



# Sustainability Report



東和鋼鐵  
TUNG HO STEEL

2022

永續報告書



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# About this Report

This is the eighth Corporate Sustainability 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. 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.

### **Sustainable Development Committee**

The Sustainable Development Committee of the board of directors of the Company is in charge of the decision-making and supervision of sustainable development related work, under which are the Environmental Sustainability Group, Corporate Social Responsibility Group, and Corporate Governance Group, which are respectively responsible for:

1. The establishment, supervision and review of the Environmental sustainability (climate change management) system and goals.
2. The establishment, supervision and review of the sustainable development policies, system, or relevant management approaches of the corporate social responsibility.
3. The establishment, supervision and review of relevant policies in relation to corporate governance, integrity management, and risk management, and the management mechanisms.

The corresponding departments of each group conduct regular discussion on the identification of stakeholders in relation to their business, and the members include representatives from all units of the Head Office, factories, and the Foundation. The Administration Department is in charge of the secretariat business, including the overall planning, communication and integration, data collection, and the editing and revision of the sustainability report.

### **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, each group of the Sustainable Development Committee will send verification personnel to conduct internal cross

verification operations. After verified by an impartial third party, the report is submitted to the Sustainable Development Committee and the board of directors for report, whose content includes the communication status with the stakeholders, the material topics, performance, and the requirements of the competent authorities. The report is issued upon approval 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 (the Taipei Head Office, Taoyuan Works, Miaoli Works, and Kaohsiung Works) between January 1 and December 31, 2022, excluding the operating performance in Daya Works in Kaohsiung, Taoyuan Fabrication Center, and that 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 2021 Sustainability 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 2022. Part of the content concerning our future policies, goals and plans are also included. In this Report, the chapters corresponding to the results of the material topics identification and the information for 2022 was updated. Contents of relevant columns also included the performance of our affiliated companies. 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 latest GRI (Global Reporting Initiative) Standards (GRI Standard 2021) and G4 Sector Disclosures- Mining and Metals, 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), Task Force on Climate-related Financial Disclosures (TCFD), and SASB Sustainability Accounting Standard (SASB Standard) for Iron & Steel Producers. 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 I 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. The ISO 14064-1: 2018 GHG Inventory, ISO 14001: 2015 Environmental Management System, ISO/CNS 45001: 2018 Occupational Safety and Health Management System and ISO 50001: 2018 Energy Management System all receive internal audits every year and have passed third-party external validation.



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 requirements of the latest GRI Standards. See Appendix II for the detailed BSI Assurance Report.

Report Release Schedule and Contact Information

Release Schedule

Tung Ho Steel release its Sustainability Report annually, and the content is also disclosed on the Sustainable Development Section on the Company's official website.  
Previous edition: Released in June, 2022  
Current edition: Released in June, 2023

Contact Information

Please contact us through any of the following channels for any suggestions or advice.

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# 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. Since the Taipei Exchange (TPEX) and the Taiwan Stock Exchange (TWSE) jointly organized the Corporate Governance Evaluation System and the Taiwan Corporate Sustainability Awards (TCSA), Tung Ho Steel has had excellent results in the ranking of the former and won an award in the Traditional Manufacturing Category of the latter. In 2018, Tung Ho Steel was included in the “Taiwan Corporate Governance 100 Index” . At the same time, information security is listed as a corporate governance issue. In 2023, we have passed the validation of the ISO 27001:2013 Information Security Management System. Tung Ho Steel would like to present to all its stakeholders its continuous efforts in the promotion of sustainability issues, disclosure of governance information and the concrete results in economic, environmental and social aspects.

In terms of Corporate Governance, Tung Ho Steel has always strived to take the lead in improving and innovating in the industry. Under the Sustainable Development Council of the board of directors, there sets a Sustainable Development Group, with the president serving as the convener to be in charge of the management of climate-related issues and regularly reporting to the board of directors. To gradually participate in international initiatives in relation to environment and climate, we have carried out TCFD, Carbon Disclosure Project (CDP), Type III Environmental Product Declaration (EPD) and other projects since 2020. In 2021, Tung Ho Steel officially signed as the TCFD Supporter. Tung Ho Steel's 2022 TCFD Report has passed the verification of BSI, which confirmed the highest “Level-5+” for the maturity model of our TCFD Report. Relevant information has been available on our official website for the stakeholders to refer to.

The three works have obtained the Environmental Product Declaration (EPD) Report, making Tung Ho Steel the very first steelmaker to obtain the EPD certification for all its steel products, which will be helpful for our customers to obtain recognition for higher level of green buildings. Furthermore, the Company also participated in the CDP's Climate Change Questionnaire and obtained a score of (B), better than the average score of (C) of the metal smelting and refining and forming process industries, the average score of (C) among Asian companies, and the average score of (C) among global companies, indicating that Tung Ho Steel has entered the climate change management stage and taken integrated actions on climate change.

In terms of economic sustainability, with construction industry gradually recovered, the demands for building materials also returned. Overall, the sales of the rebar products increased compared with the previous year and created a new record while that of the section steel showed a decline. Despite the difference, the effective management of the volume-price balance among production, sales and purchase enabled the stable and good profits in the environment of huge fluctuations. In 22Q3, we had a new fabrication center in Taoyuan to expand high-quality processing services. At the beginning of this year, the Daya Works in Kaohsiung was also aboard, which is estimated to increase production capacity of rebars by 300,000 tons, making the Company's refining and rolling production line more balanced and flexible. With the synergy, the Company can provide higher quality and more comprehensive products and services.



In terms of green energy promotion, Tung Kang Wind Power Corp. added solar PV equipment and started selling green electricity and green electricity certificates to Tung Ho Steel for our works to use. It is expected to start power generation one by one from the second half of this year. We set up a joint venture with Taiwan Sugar Corporation and set up a biomass energy processing center to develop biomass energy. The material receiving, gas production, and green power generation are expected to be achieved in the second half of this year for gas production and green electricity generation. In response to the government's requirement of 10% of renewable energy by 2026, Tung Ho Steel can not only meet the requirement ahead of schedule but also exceed the required obligation volume by 1.5 times thanks to our early investment in the construction of wind power and solar power generation equipment.

To respond to the global trends and the country's 2050 Net Zero Emission Goal, we have included Climate Change in the material topics of sustainable development. The board of directors has approved the 2030 phased goal of "Carbon Reduction 30; RE 30" to move toward the goal of 2050 net zero emission. On the 60<sup>th</sup> anniversary celebration ceremony of the Company held in Miaoli Works on April 18 this year, an announcement was made to all distinguished guests and stakeholders. First, the Carbon Reduction 30. Through the renewal of equipment, improvement of processes and cooperation with multiple partners, the total carbon emissions in 2030 is aimed to be reduced by 30% compared with the 2005 level. Secondly, the RE 30. By 2030, we aim to use more than 30% of renewable energy. To meet the 2030 phased goals, we will actively carry out relevant measures and processes of value chain engagement, and cooperate with our suppliers to work for the 2030 carbon reduction targets.

For the goal of 30% carbon reduction, major equipment renovations will be carried out in the next 5 years. It is expected to replace the electric furnaces in Miaoli Works and Taoyuan Works in 2026 and 2030 respectively. Secondly, the active "energy storage" and "energy creation" are actively planned in the green energy business. We plan to build a 100MV energy storage equipment in Longgang, Miaoli, which will be connected to the grid in mid-2025. We continue to actively promote renewable energy such as solar and wind power generation, striving to reach the ratio of 30% renewable energy by 2030 and to achieve carbon neutrality by 2040-2050. These declarations can concretely show the Company's strong and firm self-requirement for sustainable development and the responsible actions and strategies to make contributions to an eco-friendly environment and net zero emissions.

Looking into the future, on the basis of adhering to the sustainable management of the iron and steel industry and becoming a professional steelwork for the production of steel products, we have set new visions. Tung Ho Steel has officially entered a new energy era of energy conservation, green energy and energy storage to achieve the core competitiveness of the sustainable development in the iron and steel industry, so as to achieve the ultimate goal of new zero emissions, energy conservation and environmental protection. This year, through the issuance of this Report, the determination to implement sustainable management of Tung Ho Steel is demonstrated, and we hope all our stakeholders can join us to work together to co-create and share the business results.

Chairman & CEO:  
Henry C.T. Ho





# 1

## Sustainable Management

1-1 ESG Operation and Performance

1-2 Communication with Stakeholders

1-3 Analysis of Material Topics

1-4 Response to Material Sustainability Topics

1-5 Sustainability Performance

Special Column : 60<sup>th</sup> Anniversary of Tung Ho Steel

Special Column : Introduction of ISO/IEC 27001:2013  
Information Security Management System



# 1-1 ESG Operation and Performance

## ■ Organization and Promotion Policy

To implement the promotion of corporate social responsibility, Tung Ho Steel established the "Corporate Social Responsibility Best Practice Principles" in 2015 (changed to "Sustainable Development Best Practice Principles" on March 10, 2022). A new functional committee, Corporate Governance Committee, was added to the Board of Directors in September 2019, and the Corporate Governance Committee was renamed the Corporate Governance and Nominating Committee upon the revision of the Articles of Incorporation in the shareholders' meeting held in 2021. In the shareholders' meeting held on May 30, 2023, it was passed to revise the Articles of Incorporation and rename it the "Sustainable Development Committee" to adjust the authorities among the functional committees.

Sustainable Development Committee of the board of directors of the Company is in charge of the decision-making and supervision of sustainable development related work, under which are the Environmental Sustainability Group, Corporate Social Responsibility Group, and Corporate Governance Group, which are respectively responsible for:

1. The establishment, supervision and review of the Environmental sustainability (climate change management) system and goals.
2. The establishment, supervision and review of the sustainable development policies, system, or relevant management approaches of the corporate social responsibility.
3. The establishment, supervision and review of relevant policies in relation to corporate governance, integrity management, and risk management, and the management mechanisms.

The members include representatives from all units of the Head Office, factories, and the Foundation. The Administration Department is in charge of the secretariat business, including the overall planning, communication and integration, data collection, and the editing and revision of the sustainability report.

To ensure that the Sustainable Report issued by Tung Ho Steel conformed to GRI requirements and the prescriptions of Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, the Rules Governing the Preparation and Internal Verification and Validation of Sustainability Reports was passed on April 14, 2022, and the internal verification operation of the Report is conducted from every March to May to serve as a basis for the preparation, international verification and validation related work.

