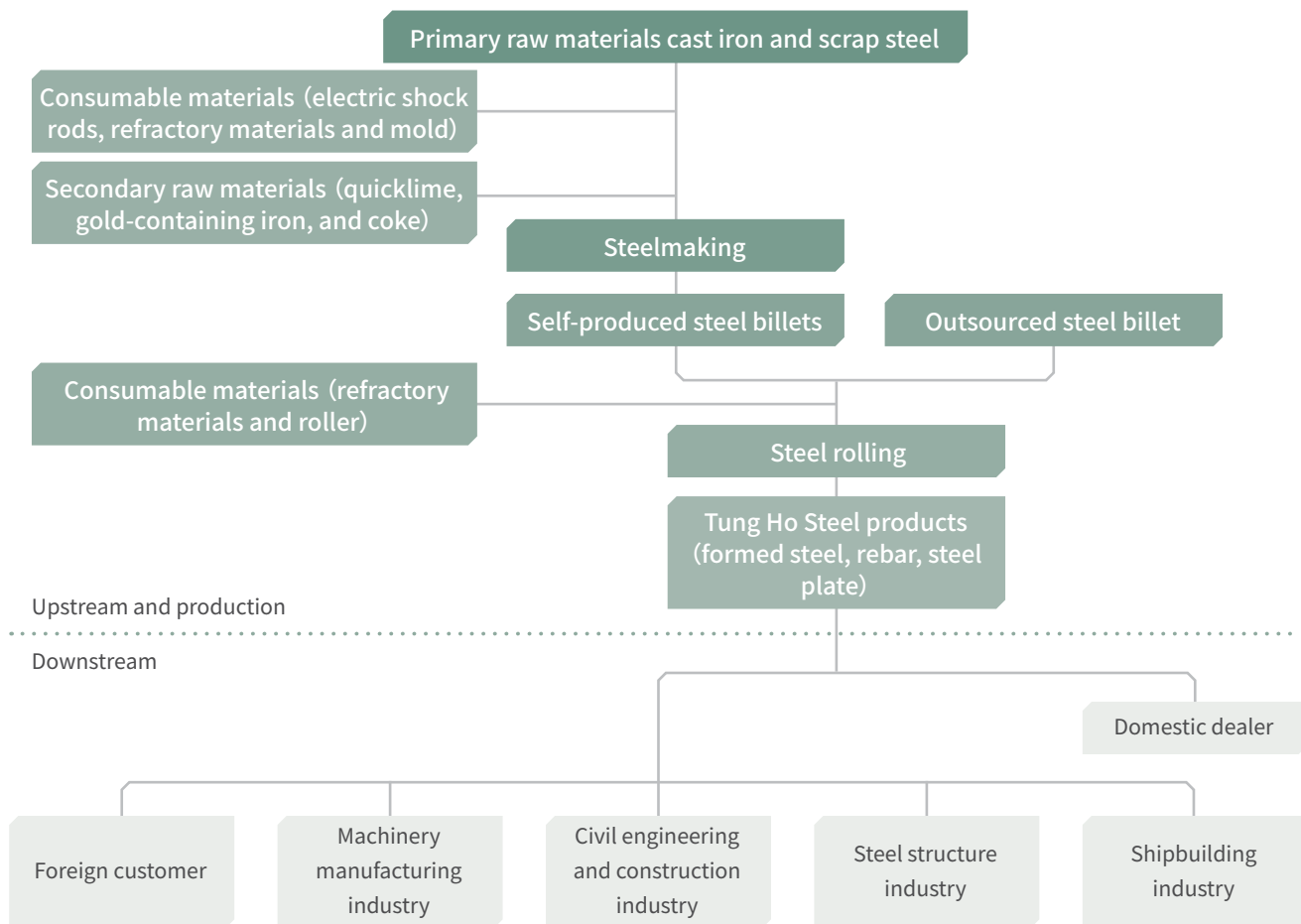


# 4-1 Green Procurement Management



## Introduction of Value Chain

The connection of upstream, midstream and downstream of the industry



Tung Ho Steel's products are steel materials for building and construction. There are no products or packaging materials that can be directly recycled. Rather, when the building reaches its service life, these steel materials will be recycled through the scrap steel resource recycling system and will be sold back to the steelmaking works as the raw materials for electric furnace steelmaking. In terms of the ratio of heads and tails after the cutting of rolled steel or the return scrap in 2020, the rebar accounted for 2.08% while formed steel accounted for 4.6%.

In Tung Ho Steel, more than 90% of the primary raw materials are scrap steel. Ore resources are non-renewable raw materials, but their characteristics are that they can be reused and remanufactured, making them the materials that are with the highest recycling rate. They also play an important role in the regenerative cycle.

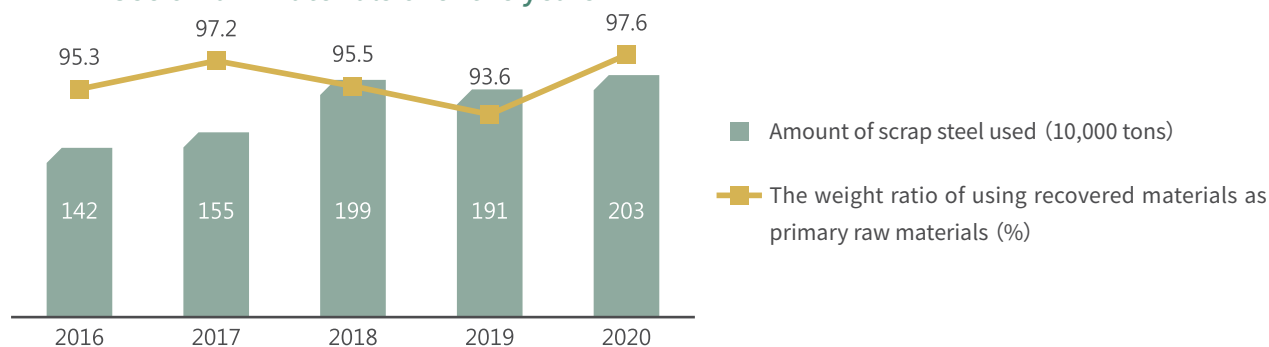
We have established the ISO 9001 management system and set up standards for steel scrap acceptance inspection and electric furnace operation. We increase the procurement amount of domestic scrap steel based on the monthly production plan, set up the crush workshop and increase the recovery rate in the steelmaking process to reduce the consumption of raw materials and energy to further reduce the environmental impact. The use of raw materials over the years is detailed as follows.



Making use of scrap steel for steelmaking is the most energy-saving and carbon-reducing process.



### Use of raw materials over the years



Note:

1. Scrap steel and cast iron produced from steelmaking are non-renewable raw materials, but they can be recycled for reuse.
2. The weight ratio of using recovered materials as primary raw materials is adjusted according to the cost situation.



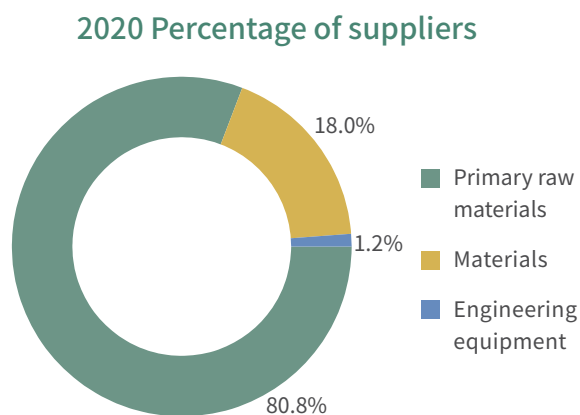
### Supplier Management Policy

Tung Ho Steel regards its suppliers as important partners in its operation. In addition to ensuring the quality, cost, delivery and quality of service of its suppliers, the Company also urges its suppliers to jointly implement environmental protection, climate change response and disclosure of information of labor rights and human rights to fulfill the social responsibility, aiming at growing with its suppliers and establishing a mutually beneficial, long-term and stable supply chain.

1. To urge suppliers to comply with laws and regulations to achieve sustainable development and create a win-win situation in the three major aspects, including economic, environmental and social aspects as the core of common development.
2. To protect the stakeholders' rights and interests and at the same time include topics of social responsibility, labor safety, human rights and environmental protection as the basis for management decision and implementation.
3. To attach importance to business ethics and morality, equal opportunities and fair trade as the prime directives for the interaction of the supply chain to eliminate illegal interests and severely punish illegal acts.
4. To jointly strengthen the response and information disclosure concerning the impact of climate change and take actions on GHG emissions.

Our suppliers are important partners for the operation of Tung Ho Steel. Through close cooperation, we jointly pursue corporate sustainable management and growth. There were about 1,547 suppliers and contractors working with us in 2020.

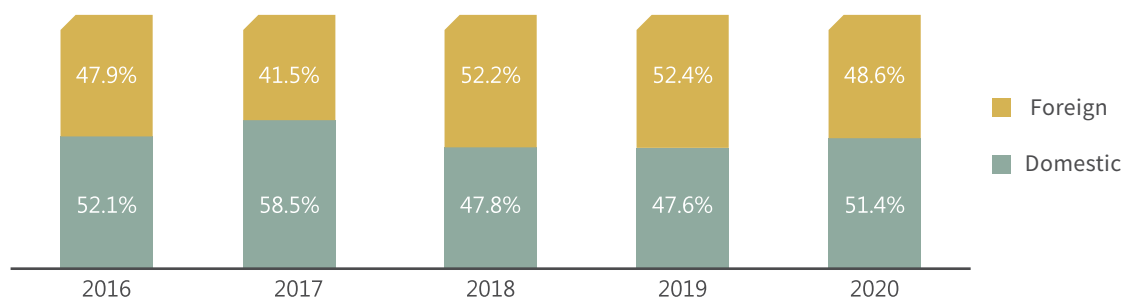
Percentage of suppliers				
Item	Primary raw materials	Materials	Engineering equipment	Total
Number of manufacturers	143	1,299	105	1,547
Transaction percentage (Amount)	80.8%	18.0%	1.2%	100%



In 2020, after being affected by the epidemic of COVID-19, the steel raw material prices in the global market has rebounded from the bottom and continued to go up. The finished and half-finished steel products have also gradually gone up due to the rising cost. When the prices of blast-furnace steel products go up, price comparison effect will generate with electric steel products, making the prices of scrap steel at home and abroad to rise greatly. Due to the shrinking output of scraps of scrap steel in domestic basic industries year by year, we should further strengthen the procurement of domestic scrap steel strategically to maintain the purchase ratio.

In terms of procurement strategy, priority is given to local manufactures in Taiwan. In addition to the consideration of material supply efficiency, it can also contribute to the stability of the economy in Taiwan. The primary raw materials of Tung Go Steel are mainly scrap steel, cast iron and iron alloy. In 2020, the percentage of local procurement accounted for 51.4%, which indirectly helped the establishment of the scrap steel recycling system in Taiwan, reducing the environmental impact while maximizing the reuse of resources.

The percentage of scrap steel purchase at home and abroad over the years



Note: Foreign purchases were mainly from the U.S., Japan and Central and South America.

## Supplier Management

The evaluation and selection of cooperating suppliers is based on their product capability. Under the concept of win-win partnership, we not only carry out evaluation but also propose improvement strategies and provide our suppliers with assistance to establish long-term, stable, and trustworthy relationships.

The Company has set up the Regulations Governing the Selection and Evaluation of Suppliers of Primary Raw Materials, Secondary Materials and Materials and established basic information of suppliers to have a series of effective management of supplier selection and evaluation. We carry out self-inspection or inspection carried out by a third-party notarization for every batch our suppliers deliver. Every 6 months, we make evaluation of our suppliers in terms of quality reliability, delivery quantity, price level, handling quality improvement for customers, and corporate social responsibility. We will explore the causes of the defects and improvement plans with our suppliers, and the

results of improvement will be tracked for the reconfirmation of deficiency improvement, aiming at growing with our suppliers and establishing a mutually beneficial, long-term and stable supply chain. In 2020, our domestic scrap steel providers all met the domestic scrap steel supplier evaluation standards. A total of 115 secondary materials suppliers for our Taoyuan Works and Miaoli Works accepted the supplier evaluation in 2020, and the results showed that all of them were qualified and there were no suppliers that had significant or potential impact on the environment or society.

We guide secondary material suppliers to take into account regulations concerning product quality, energy saving and environmental protection. For example, whether the selected suppliers pass the ISO 9001 quality management system certification and the ISO 14001 environmental management system verification, whether the products have the environmental protection mark, whether the products have eco-friendly and recyclable packing methods and materials, and whether the suppliers comply with our environmental protection policies and regulations concerning reduction in industrial waste, energy conservation, pollution prevention and environmental regulations.

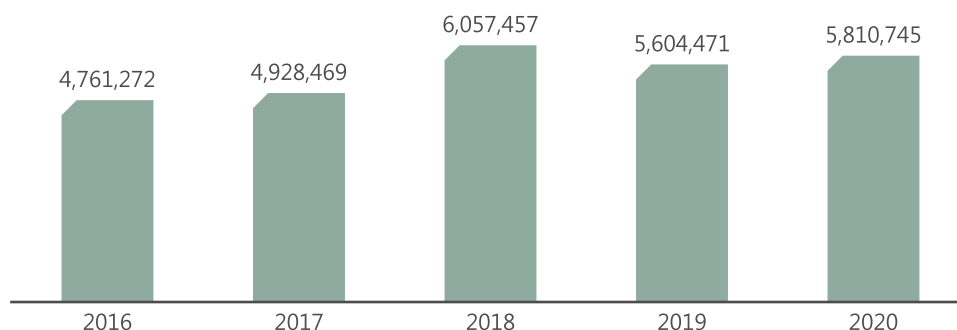
In 2020, Tung Ho Steel has incorporated corporate social responsibility into the supplier management regulations, requesting the suppliers to sign the Supplier Social Responsibility Commitment, and the commitments include labor rights and human rights, environmental protection, emphasis on climate change mitigation and adaptation, integrity management and ethics. A total of 257 suppliers have signed this Commitment, accounting for 17% among all suppliers. In addition, to strengthen the prevention of disasters causing losses from contractors' workers or temporary workers during construction or repair work in the factory area, we have also set up the Safety and Health Management Regulations for Contractors to allow every worker to understand the potential hazards of his work before operation and also require them to comply with the safety regulations to maintain work safety. In 2020, there were no suppliers with significant or potential negative impact. Tung Ho Steel works with its suppliers to jointly step toward sustainable management and fulfill corporate social responsibility to reach co-existence, win-win situation and co-prosperity.

## 4-2 Use of Energy Resources

### Broadening sources and reducing consumption

The main energy use of the Company includes purchased electricity, natural gas, liquefied petroleum gas (LPG), diesel and gasoline. In addition, the ISO 50001 Energy Management System has been introduced to grasp the changes in energy use in all plants. The total energy use in 2020 amounted to 5,810,745 GJ ( $10^9$  joules), an increase of 3.7% compared with 2019, mainly due to the increased output capacity in all plants, but the energy intensity all declined.

Total energy consumption company-wide (GJ)



### Energy consumption and energy intensity of all facilities over the years

Facility	Item	2016	2017	2018	2019	2020	YoY
Taoyuan Works	Energy consumption	1,853,779	2,025,042	2,566,670	2,709,081	2,683,886	↓ 0.93%
	Energy intensity	2.56	2.54	2.55	2.49	2.45	↓ 1.36%
Miaoli Works	Energy consumption	2,463,998	2,458,415	3,005,604	2,543,909	2,678,836	↑ 5.30%
	Energy intensity	3.74	3.65	3.50	3.56	3.34	↓ 6.16%
Kaohsiung Works	Energy consumption	442,000	443,544	483,804	350,067	446,587	↑ 27.57%
	Energy intensity	2.54	2.52	2.57	2.54	2.35	↓ 7.45%
Head Office	Energy consumption	1,495	1,468	1,379	1,414	1,436	↑ 1.56%

Note:

1. Energy use has been converted into GJ (1 GJ=10<sup>9</sup> joules), and the conversion coefficient of the unit is based on Bureau of Energy's Energy Efficiency Manual.
2. The energy intensity of Taoyuan Works and Miaoli Works is GJ / tons of steel billet production while that of Kaohsiung Works is GJ / tons of whole plant output.
3. Standards, methodology, assumptions and / or other calculation tools used: The energy consumption amount all came from estimates in the receipts or the monthly natural gas consumption statement and material sheet &AS400 / checklist of changes in material inventories by material part number, and there were no estimated values.
4. Source of conversion factor used: Except for the calorific value of natural gas that was provided by the service provider, others were calculated based on the table of GHG emission coefficient management v. 6.0.4 released by Environmental Protection Administration.
5. The Head Office is a non-production unit, and energy intensity was not evaluated.

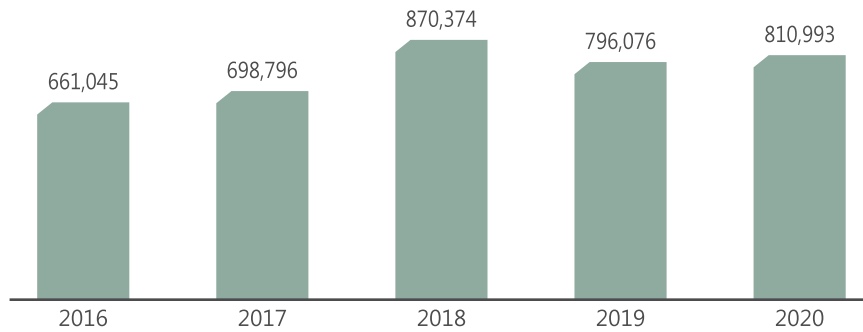
## Greenhouse Gas Inventory

To cope with global warming and effectively mitigate the impact brought by climate change, Tung Ho Steel has been actively promoting energy conservation and carbon reduction. The ISO 14064 management and verification system of an organizations' GHG inventory system is implemented, and the GHG emissions are calculated by identifying emission sources, establishing activity intensity data, emission data, and setting up relevant management procedures for GHG emissions.

The GHG emissions of the Company can be divided into direct emissions (Scope 1) and indirect GHG emission from the use of purchased electricity (Scope 2). In 2020, new Scope 3 emissions were added, which include employee commuting, domestic and overseas business travels, fuel and energy related activities and waste generated in operating activities.

Due to the increase in the production capacity of all facilities, the GHG emissions (Scope 1 and Scope 2) totaled 810,993 tons of CO<sub>2</sub>e<sup>Note</sup>, an increase of 2.9% compared with 2019, but the emission intensity has dropped. The GHG emissions of Scope 3 amounted to 177,096 tons of CO<sub>2</sub>e.

## Total GHG emissions company-wide (tons of CO<sub>2</sub>e)



Note:

1. For the comparability of data, the total GHG emissions in 2020 were calculated in both Scope 1 and Scope 2, excluding Scope 3.
2. The base years for the GHG emission in each facility (total emissions from Scope 1 and Scope 2): Taoyuan Works, 2012 (394,785 tons of CO<sub>2</sub>e), Miaoli Works, 2010 (489,725 tons of CO<sub>2</sub>e) and Kaohsiung Works, 2013 (56,170 tons of CO<sub>2</sub>e).

### GHG emissions (Scope 1 and Scope 2) and intensity

Unit: tons of CO<sub>2</sub>e

Facility	Scope 1 (tons of CO <sub>2</sub> e)	Scope 2 (tons of CO <sub>2</sub> e)	Total GHG emissions (tons of CO <sub>2</sub> e)	Comparison with 2019 emissions	Greenhouse emission intensity <sup>Note4</sup>	Comparison with 2019 emission intensity
Taoyuan Works	62,987	356,203	419,191	↓ 1.24%	0.383	↓ 1.67%
Miaoli Works	103,458	254,985	358,443	↑ 4.03%	0.447	↓ 7.30%
Kaohsiung Works	20,067	13,011	33,078	↑ 23.15%	0.174	↓ 10.66%
Head Office	43	239	282	-	-	-

### GHG emissions (Scope 3)

Unit: tons of CO<sub>2</sub>e

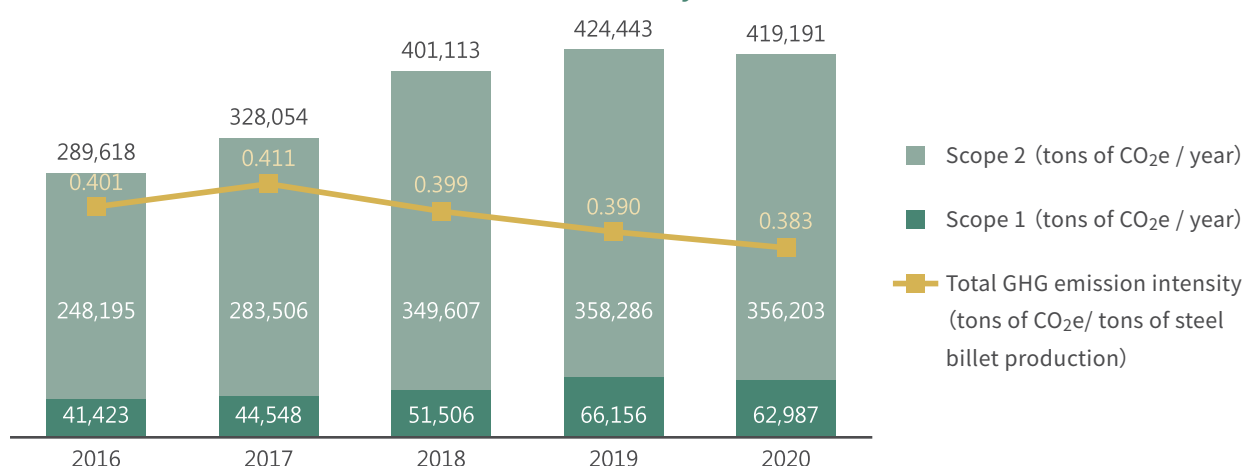
Facility	Fuel and energy related activities	Waste generated in operating activities	Employee commuting	Business travel	Invest- ment	Total GHG emissions
Taoyuan Works	78,786	10,278	612	1	-	89,677
Miaoli Works	66,662	12,563	451	4	-	79,680
Kaohsiung Works	7,286	46	138	2	-	7,473
Head Office	63	4	61	32	105	265

Note:

1. The GHG inventory of our three works and the Head Office was conducted in accordance with ISO 14064-1 procedures and also passed the external verification by a third party. The GHG emission coefficient referred to the table of GHG emission coefficient management v. 6.0.4 released by Environmental Protection Administration, and the power coefficient was calculated with 0.509 kgCO<sub>2</sub>e / kWh in Scope 2.
2. The sources of the Global Warming Potential (GWP) for this table were from IPCC Fourth Assessment Report: Climate Change 2007 (AR4).
3. Types of greenhouse gases include nitrous oxide (N<sub>2</sub>O), methane (CH<sub>4</sub>), carbon dioxide (CO<sub>2</sub>), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF<sub>6</sub>), nitrogen trifluoride (NF<sub>3</sub>) and so on.