Education and training on the current ESG condition and trends was conducted in November, 2022, 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 and questionnaire distribution were held. After data collection, meetings for group discussion and first draft discussion were convened in January and April, 2023. The verification team conducted the internal verification operation, and the Report was verified by an impartial third party. The issuance of this 2022 Corporate Sustainability Report was reported to the 8<sup>th</sup> meeting of the



Honored with the  
2022 TCSA Corporate  
Sustainability Report  
Award- Gold Award in the  
Traditional Manufacturing  
Category

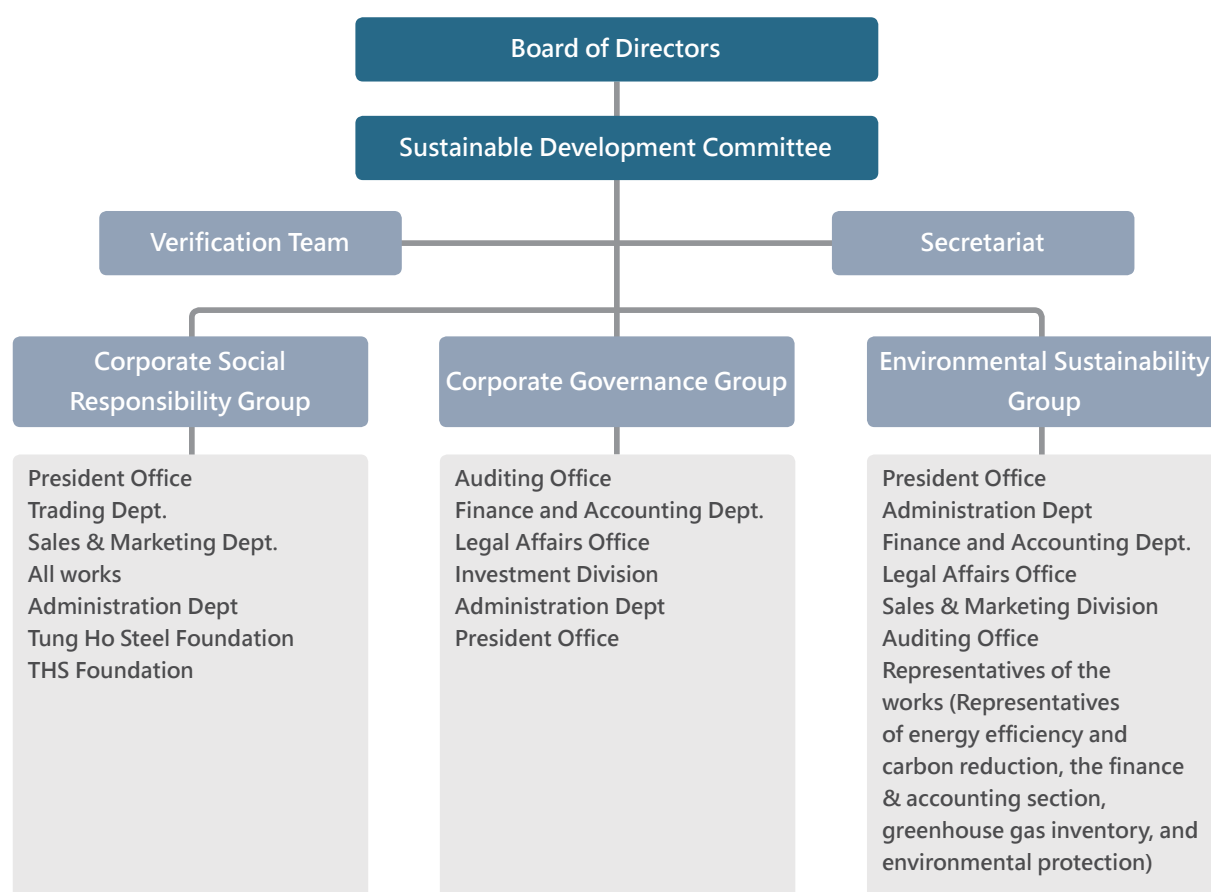
2<sup>nd</sup> Session of Corporate Governance and Nominating Committee and the 27<sup>th</sup> meeting of the 24<sup>th</sup> Session of Board of Directors in May, 2023. The Report was assured by independent and credible British Standards Institution (BSI)<sup>Note</sup> for the verification of this Sustainable Report and was issued upon the approval of the chairman.

Note : BSI and the Company are two independent companies. Except for the Report evaluation and verification, BSI does not have other financial relationship with the Company.

### Key points of reporting sustainability issues to the board of directors in 2022

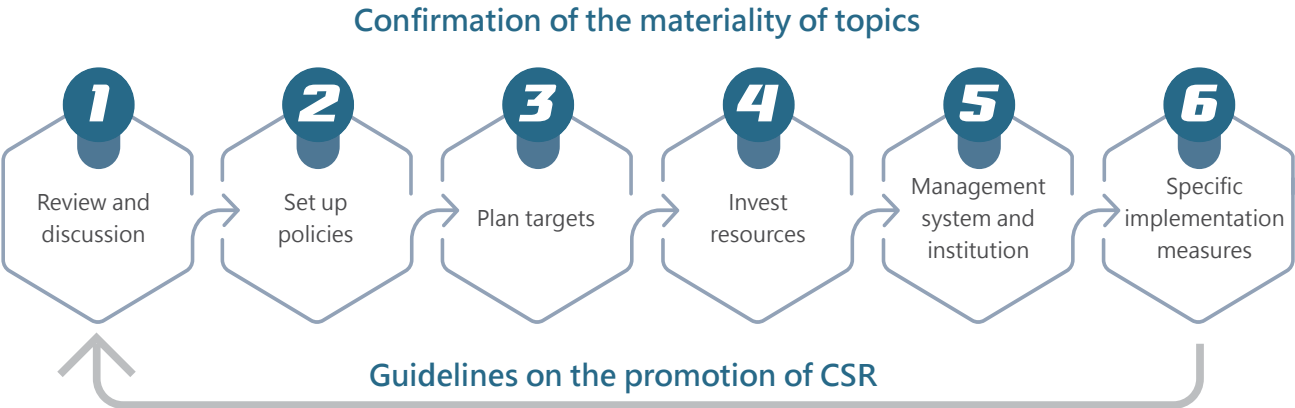
Date of board meeting/ Session	Content of proposal
2022.05.27/19 <sup>th</sup> meeting of the 24 <sup>th</sup> Session	Reported on the issuance of the Sustainability Report, the stakeholder communication status, and the proposal to issue the 2022 TCFD Report. Reported on the GHG inventory and schedule planning. Passed proposal of revising the Corporate Social Responsibility Policy.
2022.08.04/20 <sup>th</sup> meeting of the 24 <sup>th</sup> Session	Passed the proposal of the formulation of the GHG management strategies, reduction targets and plans. Reported on the GHG inventory and schedule planning. Passed the proposal of setting the Appropriation and Use of Special Surplus Reserve in Response to Climate Change Adaptation and Mitigation.
2022.12.22/23 <sup>rd</sup> meeting of the 24 <sup>th</sup> Session	Reported on the corporate governance promotion status. Reported on the GHG inventory and schedule planning.

### Organizational Structure of Sustainable Development



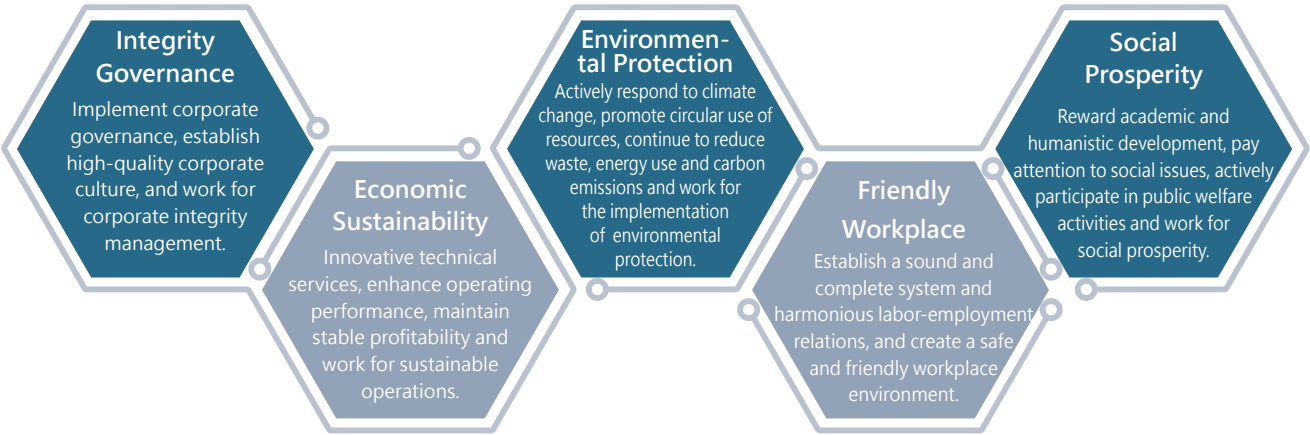


1	Sustainable Management
	Integrity Governance
	Economic Sustainability
	Environmental Protection
	A Friendly Workplace
	Social Prosperity
	Appendixes