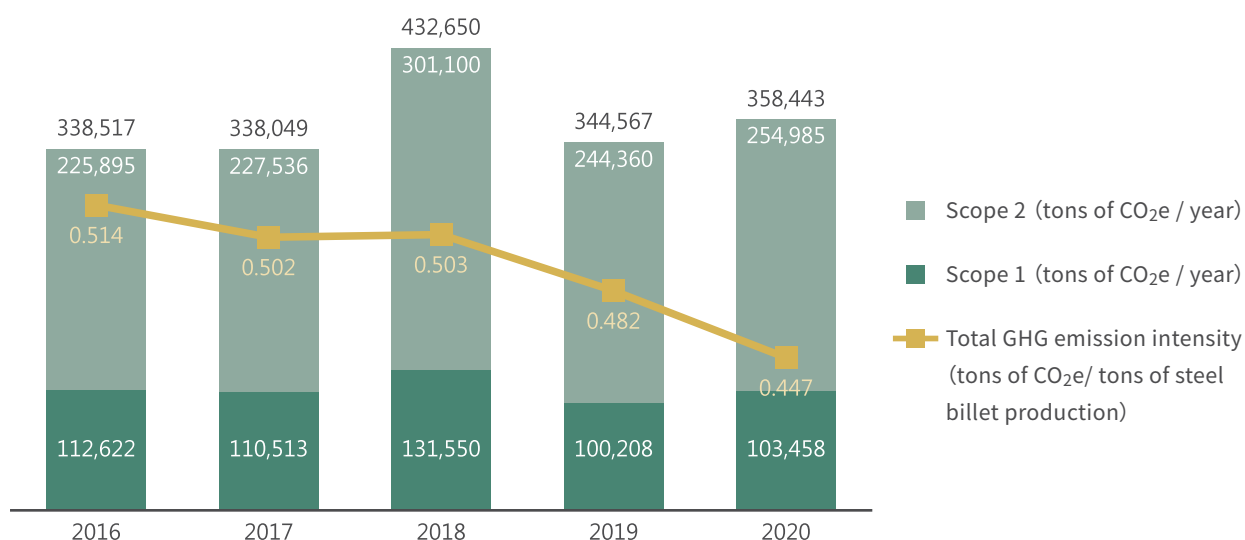
4. The GHG emission intensity of Taoyuan Works and Miaoli Works is CO<sub>2</sub>e / tons of steel billet production while that of Kaohsiung Works is CO<sub>2</sub>e / tons of whole plant output. There was no evaluation of GHG emission intensity of the Head Office.
5. Kaohsiung Works only has the steel rolling process, and there is no steelmaking process.
6. The GHG inventory of the Head Office started in 2020, so there was no comparison of the emission compared with 2019.
7. The method used to consolidate the amount of GHG emissions: operational control approach.
8. Standards, methodology, assumptions and/or other calculation tools used: The energy consumption amount all came from estimates in the receipts or the monthly natural gas consumption statement and material sheet &AS400/ checklist of changes in material inventories by material part number, and there were no estimated values. The source of the coefficients cited is mainly from the coefficients suggested in the latest version of GHG emission coefficient released by Environmental Protection Administration and referred to the data of uncertain emission coefficients. For the uncertainty evaluation of activity data, technical specifications for the verification and inspection of the instrument measurement are used as the basis for evaluation.
9. Part of the data in the 2019 Report have been revised due to the adjustment of the power coefficient. The Scope 2 emissions were revised to be consistent with the data on EPA' s Taiwan GHG Emission Registry.
10. Business Travel in Scope 3 emissions includes both domestic and overseas business travel.

### GHG emission in Taoyuan Works



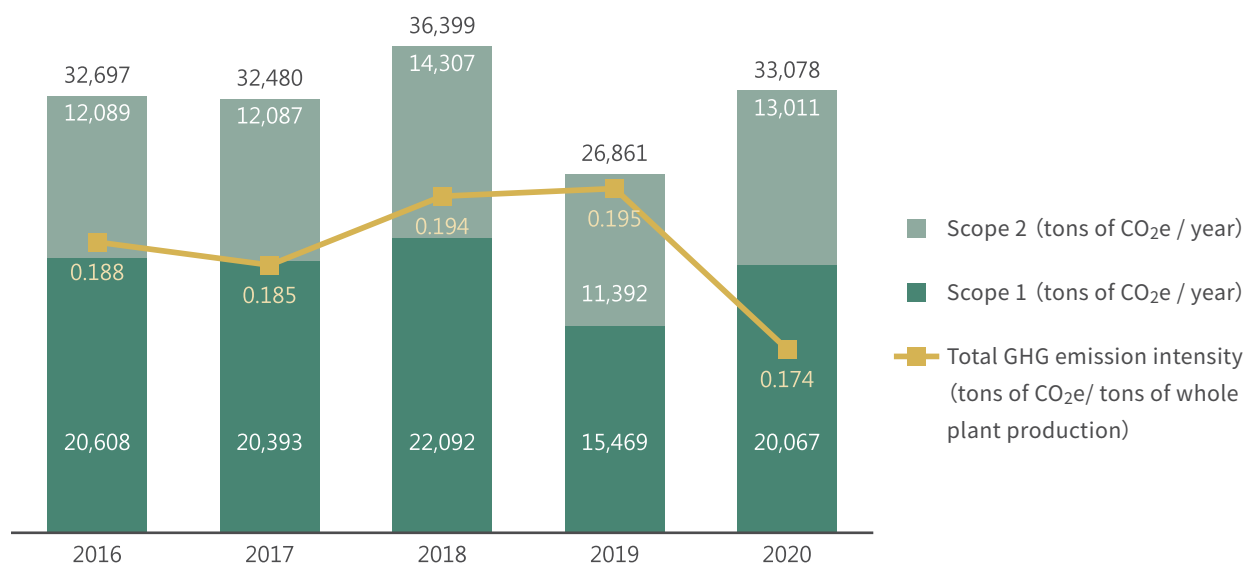
Note: Part of the data in the 2016-2019 Reports have been revised due to the adjustment of the power coefficient. The Scope 2 emissions were revised to be consistent with the data on EPA' s Taiwan GHG Emission Registry.

### GHG emission in Miaoli Works



Note: Part of the data in the 2019 Report have been revised due to the adjustment of the power coefficient. The Scope 2 emissions were revised to be consistent with the data on EPA' s Taiwan GHG Emission Registry.

## GHG emission in Kaohsiung Works



Note:

1. Kaohsiung Works cooperated with the GHG Emissions Reporting Measures proclaimed by EPA on December 20, 2012, requiring public and private sites to file the declaration, inventory and verification of GHG related operating volumes onto a designated platform via the Internet. Therefore, 2013 served as the base year of the GHG inventory of Kaohsiung Works.
2. The GHG emissions in 2020 at Kaohsiung Works (33,078 tons of CO<sub>2</sub>e) was a 41.11% decrease compared with that in 2013 (56,170 tons of CO<sub>2</sub>e).

## Green Process

### Scrap Steel Remelting Process in the Electric Furnace

Compared with other industries, iron and steel industry is more energy-consuming. As a member in the iron and steel industry, Tung Ho Steel hopes to fulfill its responsibility to mitigate global warming through changes in the process.

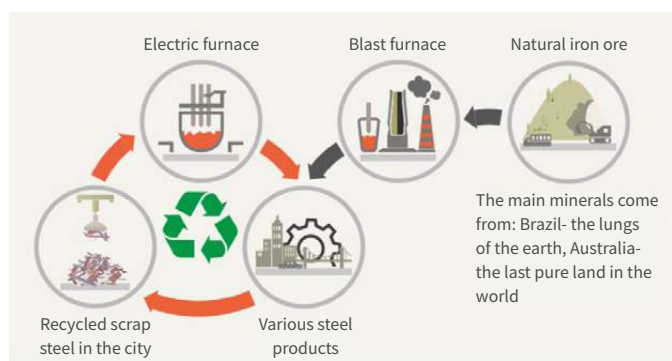
To promote green production and strive for environmental sustainability, Tung Ho Steel makes analysis from the perspective of the life cycle of steel. Steel is an environmentally friendly C to C (Cradle to Cradle) material. Since recycled steel has little impact on the quality of the original materials, we hope to “minimize the damage created by demand”. Using electric furnaces for steelmaking is the best way for the earth. Therefore, electric furnaces are utilized for steelmaking in Tung Ho Steel.



Q&A: What is an electric furnace?



### Comparison of new electric furnace process with blast furnace process



#### Raw materials

Use of scrap steel, no need for mining, promoting circular economy

#### Mining waste

Reduced by **97%**

#### Energy consumption

Reduced by **74%**

#### Carbon emission

Reduced by **75%**

Note: Data of mining waste and energy consumption were from LAPLACE CONSEIL (2012), EAF or BOF which route is best for Europe. Data of 75% reduction in carbon emission were calculated from the carbon emission intensity difference between the electric arc furnace process and the conventional steelmaking process from the announced GHG Emission Intensity for Iron and Steel Industry by EPA.

### One-stop Operation of Steelmaking and Rolling

Nowadays, most steel bar plants have to reheat the steel billet for rolling. Tung Ho Steel started to invest a lot of resources in process transformation and R&D in 2006. In 2010, Taoyuan Works was established, and it was the very first steel plant using new process electric furnace in Taiwan. In addition, it is also equipped with the modern and integrated one-stop operation of steelmaking and rolling, adopting the direct rolling process without the use of heating furnace, making it the very first steel bar plant without heating furnaces.

The biggest advantage of not having a heating furnace is that there is no need for fuels like heavy oil or natural gas for heating. Compared with conventional process, this type of process can significantly reduce energy consumption and air pollution. Taoyuan Works' low energy consumption and nearly no pollution process is indeed an innovation in the iron and steel industry. The innovative direct rolling without a heating furnace has been followed and introduced into many steelmaking plants at home and abroad.



It's indeed not easy to leave out the heating furnace!

### Comparison of the benefits of eliminating a heating furnace and traditional rolling process

#### Energy consumption

Reduced by **85%**

#### Particulate pollutants

Reduced by **100%**

#### Carbon emission

Reduced by **60%**

#### NOx, SOx

Reduced by **100%**

#### More energy-saving



23,840,000 liters

=



X annual energy consumption of 22,495 cars

#### More carbon reduction



68,631 tons

=



Equivalent to the annual CO<sub>2</sub> absorption of 176 Daan Forest Parks.

The process of direct rolling without a heating furnace can reduced 29.8 (liters-heavy oil/ton rebar) of energy consumption compared with the process in the single rolling mill. Every year, the consumption of 23.84 million liters of heavy oil can be reduced, equivalent to the annual energy consumption of 22,495 cars (calculated based on the annual mileage of 15,000 kilometers per vehicle and the average consumption of 12 km/liter).

According to the statistics from the Energy Bureau of MOEA, the annual CO<sub>2</sub> absorption of Daan Forest Park is 389 tons.

Note: Data for calculation in the above table were from the actual values in Taoyuan Works and Bade Works (former Taoyuan Works), and the calculation was conducted based on the annual output of 800,000 tons of rebars.

## Other Energy-saving and Carbon Reduction Measures

To cooperate with the development of the national GHG reduction strategy while taking into account the sustainable energy development goals of resource efficiency, energy conservation and environmental protection, Tung Ho Steel has promoted ISO 50001 energy management system, ISO 14064-1 GHG inventory, PAS 2050 product carbon footprint, and ISO 14067 product carbon footprint certification. At the same time, we also invest capital expenditures and related manpower and material resources through the resource requirement of various energy saving programs, aiming at grasping production costs and making effective and appropriate use of energy. In 2020, the total energy saving and carbon reduction effects in all facilities amounted to approximately 28,313 tons of CO<sub>2</sub>e.



A new inverter motor was installed in Taoyuan Works (On the left is the general motor and on the right is the inverter moto.)

Energy conservation and carbon reduction			
Facility	Energy conservation and carbon reduction measures	Energy savings estimates (GJ)	Carbon reduction estimates (tons of CO <sub>2</sub> e)
Taoyuan Works	Volume control of the motor of Rolling Mill 2 and the inverter cooling system to reduce power consumption.	5.52	0.78
	Turned down the dust collector to an appropriate speed to reduce energy consumption.	1,003.87	141.94
	Added the timer start to the water pump for continuous steel casting to avoid waste of energy.	160.04	22.63
	Introduced the high-efficiency inverter control air compressor system equipment- replaced the original 1250HP centrifugal air compressor with the 600HP variable frequency screw air compressor.	5,832.06	824.59
	Frequency inverter has been added to pump of the water supply system in Rolling Mill 2.	155.52	21.99
	Cooperated with Taipower' s implementation of reduced electricity program in summer- reduction of 6 hours a day and demand bidding for non-summer months.	175,627.00	24,831.70
	Total	182,784.00	25,843.60
Miaoli Works	Increase the speed of continuous casting of BB steel billets to reduce the refining time of the liquid steel in the furnace.	10,920.00	1,616.80
	Upgraded the cooling bed and cooling fan to high-efficiency axial flow fan for power conservation.	1,485.60	220.00
	Replaced the old high-pressure sodium lamps with LED lamps in Product Warehouse 1 & 2.	941.90	139.40
	Eliminated 5 low-efficiency cooling water towers, replaced all motors with IE3 high-efficiency motors, and installed energy-saving ERP materials onto the fan blades.	78.40	11.60
	Installed new demand-monitoring equipment and the error rate was reduced from 3% to 1%, reducing unnecessary power transmission losses.	97.20	14.40
	Total	13,523.1	2,002.20

Energy conservation and carbon reduction			
Facility	Energy conservation and carbon reduction measures	Energy savings estimates (GJ)	Carbon reduction estimates (tons of CO <sub>2</sub> e)
Kaohsiung Works	The Taipower' s demand bidding saved 912,395 kWh of electricity	3,284.62	464.40
	Replaced old A/C with new inverter A/C in the Computer Room, saving 5,702.4 kWh of electricity.	20.53	2.900
	Total	3,327.18	467.30

Note:

1. Electricity emissions were calculated based on the electricity carbon emission coefficient of 0.509 kg CO<sub>2</sub> equivalent announced by the Energy Bureau of MOEA on June 30, 2020 for the calculation of Scope 2 electricity reduction.
2. The calculated gases included carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, sulfur hexafluoride, and nitrogen trifluoride.
3. The scope of reduction was indirect emissions (Scope 2).
4. The calculation of energy consumption and GHG emissions reduction benchmark for Taoyuan Works, Miaoli Works and Kaohsiung Works was based on the consumption in the previous year.
5. This was calculated based on the equipment capacity, operating time and output.



## Taoyuan Works Cooperates with Local Government in the Establishment of Green Energy

To cooperate with the government to respond to climate change, slow down the growth of greenhouse gases, implement low-carbon life, develop renewable energy and establish a low-carbon green city, Taoyuan City Government has set up the Autonomous Regulations on Developing Taoyuan City as Low-Carbon-Emission and Green City. It is announced in Article 25 that “It is stipulated in the power contract between certain electricity users and Taiwan Power Company that when the maximum contract capacity exceeds a certain volume, such users shall install renewable energy generation systems, such as solar energy, wind energy or other green energy generation equipment with a certain installed capacity in the power-using places and appropriate places. The electricity demand specified in the preceding paragraph and the standard for a certain installed capacity shall be determined by the Economic Development Bureau.” Taoyuan Works has a contracted capacity of more than 5,000 kWh and is required to build green energy equipment in accordance with the above regulation. Taoyuan Works makes use of leased land to build solar power generation devices with the installed capacity of 6,000 kWh.

In accordance with the Electricity Act, the installed capacity of more than 2,000 kWh shall be applied for installation in accordance with different procedures. Therefore, the installation was divided into two stages. In the first stage, the installation of 1,999.3kWh Type 2 renewable energy power generation equipment started from July 2019, and the electricity meter was installed on November 20 for electricity supply, and the power generation totaled 12,000 kWh by the end of 2019. In the second phase, the installation of 4,164kWh Type 3 renewable energy power generation equipment started when the construction permit was obtained in June 2020, and the electricity meter was installed on December 4 for electricity supply. As of the end of December 2020, the total power generation was approximately 2,856,870kWh, accounting for 0.34% of the total plant power consumption during the data collection period.

Note: The model of green power installation of Taoyuan Works is to provide a site for the bid winner to install the equipment and sell electricity to Taiwan Power Company. Taoyuan Works only collects the rent, and therefore, the carbon reduction of the solar power generation belongs to Taiwan Power Company, not to Taoyuan Works.





## Water Resources



### ◉ Water Resources Management

In the face of global warming and global climate change, Taiwan has experienced extreme climate in recent years, and the wet and dry periods are becoming more serious, leading to increased risk of water shortage. Therefore, we respond to the national water policy and reduce emissions, save water and increase the cooling water recycling rate. Our three works are located in Guanyin District in Taoyuan, Xihu Township in Miaoli County, and Kaohsiung Linhai Industrial Park. According to World Resources Institute's (WRI) Aqueduct Water Risk Atlas, the water stress level of the regions our works are located in belong to "Low - Medium risk (1-2)". The water resource of the Company's business locations is mainly from tap water (sourced from reservoirs in different regions). Taoyuan Works also collects rainwater while Miaoli Works not only collects rainwater but also has water right of underground well water. Water intake from our works has no significant impact on water resources. Currently Miaoli Works has implemented water footprint plan to understand the impact of each stage of the product life cycle on water resources.

#### ● Taoyuan Works

Taoyuan Works is an integrated steel mill of electric arc furnace steelmaking, a moderate water-consuming industry. Water is needed for cooling operations from electric furnaces, continuous casting, and rolling production. The main source of water in the overall mill is from tap water (98.41%), which is mainly used for cooling tower and process water.

When our Taoyuan Works was relocated and underwent capacity expansion construction, it was promised in the EIA<sup>Note 1</sup> to use tap water for production, and a water use plan was proposed and then approved by the Water Resources Agency. The Second Branch of Taiwan Water Company (TWC) assessed that the amount of water needed could be met. The water source of the Second Branch of TWC is from Shihmen Reservoir, whose total output in 2020 reached 599.330 million m<sup>3</sup>, and the total water consumption of Taoyuan Works in 2020 was 1.041 million m<sup>3</sup>, accounting for 0.1737% of the total water output of the reservoir, which had little impact on the water supply in the area serviced by Shihmen Reservoir. The calculated water consumption of the steel billet production in Taoyuan Works was about 0.967m<sup>3</sup>/ton, also lower than the promised value of 1.15m<sup>3</sup>/ton in the water use plan. It can be learnt that our Taoyuan Works had the lowest water consumption per unit in Taiwan and is also significantly ahead of other steelmaking mills. It should have no significant impact on the water consumption in the area where Taoyuan Works is located in.

Note: In Taoyuan Works' water use plan, the originally approved daily water consumption was 3,959 m<sup>3</sup>. However, due to the fact that the water consumption over the years was lower than 70%, the Water Resources Agency then required Taoyuan Works to revise its water schedules in their review meeting. After application, it was approved in 2019 that the daily water consumption shall be 3,400 m<sup>3</sup>. The actual daily water consumption was 3,006 m<sup>3</sup>, lower than 88.5% of the approval amount.

## ● Miaoli Works

The sources of water for Miaoli Plant include underground well water, tap water and rainwater recovery, among which underground well water serves as the main source. Water right of a total of four underground wells was approved by the local competent authority, and the water right of Well No. 4 has been approved to extend (from May 1<sup>st</sup> 2020 to April 30<sup>th</sup> 2025). Tap water is from Liyutan Reservoir in Sanyi Township, and the application for the use amount is also approved by TWC. In 2020, the total water intake of underground well water was 861,313m<sup>3</sup> (the daily intake of underground well water was lower than the approved amount of 4,797 tons/day), and that of tap water was 131,840 m<sup>3</sup> while the amount of rainwater recovery was 28,207m<sup>3</sup>. The total water intake of Miaoli Works in 2020 was 1,021,360 m<sup>3</sup>.

## ● Kaohsiung Works

The tap water used in the whole Kaohsiung Works is from Fengshan Reservoir. The application for the amount of water use was submitted to TWC for approval, which included process water and domestic water. However, life cycle assessment such as water footprint has not been conducted. The process water recovery rate is more than 96%, and the wastewater generated from domestic water is discharged through the discharge outlet to the Combined Wastewater Treatment Plant in Kaohsiung Linhai Industrial Park for entrusted treatment. The Combined Wastewater Treatment Plant regularly inspects the quality of discharged water at Kaohsiung Works every month, and the quantity of discharged water is also declared as required.

Tap water is used as both process water and domestic water in Kaohsiung Works. However, there is only one pipeline provided for Kaohsiung Works in the Linhai Industrial Park, and the supply of tap water for process water and domestic water cannot be separated. On the other hand, reclaimed water cannot be used as domestic water because it cannot meet the drinking water standard. Therefore, reclaimed water is not used in Kaohsiung Works.

Tung Ho Steel attaches great importance to water resources. In 2020, the water recovery rates of all works were all above 91%. Among them, water recovery rate of Taoyuan Works was even as high as 99.23%, significantly reduced the consumption of tap water and other water resources. The total water intake in 2020 amounted to 2,155.620 million liters, an increase of 0.59% compared with 2019. Due to the increase in production, water intake of Miaoli Works and Kaohsiung Works increased by 6.98% and 3.10% respectively while that of Taoyuan Works reduced by 5.05%.

Water recovery and intensity of all facilities

Facility	Tap water (million liters)	Rainwater (million liters)	Underground well water (million liters)	Total water intake (million liters)	YoY of total water intake (%)	Water intensity (million liters/ tons of steel billet production or whole plant output)	YoY of water intensity (%)	Water recovery rate in the whole facility (%)	YoY of water recovery rate (%)
Taoyuan Works	1,041.082 (Shihmen Reservoir)	16.790	-	1,057.872	↓ 5.05%	0.000967	↓ 5.46%	99.23%	↑ 0.06%
Miaoli Works	131.840 (Liyutan Reservoir)	28.207	861.313	1,021.360	↑ 6.98%	0.001273	↓ 4.67%	91.56%	↓ 0.15%

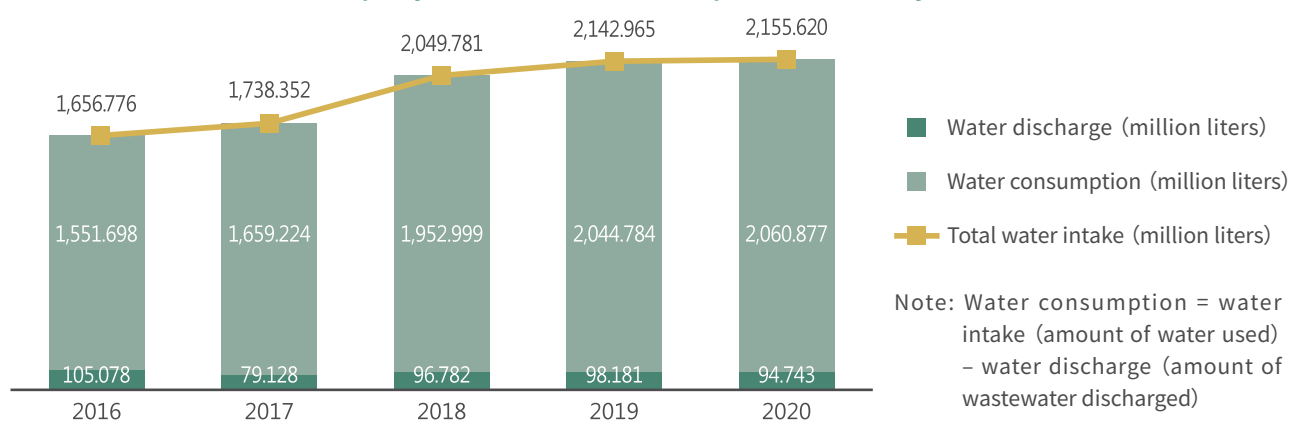
### Water recovery and intensity of all facilities in 2020

Facility	Tap water (million liters)	Rainwater (million liters)	Underground well water (million liters)	Total water intake (million liters)	YoY of total water intake (%)	Water intensity (million liters/ tons of steel billet production or whole plant output)	YoY of water intensity (%)	Water recovery rate in the whole facility (%)	YoY of water recovery rate (%)
Kaohsiung Works	74.230 (Fengshan Reservoir)	-	-	74.230	↑ 3.10%	0.000391	↓ 25.20%	97.89%	↑ 0.35%
Head Office	2.158 (Feicui Reservoir)	-	-	2.158	↑ 2.13%	-	-	-	-

Note:

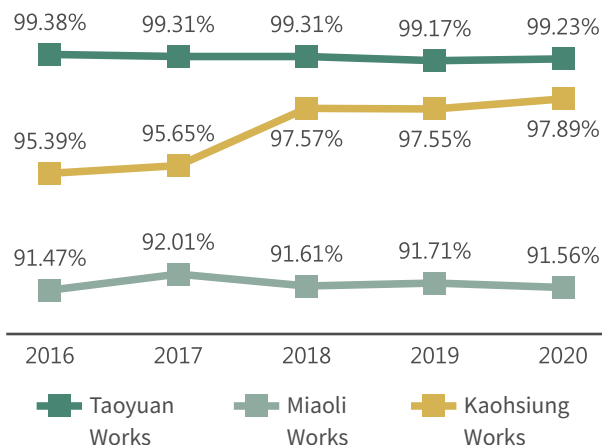
1. The water intensity of Taoyuan Works and Miaoli Works is million liters/tons of steel billet production while that of Kaohsiung Works is million liters/tons of whole plant output.
2. Kaohsiung Works only has the steel rolling process, and there is no steelmaking process.
3. The Head Office is a non-production unit, and water intensity was not evaluated.
4. The tap water consumption in the three works was measured values and could be supported by water bills. Rainwater recovery of Taoyuan Works was an estimate value, and rainwater and underground well water of Miaoli Works were from the record of water meters.
5. The amount of recovered water is calculated by multiplying the total water consumption declared in the water use plan by the number of days; discharged amount is calculated by the value of the discharge water meter. The total water recovery rate (%) of the whole plant is the total recycled water amount/ (water intake+ total recycled water amount).
6. The main reason for the decrease in water intake of Taoyuan Works was because the water storage capacity of the source, Shihmen Reservoir, was lower than 30%, reaching the water level of water rationing in 2015. Taoyuan Works autonomously saved water, reduced the amount of watering or sprinkling in the plant, and controlled zero wastewater discharge throughout the year. The increase in water intake of Miaoli Works and Kaohsiung Works was mainly because of the increase in production.
7. Water intensity in Taoyuan Works, Miaoli Works and Kaohsiung Works all dropped mainly because of the increase in production and in water use efficiency.
8. Water consumption in the Head Office is evenly shared by each floor of the industrial building, and therefore, the reason for the increase of water consumption cannot be correctly determined.

### Company-wide water consumption over the years

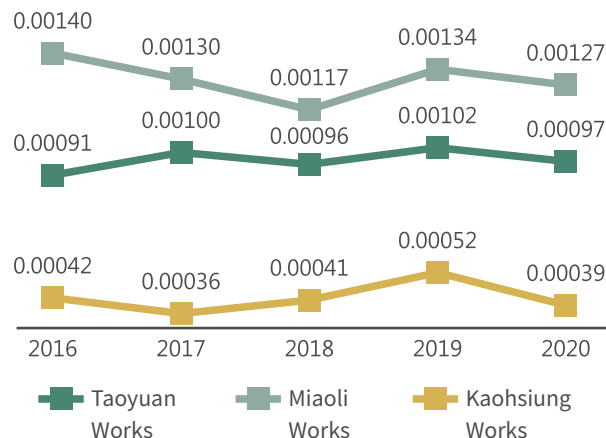




## Water recovery rate in three works (%)



## Water intensity in three works (million liters / tons of steel billet production)



## Water Saving Measures

Tung Ho Steel attaches great importance to water resources and continues to work on various water saving measures. In addition to the adoption of the Best Available Technology (BAT) and the direct hot-rolled steel process in Taoyuan Works to effectively reduce the unit water consumption, industrial water (cooling water and process water) is reused with the adoption of a circulation design for the circulation and use of cooling water, soft water, and process water for repeatedly use, and the recycled water will be reused until the water quality cannot be used anymore and then will be discharged to the recycling pool for secondary use to reduce the need for external supplementary water for the implementation of effective use of water resources. For example, process drainage and domestic sewage are collected in the recycling pool after properly treated to provide secondary water as non-drinkable water or for other uses not involving human body contact from the claimed water pipeline or for direct use. The uses of secondary water include green land irrigation, sprinkling in storage area, cooling water for slag, refilling water for the landscape pond, road dust prevention and washing cars to reduce the overall water consumption.

A dedicated unit is in charge of the ISO 14046 management system in the Company to continue the promotion of water saving policy. Among them, Miaoli Works applied for the water footprint inventory in 2016, and passed the certification by Bureau Veritas Taiwan in July the following year. The promised value of water consumption and cooling water recovery rate proposed in the water use plan for plant construction was met through the establishment of a water balance chart, adding meters to strengthen management and control, improving process to reduce water intensity, adding the rainwater recovery system, reducing the discharge of effluents and increasing the water resource reuse rate.



Miaoli Works' ISO 14046:2014 Certificate

## 4-3 Pollution Prevention and Control Management

### Emission Control

Effective management of exhaust gas, wastewater and waste can not only reduce the environmental impact but also maintain the image of the Company. We have set up a dedicated unit to promote the ISO 14001 environmental management system to continue the investment in the improvement of pollution prevention equipment and implement pollution prevention and industrial waste reduction so as to comply with environmental regulations.

#### ◉ Air Pollution Control

The Company complies with the ISO 14001 environmental management system and continues improvement of its production operation, products and services to reduce the impact on the natural environment. Tung Ho Steel continues to monitor and is devoted to air pollution prevention and control. By adopting the best available control technology (BACT), the emission of particulate pollutants is effectively reduced. All facilities abide by the air pollutant emission standards, and the average monitoring values of emissions in 2020 were in line with local air pollutant emissions standards.

Air pollutant emissions standards in all facilities					
Facility		NOx (ppm)	SOx (ppm)	Particulate pollutants (mg / Nm³)	Dioxin (ngI-TEQ / Nm³)
Taoyuan Works		150	100	10	0.5
Miaoli Works	Steelmaking process	500	650	15	0.5
	Rolling process	80 (Natural gas) 400 (Heavy oil)	100 (Natural gas) 300 (Heavy oil)	100 (Natural gas) 100 (Heavy oil)	-
	Scrap steel crushing	-	-	100	-
Kaohsiung Works	Gas fuel	80	100	100	-
	Liquid fuel	-	-	-	-

Note:

1. Taoyuan Works: The emission standards are in accordance with EIA content.
2. Miaoli Works: The emission standards are in accordance with the approved operating permit.
3. Kaohsiung Works: The emission standards are in accordance with the Stationary Pollution Source Air Pollutant Emissions Standards.

The steel rolling production lines in Miaoli Works and Kaohsiung Works mainly use natural gas to heat the steel billets, and advanced combustion equipment is adopted to reduce pollutant emissions. Natural gas is used to replace low-sulfur fuel in part of the process to greatly reduce the emissions of CO<sub>2</sub> (carbon dioxide), NOx (nitrogen oxide), and SOx (sulfur oxide). The production process in Taoyuan Works adopts the direct rolling method without a heating furnace, which is more environmentally friendly compared with the traditional use of fuel oil for heating.



The air pollutant emissions of all facilities over the years are as follows.

Air pollutant emissions of Taoyuan Works over the years					
Year	NOx emissions (ton)	SOx emissions (ton)	Particulate pollutants emissions (ton)	Dioxin emissions (gram)	VOCs emissions (ton)
2016	47.10	25.30	31.25	0.96	15.90
2017	63.46	27.93	35.95	0.14	17.55
2018	96.51	35.20	51.60	0.63	22.13
2019	98.11	38.14	30.24	0.44	23.97
2020	93.58	38.31	20.05	0.45	24.08

Note:

1. The emissions of volatile organic compounds (VOCs) were calculated from the factory coefficient; those of sulfur oxides (SOx) were calculated in accordance with the coefficients announced by EPA; emissions of nitrogen oxides (NOx), particulate pollutants and dioxin were all calculated from detected values.
2. Due to the increase in production capacity in Taoyuan Works in 2020, the emissions also increased; there were no fines or penalties for air pollution due to steelmaking and steel rolling, and all the detected values of air pollutants met the emission standards.

Air pollutant emissions of Miaoli Works over the years					
Year	NOx emissions (ton)	SOx emissions (ton)	Particulate pollutants emissions (ton)	Dioxin emissions (gram)	VOCs emissions (ton)
2016	76.14	114.29	59.75	0.09	13.17
2017	67.22	108.92	57.41	0.40	13.47
2018	96.36	158.74	70.75	1.47	17.20
2019	86.33	79.67	67.54	0.35	14.30
2020	77.23	56.07	79.24	0.13	16.05

Note:

1. The reason for the decrease in the monitoring values of nitrogen oxides (NOx), particulate pollutants and dioxin compared with 2019 was that the fuel oil of the furnace was changed from heavy oil to natural gas.
2. The reason for the increase in the particulate pollutants and volatile organic compounds (VOCs) compared with 2019 was due to the increase in production.
3. Sources of various calculation coefficients:
  - (1) Volatile organic compounds (VOCs): the process part was calculated from the factory coefficient while the oil tank part was calculated based on the coefficient announced by EPA.
  - (2) Sulfur oxides (SOx), nitrogen oxides (NOx), particulate pollutants and dioxin were calculated from the regular inspection values.
4. There were no fines or penalties for air pollution in Miaoli Works in 2020.

## Air pollutant emissions of Kaohsiung Works over the years

Year	NOx emissions (ton)	SOx emissions (ton)	Particulate pollutants emissions (ton)	Dioxin emissions (gram)	VOCs emissions (ton)
2016	19.64	2.96	6.91	-	0.82
2017	17.83	0.54	2.17	-	0.70
2018	21.62	0.36	0.57	-	0.90
2019	16.91	0.13	0.49	-	0.67
2020	19.91	0.00	0.73	-	0.99

Note:

1. There was no emission of dioxin in Kaohsiung Works.
2. Hourly emissions of pollutants in the annual inspection report X annual natural gas usage = annual emissions; the emission coefficient used was based on the annual inspection value.
3. The monitoring value of sulfur oxides (SOx) was zero (0) because natural gas is used as the fuel in Kaohsiung Works, and no sulfur oxides would generate when burning; the monitoring value of VOC was close to 1 because there was no emission during the process, and the VOC in the air pollution fee is calculated based on the amount of paint and mineral spirits used, whose emissions were relatively low.
4. In 2020, the use of natural gas increased due to the increase in production in Kaohsiung Works. There were no fines or penalties for air pollution in 2020.

## Control and Management of Ozone-Depleting Substances

Some equipment in all facilities use R-12 and R-22 refrigerants. In the future, the air-conditioning system will be integrated to strengthen the maintenance of air-conditioning equipment, the high-temperature operation area of the crane will adopt the high-efficiency units developed by China Steel, and eco-friendly refrigerants will be used in the plant while refrigerants will be recycled for reuse to control ozone-depleting substances. However, the consumption of R-22 refrigerant in Taoyuan Works in 2020 was 0.1362 tons/year (equivalent to 0.007 CFC-11) while that in Miaoli Works was 2.8372 tons/year (equivalent to 0.156 CFC-11). Eco-friendly refrigerants are used and refrigerants are recycled for reuse in Kaohsiung Works, so there was no supplementing consumption of R-11 and R-22 refrigerants.

## Water Pollution Control

Most of the cooling water in the manufacturing process in the facilities is recycled for reuse, and there is also water treatment equipment in the plant for simple precipitation treatment. In accordance with water pollution control regulations, there are relevant wastewater treatment procedures and application for discharge permit in place, and the biochemical oxygen demand (BOD), chemical oxygen demand (COD), and suspended solids (SS) all meet the local discharge testing values.

Taoyuan Works and Miaoli Works are both equipped with rainwater collection systems. Waste (sewage) water in the main production plants is recycled for reuse after being treated in appropriate wastewater treatment facilities, and part of the recovered water is used for irrigation of green land and for the use of dust suppression. In 2020, Taoyuan Works applied for changes in water measures and canceled wastewater discharge. The concentration of daily discharge water and the discharge volume both meet the discharge standards in Miaoli Works, and wastewater is discharged to Xihu River through the water meter (maximum discharge volume of 950 tons per day). The runoff wastewater (rainwater) from Kaohsiung Works is discharged into Yamshuigang Stream, and the wastewater from the manufacturing process is included into the Kaohsiung Linhai Linyuan & Dafa Industrial Parks Combined Wastewater

Treatment Plant and discharged into the adjacent waters (Taiwan Strait), with the daily maximum discharge volume of 525 tons. The discharge volume of all works is monitored by flow meters for accurate values, and the quality of discharged water is regularly sampled and inspected. All the testing values are compliant with prescriptions to ensure that there is no significant impact on the environment load of the surrounding water bodies, and there are no requirements for special habitats.

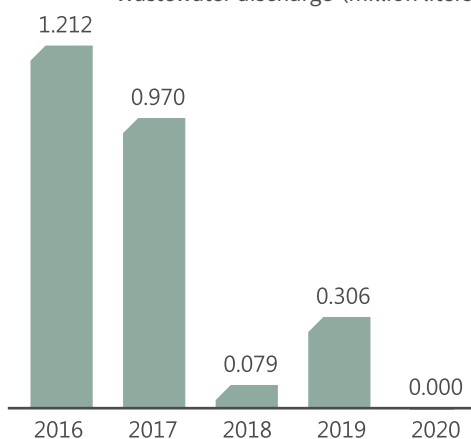
In 2020, the total discharge volume of wastewater of the three works of the Company totaled 94.743 million liters, a decrease of 3.5% compared with 2019, showing the achievement of the water-saving measures in the three works. The wastewater discharge volume in the three works over the years is as follows.



Wastewater discharge volume and discharge standards in Taoyuan Works

Year	Wastewater discharge (million liters)	Biochemical oxygen demand (COD) Discharge standards mg/L	Chemical oxygen demand (COD) Average discharge mg/L	Suspended solids (S.S) Discharge standards mg/L	Suspended solids (S.S) Average discharge mg/L
2016	1.212	100.00	18.55	30.00	3.65
2017	0.970	100.00	25.95	30.00	4.50
2018	0.079	100.00	27.63	30.00	4.48
2019	0.306	100.00	11.81	30.00	6.25
2020	0.000	100.00	-	30.00	-

Wastewater discharge (million liters)

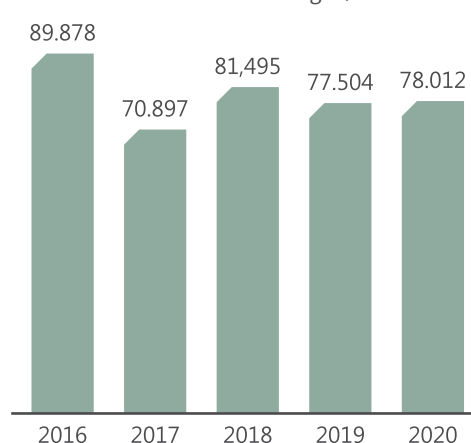


Note: Taoyuan Works complies with Table 5 Water quality items and limits of discharge from the primary metal industry, metal finishing industry, electroplating industry, PCB manufacturing industry of Effluent Standards. In 2020, wastewater discharge was canceled, and the annual overflow was 0 ton.

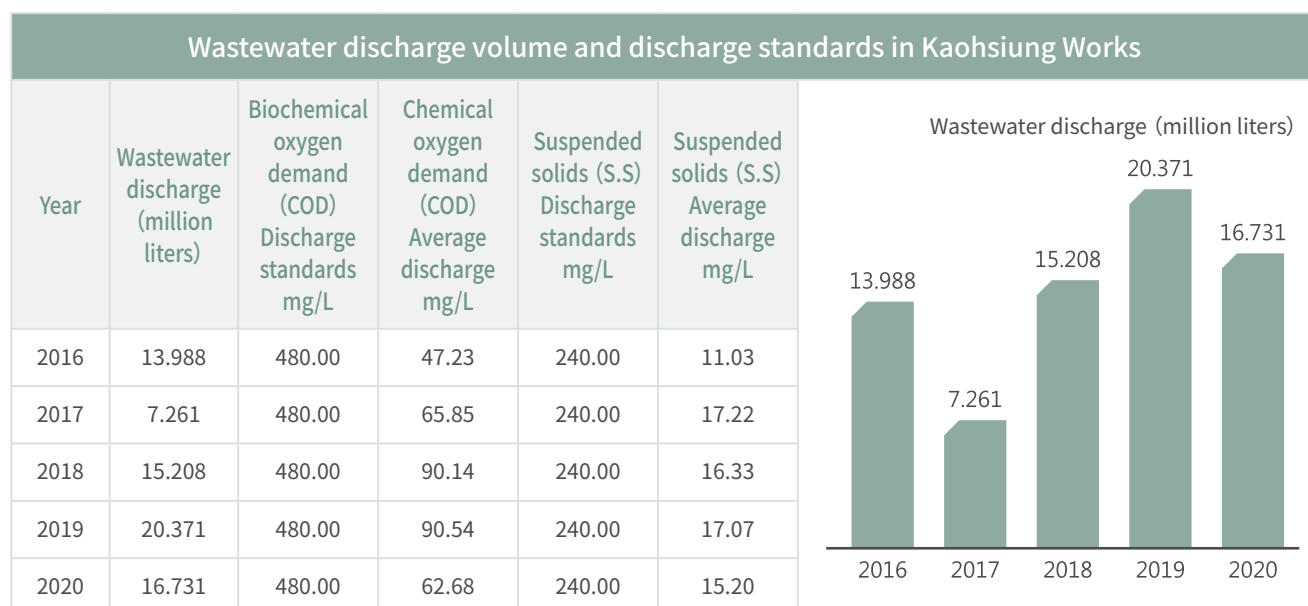
Wastewater discharge volume and discharge standards in Miaoli Works

Year	Wastewater discharge (million liters)	Biochemical oxygen demand (COD) Discharge standards mg/L	Chemical oxygen demand (COD) Average discharge mg/L	Suspended solids (S.S) Discharge standards mg/L	Suspended solids (S.S) Average discharge mg/L
2016	89.878	100.00	13.38	30.00	8.48
2017	70.897	100.00	14.90	30.00	6.83
2018	81.495	100.00	13.55	30.00	10.63
2019	77.504	100.00	13.83	30.00	5.35
2020	78.012	100.00	14.95	30.00	11.33

Wastewater discharge (million liters)



Note: The effluent standards Miaoli Works uses are the test methods and assumptions of effluents announced by EPA.



Note: Kaohsiung Works uses the analysis standards, methodology and assumptions of the Kaohsiung Linhai Linyuan & Dafa Industrial Parks Combined Wastewater Treatment Plant.

## Waste Treatment and Recycling

### ◉ Waste Management

The three works of the Company have established an autonomous waste inspection and audit system, and the results are all kept in written records. Improvement of defects is also followed up and included in the main point of autonomous inspection and audit.

Before outsourcing the removal and treatment of waste in the plant, it is necessary to confirm that the entrusted treatment company has the required qualifications and capabilities, and the permit for removal and treatment operations issued by the competent authority. In addition, the generation of waste, storage, removal and disposal of industrial waste should be declared online before the entrustment contract is signed. The declared information should be kept for three years. In addition to designating people to control the waste generation, the management of waste storage, removal, treatment and reuse of the entrustee will also be inspected and records are also kept for future reference.