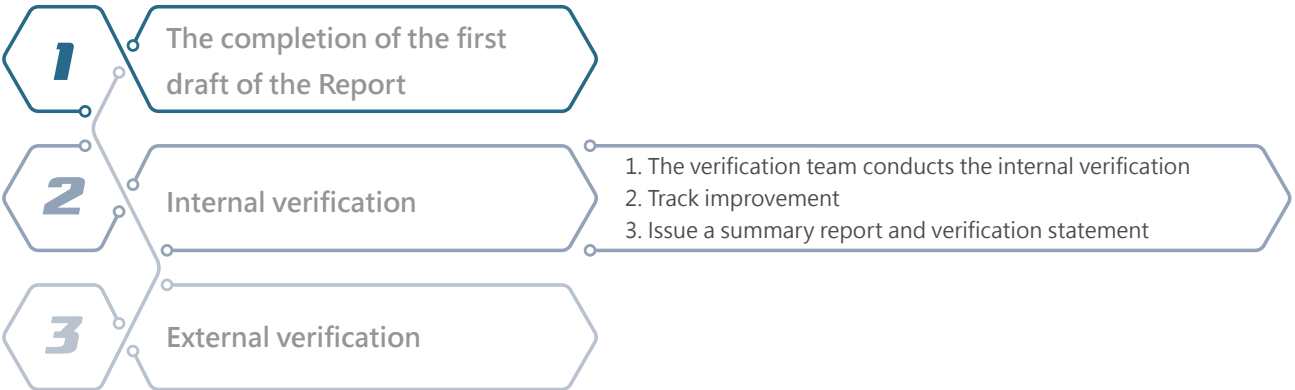
Sustainable Development Policy

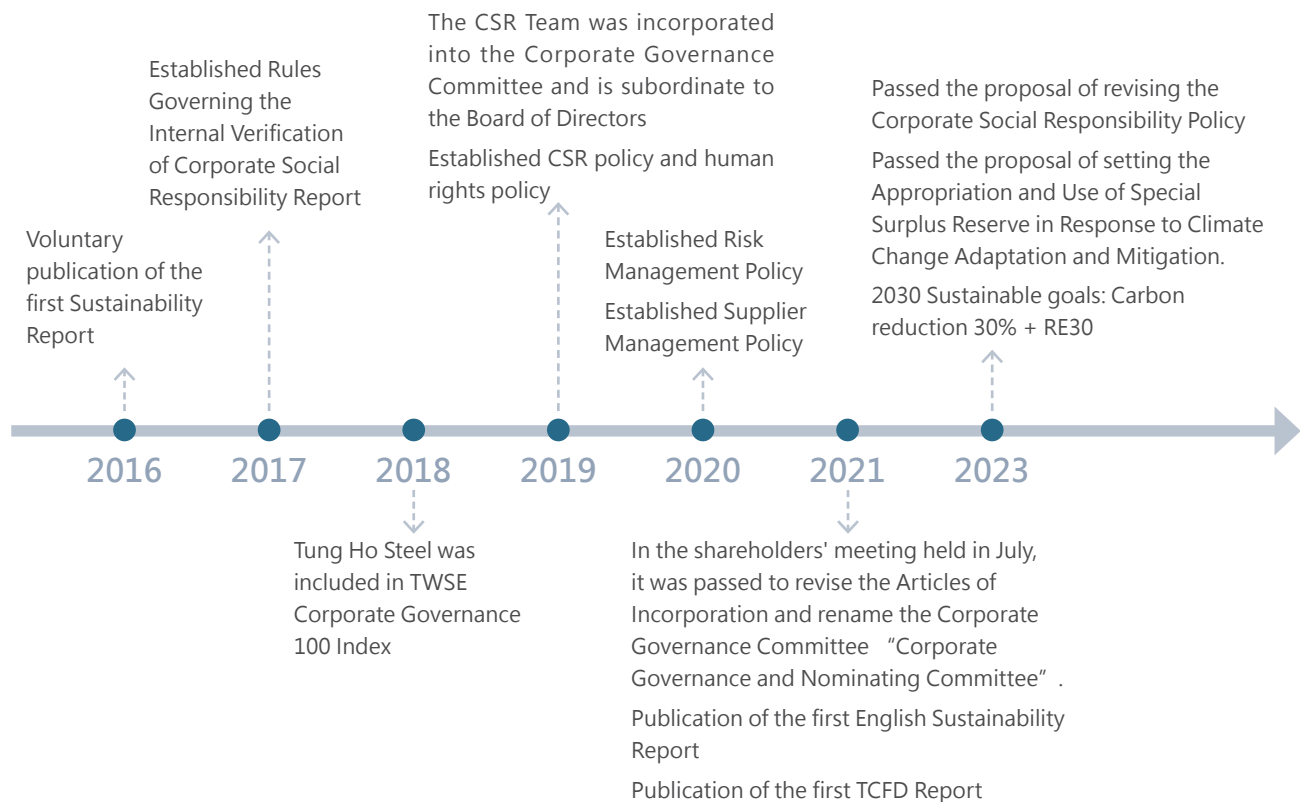
In accordance with the Sustainable Development Best Practice Principles, Tung Ho Steel established the following Sustainable Development Policy, which was approved Board of Directors in December 2019, clearly requiring all directors, managers, employees, mandataries of the Company or persons having substantial control over the Company to abide by relevant rules, regulations<sup>Note</sup> and laws.



Note: Please check the website for relevant rules and regulations at <https://www.tunghosteel.com/investors/norm>

Internal Verification of the Sustainability Report





## 1-2 Communication with Stakeholders




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




The identification of stakeholders of Tung Ho Steel was conducted by external ESG experts through referring to the stakeholders identified by the same trade and the scoring of the actual and potential positive as well as negative impacts of the stakeholders on operating activities of the Company. The scores ranged from 1 point (no impact) to 5 points (extreme impact). The overall score was based on the sum of the negative impact (actual/potential) and positive impact (actual/potential) of each stakeholder, and those with more than 10 points were ranked as major stakeholders. After discussions and review by the senior executives and department heads of the Company, 10 major stakeholders were identified, including shareholders, government agencies, employees, customers/distributors, iron and steel industry, suppliers, contractors/ subcontractors, media, community residents 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 Sustainable Development management. In addition, by understanding the issues of concern to the stakeholders, we continue to review and improve our performance in Sustainable Development.

Stakeholders/ significance to Tung Ho Steel	Purpose of communi- cation	Communi- cation issues	Communication channels / Frequency	Communication performance in 2022
 <b>Shareholders</b> Tung Ho Steel has been upholding integrity management and devoted to sustainable governance to improve our operating performance to create value for our shareholders.	To maintain good investment relationships	Economic Performance Integrity Management Corporate Governance Corporate Sustainability Development Risk Management	Shareholders' meeting - Regular Annual reports/ financial statements – Annual/ Regular Investors Service Section on the official website - Immediate External communication mailbox - Immediate Legal person briefing - Annual	> 2 legal person briefings. > 26 corporate interviews. > 1 shareholders' meeting. > Disclosure of monthly and quarterly information of revenues and financial statements on our official website and MOPS.
 <b>Government agencies</b> The government is the creator of sustainability related policies and also the important promoter supporting and influencing the Company to step toward sustainability.	To ensure compliance	Integrity Management Compliance Environmental Protection Public Safety Response to Climate Change Impact	Stakeholders Section on the official website - Immediate Exchange of official documents-Immediate Regulation briefing, public hearing or symposium - Immediate	> Participated in 11 sessions of decrees propaganda briefings or symposiums held by environmental protection agency. > Participated in 19 government meetings related to climate change. > Participated in 12 sessions of Occupational Safety and Health Administration's self-management seminars.
 <b>Employees</b> 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.	To increase human capital	Occupational Health and Safety Labor-management Relations Education and Training Remuneration and Benefits Corporate Sustainability Development	Stakeholders Section on the official website - Immediate Labor-management meeting - Quarterly Internal communication mailbox - Immediate Occupational Safety and Health Committee - Monthly Internal publications - Quarterly Employee Welfare Committee - Regular Enterprise union - Regular Intranet - Immediate Plant safety care and advocacy - Immediate Labor safety education and training in the factory - Regular Department meetings in the factory - Weekly Factory-level meeting - Monthly Consultation on health with the factory doctor - Monthly	> Convened 12 sessions of Occupational Safety and Health Committee meetings in each factory. > Convened 4 labor-management meetings in each factory. > Convened 12 factory-level meetings in each factory. > The factory doctor provided 52 times of on-site services. > Training hours for labor safety education was 22,909 person-hours.



Stakeholders/ significance to Tung Ho Steel	Purpose of communication	Communication issues	Communication channels / Frequency	Communication performance in 2022
 <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>	To maintain good customer relationship	Customer Health and Safety Customer Satisfaction Compliance Customer Privacy	Stakeholders Section on the official website - Immediate Section distributors meeting - Monthly Customer satisfaction survey - Annual Direct communication – Immediate External communication mailbox - Immediate Product launch - Immediate commerce sales - Immediate Tung Ho Steel ( THS ) Steel shipments messenger ( APP ) - Immediate	<ul style="list-style-type: none"> <li>› Convened 12 distributors meetings.</li> <li>› 5 times of Regional Iron and Steel Industry Fellowship 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>Iron &amp; steel industry</b></p> <p>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.</p>	To create synergy value	Anti-competitive Behavior Innovative R&D Market Presence	Stakeholders Section on the official website - Immediate External communication mailbox - Immediate Steel & Iron Industries Association meetings - Immediate Direct communication - Immediate	<ul style="list-style-type: none"> <li>› Participated in 17 Steel &amp; Iron Industries Association meetings.</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>	To maintain good value chain operation	Procurement Practices Corporate Sustainability Development Response to Climate Change Impact	Symposium/ education and training - Immediate Supplier evaluation questionnaire - Annual Stakeholders Section on the official website - Immediate External communication mailbox - Immediate E-procurement - Immediate Direct communication - Immediate	<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 591 suppliers signed the Supplier Social Responsibility Commitment.</li> </ul>
 <p><b>Contractors/ subcontractors</b></p> <p>Under the trend of professional division of labor, we achieve our operational targets through the cooperation and assistance of the contractors.</p>	To maintain good value chain operation	Occupational Health and Safety Education and Training Corporate Sustainability Development Compliance Environmental Protection	Stakeholders Section on the official website – Immediate External communication mailbox - Immediate Symposium/ education and training - Immediate Direct communication - Immediate Occupational Safety and Health Committee - 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-plant safety and health education and training.</li> </ul>

Stakeholders/ significance to Tung Ho Steel	Purpose of communi- cation	Communi- cation issues	Communication channels / Frequency	Communication performance in 2022
 <p><b>Media</b></p> <p>Media are also an important bridge connecting the Company and other stakeholders for rapid communication.</p>	To maintain good public relations	Economic Performance Compliance Social Welfare Environmental Protection	Stakeholders Section on the official website - Immediate External communication mailbox - Immediate Spokesman interview - Immediate Press release - Immediate	<ul style="list-style-type: none"> <li>› 2 legal person briefings.</li> <li>› Produced and released 2 commercials with the slogans of "Persistence in Quality, Resistance to Quake" and "Resistance to Quake, Persistence in Quality", promoting our SN steel products.</li> <li>› Promote the seismic resistance characteristics of SN steel in the building material area for builders.</li> </ul>
 <p><b>Community residents</b></p> <p>Through community participation and care, we can better understand issues of the residents' concern and establish a harmonious relationship with them.</p>	To fulfill corporate social responsibility	Community Participation Waste Air Pollutant Emissions Community Impact Community Development Social Welfare	Stakeholders Section on the official website - Immediate External communication mailbox - Immediate Community visits - Immediate Direct communication - Immediate	<ul style="list-style-type: none"> <li>› Our three Works participated in 8 times of community activities.</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>› Adopt nearby streetlights and clean the roads around the works every day.</li> </ul>
 <p><b>Academic &amp; research</b></p> <p>Institutions 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>	To continue technology and business model innovation	Waste Carbon Manage- ment Responsible Consumption and Production Energy/ Affordable Energy Cleantech Opportunity	Corporate visits - Immediate Industry-Academia Collaboration - Immediate Patent licensing – Annual	<ul style="list-style-type: none"> <li>› Signed the Industry- Academia Collaboration Project of "Tung Ho Steel Innovative Architectural Design Planning with National Yang Ming Chiao Tung University.</li> <li>› Entrusted the Green energy and Environment Research Lab of Industrial Technology Research Institute (ITRI) to carry out the Research on the Feasibility of CCS (Carbon Capture and Storage) in Miaoli Works.</li> <li>› Entrusted the Green energy and Environment Research Lab of Industrial Technology Research Institute (ITRI) to carry out the project of "Evaluation of the control and integration technology of the Key Components for Hydrogen Production and Hydrogen Energy Storage System- Research on the Hydrogen Source Assessment of Miaoli Works of Tung Ho Steel" .</li> <li>› Entrusted the Green energy and Environment Research Lab of Industrial Technology Research Institute (ITRI) to implement the project of Construction of Industrial Big Data Energy Management System.</li> </ul>

## ■ Consultation & Grievance Channels for Stakeholders

We have established 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, Work Rules, and Enforcement Rules of Governing Personal Information Data Security Maintenance and Management, clearly requiring all directors, managers, employees, mandataries of the Company or persons having substantial control over the Company to abide by, and remind them that they should be honest, incorruptible, follow anti-corruption and code of ethics, avoid conflicts of interest and report, and have the concept of privacy protection, confidential information protection, intellectual property rights protection and personal data protection. Dedicated contact channels for the stakeholders are set up and announced on the Company's official website to take notifications, suggestions, complaints and grievance of the Company. Dedicated personnel will be in charge of relevant handling and replying. In 2022, there was 0 valid case received from external grievance channels and 1 directly reported case from the employee.