#### Process of collecting and monitoring data of waste



Collection and monitoring of waste			
Waste item	Item for surveillance test	Frequency for surveillance test	Times
EAF slag	Heavy metal dissolution test and dioxin item test	Annual	Once for oxidizing slag and reducing slag each
Inorganic sludge	Dissolution test	Annual	Once
EAF dust	Dissolution test	Annual	Once
Sludge cake	Dissolution test	Annual	Once

Note:

1. A dedicated unit is in charge of collection and monitoring of waste.
2. The control standards are in accordance with the “dissolution test standards of toxic hazardous industrial waste in Standards for Defining Hazardous Industrial Waste” of MOEA’s Management Regulations on the Recycling of Industrial Waste.

The total weight of waste amounted to 308,785 tons in 2020, and the total waste recycling ratio was 98.86%. Waste in all facilities is all recycled. To refer to the development experience in advanced countries, Tung Ho Steel commissioned National Taipei University of Technology to conduct research on the Application of Oxidizing Slag and Water Sludge Cake to the Controlled-Low-Strength-Materials (CLSM) and significant results have achieved. There will be more extensive application of oxidizing slag in the future. In addition to the massive use to CLSM, we also work with Hao Sheng Industrial Co., Ltd. and apply it to road construction to cooperate with Taoyuan City Government, which include asphalt pavement and the base layer for subgrade. The quality and effects as well as the usage are all great. Hao Sheng Industrial Co., Ltd. was also awarded the 2019 Public Construction Golden Quality Award. It is hoped that the development of applying oxidizing slag to ultra-high-strength concrete can be further advanced to turn waste into gold.

The reducing slag in the Company is 100% used as the cement raw meal. In addition, we applied for the Technology Development Program of Ministry of Economic Affairs through our affiliated company, Katec R&D Corporation, combined with the in-depth exploration of the basic properties and stability of oxidating slag and reducing slag by the Graduate Institute of Department of Materials Science & Engineering. The research results won the Outstanding R&D Consortium Award. It is hoped that the research can contribute to the improvement of the complete recycling of the Ladle Furnace Slag (LF slag) in Taiwan in the future.

Waste treatment							Unit: ton/year
	On-site			Offsite			
Hazardous industrial waste							
Category/Facility	Taoyuan Works	Miaoli Works	Kaohsiung Works	Taoyuan Works	Miaoli Works	Kaohsiung Works	
EAF dust or sludge	0	0	0	19,430.65	12,083.08	0	
Subtotal	0	0	0	19,430.65	12,083.08	0	



Waste treatment						
Unit: ton/year						
	On-site			Offsite		
Non-hazardous industrial waste						
EAF slag	0	0	0	145,608	89,424.57	0
LF slag	0	0	0	24,252	16,473.01	0
Inorganic sludge	0	1,062.28	0	280.29	0	48.16
Other industrial waste	0	0	0	0	0	0
General waste	0	0	0	0	0	57.9
Waste wood	0	0	0	0	0	9.77
Waste oil	0	0	0	0	0	10.39
Waste lubricating oil	0	0	0	26.03	6.52	3.5
Waste cooking oil	0	0	0	0	1.62	0
Employees' domestic waste	0	0	0	24.24	0	0
Recycling	0	0	0	0	0	8.64
Scrap steel	3,933.55	0	0	0	0	13,961.44
Iron oxide	0	0	0	11,818.99	0	4,080.88
Subtotal	3,933.55	1,062.28	0	182,009.55	105,905.72	18,180.68

Note:

1. The works of the Company follow the treatment methods listed on the waste disposal contractors' permit, such as heat treatment of physical treatment, and there have not been any breaches of the contract by the waste disposal contractors so far.
2. In 2020, Tung Ho Steel did not transport, import or export substances considered hazardous waste in Annexes I, II, III, and VIII to the Basel Convention.

Description of various waste categories for treatment and treatment methods						
Category	Recycling	Other recycling operations	Incineration (including energy recovery)	Incineration (excluding energy recovery)	Other disposal operations	Description of treatment methods
EAF dust or sludge	■					EAF dust includes recyclable metal (such as zinc, lead, iron and so on). Currently this item of waste is handed over to Taiwan Steel Union Co., Ltd and Katec Creative Resources Corp. for recycling.
EAF slag	■					Taoyuan Works: it is handed over to the reuse plant as the CLSM material for trench backfill, raw materials for asphalt concrete pellet, and aggregate gradation for pavement engineering.  Miaoli Works: It is handed over to the reuse plant and reused as low-strength cement.

## Description of various waste categories for treatment and treatment methods

Category	Recycling	Other recycling operations	Incineration (including energy recovery)	Incineration (excluding energy recovery)	Other disposal operations	Description of treatment methods
LF slag	■					It is handed over to the reuse plant and used as raw materials for cement.
Inorganic sludge		■				Miaoli Works self-reuse it by remelting, and physical treatment (heat treatment) is adopted in other works.
Other industrial waste			■		■	Incineration, physical treatment, resource recovery
General waste			■			
Waste wood			■			
Waste oil		■				Physical treatment
Waste lubricating oil	■	■				Physical treatment (other recycling operations for Taoyuan Works and Kaohsiung Works, and off-site recycling for Miaoli Works)
Waste cooking oil	■					Only Miaoli Works uses off-site recycling
Employees' domestic waste				■		
Recycling	■					
Scrap steel	■					Reuse
Iron oxide	■					Reuse

### ④ Reuse of By-product

According to statistics from EPA, the output of electric arc furnace slag (EAF slag) in Taiwan amounted to about 1.35 million tons<sup>Note</sup> in Taiwan. As the relevant technologies for the treatment and reuse of EAF slag are accelerating, the treatment technology of the by-product of EAF slag has matured. However, relevant laws and regulations concerning recycling have not been completed but management is strict. The doubts about the slag ballast that the public used to hold have been greatly eased in 2020.

The reuse method of oxidizing slag focuses on asphalt pavement, the base layer for subgrade, and CLSM. Among them, Tung Ho Steel worked with Hao Sheng Industrial Co., Ltd. and applied it to the road pavement and subgrade projects of the Taoyuan City Government, and the high-quality results and waste removal gradually show. Applying oxidizing slag to local government road projects can effectively remove the waste, and it also has positive help in the construction quality and service life of the roads. To facilitate the promotion of EAF slag use, it is planned that the construction specifications is to be revised and that Taiwan Steel & Iron Industries Association compiles technical manuals to have complete integration of oxidizing slag reuse technology in Taiwan to serve as reference for engineering units. The manual of applying oxidizing slag to asphalt concrete pavement and the trial use manual of applying EAF slag to the aggregate gradation subgrade have passed the review by the Industrial Development Bureau. The manual of applying EAF slag to CLSM has also been completed and promulgated for implementation. As for the reuse of reducing

slag, it is introduced in the manufacturing process of cement raw meal, and through the cooperation with companies of Ruentex Materials and Taiwan Cement Corporation, the purpose of total removal of reducing slag is achieved. In addition, the reducing slag stabilization equipment of Taiwan Steel Resources Co., Ltd, has officially started operation, and the technology and development as well as the application manual will mature gradually. It is believed that it will make positive contribution to the complete recycling of the LF slag in Taiwan.

Note: Referred to statistics from EPA, Executive Yuan, and the query period was between January and December, 2020.

Category	Output characteristics	Annual output (ton)	In-plant recycling (%)	Off-site recycling (%)	Purpose of recycling
EAF slag	Generated from scrap steel smelting in the electric furnace	242,842	0%	100%	Used for the CLSM materials for trench backfill, raw materials for asphalt concrete pellet, and aggregate gradation for pavement engineering.
LF slag	Generated from refining in refining furnace	41,948	0%	100%	Cement raw meal
EAF dust	Dust collected in the electric furnace process	31,497	0%	100%	Sent to Taiwan Steel Union Co., Ltd. for zinc oxide recovery
Inorganic sludge	Generated from wastewater treatment	732	59%	0%	The annual output is based on the data of Miaoli Works. Miaoli Works recover iron oxide with electric furnace while other works dispose it as waste.

## Environmental Compliance

### ◉ Environmental Protection Expenditures

The Company not only keeps improving the product quality and customer service, it also spares no efforts in pollution prevention and control, industrial waste reduction, and environmental protection. In order to fulfill our corporate social responsibility, we have made investment to handle environmental protection related work. Among the environmental protection expenditures in 2020, the depreciation of capital expenditures was approximately NTD 79,351 thousand, and the current expenditures was approximately NTD 570,384 thousand, with the total being amounted to NTD 649,735 thousand.

Environmental protection expenditures in 2020				Unit: NTD 1,000
Item / Facility	Taoyuan Works	Miaoli Works	Kaohsiung Works	Subtotal
Environmental capital expenditures (depreciation)	41,362	37,731	258	79,351
Current expenditures for environmental protection	301,763	259,320	9,301	570,384
Subtotal of environmental protection expenditures by works	343,125	297,051	9,559	649,735

## ◉ Environmental Compliance-Cases, Responses and Handling

The Company did not receive any major liquid or gas leakage penalties in 2020. Improvement measures for environmental violations have been completed. Detailed information of environmental compliance and improvement and preventive measures are listed as follows.

Overview of environmental compliance		
Facility	Description	Improvement and preventive measures
Taoyuan Works	<p>June 12, 2020</p> <p>The Environmental Protection Bureau visited Taoyuan Works for the inspection of the oxide scales generated in the steel rolling process. The oxide scales and the generation process were not listed in the Industrial Waste Disposal Plan, which violated the Article 31 Paragraph 1 subparagraph 1 of Waste Disposal Act and was fined NTD 6,000 as prescribed in Article 52 of the same Act.</p>	<ul style="list-style-type: none"> <li>• Made changes in the Industrial Waste Disposal Plan.</li> <li>• Checked and confirmed whether similar items were listed in the Industrial Waste Disposal Plan.</li> </ul>
	<p>July 27, 2020</p> <p>The Environmental Protection Bureau visited Taoyuan Works for the re-inspection of the oxide scales generated in the steel rolling process. However, the generation process of oxide scales was not yet listed in the Industrial Waste Disposal Plan, and improvement had not been made by the deadline, which violated the Article 31 Paragraph 1 subparagraph 1 of Waste Disposal Act and was fined NTD 12,000 as prescribed in Article 52 of the same Act.</p>	<ul style="list-style-type: none"> <li>• Attached relevant supporting documents and submitted the changes in the Industrial Waste Disposal Plan, listing the oxide scales and the generation process in the Industrial Waste Disposal Plan. The improvement has been completed.</li> <li>• Checked and confirmed whether similar items were listed in the Industrial Waste Disposal Plan.</li> </ul>

Note: There were no fines or penalties in Kaohsiung Works.





# 5 A Friendly Workplace

5-1 Manpower Structure with Equality

5-2 Labor-Management Relations

Special Column: The Signing of Collective Agreement

5-3 Career Development and Training

5-4 Occupational Health and Safety

Special Column: Enabling Personnel Stationed Overseas to  
Return to Taiwan Safely in Response to the  
Impact of COVID-19 Epidemic



## 5-1 Manpower Structure with Equality

To establish a harmonious, friendly, and healthy working environment, Tung Ho Steel hires employees in accordance with Labor Standards Act, Act of Gender Equality in Employment and Occupational Safety and Health Act. The hiring of employees is based on professional capacities and experience and never based on considerations of race, ideology, religion, political affiliation, hometown, place of birth, gender, age, sexual orientation, marital status, appearance, physical and mental disability, star sign, and blood type. Furthermore, we have never hired or used employees under the age of 16 (child labor). We have set up the Regulations for the Prevention and Handling of Sexual Harassment and handling procedures and organized advocacy courses of sexual harassment prevention.

In 2020, human rights related courses held included “Sexual harassment Prevention Education, Training and Promotion”, “Education and Training of Prevention of Unlawful Violations in the Workplace”, “Prohibition of Violence in the Workplace”, “Human Rights and Safety & Health Education and Training for Security Personnel” and so on. The number of participants amounted to 286, accounting for 16% of the total employees, and the total number of training hours was 363.5.

In addition, to implement the life management of our foreign employees, we have set up the Regulations on the Administration of Foreign Workers. Besides, multiple welfare activities are also organized regularly, including seminars, birthday parties and the Song Kran celebration activity, and those working for more than 3 years will be granted rewards. It is hoped that these caring activities can balance these foreign works’ life experience, enrich their life, improve their quality of life, and strengthen the sense of belonging.

According to Ministry of Labor’s human rights requirement item in the Foreigners’ Life Care Service Plan, local competent authority would assign personnel to conduct labor inspection of the dormitory living facilities and life management of the factory in accordance with the human rights requirement. During the reporting period, Taoyuan Works and Kaohsiung Works have received the inspections twice each, and the two works both passed the inspections. Relevant customer inspections do not include human rights impact assessment review or impact assessment.



Reward giving-3-year memorial watch



Seminar and birthday party for foreign workers



Monthly seminars for Thai employees

## Distribution of Employees

As of the end of 2020, the total number of employees in Tung Ho Steel was 1,758, including 1,521 full-time employees (1,376 males and 145 females) and 237 temporary employees <sup>Note 1</sup>. Senior management <sup>Note 2</sup> are 100% Taiwanese nationals, and all employees are full-time employees without parti-time employees. However, due to the characteristics of the iron and steel industry, there are more male employees, and the gap between the number of male and female employees is large. In 2020, there were no major changes in the number of employees in the Company’s important operating bases in Taiwan.

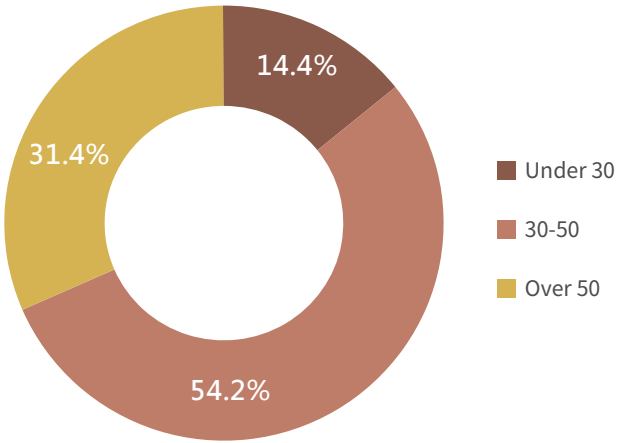


Type of employment and gender distribution of Taiwanese employees in 2020															Unit: person
Item/Gender		Male						Female						Total	
Facility	Type of contract	Full-time			Temporary			Full-time			Temporary				
	Age	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50		
Head Office	Full-time	6	72	51	1	6	1	11	31	23	-	-	-	202	
Taoyuan Works		86	301	106	9	62	22	4	16	16	-	-	-	622	
Miaoli Works		35	250	215	28	55	1	4	11	10	-	-	-	609	
Kao-hsiung Works		24	133	97	42	10	-	3	6	10	-	-	-	325	
Subtotal		151	756	469	80	133	24	22	64	59	-	-	-	1,758	
Total		1,376			237			145			-				

Note:

1. Temporary employees refer to specific contract personnel, mainly foreign workers.
2. High-level management refers to management positions including the president, executive vice president, vice president, assistant manager and factory director.
3. The main work of the Company is all conducted by the employees hired by the Company, and there is no dispatched manpower and does not include board members.
4. The employee statistics mentioned above are from the HR system, and there are no numerical assumptions.
5. Local places refer to Taiwan region, and the major operating bases include the Head Office, Taoyuan Works, Miaoli Works, Kaohsiung Works, and Taichung Harbor Logistic Office.

Employee age distribution



## ◉ Distribution of Employees with Disability and Indigenous Employees

As of the end of 2020, the Company hired 55 indigenous employees (accounting for 3.1%) and 27 employees with disabilities (accounting for 1.5%), higher than the 1% standard of the government's employment quota prescribed in the People with Disabilities Rights Protection Act.

Age distribution of employees with disabilities and indigenous employees <span>Unit: person</span>				
Age	Employees with disabilities		Indigenous employees	
	Male	Female	Male	Female
Under 30	3	0	11	0
30-50	13	1	33	0
Over 50	12	0	11	0
Total	26	1	55	0

## Turnover of Employees

### ◉ Employment Rate and Turnover Rate

For the needs of operation and development, the Company recruits new employees on an irregular basis. In 2020, the employment rate was 7.22% and the turnover rate was 5.97%, which was an increase of 0.26% compared with 2019.

Employment rate and turnover rate over the years																					
Year		2016				2017				2018				2019				2020			
Gender		Male		Female		Male		Female		Male		Female		Male		Female		Male		Female	
Item/Age		Num- ber	Employ- ment rate (%)	Num- ber	Employ- ment rate (%)	Num- ber	Employ- ment rate (%)	Num- ber	Employ- ment rate (%)	Num- ber	Employ- ment rate (%)	Num- ber	Employ- ment rate (%)	Num- ber	Employ- ment rate (%)	Num- ber	Employ- ment rate (%)	Num- ber	Employ- ment rate (%)	Num- ber	Employ- ment rate (%)
New employees	Under 30	25	23.81	8	47.06	31	25.00	5	29.41	72	41.14	8	42.11	74	35.24	7	33.33	53	22.94	4	18.18
	30-50	35	3.65	2	2.99	47	5.05	6	8.82	63	6.92	5	7.14	62	6.94	4	5.56	64	7.20	3	4.69
	Over 50	1	0.28	0	0.00	4	0.99	0	0.00	0	0.00	1	1.96	0	0.00	0	0.00	3	0.61	0	0.00
	Total New employees	71				93				149				147				127			
	Total employees	1,548				1,596				1,660				1,716				1,758			
	Employment rate (%)	4.59%				5.83%				8.98%				8.57%				7.22%			

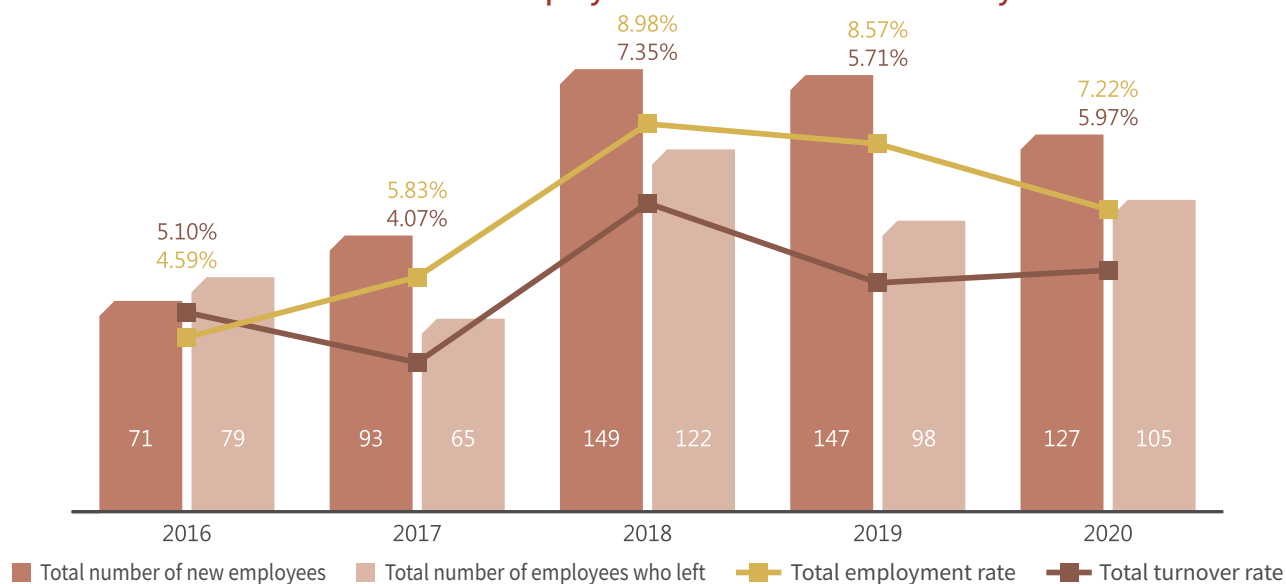
## Employment rate and turnover rate over the years

Year		2016				2017				2018				2019				2020			
Gender		Male		Female		Male		Female		Male		Female		Male		Female		Male		Female	
Item/Age		Num- ber	Turn- over rate (%)	Num- ber	Turn- over rate (%)	Num- ber	Turn- over rate (%)	Num- ber	Turn- over rate (%)	Num- ber	Turn- over rate (%)	Num- ber	Turn- over rate (%)	Num- ber	Turn- over rate (%)	Num- ber	Turn- over rate (%)	Num- ber	Turn- over rate (%)	Num- ber	Turn- over rate (%)
Employees who left	Under 30	14	13.33	1	5.88	9	7.26	2	11.76	34	19.43	1	5.26	19	9.05	1	4.76	25	10.82	1	4.55
	30-50	52	5.43	1	1.49	40	4.30	3	4.41	53	5.82	3	4.29	50	5.60	2	2.78	43	4.84	6	9.38
	Over 50	10	2.82	1	2.13	10	2.46	1	1.96	26	5.99	5	9.80	24	5.16	2	3.70	28	5.68	2	3.39
	Total number of employees who left	79				65				122				98				105			
	Total employees	1,548				1,596				1,660				1,716				1,758			
	Total turnover rate	5.10%				4.07%				7.35%				5.71%				5.97%			

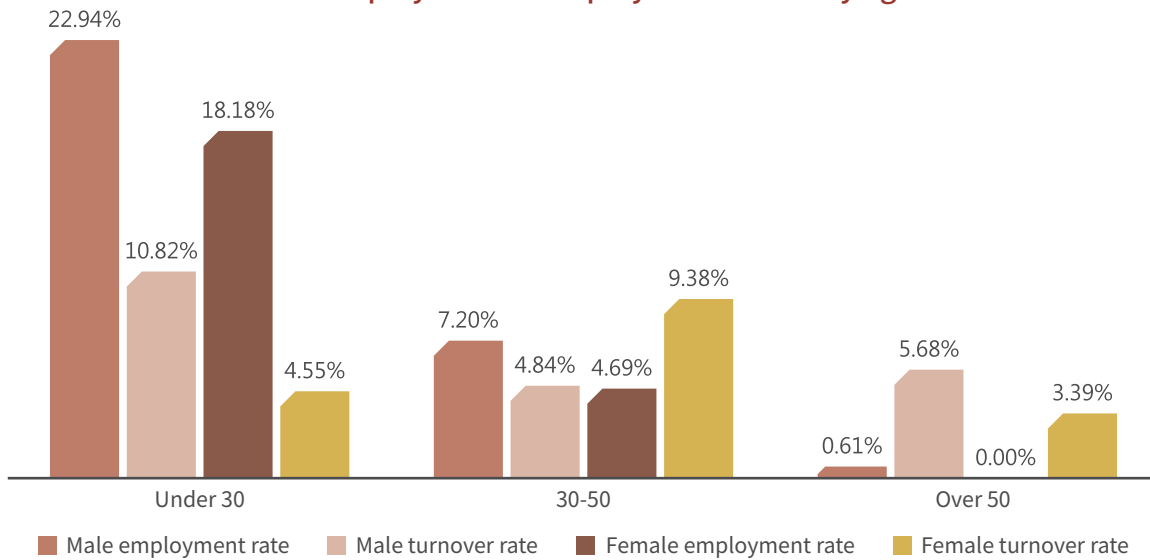
Note:

1. Employment rate (%)= Number of new employee in the category (gender, age) of the current year/ Total number of employees in the category (gender, age) at the end of the current year.
2. Total employment rate (%)= Total number of new employees of the current year/ Total number of employees at the end of the current year.
3. Turnover rate (%)= Total number of employees in the category (gender, age) who left in the current year/ Total number of employees in the category (gender, age) at the end of the current year.
4. Total turnover rate (%)= Total number of employees who left of the current year/ Total number of employees at the end of the current year.
5. New employees refer to those notified by the Company and complete the registration procedures on the specific date. The number of new employees also include midway leavers.
6. The employees who left refer to those who have terminated the employment relationship with the company due to resignation, being fired, dismissal, and retirement.
7. Employees who left and new employees are calculated based on full-time employees.