Category	Consultation & Grievance Channels	Mechanism of whistleblower protection	Handling process of reported cases	Title of regulations
Human rights	<ul style="list-style-type: none"> <li>› Email of Tung Ho Steel: tungho@tunghosteel.com</li> <li>› Employee grievance hotline and mailbox: Administration Division: Ms. Yu-Chen Ding dingyuj@tunghosteel.com (02) 2551-1100 Ext. 531</li> <li>› Sexual harassment complaint mailbox: tungho@tunghosteel.com</li> <li>› Employee opinion mailbox: employee opinion mailbox in each works and the email of Tung Ho Steel: tungho@tunghosteel.com</li> <li>› Labor-management meeting</li> <li>› Sexual Harassment Review Committee</li> </ul>	As prescribed in Article 8 of the Company's Regulations governing Employee Grievance and Report, the complainant (reporter) and the relevant personnel responsible for handling the complaints (report) shall keep it absolutely confidential and shall not disclose the case to the public. If details of the case are leaked by intentional negligence, the person(s) releasing the information shall be punished according to relevant regulations in accordance with the degree of the disclosure.	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.	<ul style="list-style-type: none"> <li>› Regulations Governing Employee Grievance and Whistleblowing (Whistleblower Protection Policy)</li> <li>› Human Rights Policy</li> <li>› Regulations for the Prevention and Handling of Sexual Harassment</li> <li>› Sustainable Development Best Practice Principles</li> <li>› Workplace Violence Prevention Policy Statement.</li> </ul>
Products	<ul style="list-style-type: none"> <li>› Email of Tung Ho Steel: tungho@tunghosteel.com</li> <li>› Customer grievance hotline and mailbox: Administration Division: Mr. Rei-Hong Weng rhweng@tunghosteel.com (02)2551-1100 Ext. 538</li> <li>› Distributors meeting</li> </ul>	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.	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.	<ul style="list-style-type: none"> <li>› Regulations for Handling Customer Complaints</li> </ul>



Category	Consultation & Grievance Channels	Mechanism of whistleblower protection	Handling process of reported cases	Title of regulations
Suppliers	<ul style="list-style-type: none"> <li>› Email of Tung Ho Steel: tungho@tunghosteel.com</li> <li>› Supplier grievance hotline and mailbox: Trading Division: Mr. Chung-Ming Pan pcm@tunghosteel.com (02) 2551-1100 Ext. 604</li> <li>› Visits</li> </ul>	The Company will make every effort to keep the identity of the whistleblower confidential and protect the safety of the whistleblower, preventing the whistleblower from any form of retaliation and threats.	The supplier can make use of the communication channels, standards, policy and related regulations to submit suggestions and complaints to the management and the internal audit supervisor. After receiving the feedback, the responsible unit will handle it properly.	<ul style="list-style-type: none"> <li>› Procedures for Ethical Management and Guidelines for Operations</li> </ul>
Shareholders and media	<ul style="list-style-type: none"> <li>› Email of Tung Ho Steel: tungho@tunghosteel.com</li> <li>› Shareholders and media grievance hotline and mailbox: Finance and Accounting Division: Ms. Shu-Mei Guo ksm@tunghosteel.com (02) 2551-1100 Ext. 568</li> </ul>	Shareholders may file a complaint to the competent authority of the Securities and Futures Investors Protection Center (SFIPC).	Handled in accordance with relevant regulations of competent authorities.	None
Personal data privacy, information security	<ul style="list-style-type: none"> <li>› Email of Tung Ho Steel: tungho@tunghosteel.com</li> <li>› Personal data privacy grievance hotline and mailbox: Administration Division: Ms. Hui-Ya Nie quintina@tunghosteel.com (02) 2551-1100 Ext. 536</li> <li>› Information Security grievance hotline and mailbox: Information Technology Division: Mr. Hsin-Long Lin shinlong@tunghosteel.com (02) 2551-1100 Ext. 511</li> </ul>	The Company will make every effort to keep the identity of the whistleblower confidential and protect the safety of the whistleblower, preventing the whistleblower from any form of retaliation and threats.	Stakeholders who have any doubt and suggestion about the personal data can write to the personal data management unit for suggestions or discussions.	<ul style="list-style-type: none"> <li>› Regulations Governing Personal Information Data Security Maintenance and Management</li> <li>› Information Security Incident Management Measures</li> </ul>
Corporate governance and management	<ul style="list-style-type: none"> <li>› Email of Tung Ho Steel: tungho@tunghosteel.com</li> <li>› Independent directors' email: Der-Ming Lieu: dmlieu@hotmail.com Jih-Gang Liu: csc.039958@gmail.com Chia-Wen Liu: acliu@ntu.edu.tw</li> </ul>	When the whistleblower reports illegal behavior of the personnel in the Company, the identity of the whistleblower, the content, and the investigation process shall all be kept confidential, and a complete record of the acceptance of the case, investigation process and results shall be kept.	The audit unit will be instructed to conduct investigations, and a report of results and suggested handling methods shall be made and submitted to independent directors.	<ul style="list-style-type: none"> <li>› Corporate Governance Code</li> <li>› Ethical Corporate Management Best Practice Principles</li> <li>› Procedures for Ethical Management and Guidelines for Conduct</li> <li>› Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managers</li> <li>› Work Rules</li> <li>› Sustainable Development Best Practice Principles</li> <li>› Regulations Governing Intellectual Property Management</li> </ul>

Cate-gory	Consultation & Grievance Channels	Mechanism of whistleblower protection	Handling process of reported cases	Title of regulations
Environment	<ul style="list-style-type: none"> <li>› Email of Tung Ho Steel: tungho@tunghosteel.com</li> <li>› Taoyuan Works: Yi-Chung Lee ( 03 ) 4761151 Ext.110</li> <li>› Miaoli Works: Yong-He Chen ( 037 ) 923333 Ext.177</li> <li>› Kaohsiung Works: Liang-Yuan Yang ( 07 ) 8023131 Ext.296</li> </ul>	The Company will make every effort to keep the identity of the whistleblower confidential and protect the safety of the whistleblower, preventing the whistleblower from any form or retaliation and threats.	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.	<ul style="list-style-type: none"> <li>› Regulations Governing Consultation, Participation, and Communication</li> <li>› Operating Standards for Waste Management</li> </ul>

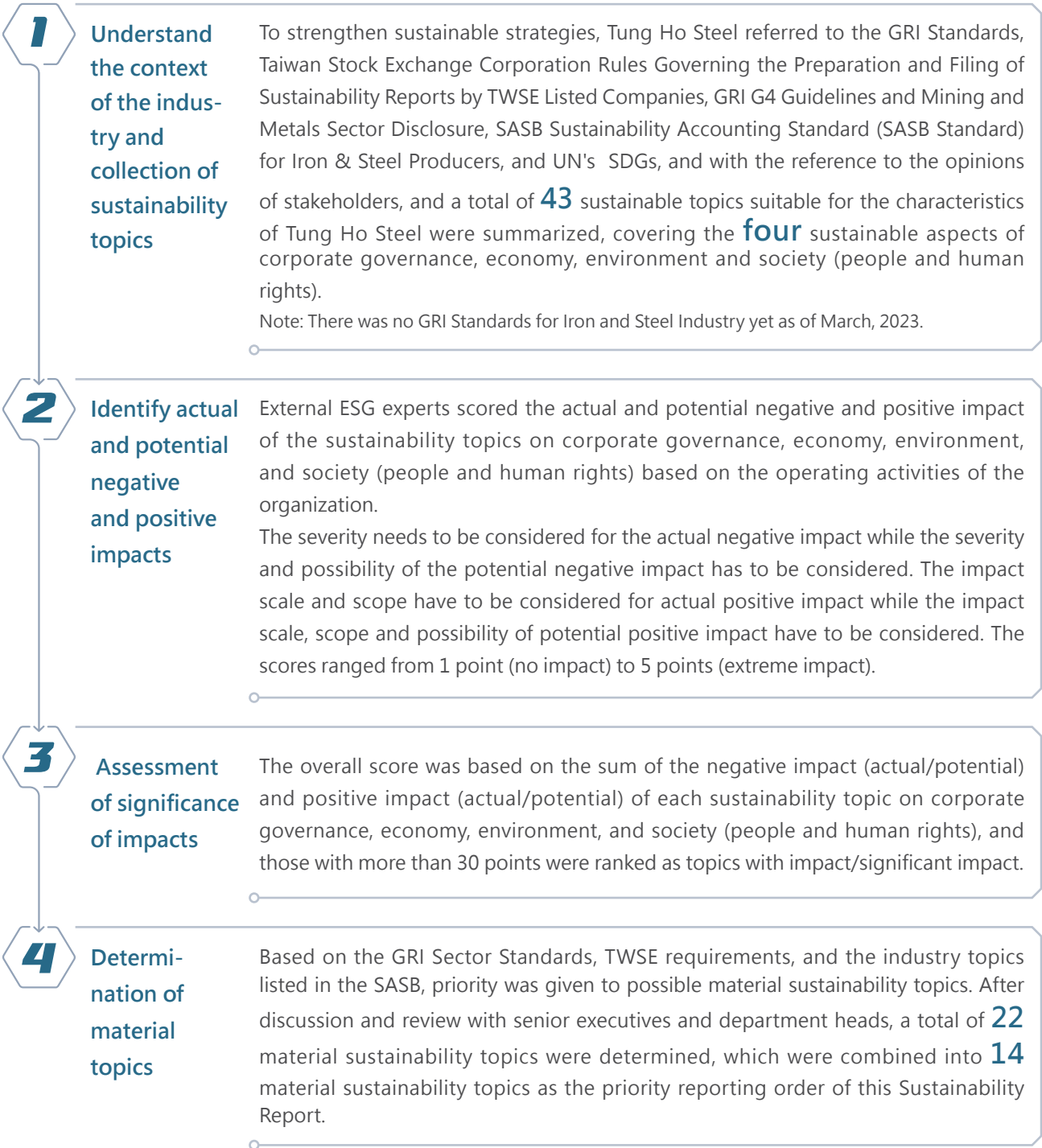
## ■ Complaint Handling and Responses

Tung Ho Steel attaches great importance to and actively handles various complaints. As of the end of 2022, there was a complaint against human rights and no complaint a concerning gender and racial discrimination. In 2022, there was a complaint of environment noise by residents near Taoyuan Works, and after the personnel from Environmental Protection Bureau visited the factory for inspection, the results showed that we all met relevant regulations. The handling of the complaints received in 2022 is detailed as follows.

Category	Date/ Content	Preventive improvement measures	Satisfaction survey of remedial procedures and outcomes
Environment	2022.12.09/Public compliant against noise	After inspection, the results showed that it met relevant regulations.	After inspection, the results showed that it met relevant regulations.
Labor right	2022.10.31/1 grievance by the employee of Miaoli Works	It is expected to plan communication skills training course for supervisors in the second half of 2023.	The investigation team held a communication meeting with the complainant and the supervisors and formulated handling measures with the consent of the complainant.

# 1-3 Analysis of Material Topics

## Steps for the determination of the materiality of sustainability topics

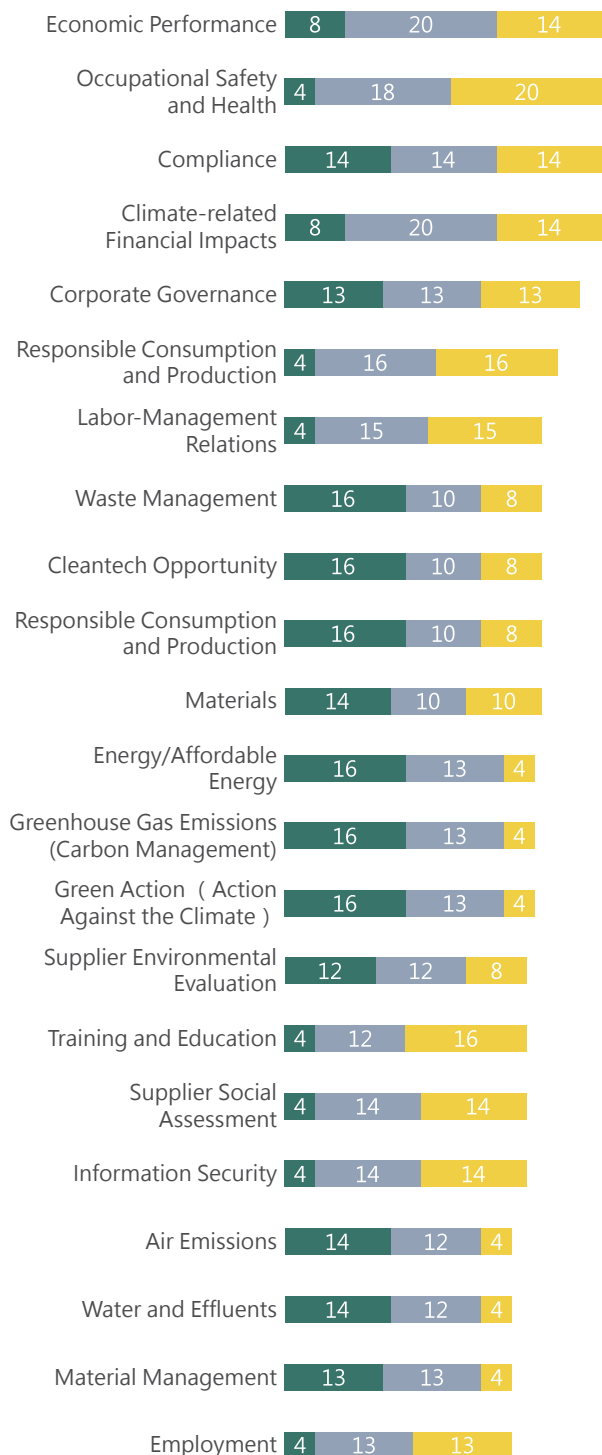




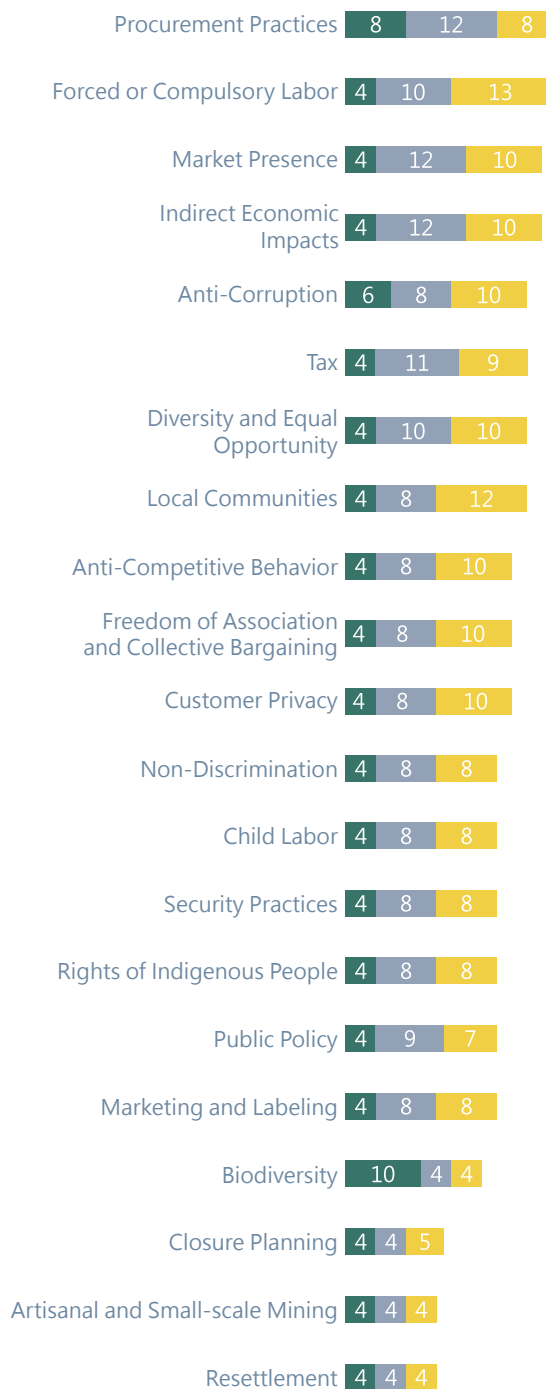
## Level of impact of each sustainability topic on the environmental, economic and social aspects

■ Impact on the environmental aspect ■ Impact on the economic aspect ■ Impact on the social aspect

### Material topics




### Secondary topics



Note: Employment and Air Emissions are two newly added material topics in 2022.

Aspect	Material sustainability topic	GRI standards and other corresponding sustainability topics	Significance of the material sustainability topics to the organization	Corresponding chapter	Impact		
					Tung Ho Steel	Customers	Suppliers
Economic Aspect	1. Stable Operation	【GRI 201】 Economic Performance	The foundation for corporate operations is to increase profitability and to be able to create long-term and stable sustainable performance.	<a href="#">3-1 Operating Status</a> <a href="#">3-2 Risk Management</a>	●	▲	▲
	2. Implementation of Corporate Governance	【GRI 2-9】 Governance structure and composition	Implementation of the corporate operating responsibility and while giving consideration to the interests of stakeholders to protect the rights and interests of our shareholders.	<a href="#">2-2 Corporate Governance</a>	●		
	3. Compliance	【GRI 2-27】 Compliance	Avoid risks of operational disruption, ensure operating results and decrease financial risks caused by fines or impact on reputation.	<a href="#">2-3 Integrity Management</a> <a href="#">3-2 Risk Management</a> <a href="#">Environmental Compliance</a>	●		
	4. Cleantech Opportunity	Cleantech Opportunity	In response to the international trend and national goal of Carbon Neutrality by 2050, we actively develop clean technology such as renewable energy, hydrogen energy, carbon capture and utilization to ensure the direction and goal of cleantech development and maintain competitiveness.	<a href="#">3-3 Management of and Strategies for Climate Change Risks and Opportunities</a>	●		○
	5. Information Security	【GRI 418】 Customer Privacy Information Security	To ensure the confidentiality, integrity, availability, and legality of information for uninterrupted operation.	<a href="#">3-2 Risk Management</a> <a href="#">Customer Privacy</a>	●	▲	▲

Aspect	Material sustainability topic	GRI standards and other corresponding sustainability topics	Significance of the material sustainability topics to the organization	Corresponding chapter	Impact		
					Tung Ho Steel	Customers	Suppliers
Environmental Aspect	6.Materials Circular Economy 	【GRI 301】Materials 【GRI 306】Waste 【GRI G4】Material Management 【SDGs 12】Responsible Consumption and Production Sustainability Reporting Indicators-Steel Industry (4) 【SASB】Waste Management	Implementation of circular economy through the use and management system of raw materials to maximize resources efficiency and minimize environmental impacts to enhance economic value and step toward sustainable development.	<u>Introduction of Value Chain</u> 4-3 <u>Pollution Prevention and Control Management</u> <u>Waste Treatment and Recycling</u>	●		○
	7.Climate Action  	【GRI 302】Energy 【GRI 305】Greenhouse Gas Emissions(Carbon Management) Sustainability Reporting Indicators-Steel Industry (1) (2) 【SASB】Energy Management 【SASB】Greenhouse Gas Emissions 【SDGs 7】Affordable Energy Climate-related Financial Impacts Green Action ( Action Against the Climate )	Appropriate energy management and climate change strategies can reduce operating costs and risks.	3-2 <u>Risk Management</u> 3-3 <u>Management of and Strategies for Climate Change Risks and Opportunities</u> 4-2 <u>Use of Energy Resources</u> <u>GHG Inventory</u> <u>Green Process</u>	●		○
	8.Water Resources Management	【GRI 303】Water and Effluents Sustainability Reporting Indicators-Steel Industry (3) 【SASB】Water Resources Management	Effective water resources management can reduce operational risks and strengthen corporate competitiveness.	<u>Water Resources Management</u>	●		○
	9. Air Emissions	【GRI 305】Emissions	Effective management of air pollution control can reduce environmental impacts and also the operating costs and risks.	Emission Control	●	▲	▲



Aspect	Material sustainability topic	GRI standards and other corresponding sustainability topics	Significance of the material sustainability topics to the organization	Corresponding chapter	Impact		
					Tung Ho Steel	Customers	Suppliers
Social Aspect	10.Enhancement of Product and Service Quality	【GRI 416】 Customer Health & Safety	Providing stable and great product quality will help improve customer satisfaction and operational performance.	<u>Quality Management</u>	●	▲	▲
	11.Safe and Healthy Workplace	【GRI 403】 Occupational Safety and Health Sustainability Reporting Indicators-Steel Industry (5) 【SASB】 Workforce Health and Safety	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>	●		○
	12.Talent Retention	【GRI 401】 Employment 【GRI 402】 Labor-Management Relations	Good labor-management 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-Management Relations</u>	●		
	13.Talent Cultivation	【GRI 404】 Training and Education	To stimulate the potentials of employees and enhance their professional capabilities, we provide diverse channels for learning resources to enable fit for work for all the employees to enrich the human resources of the company.	<u>5-3 Career Development and Training</u>	●		
	14.Supplier Management	【GRI 308】 Supplier Environmental Evaluation 【GRI 414】 Supplier Social Assessment	To ensure the quality, cost, delivery and quality of service of its suppliers, the Company 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.	Supplier Management	●		○

Note: The degree of involvement in an event of a negative impact: ● cause, ○ contributing, ▲ directly related.

# 1-4 Response to Material Sustainability Topics

Tung Ho Steel has established policies and objectives, assessment mechanism, performance and adjustments for 14 material topics to allow the Company to possess its competitive advantage in the ever-changing business environment. The corresponding management actions to these topics taken are detailed as follows.

Material Sustainability Topics in Economic Aspect		Material topic covered
1. Stable Operation		【GRI 201】Economic Performance
Boundary limit	Disclosure of the topic of continuous profitability only reveals the information of Tung Ho Steel's economic performance in the form of consolidated statements.	
Purpose of management	To strengthen our competitiveness, improve performance and create value for our shareholders.	
Grievance/ Recovery mechanism	Senior managers have weekly discussions on the market and product & sales conditions, hold monthly management meetings to review the performance and set targets, and report to the board of directors the latest business performance. The board of directors conducts supervision and guidance to achieve the performance targets.	
Policies	<ul style="list-style-type: none"> <li>› 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.</li> <li>› Actively expand new foreign markets and new customers and research and develop new steel products and applications.</li> <li>› Actively promote environmental protection and GHG emission reduction in response to net zero emissions by 2050.</li> </ul>	
Goals	Stable growth and profitability.	
Actions Taken	<ul style="list-style-type: none"> <li>› The high-level management regularly discuss the operating situations and make decisions.</li> <li>› The Company has a task force for business analysis and develops an information system to cooperate with management.</li> <li>› Set up technical units for research and development of new products and technologies, reduce costs and increase production performance.</li> <li>› Invest in green energy industries, including wind power generation, biogas power generation, waste recycling and so on.</li> </ul>	
Evaluation mechanism	<ul style="list-style-type: none"> <li>› Prepare annual budgets and conduct tracking and reviews of goals through monthly meetings and take necessary measures.</li> <li>› Grasp real-time economic trends and have close cooperation among production, sales and purchase for integrated operation.</li> </ul>	

## Material Sustainability Topics in Economic Aspect

## 1. Stable Operation

## Material topic covered

【GRI 201】Economic Performance

Evaluation  
mechanism

- › 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.
- › Engage in R&D of new steel products and new applications to explore business opportunities.

Performance  
and  
adjustment

- › In 2022, the EPS was NTD 5.47.
- › In 2022, the cash dividend was NTD 3.5.

## 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 Sustainability Topics in Economic Aspect

2. Implementation of  
Corporate Governance

## Material topic covered

【GRI 2-9】Governance structure and composition

## Boundary limit

The scope of information disclosed in this Report only covers information of corporate governance in all Tung Ho Steel's relevant operating systems and activities in Taiwan.