## Number and rate of employment and turnover over the years



## New employees and employees who left by age



## 5-2 Labor-Management Relations

### Compensation Structure

The main compensation items of our full-time employees include fixed salary, various allowances, bonuses, year-end bonuses and employee compensation. The salary of employees of the same seniority and same job category does not differ due to difference in gender. The difference in the salary ratio of each position is because of the difference in seniority and job category, resulting in different job bonus ratios. As of the end of 2020, the salary ratios of males and females in different positions are as follows.

Salary ratio	High-level management	Division head	Section chief	Other personnel
Male	1.623	1.056	1.248	1.290
Female	1	1	1	1

Note:

1. The figures in the table above were calculated based on the compensation of employees in the operating bases (including Head Office, Taoyuan Works, Miaoli Works, Taichung Harbor Logistic Office, and Kaohsiung Works) in 2020.
2. Due to the fact that female employees are mostly in administrative positions while male employees are mostly in on-site positions, the ratio of job allowances and work bonuses are different. Therefore, the salaries of male employees are higher than those of female employees.
3. High-level management refers to management positions including the president, executive vice president, vice president, assistant manager and factory director.

As prescribed in Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Corporate Social Responsibility Reports by TWSE Listed Companies, employees' salary-related information required to be disclosed as of the end of 2020 is as follows.

Disclosure of information of employee compensation			
			Unit: NTD 1,000
Item	2018	2019	2020
The number of full-time employees who are not in a managerial position	1,531	1,605	1,659
The gross salary of full-time employees who are not in a managerial position	1,293,873	1,445,885	1,639,759
The average of the salaries of the full-time employees who are not in a managerial position	845	901	988
The medium of the salaries of the full-time employees who are not in a managerial position	793	852	938

Note:

1. "Full-time employees" refer to those whose working hours reach the normal working hours stipulated by the Company or legal working hours. Those who do not follow the normal working hours and work more than 35 hours a week averagely are classified as full-time employees. Those who work under such hours belong to part-time employees (may be the part-time worker, hourly-paid employees and students in the industry-university collaboration projects).
2. "Gross salary" refers to the employees' salary income of the current year. It adopts the concept of accrual basis and include regular wage (base pay and monthly fixed allowances and bonuses), overtime pay and non-regular wage (non-monthly bonuses). In addition, employee compensation (cash or stock) allocated to employees as prescribed in the Articles of Incorporation should be included in gross salary. However, the valuation amount of share-based payment (such as employee stock options, transfer of treasury shares to employees) is not included.
3. "Not in a managerial position" refers to general employees excluding managers. The term "managers" applies to (1) president and equivalent level; (2) vice president and equivalent level; (3) assistant manager and equivalent level; (4) the head of the financial department; (5) the head of the accounting department; (6) other persons who have the right to manage the company's affairs and sign.
4. In 2020, the employee salaries increased due to the growth in the operating conditions compared with 2019, and the relevant bonuses (year-end bonus, surplus bonus) and the employee compensation distribution are higher.
5. The number of full-time employees who are not in a managerial position increased by 3.36% compared with the previous year; the average of the salaries increased by 9.65% compared with the previous year; the medium of the salaries increased by 10.1% compared with the previous year.

## ⦿ Remuneration of New Employees

The major operating bases are in Taiwan, and the salary payment range of formal employees is determined based on the positions, as well as individual employee's education, experience, skills, work performance, and development potential. New employees will not be treated differently due to gender, age, place of birth, race, marital status, religion, appearance, physical disability, start sign and blood type, and performance appraisal will be conducted regularly as a reference for salary adjustment. The monthly regular salary (fixed salary and work bonus) of all new entry-level personnel was a multiple of local (Taiwan) statutory basic salary (NTD 23,800) in 2020, as shown in the following table.

New entry-level employees in different categories	Administrative staff	Technician	Engineering staff
Multiple	1.39 times	1.58 ~2.0 times	1.68 ~1.97 times

Note:

1. The salary of administrative and engineering staff was calculated based on the salary of university graduates without working experience.
2. The Company requires its suppliers to sign the Supplier Social Responsibility Commitment, and the commitments include labor rights and human rights and confirmation that the working hours and salary of workers comply with local laws and industry standards.

## Employee Benefits

### ⦿ Labor-Management Communication

The Company does not hinder the right to freedom of association<sup>Note</sup> and enterprise unions have been established in all operating bases, with labor-management meetings being regularly held. Trade union members can elect labor representatives to participate in labor-management meetings for labor-management communication, coordination of labor-management relations and promotion of labor-management cooperation. In 2020, more than 98% of employees in the Company joined the trade union. Starting from September, 2019, we initiated the collective agreement negotiation meeting with the enterprise union in Miaoli Works. On December 17, 2020, under the witness of Miaoli County Government and officials of Ministry of Labor, Miaoli Works and the enterprise union have finally signed the collective agreement. Collective agreements have not yet been signed in other works.

The Company has set up the Employee Welfare Committee and the Supervisory Committee of Workers' Retirement Fund, both of which have representatives elected by the enterprise union to serve as the committee members to supervise and protect the employees' rights and interests.



Member Representative Conference in  
Kaohsiung Works

Note: The current operating bases of the Company (subsidiaries excluded) include the Head Office, Taoyuan Works, Miaoli Works, Taichung Harbor Logistic Office, and Kaohsiung Works. There are various types of cooperation with our suppliers, including that finished products, materials and equipment suppliers send employees to the works to implement work or transport materials or that dispatched manpower enters the works to provide labor services. However, due to Trade Secret Law and the Personal Data Protection Act, the Company cannot obtain employment information between our suppliers and their workers. Therefore, it is unlikely to determine whether individual suppliers hinder their employees' right to freedom of assembly or association or whether they refuse collective bargaining.





## The Signing of Collective Agreement

Employees are important assets of the Company. We attach great importance to bilateral communication with our employees. We establish a harmonious labor-management relation through smooth and diverse communication channels to attract and retain excellent talents, improve cohesion, centripetal force and productivity of our employees to enhance our corporate competitiveness.



To maintain smooth communication channels, we respect the employees' rights to freedom of association. Our employees have the right to organize and join various associations and organizations. Enterprise unions have been established in our Head Office in Taipei, Taoyuan Works, Miaoli Works, and Kaohsiung Works. As of December 31, 2020, the ratio of company employees joining the enterprise unions reached 98% and above. In addition, the Company also regularly holds labor-management meetings to coordinate labor-management relations and promote labor-management cooperation, avoiding labor disputes and improving work efficiency.

The Enterprise Union in Miaoli Works proposed the negotiation of collective agreement in May, 2019, and the first consultation meeting was held on September 27 of the same year. After nine times of consultation, the Miaoli Works and the enterprise union have finally signed the collective agreement on December 17, 2020.

The collective agreement was signed after taking into account labor-related laws and regulations and full discussion by representatives of both the labor and the management. The contents of the collective agreement include the working hours of employees participating in trade union activities and conference affairs, employee attendance, compensation bonuses, personnel transfer, employee punishment, labor dispute settlement, employee education and training, safety and health, etc. The signing of the collective agreement helps protect the rights and interests of both the labor and the management, promote labor-management harmony, and create a win-win situation for both the labor and the management.









## Employee Benefits

Tung Ho Steel regards employees as the most important assets of the Company. In order to take full care of the employees and provide great working conditions to satisfy employees' needs, we not only provide basic protection in accordance with legal requirements but also specifically provide or sponsor the promotion of welfare programs with establishment of the Joint Employee Welfare Committee among the major operating bases (including the Head Office, Taoyuan Works, Miaoli Works, Taichung Harbor Logistic Office, and Kaohsiung Works) to organize various employee welfare activities and subsidies. The current welfare measures are as follows.



Kaohsiung Works Chaishan Hiking Club

### List of the benefits of full-time employees

 <p><b>Amiable benefits</b> Educational grants for employees' children, cash gifts on three festivals, birthday cash gift, grants for weddings and funerals, club subsidies, retirement subsidies, etc.</p>	 <p><b>Company facilities</b> Staff canteens and dormitories are in the plant area, taking care of the employees by providing meals and accommodation for those from other cities or have problems commuting.</p>
 <p><b>Perfect insurance system</b> We provide employees with best care and protection. Employees not only enjoy labor insurance and national health insurance as required by law, they are also covered by group insurance (including foreign employees), including life insurance, accident insurance, business accident insurance and business travel insurance to ensure the employees' safety at work and in life.</p>	 <p><b>Club activities</b> We subsidize employees to establish clubs. The club established include the Mountain Climbing Club, Softball Club, Golf Club, Badminton Club, Hiking Club, Table Tennis Club and so on, and the club activities are held on an irregular basis. We encourage our employees to participate in more health activities, such as walking, fitness exercises, aerobic exercises and so on.</p>
 <p><b>Employee bonuses</b> Employee compensation: Surplus will be allocated to share with employees if there is surplus in the business year. Employee stock options: When there is issuance of common stock for cash, part of the new shares will be reserved and purchased by employees.</p>	 <p><b>Taking care of employees' health</b> We regularly provide health checks for our employees, establish integrated occupational medical and health services, provide healthcare information and organize health education on an irregular basis to promote the physical and mental health of the employees.</p>

## Parental Leave without Pay

In 2020, a total of 5 employees applied for parental leave without pay (2 males and 3 females). A total of 4 employees (1 male and 3 females) were due to be reinstated, and the actual number of reinstated employees was 4 (1 male and 3 females), and the reinstatement rate reached 100%. The retention rate was 100% in 2020.

Item/Year	2016			2017			2018			2019			2020		
Gender/Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
The number of employees eligible for application for parental leave without pay (A)	117	5	122	135	5	140	127	6	133	120	13	133	109	14	123
The number of people who actually applied for parental leave without pay of the current year (B)	1	1	2	4	2	6	1	1	2	1	3	4	2	3	5
The number of employees who should be reinstated after parental leave without pay of the current year (C)	1	2	3	2	2	4	3	2	5	1	3	4	1	3	4
The number of employees who were actually reinstated after parental leave without pay of the current year (D)	1	1	2	2	1	3	3	1	4	1	3	4	1	3	4
The number of people who were actually reinstated after parental leave without pay in the previous year (E)	1	0	1	1	1	2	2	1	3	3	1	4	1	3	4
The number of employees who were actually reinstated in the previous year and has been reinstated for 12 months (F)	0	0	0	1	0	1	1	0	1	3	1	4	1	3	4
The reinstatement rate of the current year %(D/C)	100	50	67	100	50	75	100	50	80	100	100	100	100	100	100
The retention rate of the current year %(F/E)	0	0	0	100	0	50	50	0	33.33	100	100	100	100	100	100

Note: The number of employees who were eligible to apply for parental leave without pay in 2020 was calculated based on the number of employees who had taken paternity leave and maternity leave from January 1, 2017 to December 31, 2020.

## ⦿ Retirement System

The Company has set up the pension plan for the employees in accordance with the Labor Standard Act and Labor Pension Act and has approved the establishment of the Supervisory Committee of Labor Retirement Reserve. Actuarial calculation of the labor pensions of the old system is made year by year ( from 2015 to 2017 the allocation rate was 7%, and starting from 2018, the allocation rate was adjusted to 10%)<sup>Note</sup>, and a meeting is convened regularly to protect the employees' rights and interests. As of the end of 2020, the pension reserve has been sufficient to cover the pension of employees who are qualified for retirement in a year. A 6% of monthly contribution to the individual pension account in accordance with the Monthly Contribution Classification Table is made for employees eligible for the new pension system, and the voluntary contribution percentage ranges from 0%~6%. As of the end of 2020, employees applicable to the pension system accounted for 86.5%. Temporary employees are specific fixed-term contract personnel, and do not apply to the pension system.

Note: Please refer to P35 of the Individual Financial Statement for Q4/2020 and P41 of the Consolidated Financial Statement for Q4/2020 for detailed information concerning labor pension.

## Termination Notice Period

The Company abides by the provisions in Labor Standards Act for the minimum period of advance notice when terminating a labor contract. Such period of advance notice has not yet been stipulated in the collective agreement.

1. Where a worker has worked continuously for more than three months but less than one year, the notice shall be given ten days in advance.
2. Where a worker has worked continuously for more than one year but less than three years, the notice shall be given twenty days in advance.
3. Where a worker has worked continuously for more than three years, the notice shall be given thirty days in advance.

## 5-3 Career Development and Training

### Performance Appraisal

The Company conducts regular performance appraisal annually, and the assessment items and standards are set in accordance with the job title and job content as a reference for the issuance of year-end bonus, promotion, or salary adjustment. The performance appraisal will be conducted for all employees except for those who have been employed for less than six months, who have taken more than a quarter of the personal or sick leave or those who are on leave without pay and are not yet reinstated.

Regular performance appraisal											
Year		2016		2017		2018		2019		2020	
Category		Number of people	Ratio	Number of people	Ratio	Number of people	Ratio	Number of people	Ratio	Number of people	Ratio
High-level management	Male	15	100%	16	100%	16	100%	15	100%	14	100%
	Female	3	100%	3	100%	3	100%	2	100%	2	100%
Division head	Male	28	100%	26	100%	28	100%	34	100%	32	100%
	Female	3	100%	3	100%	3	100%	3	100%	3	100%
Section chief	Male	68	100%	68	100%	72	100%	75	100%	78	100%
	Female	7	100%	6	85.7%	6	100%	6	100%	6	100%
Other personnel	Male	1,231	94.3%	1,230	91.1%	1,243	88.5%	1,182	81.8%	1,214	81.5%
	Female	113	95.8%	119	96.8%	117	91.4%	130	95.6%	128	95.5%
Total	Male	1,342	94.7%	1,340	91.8%	1,359	89.4%	1,306	83.2%	1,338	83.0%
	Female	126	96.2%	131	96.3%	129	92.1%	141	95.9%	139	95.9%

Note: The performance appraisal period for full-time employees is from January 1 to December 31 every year; the performance appraisal period for temporary employees is from the on-board day to the anniversary date.

## Talent Cultivation

To stimulate the potential of our employees and enhance their professional capabilities, we have provided diverse learning resources and channels, including the orientation training for new recruits, technical and professional training for various functions, management training for supervisors at all levels, and general education courses like languages and courses in arts and humanities. It is hoped that all employees can be in appropriate job fit through a complete education and training system to enrich the human resources of the Company.

We have established regulations on integrity and anti-corruption, including the Ethical Corporate Management Best Practice Principles, Procedures for Ethical Management and Guidelines for Conduct, Corporate Governance Best Practice Principles, Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managers, and Work Rules for Employees. In addition, we also carry out communication or training concerning anti-corruption on an irregular basis. In January, 2020, we established the Risk Management Policy and Procedure that includes the recognition, prevention and control of fraud risks to strengthen corporate governance and integrity management. In 2020, the education and training course entitled “Anti-corruption norms and case study under the principle of integrity” was held for supervisors, sales personnel, trade/material personnel, finance and accounting personnel, and procurement personnel company-wide, and a total of 118 people participated in the course, with a total of 236 training hours.

In addition, to strengthen the concepts of human rights and corporate social responsibility of our employees to protect their own rights and interests, relevant matters and regulations issued by the competent authorities, such as insider trading-related laws and regulations, advocacy of major information, and Q&A on handling guidelines will be emailed to all employees and also released on the intranet of the Company from time to time. In addition, we also publicize anti-corruption and sexual harassment prevention measures and require all employees to read relevant contents to strengthen the concept of compliance.

For unfit employees, the Company has set up relevant measures for performance improvement. Supervisors will help such kind of employees to identify areas needs improving, set up improvement plans and take corresponding measures. Three to six months will be provided for improvement. We aim at achieving the purpose of enabling employees to be in appropriate job fit.

Employee career education and training system		
Training course	Course	Description of training course
 Training for new recruits	Orientation training for new recruits	Provide courses for new recruits to understand the company organization, the management system and the working environment, safety and health, integrity management, anti-corruption, sexual harassment prevention and so on to help them shorten the adaptation period and give full play to what they are good at as soon as possible.
	Training Within Industry for Supervisors (TWI)	The courses include work interpersonal relationship training, work methods and work improvement to enhance their management capabilities and to cultivate the tacit agreement in the group.
 Management training	HQMTP Training	Standardize the management process, including handling problems, improvement of work, and communication skills. Through case study, role play and other learning methods, trainees can understand the procedures of handling things, which can improve the overall management efficiency and leadership skills.
	Internal lecturers training program	Through the internal lecturers training program, valuable management and technical experience of the Company can be passed on, and employees can also cultivate their second expertise.
	Management meeting for mid-dle and senior management	The operation and management meetings are held every quarter to discuss the development strategies, current financial conditions, and the trends in the iron and steel industry in the world. Every year, the Company expands the operation and management meeting through visiting related industries, physical activities, keynote speeches and others to build consensus.
	Tung Ho Steel Growth Camp	Project discussion is carried out. Members of each team can have a better understanding of the operations of the Company by joining in activities. The cohesion among them can be enhanced by assisting with the preparation related affairs for the expansion of operation and management meetings.
 Professional functions training	Professional training	Different contents of professional training are designed for different functions, such as personnel, accounting, procurement, information, sales, engineering, and machinery. The training is based on internal training and supplemented by external training to help the employees improve their work capabilities.
	Safety and health training	Necessary safety and health education training is given to new recruits and in-service employees to enhance their awareness of work safety and health and emergency response capabilities to ensure work safety.
	License training	In addition to training for the license necessary for work, we also encourage our associates to obtain various professional licenses and certification to improve and expand their professional functions.
 General education course	Human rights and corporate social responsibility-related training	Training of integrity management, anti-corruption, and sexual harassment prevention measures to enhance their concepts of human rights and corporate social responsibility.
	General education courses like languages and courses in humanities and arts	Improve the employees' language abilities and cultivate their life through extensive learning.





Visiting event



Zero disaster education and training

Statistics of the education and training hours over the years											
Position		High-level management		Division head		Section chief		Other personnel		Total	
Item		Training hours	Average training hours per person	Training hours	Average training hours per person	Training hours	Average training hours per person	Training hours	Average training hours per person	Training hours	Average training hours per person
2016	Male	462	31	668.5	24	1,889	28	27,564.5	24	30,591	24
	Female	32	11	80.5	27	188.5	27	1,832	16	2,133	16
	Total (person) hours	494	27	749	24	2,077.5	28	29,396.5	23	32,724	24
2017	Male	352	22	592	23	2,193	32	31,680	27	34,817	27
	Female	32	11	181	60	286	41	2,053	17	2,552	19
	Total (person) hours	384	20	773	27	2,479	33	33,733	26	37,369	26
2018	Male	544	34	919	33	2,735	38	28,095	20	32,293	21
	Female	51	17	63	21	194	32	1,817	14	2,124	15
	Total (person) hours	595	31	982	32	2,929	38	29,912	20	34,417	21
2019	Male	288	19	918	27	2,139	29	30,202	25	33,547	25
	Female	44	22	113	38	110	18	2,883	21	3,150	21
	Total (person) hours	332	20	1,031	28	2,249	28	33,085	24	36,697	24
2020	Male	330	24	630	19	2,091	26	30,537	24	33,587	24
	Female	62	31	31	10	181	30	2,814	21	3,088	21
	Total (person) hours	392	25	661	18	2,272	27	33,351	24	36,675	24

Note: Due to the nature of the work in the Company, the gap in the proportion of male and female employees is large, and therefore, the difference in the average training hours for male and female employees is also large.

## Education and Training of Human Rights for Security Personnel

We have set clear human rights policy that include diversity and tolerance and equal job opportunities, provision of safe and healthy working environment, respect of employees' freedom of assembly and association, and public declaring of the Prohibit Workplace Violence Written Statement to advocate human rights education.

The guards are all full-time employees of the Company, and there are no external security personnel. All the new security personnel in all facilities receive the orientation education and training (including human rights policy and relevant regulations). During the training, we also arrange learning on the job program in different shifts for them to understand the work items and practical operations of each post. The new security personnel will be officially appointed after passing the assessment. The supervisor will conduct assessment on an irregular basis to ensure these guards perform their duties in accordance with the relevant regulations of the Access Control Management Measures. We arranged courses of "Advocacy of Sexual Harassment Prevention Measures" and "Human Rights & Safety and Health Education Training for Security Personnel" in 2020.

## 5-4 Occupational Health and Safety

Tung Ho Steel regards its employees as the greatest assets of the Company. We value the rights and opinions of our employees and attach great importance to their safety and health. Attention is constantly paid to maintain the safety and hygiene of the working environment. We take care of our employees in many ways to cultivate them and assist them with self-development and improvement to enable our employees to work happily and have adaptive development, making Tung Ho Steel a happy enterprise that has harmonious labor-management relations and achieve win-win situation between capital and labor.

### Environment, Health and Safety (EHS) Policy



#### Safety and health policy

- Respect life, provides education and care
- To have safety and health measures in place to prevent employees from injuries
- Safety first, zero disasters, continuous improvement, and commitment to corporate sustainable development
- Compliance, risk management, full participation, education and training, health promotion and continuous improvement



#### Environmental policy

- Care for the environment and respect life
- Compliance, continuous improvement, pollution prevention and control and sustainable management
- Continue to reduce waste, maintain the natural environment, improve the working environment and be dedicated to corporate sustainable development

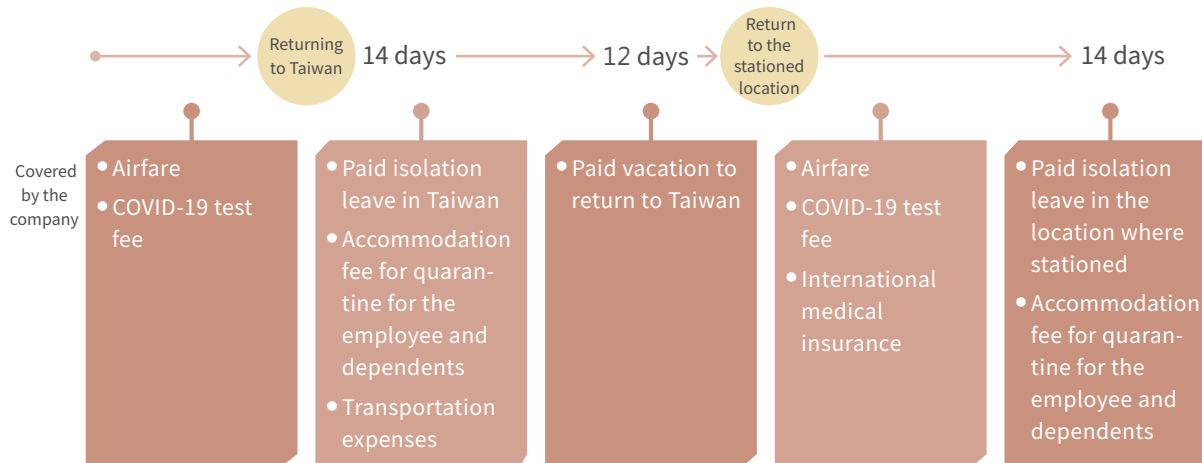





## Enabling Personnel Stationed Overseas to Return to Taiwan Safely in Response to the Impact of COVID-19 Epidemic

Due to the continuous spread of COVID-19 epidemic, all countries have adopted control and quarantine measures at the borders, leading to drastic decrease or suspension of flights. In addition, the isolation and quarantine measures for epidemic prevention for the round-trip have greatly increased the costs for our personnel stationed overseas to return to Taiwan (including costs for quarantine hotels, COVID-19 testing, international medical insurance and so on), making it so difficult for the personnel stationed abroad to return to Taiwan to visit families and relatives.

To empathize with these dispatched personnel, Tung Ho Steel has set up related projects and subsidies for these personnel. For those who are unable to return to Taiwan due to the epidemic, the Company will issue the “flight ticket subsidy” every two months and the “subsidy for not returning to Taiwan” every six months, converting the “non-returning leave” into subsidies. In addition, in response to the different quarantine measures of different countries, the costs of returning to Taiwan has increased. We provide measures for “Project for Returning to Taiwan During Epidemic” and the personnel stationed overseas can return to Taiwan for a 12-day vacation every six months, and paid isolation leave is also provided, which includes the 14-day home quarantine in Taiwan and the time it takes in the country where they are stationed and related accommodation expenses. If the personnel stationed abroad return to Taiwan with their dependents, the Company will cover the quarantine related expenses. As of 2021Q1, a total of 34 employees have used the subsidy measures of this project. We hope to go through the epidemic with our employees together.

### Project for Returning to Taiwan During Epidemic (Every 6 months)



Subsidy for not returning to Taiwan due to epidemic		
Item	Measures	
 Flight ticket subsidy	Flight ticket subsidy is issued to those not returning to Taiwan every two months.	
 Subsidy for not returning to Taiwan	Subsidy for not returning to Taiwan is issued every six months.	
 Converting vacation for returning to Taiwan into cash	The number of days of vacation to return to Taiwan not taken is calculated every 6 months and is converted to the salary of the month.	

The Company's three works implement safety and health management work step by step in accordance with the PDCA of the occupational safety and health management system and have converted the ISO 45001 verification in 2020. The scope of implementation and applicable objects of this system cover all the operating sites and all the workers in the works. Those for the contractors/ subcontractors are stipulated in the contracts. Our Taipei Office has already obtained ISO 45001 verification and TOSHMS verification in 2021.

Our occupational safety and health management system applies to all the operations covered in ISO 45001: 2018 and Taiwan Occupational Safety and Health Management System (TOSHMS), including all the internal and external issues, all the corresponding compliance obligations, and occupational safety and health risks caused by internal and external stakeholders that can be controlled within the scope of its capabilities due to activities and services derived from order control, procurement of raw materials, production preparation, manufacturing, storage, shipment and use of products. In addition, relevant management and operation of all the process of the personnel's external services are also included. With this system, the safety and health of all personnel can be ensured to achieve comprehensive safety and health management, aiming at creating a zero-disaster working environment.

### Verificaiton certification of Occupational Safety and Health Managemet System



Head Office  
until May, 2024

Taoyuan Works  
until Aug, 2022

Miaoli Works  
until Aug, 2023

Kaohsiung Works  
until April, 2023

### Verificaiton certification of TOSHMS



Head Office  
until May, 2024

Taoyuan Works  
until Aug, 2022

Miaoli Works  
until Aug, 2023

Kaohsiung Works  
until April, 2023

## Occupational Safety System and Performance

Tung Ho Steel regards its employees the most important assets and strives to provide a healthy, safe and friendly working environment to promote the mental and physical health of the employees for them to exert their energy to the maximum at work, enhancing the overall competitiveness of the Company.

### Occupational Safety and Health Committee

The Occupational Safety and Health Committee is composed of the head of the works, unit supervisors, occupational safety and health management personnel, occupational health nurses, and representatives assigned by the enterprise unions, with the factory director serving as the chairman and the director of the Labor Safety Center as the management representative. The Committee is convened once a month to discuss issues related to potential risks of safety and health in the works, deliberate and track safety and health meeting affairs, and make decisions and give instructions concerning safety and health related issues in the Company. The Committee is convened once a quarter in the Head Office.



The scope of the Committee's review includes safety policies, safety and health management plans, education and training implementation plans, autonomous inspections and safety and health audits, work environment monitoring plans, safety and health proposals, preventative measures for various machinery and equipment and raw material-related hazards, health management, occupational disease prevention, health promotion, occupational disaster investigation reports, management it is in charge of and other matters related to occupational safety and health management.

Worker representatives participating in the Occupational Safety and Health Committee are all elected by the enterprise unions, accounting for 40% of the committee members averagely, and our contractors/ subcontractors are also invited to participate. In terms of health and safety issues, in addition to the communication and coordination with workers for solutions in Committee meetings, education and training for new employees, monthly industrial safety inspection, safety observation, safety talks, annual health checkups, and health management are also organized regularly, and the release of ISO 45001 Occupational Health and Safety Management Standards is closely paid attention to for active responds. Activities such as industrial safety promotion meetings and propaganda of occupational preventions of the Labor Inspection Office are organized on an irregular basis. Health and safety related issues have been included in the collective agreement signed between Miaoli Works and the enterprise union.

### ⦿ Contractor Management

In the safety and health hazard risk assessment regulations, the activities and works related to our contractors/ subcontractors have been included into risk identification and assessment. In addition, safety and health operations as well as safety and health violation control and punishment regulations are included in the contract. Regular inspection and audits are carried out on the subcontractors stationed in the works. The Labor Safety Office makes annual assessment, and those who fail the assessment shall not renew the contract. Workers from the subcontractors are also required to participate in safety and health education and training courses held in the works or participate in the health lectures in the meetings of the Occupational Safety and Health Committee and the coordination of important matters in the coordination organization meetings to be informed of new knowledge of safety and health for bilateral communication. The violation fines are specially used to pay for safety and health rewards or for the purpose of improvement or education and training.

According to the requirements of the occupational safety management system standards of the Occupational Safety and Health Management System (ISO 45001), the Company follows related management procedures for non-employee workers whose work and/or workplace is under the control of the organization to ensure a safe and healthy working environment for all the workers and those from the subcontractors in all the works. The proportion of relevant personnel is as follows.

Category of staff	Number of people	Proportion
Employees	1,758	95%
Non-employee workers whose work and/or workplace is under the control of the organization	99	5%
Total	1,857	100%

## ◎ Performance of Industrial Safety

The goal of occupational accident management in all plants aims at zero-disaster as an indicator for enhancing various safety activities in the works. Zero-disaster related activities are supported by providing incentives and commending units with outstanding results. Cause analysis is conducted for each occupational accident in the Occupational Safety and Health Committee meeting, and improvement measures are also presented. In 2020, there are a total of 17 injury accidents in the three works, an increase of 7 cases compared with 2019.

A major fatal occupational accident of the repair work of the scrap trolley happened in Taoyuan Works (some equipment was thus suspended), and the number of injuries caused by unsafe behavior and unsafe working environment increased. Cases of injuries caused by unsafe behavior and unsafe environment in Miaoli Works also increased, and those injured were all male employees while no injuries occurred to female employees. The Company will require continuous improvement, implementation of hazard identification and risk assessment in accordance with the verification of occupational safety and health management system to implement the promotion of safety and health management work.

In view of the unsafe behavior and unsafe environment that cause harm, Taoyuan Works has introduced hazard prediction methods into the courses for shift leaders and chiefs, including hazard prediction meetings and the daily 5-minute toolbox meeting. The AI Team of the Information Technology Division has started to apply AI image automatic detection, surround view monitoring system, and AI automatic protection device to stop operation when detecting the entry of personnel, and warning notification or PA loudspeaker dispersion is immediately made to control or manage unsafe behavior or environment for improved on-site safety and health management based on the areas with hazardous equipment proposed by our three works.

In addition to the discussion of the analysis and corrective measures of the occupational accidents in the previous month reviewed by the president, the Audit Office and the Labor Safety Centers in all factories will also conduct joint cross-plant inspection every quarter and report to the president the deficiencies and corrective measures. For major occupational accidents that require hospitalization, the section chief and the division head should conduct monthly and factory director and deputy director should conduct autonomous management every two months and report to the president for review. In addition, no non-employee workers or other workers (outsourcers or contractors) in all plants suffered from disability injuries or death related to work in 2020.

Types and times of occupational accidents company-wide over the years					
Type / Year	2016	2017	2018	2019	2020
Tumble / fall	5	1	1	0	2
Collision	1	3	0	1	1
Falling objects, collapse	0	0	2	1	2
Mechanical injury	3	2	2	6	5
High-temperature and low-temperature contact	1	1	1	1	4
Others	0	1	2	1	3
Total	10	8	8	10	17



Note:

1. Tumble/falling includes tumble, rolling off and fall; collision includes collisions and being hit; falling objects and collapse includes falling of objects, collapse of objects and collapse; mechanical injury includes being pinched, rolled, cut and bruised.
2. Traffic accidents happened when commuting to or from work are not included in the industrial safety performance.
3. No disability injuries occurred to other workers who were non-employed workers.

Industrial safety performance of the Head Office over the years					
Item / Year	2016	2017	2018	2019	2020
Annual working hours	296,302	322,373	336,883	362,173	359,156
Number of deaths caused by occupational injuries	0	0	0	0	0
Rate of fatalities as a result of work-related injury	0	0	0	0	0
Number of severe occupational injuries (excluding deaths)	0	0	0	0	0
Severe Occupational Injuries (SOI) Ratio (Excluding deaths)	0	0	0	0	0
Number of recordable work-related injuries	0	1	0	0	0
Rate of recordable work-related injuries (FR)	0	3.10	0	0	0

Industrial safety performance of Taoyuan Works over the years					
Item / Year	2016	2017	2018	2019	2020
Annual working hours	1,086,304	1,102,480	1,092,720	1,143,816	1,246,768
Number of deaths caused by occupational injuries	0	0	0	0	1
Rate of fatalities as a result of work-related injury	0	0	0	0	0.80
Number of severe occupational injuries (excluding deaths)	0	0	0	1	0
Severe Occupational Injuries (SOI) Ratio (Excluding deaths)	0	0	0	0.87	0
Number of recordable work-related injuries	3	3	3	4	8
Rate of recordable work-related injuries (FR)	2.76	2.72	2.75	3.50	6.42

## Industrial safety performance of Miaolil Works over the years

Item / Year	2016	2017	2018	2019	2020
Annual working hours	1,280,396	1,279,889	1,334,353	1,335,350	1,357,983
Number of deaths caused by occupational injuries	0	0	0	1	0
Rate of fatalities as a result of work-related injury	0	0	0	0.75	0
Number of severe occupational injuries (excluding deaths)	0	0	0	0	0
Severe Occupational Injuries (SOI) Ratio (Excluding deaths)	0	0	0	0	0
Number of recordable work-related injuries	4	2	3	1	5
Rate of recordable work-related injuries (FR)	5.47	1.56	2.25	0.75	3.68

## Industrial safety performance of Kaohsiung Works over the years

Item / Year	2016	2017	2018	2019	2020
Annual working hours	478,871	486,082	552,203	583,209	614,712
Number of deaths caused by occupational injuries	0	0	0	0	0
Rate of fatalities as a result of work-related injury	0	0	0	0	0
Number of severe occupational injuries (excluding deaths)	0	0	0	1	1
Severe Occupational Injuries (SOI) Ratio (Excluding deaths)	0	0	0	1.71	1.63
Number of recordable work-related injuries	3	2	2	4	4
Rate of recordable work-related injuries (FR)	6.26	4.11	3.62	6.86	6.51

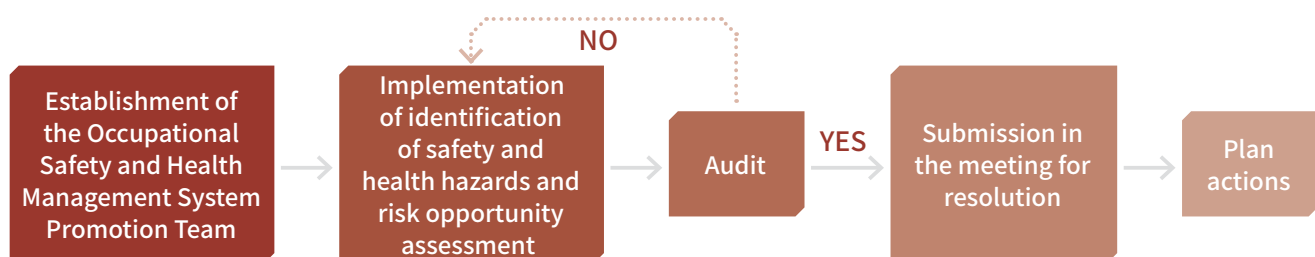
## Note:

1. Traffic accidents happened when commuting to or from work are not included in the industrial safety performance.
2. No occupational accidents occurred to non-employee workers between 2016 and 2020.
3. Rate of fatalities as a result of work-related injury = (Number of deaths caused by occupational injuries/annual working hours)\* 1,000,000
4. Severe Occupational Injuries refers to the condition of the worker that is unable or difficult to be restored to the original healthy state before the injury within 6 months (excluding deaths caused by occupational injuries).
5. Severe Occupational Injuries (SOI) Ratio = (Number of severe occupational injuries (excluding deaths)/annual working hours)\* 1,000,000
6. Rate of recordable work-related injuries (FR)= (Number of recordable work-related injuries/annual working hours)\* 1,000,000

## Reducing Risk of Occupational Accidents

The Company has set up the safety and health hazard identification risk assessment regulations and related procedures in accordance with the Occupational Safety and Health Administration's technical guidelines on risk assessment for the implementation of identification, assessment and control of the work environment and hazards. All the internal and external safety and health hazards that are expected to influence the works include routine and non-routine activities, workers and visitors entering the works, personnel behavior, abilities, and other human factors. Under the control of the works, hazard risk is identified for the hazards existing in the surrounding areas of the workplace due to operating activities and in the revision of the occupational safety and health management system. Identification and assessment results have to be classified into different levels for control. For the unacceptable medium- and high-level of risks, actions and measures are taken to reduce the level of the risk. For the accidents that have happened, hazard identification and assessment has to be done again, the operating standards have to be revised, and the education and training of hazard awareness and identification should be implemented to conduct risk classification management and control to ensure the effectiveness of the management system. All the personnel performing hazard identification and hazard assessment are provided with education and training to ensure the quality of identification.

### Identification of safety and health hazards/ opportunity assessment flowchart

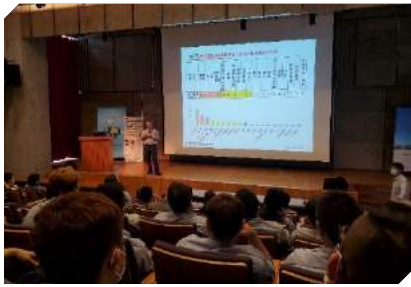


In accordance with the relevant operating procedures for emergency response, when there is concern of immediate danger in the workplace, the employer and the person in charge of the workplace shall stop the operation at once and evacuate the workers to a safe place. When a worker discovers immediate danger while performing his duties, he shall stop the operation on his own and retreat to a safe place without jeopardizing the safety of other workers, and immediately reports to his direct supervisor. The Company will never dismiss, transfer, or fail to pay the wages during the period of the work suspension or impose unfavorable punishment to the work under the circumstances mentioned above.

Most of the time accidents happen due to the lack of safety awareness of the workers. Therefore, how to improve the workers' safety awareness and work habits are the focus of the safety and health education and training in all works. All the works will organize education and training every year based on their needs. In addition to the safety and health courses necessary for new recruits and general employees, there are also training for specialty and emergency response measures based on the job positions, and the safety and health management work of the contractors/ subcontractors are also promoted and assisted. Through the mutual communication for consensus in the process of education and training, the workers can avoid human negligence in their work habits to improve the workers' capabilities of hazard identification so as to reduce potential risk of occupational accidents.

The expenses invested in on-the-job training of safety and health in all works in 2020 amounted to more than NTD 1.92 million, with a cumulative of 16,528 man-hours of training. The funds invested and man-hours of the training increased by 36% and 10% respectively compared with 2019.

## Safety and health education training courses



For the Company to effectively reduce occupational accidents, in addition to the existing safety and health training courses, we also participate in the promotion of relevant labor safety and health projects of the competent authorities of the local regions. We establish a good communication platform to integrate the resources in the public and private sectors through the cooperative relationship between the government and the employer groups to reach the goal of reducing occupational accidents. In June, 2020, the president led 16 medium- and high-level management to participate in the Self-Management Seminar for Senior Management of the Iron and Steel Industry co-organized by the Occupational Safety and Health Administration, Ministry of Labor and Taiwan Steel and Iron Industries Association. Through the review and discussion of cases of major occupational accidents as well as experience sharing and dialogues among the senior management, the companies could be assisted with the reinforcement of the implementation of process risk assessment, the management they are in charge of and the efficiency of self-managed safety and health.

To strengthen the labor safety care of the seven major categories of manufacturing industries and to improve the industries' capabilities for the identification, assessment and control of the work environment and work hazard to reduce the occupational accidents in these industries, the government has invested in the industrial care resources and established the Industrial Intrinsic Safety Promotion Alliance in December, 2019. The basic metal manufacturing industry is also one of the seven major industries.

The Industrial Intrinsic Safety Promotion Alliance is based on the concept of source control to assist the machinery and equipment manufacturers with the implementation of hazard identification in the design and manufacturing stage and taking measures that can reduce risks, enabling the operation risk of machinery and equipment to be reduced to acceptable range. Taiwan Steel and Iron Industries Association invited Professor Chan-Cheng Chen from National Kaohsiung University of Science and Technology to lecture on "Strategy of promoting process safety management in the iron and steel industry" on August 4, 2020 in Taoyuan Works, incorporating the machinery and equipment design into the occupational concept and start from the source control to eliminate hazards during operation so as to reduce the occurrence of occupational accidents. A total of 152 people from the Company, including high-level management, senior on-site supervisors and occupational safety and health personnel participated in this lecture.



Strategy of promoting process safety management in the iron and steel industry

## Environmental Monitoring and Disaster Prevention Drills

### Monitoring of Work Environment

The Company set up work environment monitoring plans and flowchart in accordance with the “Measures for Implementing Exposure Monitoring in the Workplace”, and a quality work environment monitoring agency is appointed for the implementation of regular work environment monitoring. Improvement will be immediately made if there is any abnormality found in the monitoring results to protect the health of the personnel.

Work environment monitoring in all facilities			
Facility	Monitoring points	Monitoring items	Monitoring results and follow-up improvement measures
Taoyuan Works	108	Six items, including noise, Wet Bulb Globe Temperature (WBGT), carbon dioxide, manganese compounds, illuminance monitoring and dust.	Among them only noise exceeded the standards slightly. The employees are urged to put on protective gear. Other items are all lower than the legal standard values.
Miaoli Works	84		
Kaohsiung Works	70	Six items, including noise, Wet Bulb Globe Temperature (WBGT), carbon dioxide, sulfuric acid, methyl ethyl ketone, and dust.	
Head Office	52	Carbon dioxide	Lower than legal standard value

Note: The monitoring points of all facilities include areas and personnel.

### Emergency and Disaster Prevention Drills

To improve the on-site emergency response capabilities in all the works to avoid or reduce injuries of personnel, property loss and environmental impact, various emergency response drills are conducted according to the on-site operation risks. In 2020, a total of 20 sessions of emergency response and disaster prevention drills were held, and the content of the drills are as follows.