Purpose of  
management

To complete the functions of the board of directors and strengthen the management mechanism.

Grievance/  
Recovery  
mechanism

Article 11 of the Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managers stipulates the disciplinary measures, and the directors shall sign the Statement of Integrity when taking office, and be provided with liability insurance.

## 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.

## 2. Implementation of Corporate Governance

### Material topic covered

【GRI 2-9】 Governance structure and composition

#### Actions Taken

- › 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.
- › Under the Sustainable Development Council are the Environmental Sustainability Group, Corporate Social Responsibility Group, and Corporate Governance Group, and the president assigns supervisors of relevant units to take charge of work duties and implementation of the operation plans. The work plans and implementation results shall be reported to the Sustainable Development Council on a yearly basis.
- › 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.
- › Arrange courses on integrity management and prevention of insider trading as well as laws and regulations propaganda online on a regular basis.

#### Evaluation mechanism

- › Corporate governance evaluation: TWSE set up corporate governance indicators to score the corporate governance items of listed/OTC-listed companies.
- › 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.

#### Performance and adjustment

- › Strengthen corporate governance and clearly divided the responsibilities of the chairman and the president. Mr. Bing-hua Huang serves as the president of Tung Ho Steel from January 1, 2022.
- › Tung Ho Steel was selected as a constituent company of the TWSE Corporate Governance 100 Index for 5 consecutive years between 2018 and 2023.
- › The external evaluation was completed in September, and the board of directors and all functional committees were all evaluated as "exceeding standards".
- › The Corporate Governance and Nominating Committee was renamed Sustainable Development Committee in December
- › Tung Ho Steel was ranked in the 6%-20% among the listed companies in the 8<sup>th</sup> TWSE Corporate Governance Evaluation.
- › From May, 2023, the board member will include one female director.

#### Adjustment mechanism:

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.

#### Corresponding chapters

2-2 Corporate Governance



## Material Sustainability Topics in Economic Aspect

## Material topic covered

【GRI 2-27】 Compliance

## 3. Compliance

<b>Boundary limit</b>	The scope of information disclosed in this Report only covers information of environmental protection and social compliance in Tung Ho Steel's all factories in Taiwan.
<b>Purpose of management</b>	To effectively manage legal risks of the company, fulfill the company's corporate social responsibility and avoid major violations and penalties.
<b>Grievance/ Recovery mechanism</b>	<p>In the event of major violations, major information will be released on Market Observation Post System (MOPS) in accordance with the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities. Relevant offenders will be punished in accordance with relevant punishment provisions of the Work Rules.</p> <p>In the event of major environmental violations, effective measures are taken in accordance with the process of the "Corrective and Preventive Measures Regulations" of the ISO management system of each factory, and corrective or preventive measures are also provided to avoid or eliminate the occurrence of problems.</p>
<b>Policies</b>	<p><b>Environmental aspect:</b></p> <ul style="list-style-type: none"> <li>› "Compliance, Continuous Improvement, Pollution Prevention, Sustainable Management" .</li> <li>› Compliance with relevant laws and regulations of both central and local governments as well as the operating standards formulated by the Company.</li> <li>› Continuous reduction in waste, maintenance of natural environment, improvement of the working environment and dedication to sustainable management of the enterprise.</li> </ul> <p><b>Socioeconomic Aspects:</b></p> <p>Comply with government regulations and relevant laws and regulations of each industry.</p>
<b>Goals</b>	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
<b>Actions Taken</b>	<p><b>Environmental aspect:</b></p> <ul style="list-style-type: none"> <li>› 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 ) .</li> <li>› The regulatory inspections are conducted on a monthly basis and the compliance assessment is carried out every January to ensure the applicability of relevant environmental protection policies in the factories.</li> </ul> <p><b>Socioeconomic Aspects:</b></p> <ul style="list-style-type: none"> <li>› 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 audit 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.</li> </ul>

### 3. Compliance

#### Actions Taken

- › Organize at least one educational publicity on insider trading-related laws and regulations for directors, managers and employees every year.
- › Publicize the laws and regulations concerning the prevention of insider trading and integrity management and the consequences of violations of such laws through the annual education and training plans to strengthen the legal awareness and the spirit of compliance among our employees and reduce the number of violations.

#### 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 Auditing 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.

#### Performance and adjustment

##### Environmental aspect:

There were no penalty incidents for major leakage.

##### Socioeconomic Aspects:

- › There were no major violations.
- › Organized a total of 6 sessions of education on laws and regulations related to insider trading prevention.
- › Organized education and training course on "How to Prevent Corruption in Enterprises", with 134 participants and a total of 268 hours.

##### Adjustment mechanism:

##### Environmental aspect:

Assigned dedicated personnel to check the environmental compliance.

##### 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](#)

## Material Sustainability Topics in Economic Aspect

## Material topic covered

Cleantech Opportunity

## 4. Cleantech Opportunity

<b>Boundary limit</b>	The scope of information disclosed in this Report only covers information of cleantech opportunity in all Tung Ho Steel's relevant operating systems and activities in Taiwan.
<b>Purpose of management</b>	The technology development of applying hydrogen burners to steel ladle preheaters and heating furnaces in steel works is still ongoing, and currently, there hasn't been actual application in the world. When applying carbon capture to electric furnace plants, problems such as large variability in flue gas composition, impurity composition, and temperature faced still need further research. Due to the uncertain factors, there is a need to establish a management and evaluation mechanism to ensure that the directions and goals of the Company's cleantech development can be implemented.
<b>Policies</b>	To gradually invest in the pilot research on the carbon capture technology in electric furnace factory and the experimental factory and continue to pay attention to the technological development and practical development and actual application trends of hydrogen in iron and steel industry.
<b>Goals</b>	To complete the pilot research on the carbon capture technology in electric furnace factory and the establishment of the experimental factory by 2025.
<b>Actions Taken</b>	<p>Pilot research on the carbon capture technology and the experimental factory</p> <p>Short-term goal: The research fund for 2022 was approximately NT\$ 1 million, and that for the industry-academia collaboration between 2023-2025 is about NT\$ 2 million every year.</p> <p>Medium-term: In 2026, investment in Tung Ho Miaoli Work owned carbon capture experimental plant, with an estimated capital expenditure of NT\$ 60 million.</p>
<b>Evaluation mechanism</b>	Preliminary research of the CCS technology in the electric furnace factory and the hydrogen research: Progress is reviewed every 6 months, and the report is submitted to the Sustainable Development Committee.
<b>Performance and adjustment</b>	<ul style="list-style-type: none"> <li>› Pilot research on the carbon capture technology: We have entrusted ITRI to conduct the Study on the Proposal of the Feasibility of Carbon Capture and Storage (CCS) in Miaoli Works on September 1.</li> <li>› Technological development and actual application trends of hydrogen energy in the iron and steel industry: We have entrusted ITRI to conduct the project of "Evaluation of Key Components of Hydrogen Production and Hydrogen Energy Storage System Integration Technology- Research on Hydrogen Source Evaluation of Tung Ho Steel's Miaoli Works" .</li> </ul> <p><b>Adjustment mechanism:</b></p> <p>Reports are submitted to the Sustainable Development Committee to track and review the attainment of goal and take necessary management measures.</p>
<b>Corresponding chapters</b>	<u>3-3 Management of and Strategies for Climate Change Risks and Opportunities</u>

## 5. Information Security

<b>Boundary limit</b>	The scope of information disclosed in this Report only covers information of information security in all Tung Ho Steel's relevant operating systems and activities in Taiwan.
<b>Purpose of management</b>	To ensure the information security related operations are properly managed.
<b>Grievance/ Recovery mechanism</b>	Handle in accordance with the Company's Information Security Incident Management Measures
<b>Policies</b>	<p>The information security policy: "Information security is everyone's responsibility and zero information security incidents companywide.</p> <p>Policy requirements:</p> <ol style="list-style-type: none"> <li>1. Information will be protected to prevent unauthorized access to information.</li> <li>2. The confidentiality of information will be protected.</li> <li>3. The integrity of the information will be maintained.</li> <li>4. Availability of information will be ensured.</li> <li>5. Meet the requirements of competent authorities and national laws.</li> <li>6. Provide information security training for employees of the Company.</li> <li>7. The goal of information security is to ensure sustainable operation, reduce hazards, and prevent the occurrence of information security incidents.</li> </ol>
<b>Commitments</b>	<ol style="list-style-type: none"> <li>1. Ensure the establishment of information security policies and information security objectives that are compatible with the Company's strategic direction.</li> <li>2. Ensure that the information security management system requirements are integrated into each process of the Company.</li> <li>3. Ensure that the resources required by the information security management system are available.</li> <li>4. Communicate the importance of effective information security management and the importance of meeting the requirements of the information security management system.</li> <li>5. Ensure that the information security management system achieves its intended outcomes.</li> <li>6. Command and support personnel to promote the effectiveness of the information security management system.</li> <li>7. Advocate continuous improvement.</li> <li>8. When it is applicable to the scope of responsibility of other relevant management roles, support is provided to demonstrate the leadership.</li> </ol>
<b>Goals</b>	The goal of information security in 2023 is to complete the replacement of the Company's external firewall.

Material Sustainability Topics in Economic Aspect

Material topic covered

【GRI 418】Customer Privacy

5. Information Security

Actions Taken

The Company conducts risk assessment in accordance with the Information Asset Management Measures and Information Security Risk Assessment Management Measures, and high-risk handling plans are established and implemented for high-risk information assets.

- 1. Continue the investment in information security equipment maintenance and update
- 2. In addition to daily maintenance, the management work also includes the followings:
  - › Check the copyright of the installed computer software
  - › Review of the authority of applications users use
  - › Backup tape availability testing
  - › Server vulnerability scanning and fixing
  - › Remote backup drills
  - › Assessment of information security risk

Evaluation mechanism

The internal and external information security audits are carried out by the Auditing Office and the audit accounting firm.

Performance and adjustment

- › There were no complaints against customer privacy infringement or loss of customer information.
- › Passed the ISO 27001:2013 certification.
- › Promote and conduct information security education and training through email from time to time.
- › SecurityScorecard, the information security vendor TSMC commissioned, evaluated the information security status of the suppliers in the supply chain, and the score was 87 points.

Adjustment mechanism:

The inspection is conducted in accordance with the procedure, which include the implementation of the firewalls of all factories and the data analysis of the annual statistics of the antivirus software, including user traffic, types and times of restricted website visits, types and times of threats or virus attacks and so on, and is handled in accordance with the relevant regulations of cyber security management operations.

Corresponding chapters

3-2 Risk Management  
Customer Privacy



## 6. Materials Circular Economy

SDGs Goals



### Material topic covered

【GRI 301】Materials  
 【SDGs 12】Responsible Consumption and Production  
 【GRI 306】Waste Sustainability Reporting  
 Indicators- Steel Industry (4)  
 【SASB】Waste Management  
 【GRI G4】Material Management

#### Boundary limit

The scope of information disclosed in this Report only covers information of materials, hazardous industrial waste and actions in relation to pollution prevention and control in Tung Ho Steel's all factories in Taiwan.

#### 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.

#### Grievance/ Recovery mechanism

- › When the employees or related groups outside the factories have opinions or disputes on the environmental issues, communication should be conducted, and the opinions of the related groups should be accepted and responded to in accordance with the Communication, Participation, and Consultation Management Regulations.
- › Waste generated in the factory areas shall be handled in accordance with the Operating Standards for Waste Management for effective management and disposal.
- › If there is any environmental emergency, it shall be conducted in accordance with the Regulations on Emergency Preparedness and Contingency Response. The responsible unit shall notify relevant supervisor and local competent authority in a timely manner as prescribed by law.