Item	Number of sessions	Content of drills
Emergency response	14	<ol style="list-style-type: none"> <li>1. AED&amp;CPR training</li> <li>2. Emergency response drill for operation and maintenance of high-pressure gas storage tanks (PVSA, air tank)</li> <li>3. Emergency response drill for natural gas leakage of heating furnace</li> <li>4. Emergency response drill for LPG tank</li> <li>5. Emergency response drills for high-pressure gas storage tank and high-pressure liquid storage tanks</li> <li>6. Emergency response drill for natural gas operation and maintenance</li> <li>7. Emergency response drill for NG leakage</li> <li>8. Emergency response drills for steel leakage of L/D steel tapping and T/D steel</li> <li>9. Emergency response drill for steel leakage caused by the overhead crane hanging after the L/F process</li> <li>10. Emergency response drill (Production Management Section, Finishing Section)</li> </ol>
Fire drill	6	<ol style="list-style-type: none"> <li>1. Self-defense firefighting team drill/ firefighting and notification process</li> <li>2. Instructions for the use of fire hydrants and hoses</li> <li>3. Firefighting training</li> </ol>



Self-defense firefighting drill



LPG emergency response drill

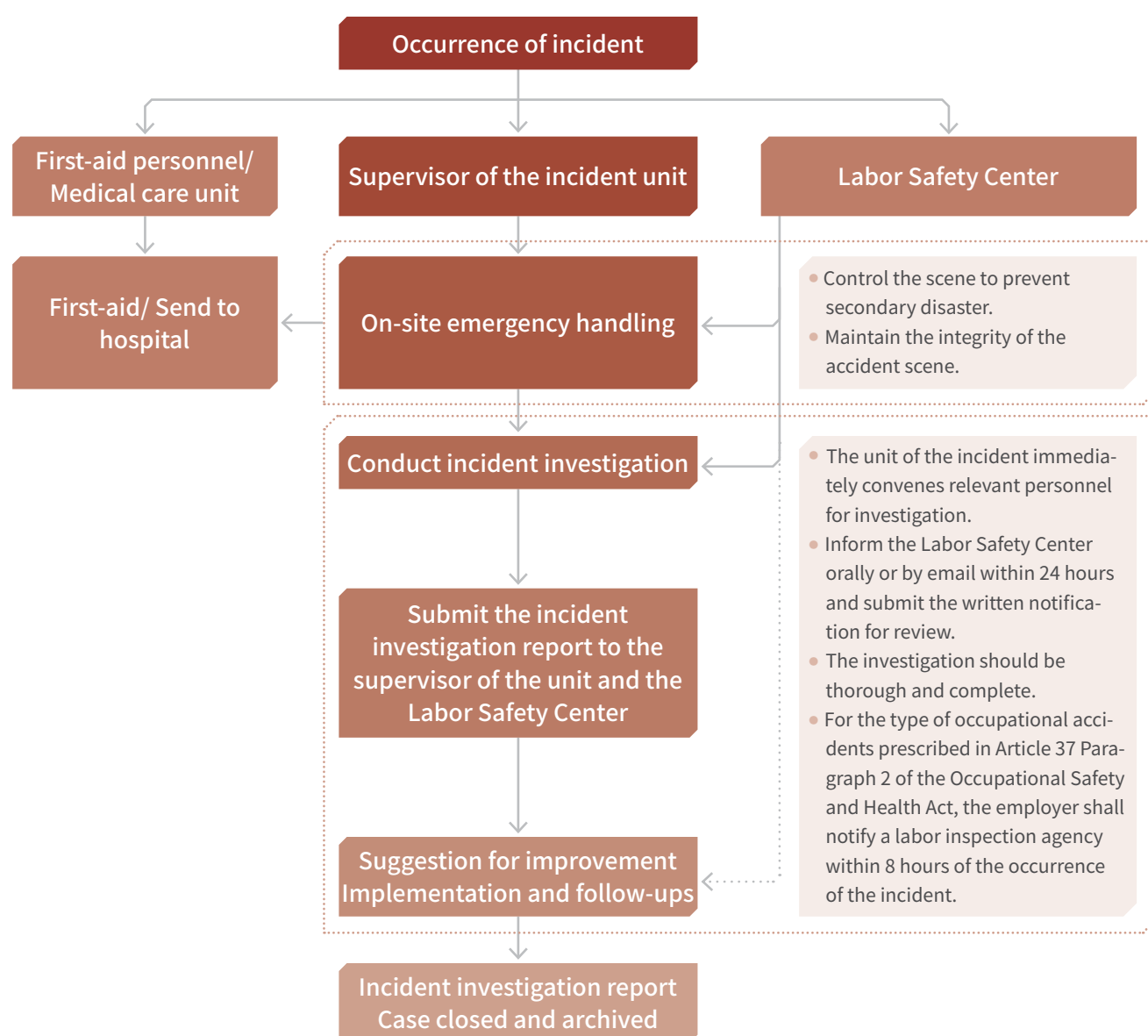


Emergency response drill

## ◉ Control and Prevention of Abnormalities

### ● Notification Procedures of Accidents and Emergency Response

Zero-disaster is the goal of occupational disaster management of all works, serving as an indicator of the improvement of various safety activities in the works. We support zero-disaster related activities by providing incentives and commend the units with outstanding performance. In terms of the operating mechanism of accident management, electronic information management system and on-site incident drills are utilized for the statistics of occupational accidents and cause analysis, and relevant supervisors and parties jointly convene an investigation meeting to thoroughly understand the problem. The investigation results are then used for remedial and improvement measures to eliminate the causes of similar incidents to prevent them from happening again. In addition, all the incidents will be submitted to the Occupational Safety and Health Committee meetings for review. Responsible units shall re-examine the risk assessment in accordance with the safety and health hazard identification risk assessment regulations and make revisions when necessary to establish a complete notification and investigation system. The procedure for the investigation of occupational accidents is as follows.





## Health Promotion

### Health Examination

The Company provides employee health checkups exceeding the frequency and items required by law, including general health examination and special health examination. In addition, the monitoring of the working environment is also conducted to provide the employees with a healthy and hygienic working environment. In addition, professional physicians will conduct statistical analysis of the health management based on the health check reports. The employees will be reminded of follow-up diagnosis and treatment of abnormal conditions, and the health promotion policy for the following year is also planned to provide comprehensive health care and assist our employees with the implementation of self-care management.

The manufacturing process of traditional industries would inevitably generate health hazards like high temperature, noise, and dust. The works control the hazards of the working environment and the employees' health through Measures for Implementing Exposure Monitoring in the Workplace and the special health examination, and the employees' relevant knowledge of emergency treatment of burns and scalds is also promoted. If an abnormal case is found, the Labor Safety Center will conduct case management, and the physician of occupational medicine will provide one-on-one consultation to comprehensively evaluate the factors of the employees' work nature, lifestyles, family history and others to provide suggestions for improvement for the employees and the Company. Furthermore, through hazard education and training, the wearing of protective equipment and inspection are promoted, significantly reducing the personnel's exposure to danger and health hazards, reducing the probability of occupational diseases to the minimum. There has not been any case of occupational disease among our employees over the past 5 years, and there has been no occurrence of occupational disease among workers (whose work and workplace are under the control of the organization).

In all the works, the on-site physician will arrange health consultations for our employees, and the relevant records are kept in the Labor Health Service Implementation Record Sheet. In addition, personnel whose health management is of level 2 or higher in the special health examination will be arranged with health lecturers and individual doctor consultations. When there are still personnel exposing to work hazard on site, hazard control and relevant management measures should be immediately conducted. In 2020, a total of 1,555 people received general health examination while 1,618 received special health examination, and the costs of the health examination totaled approximately NTD 2.66 million, an 18% increase compared with 2019.



Annual employee health check activity

Facility	General health check (person)	Items of special health examination (number of people)							Examination fee (NTD)
		High temperature operation	Dust operation	Noise operation	Ionizing radiation operations	Manganese operations	Supply of meals	Subtotal	
Head Office	156	-	-	-	-	-	-	-	568,430
Taoyuan Works	561	-	252	123	32	3	7	417	943,800

Facility	General health check (person)	Items of special health examination (number of people)							Examination fee (NTD)
		High temperature operation	Dust operation	Noise operation	Ionizing radiation operations	Manganese operations	Supply of meals	Subtotal	
Miaoli Works	573	106	213	273	67	29	8	696	828,495
Kaoh-siung Works	265	-	251	251	-	-	3	505	318,000
Total	1,555	106	716	647	99	32	18	1,618	2,658,725

Note:

1. The Head Office is a non-production unit, and there were no special health checkup items.
2. The employees who reported to the Company in the current year had submitted physical examination report at the time of registration, so health examination was not arranged for them.

◉Care for the Employees’ Health

The Company establishes the health service plan based on the Occupational Safety and Health Act and Regulations of Labor Health Protection and adopts relevant regulations concerning labor health protection and safety and health measures, coupled with the provision of integrated employee health service by professional physicians.

●Establishment of Employee Health Services with Integrated Occupational Medicine

Item of health service	Cycle (method) of implementation
Monitoring of working environment	Every 6 months
Labor physical/health examination and result analysis	New recruits: physical examination before employment On-the-job: Once a year
Health check and health management of work-related abnormalities	Once a year
Matching the labor for fitness for work, and occupationally injured workers’ retuning to work	Handled based on individual workers
Prevention of occupational injury and disease, case management and record keeping	Handled based on individual workers
Prevention of diseases caused by abnormal workload	Annual questionnaire survey, combined health check report and health interview
Ergonomics hazard prevention	Annual questionnaire survey and health interview
Prevention of illegal infringement in the workplace	Handled annually. Incident notification will be handled individually.
Maternal health protection in the workplace	Implemented annually. Pregnant employees will be managed on a case-by-case basis.
Implementation of high-temperature work protection	Promote heat injury related knowledge, and provide ice cubes, ice pillows, electrolyzed water and foaming ingots for use.

Item of health service	Cycle (method) of implementation
First-aid personnel and equipment management	<ol style="list-style-type: none"> <li>1. Provide qualified first-aid personnel and adequate first-aid supplies in accordance with regulations</li> <li>2. A total of 15 AEDs have been installed in the works.</li> <li>3. The infirmary is equipped with medical supplies, beds and so on to provide basic nursing care.</li> </ol>
Health education guidance and health promotion	<ol style="list-style-type: none"> <li>1. Arrange interviews with the occupational physician based on the worker's individual needs, and relevant records are managed.</li> <li>2. Organize health lectures (prevention of betel nut and tobacco hazards, prevention of cardiovascular diseases, and prevention of special work hazards)</li> <li>3. Post information of medical and health education (emergency treatment for burns and scalds) and organize group health education on an irregular basis.</li> </ol>
Implementation of dengue fever breeding source inspection and prevention	Implement dengue breeding source inspection and prevention records in accordance with the regulations of the competent authority to maintain a clean and healthy environment in the works and reduce the changes of getting dengue fever.
Propaganda of other epidemics or infectious diseases	The occupational physician provides relevant protection information of influenza, enterovirus, and foreign infectious diseases such as measles, cholera, Zika virus, Ebola virus, and severe special infectious pneumonia (COVID-19) for the workers to refer to.

To cooperate with the government's anti-epidemic work, the occupational medical physicians will implement health education propaganda to the employees in accordance with the epidemic seasons and regions of various diseases, and carry out strengthened prevention measures (such as taking the temperature, self-health management at home, split operation, weekly rolling information of travel history and contact history survey and so on.)

In 2020, a total of 467 people participated in health interviews, including 252 people for consultation, 145 people for fitness for work evaluation, 40 people for return to work evaluation, 4 people for maternal health protection, and 26 people for work overload.

### Employee health protection and health promotion



Health lecture on "Impact of Betel Nut"



Report on Aortic Dissection in the Occupational Safety Meeting





# 6 Social Prosperity

6-1 Community Participation

6-2 Social Participation

Special Column: Promoting Recycling and Reuse of Steel  
through the Anne Times

## 6-1 Community Participation

The Company attaches great importance to the interaction with the residents in the neighborhood. We conduct regular environmental monitoring to let the stakeholders (community residents) understand that the environmental monitoring items meet the legal requirements. We invest in environmental protection and engage in good neighbor activities like community charity activities to reduce environmental safety risk of the neighbors, promote the interaction with the neighboring residents, and fulfill our corporate responsibility.

In the survey of the development plan for Taoyuan Works, 3 protected species are discovered in the Ecological Conservation of Algal Reef, approximately 12 km away from Taoyuan Works. The goal to accomplish the construction and at the same time maintain the environmental quality was achieved through the EIA and strengthened monitoring during the construction period. Miaoli Works is located next to the Provincial Highway No. 1. Although it is not close to ecological reserve, it still conducts regular environmental testing and risk identification to understand the status of environmental impact of the production activity. Kaohsiung Works is located in the industrial area, complying with the EIA of the industrial area, and thus does not belong to sensitive ecological reserve or protected habitat.

Overall, the production activities, products and services of the Company do not have significant impact on the protected zone or areas with important biodiversity significance. In 2020, Tung Ho Steel did not receive any petition for affecting the ecological zone.



To avoid impacts on the living environment locally and by upholding the principle of maintaining good relationship with neighbors, we promote good neighbor activities and aim at maintaining a harmonious relation with local communities. Contents of social participation of the three works are as follows.

Social participation of the three works	
Facility	Content of social participation
Taoyuan Works	<ul style="list-style-type: none"> <li>Actively conduct environmental monitoring regularly to understand the environmental impacts caused by production activity.</li> <li>Regularly assist with the mowing of weeds on the neighboring roads to play the role of a good neighbor.</li> <li>Actively visit the neighboring communities on an irregular basis, participate in community charity activities, and sponsor neighboring schools and club activities.</li> <li>During the construction and operation period, conduct the environmental monitoring every quarter in accordance with the content of the environmental impact statement, and the monitoring items include air quality, noise, vibration, water quality, transportation, ecology, and soil. Currently the monitoring results all meet the environmental related regulations.</li> </ul>



## Social participation of the three works

Facility	Content of social participation
Miaoli Works	<ul style="list-style-type: none"> <li>• Add the environmental impact and occupational safety and health risk assessment before the implementation of the new manufacturing process.</li> <li>• Conduct sampling for the environmental impact assessment every quarter, and the monitoring items include air quality, noise, vibration, surface water quality, groundwater, and soil. The monitoring results of the above items all met legal requirements.</li> <li>• Assign dedicated personnel to actively participate in community development associations and village meetings.</li> <li>• Sponsor activities of the township offices, neighboring schools, and clubs.</li> <li>• Adopt nearby streetlights and clean the roads around the works every day.</li> </ul>
Kaohsiung Works	<ul style="list-style-type: none"> <li>• Participate in the Labor Safety and Health Promotion Meeting of Kaohsiung Linhai Industrial Zone every two months. To strengthen the industrial safety awareness and independent management capabilities of the manufacturers in the industrial area, occupational accident prevention observation meetings are often organized.</li> <li>• Visit the neighboring communities from time to time, and sponsor the community activities, school activities and festivals.</li> <li>• The plant supervisors participate in the good neighbor activities.</li> </ul>

Note: The Company only implements local community assessment and engagement in important production plant areas. Kaohsiung Works is located in the industrial zone and does not add new manufacturing process, and therefore does not have operations with significant actual or potential negative impacts.



Beach cleanup activity at Caota Sand Dunes



We support and encourage the girls baseball team in Siaogang Senior High School



Roadside weed mowing



## 6-2 Social Participation

Tung Ho Steel not only is dedicated to the provision of high-quality products and services to our customers, but also participates in social welfare activities actively to fulfill its corporate responsibility. The Company participates in diverse public welfare activities, including educational sponsorship, academic awards, arts and humanities, major disaster relief and project donations. In 2020, the total donation of Tung Ho Steel totaled more than NTD 6.88 million. For Taiwan, economic construction, the most fundamental architecture, has become more and more solid. The establishment of Hou Jindui Distinguished Honor Award and the Tung Ho Steel Foundation have gradually built up the “superstructure” for academic development and culture & arts. This further demonstrates Tung Ho Steel’s spirit of dedication and contributions, and what is more, the strong commitment to grow together with this land.

### HO CHIN TUI FOUNDATION

Ho Chin Tui Foundation was established in 1975, and has been committed to rewarding young students excellent in conduct and learning as well as diligent students from disadvantaged families. Due to the changes in the social environment later on, it was rare for students to discontinue their studies for poverty. Therefore, Ho Chin Tui Award was set up in 1991 to provide rewards to outstanding scholars who have been making long-term efforts and significant contributions to the development of the industries and economy in Taiwan in four major fields, including basic science (mathematical physics and biology), material science, metallurgy and environmental protection. Since 2006, the green building category has been also added, providing substantial rewards to those with outstanding achievements and contributions. The foundation was renamed in 2021, and it carries forward the purpose of the foundation to nourish great talents to encourage people to work hard, enjoy doing good deeds and promote talents, aiming at its sustainable development and expanding the scope of giving back to the society. The substantial rewards include the awarding of Medal of Honor and rewards of NTD 600,000. As of the end of 2020, there have been a cumulative of 163 winners of this award.



Ho Chin Tui Award ceremony 2020

## Sponsor the Graduation Design Exhibition of Architecture Department in Universities

The Architecture Department in the universities are the cradles for nurturing domestic talents in architecture, and “Graduation Design” is the last mile of the course to obtain the degree. Students have to search for topics for exploration, from the society to humanities, environment, and inner perception. Whether it be an issue focused on social awareness, urban life, or environmental issues, architecture is not only a professional technology but one integrating all aspects to show the value of architecture. Steel is a material shaping urban and living space, and it is also a building material combining strength, toughness, and safety. Tung Ho Steel supports students in Architecture Department to construct a media of public communication through diverse creation to generate feedback and imagination of their own lives and the future world. Tung Ho Steel sponsored the graduation design exhibition of Department of Architecture of National Cheng Kung University, National Quemoy University, Tunghai University, and Ming Chuan University, with a total of NTD 100,000.

### Tung Ho Steel Foundation

Tung Ho Steel has supported cultural and artistic activities in Taiwan for a long time. On the 50th anniversary of its establishment, the Company established the Tung Ho Steel Foundation with an aim to enhance the cultural and artistic literacy of people in Taiwan, cultivate talents in art, promote art education and cultural and creative industry, and organize or sponsor a number of cultural and artistic activities to promote the integration of iron and steel industry and culture. We invited artists to enter Miaoli Works for the creation of steel sculptures, being one of the important cases of cooperation between enterprises and artists in Taiwan, and the work was also awarded the Best Creativity Award of the 10th Art & Business Awards by the Ministry of Culture.

The foundation invited international artists Mamoru Nakagawa and Li Chi-Man to create work in the works in 2019, and the album was completed and published in April, 2020, which is a collection of interviews of artists, ideas of creations, photos of their works, and important graphic materials of art media reports. The foundation specially invited scholars of art history to reproduce the highlights of the creation process of these artists in the works, leaving precious record for the project. In 2020, due to the concern of COVID-19 epidemic, the artists in-house creation projects and relevant cultural activities were suspended.



## Promoting Recycling and Reuse of Steel through the Anne Times

For primary and middle school students to enhance their independent learning, Ministry of Education has implemented a curriculum innovation project for aesthetics and design and launched the educational newspaper 《The Anne Times》, reporting many international news and life issues, and also integrating cross-subject and cross-field contents. With all relevant issues combined, this newspaper enables more comprehensive learning.



Tung Ho Steel started to cooperate with 《The Anne Times》 published by the Ministry of Education in 2021 and publishes steel-related knowledge. Steel products are closely related to our daily life and are used in automobiles, machinery, and construction, making it an indispensable material in human life. At the same time, steel serves as the material with the highest recycling rate in the world. The more the demand, the more the waste. Tung Ho Steel uses scrap steel as the raw materials for production, taking actual actions to reduce the impact on the earth and expand the use time of resources, which enables the reduction in the consumption of raw materials and energy, and thereby lessen the impact on the natural environment.

To promote the recycling and reuse of steel, the Company purchases 《The Anne Times》 to provide staff of the Museum of Contemporary Art, Taipei, the Company and the affiliated companies. At the same time, we also send this publication to the primary and middle schools near our works. What is more, keynote speeches are also held to share the importance of recycling and reuse of steel with young people through the 《The Anne Times》.