#### Policies

- › Comply with relevant laws and regulations of both central and local government as well as the operating standards the Company has established.
- › Maintain the environmental management system to continue reducing pollution so as to achieve the improvement of environmental performance.
- › To increase the domestic purchase amount of scrap steel and increase the recycling rate of in the steel-making process.
- › The waste is fully recycled to create the niche for the creation of a circular economy.
- › Make efforts to increase the recycling value of resources and work on the quality of greenery of the environment to fulfill our corporate responsibility to society and environmental protection.

#### 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.
- › Industrial waste such as fly ash, oxidized ballast, and reduced oxide are recycled to achieve the goal of circular economy with zero waste, zero pollution and making the best use of everything.
- › To purchase scrap steel in accordance with the monthly production plan.

Material Sustainability Topics in Environmental Aspect	
6. Materials Circular Economy	
SDGs Goals	<div><div>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div>
Material topic covered	
<div>【GRI 301】Materials</div> <div>【SDGs 12】Responsible Consumption and Production</div> <div>【GRI 306】Waste Sustainability Reporting</div> <div>Indicators- Steel Industry (4)</div> <div>【SASB】Waste Management</div> <div>【GRI G4】Material Management</div>	
Actions Taken	<div>› ISO 14001 has been introduced into all factories to effectively manage emissions.</div> <div>› Establish the ISO 9001 management system, establish operating standards for scrap steel acceptance and electric furnace operations.</div> <div>› Establish a fine crushing workshop to increase the recovery rate of steel making.</div> <div>› Expenses on industrial waste disposal reached approximately NTD 301 million in 2022.</div> <div>› The oxide ballast is processed by the recycling organization to continue to be used as raw materials in relevant units.</div>
Evaluation mechanism	Relevant responsible units establish relevant standards for steel scrap acceptance, waste treatment and electric furnace operation in accordance with ISO 9001 and ISO 14001 management systems, and the monthly performance tracking and target review are conducted.
Performance and adjustment	<div><div>› The Company's waste recycling (recycle for reuse) ratio reached 98.6%.</div><div>› The ratio of recycled scraps for rebar was 1.94% and for section steel was 4.64%.</div><div>› Grasp the domestic and foreign markets for steel scraps effectively and improve the recovery rate of the steelmaking process.</div></div> <div>Adjustment mechanism:</div> <div><div>› Relevant units continue to propose improved management plans in PDCA model in accordance with the ISO 14001 environmental management system on a regular basis.</div><div>› Report the achievement status and evaluation level of the implementation performance in the annual management review committee meeting for necessary review and adjustment.</div></div>
Corresponding chapters	<div><a href="#">Introduction of Value Chain</a></div> <div><a href="#">4-3 Pollution Prevention and Control Management</a></div> <div><a href="#">Waste Treatment and Recycling</a></div>

## 7. Climate Action

SDGs Goals



### Material topic covered

【GRI 302】Energy  
Sustainability Reporting Indicators- Steel Industry (1) (2)  
【SASB】Energy Management  
【GRI 305】Greenhouse Gas Emissions(Carbon Management)  
【SASB】Greenhouse Gas Emissions  
【SDGs 7】Affordable Energy  
Climate-related Financial Impacts  
Green Action ( Action Against the Climate )

#### Boundary limit

The scope of information disclosed in this Report only covers actions in relation to energy management and countermeasures to relevant risks of climate change in Tung Ho Steel's all factories in Taiwan. Currently the suppliers are not yet required to provide GHG reduction information.

#### Purpose of management

To effectively manage the Company's climate change response actions so as to reduce emissions for lower production costs and enhance product competitiveness to avoid possible operational risks in the future for sustainable management and enhanced corporate competitiveness.

#### Policies

- › 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. Strengthen carbon information disclosure and enhance carbon management capabilities.
- › Actively invest in new fields, such as wind power/PV, hydrogen energy, carbon capture and utilization, and energy storage.

#### Goals

- › The emissions are compliant with local environmental regulations.
- › 2030 Sustainable goals: Carbon reduction 30% + RE30

#### Actions Taken

- › Introduced ISO 50001 Energy Management System, ISO 14064-1 GHG Inventory, ISO 14067 Product Carbon Footprint and EPD (Environmental Product Declaration) verification.
- › 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.
- › Established the GHG Inventory Promotion Team
- › Invested in energy saving hardware facilities in accordance with the Company's Regulations Concerning Appropriation and Use of Special Surplus Reserve in Response to Climate Change Adaptation and Mitigation.
- › Tung Kang Wind Power Corp. has terminated the contract with Taiwan Power Company and started to supply power for the three works of Tung Ho Steel to meet the obligation amount for major power users from January 1, 2023.
- › 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.

Material Sustainability Topics in Environmental Aspect

# 7. Climate Action

SDGs Goals



Material topic covered

【GRI 302】Energy  
Sustainability Reporting Indicators- Steel Industry (1) (2)  
【SASB】Energy Management  
【GRI 305】Greenhouse Gas Emissions(Carbon Management)  
【SASB】Greenhouse Gas Emissions  
【SDGs 7】Affordable Energy  
Climate-related Financial Impacts  
Green Action ( Action Against the Climate )

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

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.

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

## 8. Water Resources Management

### Material topic covered

【GRI 303】Water and Effluents  
Sustainability Reporting  
Indicators- Steel Industry (3)  
【SASB】Water Management

<b>Boundary limit</b>	The scope of information disclosed in this Report only covers that in relation to amount of water intake, drainage and water consumption of all Tung Ho Steel's relevant operating systems and activities in Taiwan. 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.
<b>Purpose of management</b>	To effectively manage the water intensity and regulatory risks concerning Water Act.
<b>Grievance/ Recovery mechanism</b>	In the event that the reservoir is short of water, the government will implement water rationing measures. The Company will cooperate with the policy for water conservation and uses water trucks to carry reclaimed water or other water sources to supplement water required for the production process and reduce production in response to water shortages.
<b>Policies</b>	To conform to the committed value in the Water Usage Plan and strengthen the recycling rate of water resources.
<b>Goals</b>	<p>Taoyuan Works: To conform to the committed recycle value 97.22%<sup>Note</sup> in the Water Usage Plan.</p> <p>Miaoli Works:</p> <ul style="list-style-type: none"> <li>› To adjust the rain recovery amount in Retention Basin C to increase the reuse rate of water resources.</li> <li>› To continue the promotion of water conservation policy and improvement of manufacturing process.</li> </ul>
<b>Actions Taken</b>	<ul style="list-style-type: none"> <li>› The wastewater treatment costs amounted to approximately NTD 15.24 million.</li> <li>› Zero discharge of wastewater from Taoyuan Works.</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>
<b>Evaluation mechanism</b>	<p>Taoyuan Works: 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>Miaoli Works: 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>



Material Sustainability Topics in Environmental Aspect	
8. Water Resources Management	
Material topic covered	
【GRI 303】Water and Effluents Sustainability Reporting Indicators- Steel Industry (3) 【SASB】Water Management	
Performance and adjustment	<div><div>› Taoyuan Works comply with the committed recycle value of water and cooling water in the Water Usage Plan.</div><div>› The water recovery rate reached 92% and above in all factories.</div><div>› The total recovery amount of the Retention Basin C in Miaoli Works reached 65,844 tons, which increased by 15,433 tons compared to the 50,411 tons in 2021.</div><div>› The effluents are 100% compliant with the legal discharge standards.</div></div> <div><b>Adjustment mechanism:</b> 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.</div>
Corresponding chapters	<u>Water Resources</u>

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.

Material Sustainability Topics in Environmental Aspect	
9. Air Emissions	
Material topic covered	
【GRI 305】Emissions	
Boundary limit	The scope of information disclosed in this Report only covers air quality related information in Tung Ho Steel's main production facilities of Taoyuan Works, Miaoli Works and Kaohsiung Works.
Purpose of management	Effective manage the air pollutant emissions from the production bases to meet the emission standards.
Grievance/ Recovery mechanism	<div><div>› If air pollution occurs due to emergencies or facility failure and affect the health of the personnel, emergency response is conducted in accordance with relevant regulations in the Operating Standards for Emergency Response to Air Pollution.</div><div>› Taoyuan Works conducts monitoring of the surrounding air and soil dioxins on a quarterly basis, and the health risk assessments are conducted based on the monitoring results, which are currently compliant with the government's regulations. Miaoli Works conducts monitoring of the surrounding air quality, and monitors heavy metal in groundwater and soil, and the monitoring results all meet the standards.</div></div>

## 9. Air Emissions

<b>Policies</b>	<ul style="list-style-type: none"> <li>› The spirit of paying attention to pollution sources and prevention of pollution for effective management and control of exhaust.</li> <li>› Meet the relevant laws and regulations stipulated by the central and local governments and the operating standards formulated by the Company.</li> <li>› Establish an environmental management system to continue the improvement of pollution to achieve environmental performance improvement.</li> </ul>
<b>Goals</b>	<ul style="list-style-type: none"> <li>› The average monitoring values of emissions are in line with the air pollutant emission standards, and there were no penalties for air pollution violations.</li> </ul>
<b>Actions Taken</b>	<ul style="list-style-type: none"> <li>› Adopt the Best Available Control Technology (BACT) to effectively reduce the emission of particulate pollutants.</li> <li>› Regularly update the filter bags of the bag-type dust collectors and maintain the control equipment to ensure the exhaust emissions are compliant with legal regulations.</li> <li>› The heaters in Miaoli Works and Kaohsiung Works use natural gas to reduce the emission of air pollutants.</li> </ul>
<b>Evaluation mechanism</b>	<ul style="list-style-type: none"> <li>› The effectiveness of the emission management by PDCA is conducted every year in accordance with the ISO 14001 Internal Management Review Procedure.</li> </ul>
<b>Performance and adjustment</b>	<ul style="list-style-type: none"> <li>› The average monitoring values of emissions from the three works are in line with the air pollutant emission standards, and there were no penalties for air pollution violations.</li> </ul> <p><b>Adjustment mechanism:</b> The effectiveness of the emission management by PDCA is conducted every year in accordance with the ISO 14001 Internal Management Review Procedure.</p>
<b>Corresponding chapters</b>	<u>Emission Control</u>

## Material Sustainability Topics in Social Aspect

## 10. Enhancement of Product and Service Quality

## Material topic covered

【GRI 416】Customer Health &amp; Safety

**Boundary limit**

In this 2022 Sustainability 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.

**Purpose of management**

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

**Grievance/ Recovery mechanism**

If the customers have any questions in relation to the Company's delivery process behavior or the quality of the delivered products or any technical questions, they can submit their opinions or complaints via telephone, letter, communication software or orally, and once the case is accepted, classification investigation will be conducted in accordance with the Regulations for Handling Customer Complaints, and the reason will be analyzed while suggestions on countermeasures are provided. Then the effectiveness confirmation or difference analysis on the corrective measures and improvement measures reported by the responsible unit will be carried out, and the technical assistance and feedback services are also provided to customers.

**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.

**Actions Taken**

- 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.
- Conduct the annual customer satisfaction survey.

**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 ) .

# 10. Enhancement of Product and Service Quality

## Material topic covered

【GRI 416】Customer Health & Safety

### Performance and adjustment

- › 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 10 types of certification marks. Section and steel plate products have passed 19 types of certification marks.
- › In 2022, scored 89 points in customer satisfaction among rebar customers and 96 points among section steel customers.