### RECYCLING PROCESS

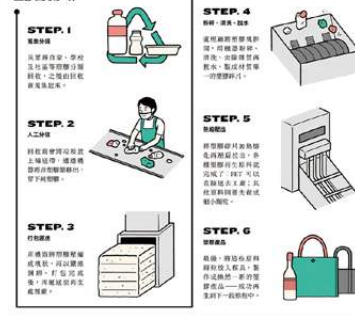
#### 廢棄塑膠與鋼鐵 如何再生利用？

資源的利用與循環，是人類社會永續發展的重要課題。在資源日益短缺的時代，如何有效利用資源，並將其循環利用，是每個人都應該思考的問題。鋼鐵與塑膠是現代社會中最重要的兩種材料，它們的回收與再利用，對於減少環境污染、節約資源具有至關重要的作用。本報將為您介紹鋼鐵與塑膠的回收與再利用過程，讓您在日常生活中，能更有效地參與資源的循環利用。

#### 鋼鐵回收步驟



#### 塑膠回收步驟



# 7 Appendixes

## Appendix I: GRI Reporting Principles Standards Comparison Table

「\*」indicated the material topics

### General disclosures

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
1. Organizational profile							
Core	102-1	Name of the organization	About this Report 2-1 Company Profile	<u>2</u> <u>43</u>			■
Core	102-2	Activities, brands, products and services	2-1 Company Profile Socioeconomic Compliance, Improvement and Prevention 3-1 Operating Status Introduction of Main Products	<u>43</u> <u>57</u> <u>61</u> <u>79</u>			■
Core	102-3	Location of the organization's headquarters	2-1 Company Profile	<u>43</u>			■
Core	102-4	Number of countries operating	2-1 Company Profile	<u>43</u>			■
Core	102-5	Nature of ownership and legal form	2-1 Company Profile	<u>43</u>			■
Core	102-6	Markets served	3-1 Operating Status	<u>61</u>			■
Core	102-7	Scale of the reporting organization	2-1 Company Profile 3-1 Operating Status	<u>43</u> <u>61</u>			■
Core	102-8	Information on employees and other workers	Distribution of Employees	<u>116</u>			■
Core	102-9	Supply chain	Introduction of Value Chain	<u>89</u>			■
Core	102-10	Significant changes to the organization and its supply chain	Major Capital Expenditure and Benefits	<u>65</u>			■
Core	102-11	Precautionary Principle or approach	3-2 Risk Management	<u>65</u>			■
Core	102-12	External initiatives	About this Report 3-3 Management of and Strategies for Climate Change Risks and Opportunities Special Column: Type III Environmental Product Declaration	<u>2</u> <u>70</u> <u>83</u>			■
Core	102-13	Memberships of associations	Exchanges and Cooperation	<u>44</u>			■
2. Strategy							
Core	102-14	Statement from senior decision maker	Message from the Chairman	<u>5</u>			■
Comprehensive	102-15	Key impacts, risks, and opportunities	3-1 Operating Status Major Capital Expenditure and Benefits	<u>61</u> <u>65</u>			■

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
3. Ethics and integrity							
Core	102-16	Values, principles, standards and norms of behavior	1-1 Operation and Performance of Corporate Social Responsibility (CSR) 2-1 Company Profile	<u>8</u> <u>43</u>			■
Comprehensive	102-17	Mechanisms for advice and concerns about ethics	1-2 Communication with Stakeholders	<u>10</u>			■
4. Governance							
Core	102-18	Governance structure	Governance Structure	<u>45</u>			■
Comprehensive	102-19	Delegating authority	1-1 Operation and Performance of Corporate Social Responsibility (CSR)	<u>8</u>			■
Comprehensive	102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance Committee	<u>51</u>			■
Comprehensive	102-22	Composition of the highest governance body and its committees	The Composition and Operation of Board of Directors Functional Committees	<u>47</u> <u>50</u>			■
Comprehensive	102-23	Chair of the highest governance body	Governance Structure	<u>45</u>			■
Comprehensive	102-24	Nominating and selecting the highest governance body	The Composition and Operation of Board of Directors	<u>47</u>			■
Comprehensive	102-25	Conflicts of interest	2-3 Integrity Management	<u>52</u>			■
Comprehensive	102-26	Role of highest governance body in setting purpose, values, and strategy	1-1 Operation and Performance of Corporate Social Responsibility (CSR)	<u>8</u>			■
Comprehensive	102-27	Collective knowledge of highest governance body	The Composition and Operation of Board of Directors	<u>47</u>			■
Comprehensive	102-28	Evaluating the highest governance body’s performance	Performance Evaluation of Board of Directors and Corporate Governance Evaluation	<u>54</u>			■
Comprehensive	102-31	Review of economic, environmental, and social topics	The Composition and Operation of Board of Directors	<u>47</u>			■
Comprehensive	102-32	Highest governance body’s role in sustainability reporting	About this Report 1-1 Operation and Performance of Corporate Social Responsibility (CSR)	<u>2</u> <u>8</u>			■
Comprehensive	102-34	Nature and total number of critical concerns	1-1 Operation and Performance of Corporate Social Responsibility (CSR) Corporate Governance Committee	<u>8</u> <u>51</u>			■
Comprehensive	102-35	Remuneration policies	Compensation Policy	<u>51</u>			■

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
Comprehensive	102-36	Process for determining remuneration	Functional Committees Compensation Policy	<u>50</u> <u>51</u>			■
<b>5. Communication with Stakeholders</b>							
Core	102-40	List of stakeholder groups	1-2 Communication with Stakeholders	<u>10</u>			■
Core	102-41	Collective bargaining agreements	Employee Benefits	<u>122</u>	Unable to obtain suppliers' information	In the Company, only Miaoli Works signed the collective agreement.	■
Core	102-42	Identifying and selecting stakeholders	1-2 Communication with Stakeholders	<u>10</u>			■
Core	102-43	Approach to stakeholder engagement	1-2 Communication with Stakeholders Customer Satisfaction	<u>10</u> <u>84</u>			■
Core	102-44	Key topics and concerns raised	1-2 Communication with Stakeholders	<u>10</u>			■
<b>6. Reporting</b>							
Core	102-45	Entities included in the consolidated financial statements	Invested Businesses	<u>44</u>			■
Core	102-46	Defining report content and topic boundaries	About this Report 1-3 Analysis of Material Topics 1-4 Response to Material Topics	<u>2</u> <u>17</u> <u>18</u>			■
Core	102-47	List of material topics	1-4 Response to Material Topics	<u>18</u>			■
Core	102-48	Restatements of information	-	-		The restatement of some data in this Report is detailed in the text.	■
Core	102-49	Changes in reporting	1-3 Analysis of Material Topics	<u>17</u>			■
Core	102-50	Reporting period	About this Report	<u>2</u>			■
Core	102-51	Date of most recent report	About this Report	<u>2</u>			■
Core	102-52	Reporting cycle	About this Report	<u>2</u>			■
Core	102-53	Contact point for questions regarding the report	About this Report	<u>2</u>			■
Core	102-54	Claims of reporting in accordance with the GRI Standards	About this Report	<u>2</u>			■
Core	102-55	GRI Content Index	About this Report Appendix 1: GRI Reporting Principles Standards Comparison Table	<u>2</u> <u>150</u>			■
Core	102-56	External assurance	About this Report Appendix 2: BSI Verification Statement	<u>2</u> <u>162</u>			■



## Topic-specific

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
200 Economic Disclosure							
*GRI 201: Economic Performance 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>22</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>22</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>22</u>			■
*GRI 201: Economic Performance 2016 Topic-specific disclosure	201-1	Direct economic value generated and distributed	Financial Performance	<u>62</u>			■
	201-2	Financial implications and other risks and opportunities due to climate change	3-3 Management of and Strategies for Climate Change Risks and Opportunities	<u>70</u>			■
	201-3	Defined benefit plan obligations and other retirement plans	Employee Benefits	<u>122</u>			■
	201-4	Financial assistance received from government	Financial Performance	<u>62</u>			■
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Compensation Structure	<u>120</u>			■
	202-2	Proportion of senior management hired from the local community	Distribution of Employees	<u>116</u>			■
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	6-2 Social Participation	<u>147</u>			■
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Introduction of Value Chain	<u>89</u>			■
GRI 205: Anti-Corruption 2016	205-3	Confirmed incidents of corruption and actions taken	Socioeconomic Compliance, Improvement and Prevention	<u>57</u>			■
GRI 206: Anti-Competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Socioeconomic Compliance, Improvement and Prevention	<u>57</u>			■

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
300 Environmental Disclosures							
*GRI 301: Materials 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>29</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>29</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>29</u>			■
*GRI 301: Materials 2016 Topic-specific disclosure	301-1	Materials used by weight or volume	Introduction of Value Chain	<u>89</u>			■
	301-2	Recycled input materials used	Introduction of Value Chain	<u>89</u>			■
	301-3	Reclaimed products and their packaging materials	Introduction of Value Chain	<u>89</u>			■
*GRI 302: Energy 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>27</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>27</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>27</u>			■
*GRI 302: Energy 2016 Topic-specific disclosure	302-1	Energy consumption within the organization	Broadening sources and reducing consumption	<u>92</u>			■
	302-3	Energy intensity	Broadening sources and reducing consumption	<u>92</u>			■
	302-4	Reduction of energy consumption	Green Process	<u>96</u>			■
*GRI 303: Water and Effluents 2018 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>30</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>30</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>30</u>			■
	303-1	Interactions with water as a shared resource	Water Resources	<u>101</u>			■
	303-2	Management of water discharge-related impacts	Emission Control	<u>105</u>			■
*GRI 303: Water and Effluents 2018 Topic-specific disclosure	303-3	Water withdrawal	Water Resources	<u>101</u>			■
	303-4	Water discharge	Emission Control	<u>105</u>			■
	303-5	Water consumption	Water Resources	<u>101</u>			■
GRI 304: Biodiversity 2016	304-3	Habitats protected or restored	6-1 Community Participation	<u>145</u>			■

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
GRI 304: Biodiversity 2016	304-4	UCN Red List species and national conservation list species with habitats in areas affected by operations	6-1 Community Participation	<u>145</u>			■
*GRI 305: Emissions 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>27</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>27</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>27</u>			■
*GRI 305: Emissions 2016 Topic-specific disclosure	305-1	Direct (Scope 1) GHG emissions	GHG Inventory	<u>93</u>			■
	305-2	Energy indirect (Scope 2) GHG emissions	GHG Inventory	<u>93</u>			■
	305-3	Other indirect (Scope 3) GHG emissions	GHG Inventory	<u>93</u>			■
	305-4	GHG emissions intensity	GHG Inventory	<u>93</u>			■
	305-5	Reduction of GHG emissions	Green Process	<u>96</u>			■
	305-6	Emissions of ozone-depleting substances (ODS)	Emission Control	<u>105</u>			■
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Emission Control	<u>105</u>			■
*GRI 306: Waste 2020 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>26</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>26</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>26</u>			■
	306-1	Waste generation and significant waste-related impacts	Introduction of Value Chain Waste Treatment and Recycling	<u>89</u> <u>109</u>			■
	306-2	Management of significant waste-related impacts	Waste Treatment and Recycling	<u>109</u>			■
*GRI 306: Waste 2020 Topic-specific disclosure	306-3	Waste generated	Waste Treatment and Recycling	<u>109</u>			■
	306-4	Waste diverted from disposal	Waste Treatment and Recycling	<u>109</u>			■
	306-5	Waste directed to disposal	Emission Control	<u>105</u>			■

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
*GRI 307: Environmental Compliance 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>24</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>24</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>24</u>			■
*GRI 307: Environmental Compliance 2016 Topic-specific disclosure	307-1	Non-compliance with environmental laws and regulations	Environmental Compliance	<u>113</u>			■
400 Social Disclosures							
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Turnover of Employees	<u>118</u>			■
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Benefits	<u>122</u>			■
	401-3	Parental leave	Employee Benefits	<u>122</u>			■
*GRI 402: Labor/Management Relations 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>37</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>37</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>37</u>			■
*GRI 402: Labor/Management Relations 2016 Topic-specific disclosure	402-1	Minimum notice periods regarding operational changes	Employee Benefits	<u>122</u>			■
*GRI 403: Occupational Health and Safety 2018 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>35</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>35</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>35</u>			■
	403-1	Occupational health and safety management system	5-4 Occupational Health and Safety	<u>130</u>			■
	403-2	Hazard identification, risk assessment, and incident investigation	Reducing Risk of Occupational Accidents	<u>137</u>			■

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
*GRI 403: Occupational Health and Safety 2018 Management approach Disclosure	403-3	Occupational health services	Health Promotion	<u>141</u>			■
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Safety System and Performance	<u>132</u>			■
	403-5	Worker training on occupational health and safety	Reducing Risk of Occupational Accidents	<u>137</u>			■
	403-6	Promotion of worker health	Health Promotion	<u>141</u>			■
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Safety System and Performance	<u>132</u>			■
*GRI 403: Occupational Health and Safety 2018 Topic-specific disclosure	403-8	Workers covered by an occupational health and safety management system	Occupational Safety System and Performance	<u>132</u>			■
	403-9	Work-related injuries	Occupational Safety System and Performance	<u>132</u>			■
	403-10	Work-related ill health	Health Promotion	<u>141</u>			■
*GRI 404: 2016 Training and Education Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>38</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>38</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>38</u>			■
*GRI 404: Training and Education 2016 Topic-specific disclosure	404-1	Average hours of training per year per employee	Talent Cultivation	<u>127</u>			■
	404-2	Programs for upgrading employee skills and transition assistance programs	Talent Cultivation	<u>127</u>			■
	404-3	Percentage of employees receiving regular performance and career development reviews	Performance Appraisal	<u>126</u>			■
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	The Composition and Operation of Board of Directors Distribution of Employees	<u>47</u> <u>116</u>			■
	405-2	Ratio of basic salary and remuneration of women to men	Compensation Structure	<u>120</u>			■
GRI 406: Non-Discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	Socioeconomic Compliance, Improvement and Prevention 5-1 Manpower Structure with Equality	<u>57</u> <u>116</u>			■

Sustainable Management

Integrity Governance

Economic Sustainability

Environmental Protection

A Friendly Workplace

Social Prosperity

Appendix

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Socioeconomic Compliance, Improvement and Prevention Employee Benefits	<u>57</u> <u>122</u>		Unable to obtain suppliers' information	■
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Socioeconomic Compliance, Improvement and Prevention	<u>57</u>		Unable to obtain suppliers' information	■
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Socioeconomic Compliance, Improvement and Prevention	<u>57</u>			■
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	Talent Cultivation	<u>127</u>			■
GRI 411: Rights of Indigenous People 2016	411-1	Incidents of violations involving rights of indigenous people	Socioeconomic Compliance, Improvement and Prevention	<u>57</u>			■
GRI 412: Human Rights Assessment 2016	412-2	Employee training on human rights policies or procedures	5-1 Manpower Structure with Equality	<u>116</u>			■
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	6-1 Community Participation 6-2 Social Participation	<u>145</u> <u>147</u>			■
GRI 414: Supplier Social Assessment 2016	414-2	Negative social impacts in the supply chain and actions taken	Supplier Management	<u>91</u>			■
GRI 415: Public Policy 2016	415-1	Political contributions	Socioeconomic Compliance, Improvement and Prevention	<u>57</u>			■
*GRI 416: Customer Health and Safety 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>33</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>33</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>33</u>			■



Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
*GRI 416: Customer Health and Safety 2016 Topic-specific disclosure	416-1	Assessment of the health and safety impacts of product and service categories	Quality Management	<u>80</u>			■
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Complaint Handling and Responses Socioeconomic Compliance, Improvement and Prevention Quality Management	<u>15</u> <u>57</u> <u>80</u>			■
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Introduction of Main Products Quality Management	<u>79</u> <u>80</u>			■
	417-2	Incidents of non-compliance concerning product and service information and labeling	Socioeconomic Compliance, Improvement and Prevention	<u>57</u>			■
	417-3	Incidents of non-compliance concerning marketing communications	Socioeconomic Compliance, Improvement and Prevention	<u>57</u>			■
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy	<u>84</u>			■
*GRI 419: Socioeconomic Compliance 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>24</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>24</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>24</u>			■
*GRI 419: Socioeconomic Compliance 2016 Topic-specific disclosure	419-1	Non-compliance with laws and regulations in the social and economic area	Socioeconomic Compliance, Improvement and Prevention	<u>57</u>			■
Custom topics							
*GRI 103: Responsible Consumption and Production 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>29</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>29</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>29</u>			■

Type/ Topic	Disclosures Items		Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
*GRI 103: Corporate Governance 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>23</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>23</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>23</u>			■
*GRI 103: Sustainable Cities and Communities 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>32</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>32</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>32</u>			■
*GRI 103: Carbon Management 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>27</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>27</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>27</u>			■
*GRI 103: Green Action (Action Against the Climate) 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>27</u>			■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>27</u>			■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>27</u>			■

## G4 Sector Disclosures – Mining and Metals

Disclosures Items		Corresponding chapters/ Description	Page	External assurance
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated	Not located in or adjacent to high biodiversity value areas	-	■
MM2	The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place	Not located in or adjacent to high biodiversity value areas	-	■
MM3	Total amount of overburden, rock, tailings, and sludges and their associated risks	This indicator applies to the mining industry	-	■
MM4	Number of strikes and lock-outs exceeding one week' s duration, by country	No strikes and work stoppage	-	■
MM5	Total number of operations taking place in or adjacent to indigenous peoples' territories, and number of percentage of operations or sites where there are formal agreements with indigenous people' s communities	Not located or adjacent to indigenous territories	-	■
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	No occurrence of significant disputes	-	■
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes	Not located or adjacent to indigenous territories, and there were no disputes relating to land use and infringement of rights	-	■
MM8	Number (and percentage) of company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, this site; the associated risks and the actions taken to manage and mitigate these risks	No ASM took place on or adjacent to company sites	-	■
MM9	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process	Did not resettle households	-	■
MM10	Number and percentage of operations with closure plans	Does not have closure plans	-	■
MM11	Programs and progress relating to materials stewardship	1-4 Response to Material Topics	<u>29</u>	■

## FSC mandates ESG-related data disclosure

Disclosures Items		Corresponding chapters/ Description	Page	External assurance
The number of the company' s full-time employees who are not in a managerial position, the average and medium of the salaries of the full-time employees who are not in a managerial position, and the difference of the three figures from the previous year		Compensation Structure	<u>120</u>	■
The company's governance around climate-related risks and opportunities, actual and potential climate-related impacts, how to identify, assess and manage climate-related risks, and metrics and targets used to assess and manage relevant climate-related issues.		3-3 Management of and Strategies for Climate Change Risks and Opportunities	<u>70</u>	■



## INDEPENDENT ASSURANCE OPINION STATEMENT

### 2020 Tung Ho Steel Enterprise Corporation Corporate Social Responsibility Report

The British Standards Institution is independent to Tung Ho Steel Enterprise Corporation (hereafter referred to as Tung Ho Steel in this statement) and has no financial interest in the operation of Tung Ho Steel other than for the assessment and verification of the sustainability statements contained in this report.

This independent assurance opinion statement has been prepared for the stakeholders of Tung Ho Steel only for the purposes of assuring its statements relating to its corporate social responsibility (CSR), more particularly described in the Scope below. It was not prepared for any other purpose. The British Standards Institution will not, in providing this independent assurance opinion statement, accept or assume responsibility (legal or otherwise) or accept liability for or in connection with any other purpose for which it may be used, or to any person by whom the independent assurance opinion statement may be read.

This independent assurance opinion statement is prepared on the basis of review by the British Standards Institution of information presented to it by Tung Ho Steel. The review does not extend beyond such information and is solely based on it. In performing such review, the British Standards Institution has assumed that all such information is complete and accurate.

Any queries that may arise by virtue of this independent assurance opinion statement or matters relating to it should be addressed to Tung Ho Steel only.

### Scope

The scope of engagement agreed upon with Tung Ho Steel includes the followings:

1. The assurance scope is consistent with the description of 2020 Tung Ho Steel Enterprise Corporation Corporate Social Responsibility Report.
2. The evaluation of the nature and extent of the Tung Ho Steel's adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

This statement was prepared in English and translated into Chinese for reference only.

### Opinion Statement

We conclude that the 2020 Tung Ho Steel Enterprise Corporation Corporate Social Responsibility Report, provides a fair view of the Tung Ho Steel CSR programmes and performances during 2020. The CSR report subject to assurance is free from material misstatement based upon testing within the limitations of the scope of the assurance, the information and data provided by the Tung Ho Steel and the sample taken. We believe that the 2020 economic, social and environmental performance information are fairly represented. The CSR performance information disclosed in the report demonstrate Tung Ho Steel's efforts recognized by its stakeholders.

Our work was carried out by a team of CSR report assurers in accordance with the AA1000AS v3. We planned and performed this part of our work to obtain the necessary information and explanations we considered to provide sufficient evidence that Tung Ho Steel's description of their approach to AA1000AS v3 and their self-declaration in accordance with GRI Standards: Core option were fairly stated.

### Methodology

Our work was designed to gather evidence on which to base our conclusion. We undertook the following activities:

- a review of issues raised by external parties that could be relevant to Tung Ho Steel's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 7 interviews with staffs involved in sustainability management, report preparation and provision of report information were carried out.
- review of key organizational developments.
- review of the findings of internal audits.
- review of supporting evidence for claims made in the reports.
- an assessment of the organization's reporting and management processes concerning this reporting against the principles of Inclusivity, Materiality, Responsiveness and Impact as described in the AA1000AP (2018).



## Conclusions

A detailed review against the Inclusivity, Materiality, Responsiveness and Impact of AA1000AP (2018) and GRI Standards is set out below:

### Inclusivity

This report has reflected a fact that Tung Ho Steel has continually sought the engagement of its stakeholders and established material sustainability topics, as the participation of stakeholders has been conducted in developing and achieving an accountable and strategic response to sustainability. There are fair reporting and disclosures for economic, social and environmental information in this report, so that appropriate planning and target-setting can be supported. In our professional opinion the report covers the Tung Ho Steel's inclusivity issues.

### Materiality

Tung Ho Steel publishes material topics that will substantively influence and impact the assessments, decisions, actions and performance of Tung Ho Steel and its stakeholders. The sustainability information disclosed enables its stakeholders to make informed judgements about the Tung Ho Steel's management and performance. In our professional opinion the report covers the Tung Ho Steel's material issues.

### Responsiveness

Tung Ho Steel has implemented the practice to respond to the expectations and perceptions of its stakeholders. An Ethical Policy for Tung Ho Steel is developed and continually provides the opportunity to further enhance Tung Ho Steel's responsiveness to stakeholder concerns. Topics that stakeholder concern about have been responded timely. In our professional opinion the report covers the Tung Ho Steel's responsiveness issues.

### Impact

Tung Ho Steel has identified and fairly represented impacts that were measured and disclosed in probably balanced and effective way. Tung Ho Steel has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within the organization. In our professional opinion the report covers the Tung Ho Steel's impact issues.

### GRI Sustainability Reporting Standards (GRI Standards)

Tung Ho Steel provided us with their self-declaration of in accordance with GRI Standards: Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that social responsibility and sustainable development disclosures with reference to GRI Standards' disclosures are reported, partially reported or omitted. In our professional opinion the self-declaration covers the Tung Ho Steel's social responsibility and sustainability topics.

### Assurance level

The moderate level assurance provided is in accordance with AA1000AS v3 in our review, as defined by the scope and methodology described in this statement.

### Responsibility

The CSR report is the responsibility of the Tung Ho Steel's chairman as declared in his responsibility letter. Our responsibility is to provide an independent assurance opinion statement to stakeholders giving our professional opinion based on the scope and methodology described.

### Competency and Independence

The assurance team was composed of Lead auditors experienced in relevant sectors, and trained in a range of sustainability, environmental and social standards including AA1000AS, ISO 14001, ISO 45001, ISO 14064 and ISO 9001. BSI is a leading global standards and assessment body founded in 1901. The assurance is carried out in line with the BSI Fair Trading Code of Practice.

For and on behalf of BSI:



Peter Pu, Managing Director BSI Taiwan



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