#### Adjustment mechanism:

- › Analysis and review in aspects of "delivery satisfaction", "product satisfaction" and "service satisfaction" among the surveyed customers are carried out to grasp every opportunity and momentum for improvement.
- › In addition, according to the evaluation by customers from time to time, reviews on the needs of individual customers are carried out, and the tracking of the evaluation results is continued to check if there is still room for improvement in product quality. Systematic measures are taken to find out the real cause and improvement measures for the improvement in customer satisfaction.

### Corresponding chapters

[Quality Management](#)

# 11. Safe and Healthy Workplace

## Material topic covered

【GRI 403】Occupational Safety and Health  
Sustainability Reporting Indicators-Steel Industry (5)  
【SASB】Workforce Health and Safety

### Boundary limit

The scope of information disclosed in this Report only covers the occupational safety system and performance and information of reduction of risks of occupational accidents and health promotion in Tung Ho Steel's all factories in Taiwan. The subcontractors only disclose data concerning the injury rate and the number of work-related deaths.

### Purpose of management

To enhance workers' safety awareness and establish a working environment with occupational safety, health and comfort.

### Grievance/Recovery mechanism

Each factory establishes relevant regulations for accident handling operation standards.

## Material Sustainability Topics in Social Aspect

## 11. Safe and Healthy Workplace

## Material topic covered

【GRI 403】Occupational Safety and Health  
Sustainability Reporting Indicators-Steel Industry (5)  
【SASB】Workforce Health and Safety

## Policies

- The “Friendly Workplace” in our Sustainable Development Policy: To establish a complete system and harmonious labor-management relations and create a friendly as well as safe working environment.
- Human rights policy: To provide a safe and healthy working environment.

## Goals

- Short-term goal: No occurrence of major accidents.
- Medium-and long-term goal: Zero personnel disasters and prevention of occupational diseases.

## Actions Taken

- 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.
- The contractors/subcontractors make communication and coordination through the monthly Occupational Safety and Health Committee and coordination organization meetings.
- Occupational safety and health training courses have been organized and the contractors have been assisted with the promotion of safety and health management.
- Information Technology Division applies big data to control (manage) unsafe behavior or environment to improve on-site safety and health management.
- We organize employee health checkups exceeding the frequency and items required by law every year.

## 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, 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

- The average percentage of labor representatives participating in the Occupational Safety and Health Committee in 2022 was 38%, better than the one-third required. The contractors/subcontractors make communication and coordination through the monthly Occupational Safety and Health Committee and coordination organization meetings.



## 11. Safe and Healthy Workplace

### Material topic covered

【GRI 403】Occupational Safety and Health  
Sustainability Reporting Indicators-Steel Industry (5)  
【SASB】Workforce Health and Safety

### Performance and adjustment

- › Organized 25 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.
- › We organize employee health checkups exceeding the frequency and items required by law every year. In 2022, there were 1,682 people receiving general health checks and 1,641 people receiving special health checks. The costs of these health checkups amounted to NTD 2.92 million, an increase of 18% compared with 2021.
- › Integrated employee health service was provided by professional physicians, serving 672 people, and the on-site health service expenses totaled approximately NT\$1.67 million.
- › There was no occurrence of occupational diseases among the company employees and workers from contractors.
- › The Company's investment in safety and health education and training was approximately NTD 1.99 million, with a total of 22,909 person-hours, increased by 30% compared with 2021.

#### 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 Auditing 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.

### Corresponding chapters

5-4 Occupational Health and Safety

## Material Sustainability Topics in Social Aspect

## Material topic covered

【GRI 401】Employment  
【GRI 402】Labor-Management Relations

## 12. Talent Retention

## Boundary limit

The scope of information disclosed in this Report only covers information of labor-management relations in all Tung Ho Steel's relevant operating systems and activities in Taiwan.

## Purpose of management

To establish harmonious labor-management relations to attract and retain good talents to maintain our competitive advantages through smooth and diverse communication channels.

## Grievance/ Recovery mechanism

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. The complaint will be investigated in accordance with the complaint processing procedures and disposal suggestions are drawn up and submitted to the president for approval. After the investigation results are approved, the complainant will be replied with a complaint reply letter. The complainant can appeal again if there are any doubts.

## Policies

Construct a fair and safe working environment, harmonious labor-management relations and a complete system.

## Goals

- › To provide a complete remuneration and welfare system and a good working environment to maintain the employees' health and safety.
- › There are no major labor disputes.

## Actions Taken

- › Organize diversified education and training and welfare measures for employees.
- › Set up work rules, internal rules and remuneration systems.
- › 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.

## Evaluation mechanism

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.

## Performance and adjustment

- › The employment of employees is 100% compliant with the relevant provisions in the Labor Standards Act.
- › The percentage of employees joining the union companywide reached 99% and more.
- › The average salary increase is 4.72%.

## Adjustment mechanism:

Regularly review the remuneration system and welfare measures, and make adjustments in accordance with the revised labor laws and regulations.

## Corresponding chapters

5-1 Manpower Structure with Equality  
5-2 Labor-Management Relations

## 13. Talent Cultivation

### Material topic covered

【GRI 404】 Training and Education

<b>Boundary limit</b>	The scope of information disclosed in this Report only covers information of training and education in all Tung Ho Steel's relevant operating systems and activities in Taiwan.
<b>Purpose of management</b>	Improve the knowledge, technology and core functions of the employees to improve their work competence and competitive advantages.
<b>Grievance/ Recovery mechanism</b>	The education and training measures are announced to all employees. Employees can submit opinions or complaints via telephone, email, and the company website.
<b>Policies</b>	<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>
<b>Goals</b>	<ul style="list-style-type: none"> <li>› 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.</li> <li>› The goal of the course start rate for education and training is 96%.</li> </ul>
<b>Actions Taken</b>	<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> </ul>
<b>Evaluation mechanism</b>	<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>
<b>Performance and adjustment</b>	<ul style="list-style-type: none"> <li>› In 2022, the total education and training hours reached 33,571 hours, and the average training hours was 17 hours per person.</li> <li>› The course start rate for education and training reached 100% in all factories.</li> </ul>
<b>Corresponding chapters</b>	<u>5-3 Career Development and Training</u>

## Material Sustainability Topics in Social Aspect

## Material topic covered

【GRI 308】Supplier Environmental Evaluation  
【GRI 414】Supplier Social Assessment

## 14. Supplier Management

**Boundary limit**

The scope of information disclosed in this Report only covers information of suppliers' environment and social management in all Tung Ho Steel's relevant operating systems and activities in Taiwan.

**Purpose of management**

To effectively manage the Company's requirements for supply quality and storage and transportation process of our suppliers. To ensure that the suppliers comply with the requirements in regard to output process, products and services and implement the response to environmental protection, climate change impact and labor right as well as information disclosure.

**Grievance/ Recovery mechanism**

- Suppliers can use the Company's public channels and methods such as the phone, email or physical visits to make complaints or respond to the Company's Material Department or Administration Division.
- When the quality of materials provided by suppliers is not good and improvements have not been made, the result of the regular evaluation will be determined as non-conformity. The qualification of such supplier shall be re-determined, which will also be noted in the supplier's basic information sheet, and the supply of such supplier will be suspended.
- For semi-finished products and auxiliary materials supplied by suppliers at home and abroad fail to pass the incoming material inspections for three times in a row, the Quality Management Section will fill out the "Incoming Material Quality Improvement Notice" and notify the Trading Department or the personnel in the Material Department, while such supplier will be notified to put forward the cause analysis and countermeasures for improvement within a time limit, and the effectiveness of the countermeasures proposed will be tracked.

**Policies**

To ensure the capabilities of suppliers in terms of supply quality, cost, delivery time, and service, and urge suppliers to jointly implement response to environmental protection, climate change impact and labor right as well as information disclosure to fulfil social responsibility. It is hoped that Tung Ho Steel can grow with its suppliers and establish a mutually beneficial, long, and stable supply chain.

**Goals**

To ensure the supply quality, delivery time, service and social responsibility of the suppliers are all compliant with the requirements of the supplier management policy.

**Actions Taken**

- Conduct supplier environmental safety assessment and supplier evaluation before making purchase, and plan the establishment of a supply chain management system.
- Continue to request suppliers to sign a 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.
- Adjust Supplier Management Regulations and incorporate the item of GHG Inventory into the Supplier Evaluation Form to join hands with our suppliers to work for climate change mitigation.

## 14. Supplier Management

## Actions Taken

- › In March, 2023, we distributed a questionnaire on the willingness of “Collaborative Carbon Reduction Agreement between Tung Ho Steel and the Suppliers in the Value Chain” to our suppliers. A total of 307 copies of questionnaire were distributed, and 270 copies were returned. A total of 257 suppliers are willing to join the Collaboration Carbon Reduction Agreement, accounting for 84% of all suppliers. The signing of such agreement is expected to start stepwise after June, 2023.

## Evaluation mechanism

- › The screening criteria of suppliers include environmental regulation compliance, delivery quality, service, and social responsibility. In addition, to ensure effective operation of quality management system, regular evaluation of suppliers with transactions is made in conjunction with relevant units for other evaluation. Supplier qualifications are confirmed based on the evaluation results.

## Performance and adjustment

- › Our domestic scrap steel providers all met the domestic scrap steel supplier evaluation standards.
- › In 2022, 165 secondary materials suppliers all accepted the supplier evaluation, reaching a pass rate of 100%.
- › A total of 591 suppliers have signed the Commitment of Supplier for Corporate Social Responsibility in 2022, accounting for 89% of the Company's transaction value with suppliers.
- › There were no suppliers with significant or potential impact on the environment or society.

**Adjustment mechanism:**

If the supplier is rated as unqualified, reevaluation has to be conducted after improvement before the transaction. The transaction can be continued when the supplier is confirmed qualified.

## Corresponding chapters

[Supplier Management](#)



# 1-5 Sustainability Performance

## ■ Sustainability Performance

### Performance of Integrity Governance



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



Completed the **External Evaluation** of the board of directors.



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%**.  
The average attendance rate of all directors reached **100%**.



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



The self-evaluation of the board of directors and the functional committees both reached **“better than the standards”** .



Ranked in the **6%-20%** among the listed companies in the 8th TWSE Corporate Governance Evaluation.



**No** violation of Commercial Law.

### Performance of Economic Sustainability



the EPS was **NTD 5.47**.  
the cash dividend was **NTD 3.5**.



Obtained **Management (B)** of the CDP climate change questionnaire.



Awarded 2021 TCSA Corporate Sustainability Report Award- **Gold Award in the Traditional Manufacturing Category**.



The rebar products have passed **10** types of certification marks.  
Section and steel plate products have passed **19** types of certification marks.



Scored **96** points in customer satisfaction among section steel customers and **89** 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 **95.9%**.



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



The waste recycling rate ( recycle and reuse rate ) reached **98.6%**.



**First Domestic Steel Manufacturer Obtaining EPD** (Environmental Product Declarations) for All Steel Products.



The water recovery rate in all areas of the factories was higher than **92%**  
The recovery and reuse rate of water in Taoyuan Works reached **99.22%**.



The TCFD Report obtained **"Level 5+: Excellent"**, the highest rating.

## Performance of the Friendly Workplace



**More than 99%** of employees in the Company joined the trade union.



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



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



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



On-the-job safety and health education and training totaled **22,909** person-hours.



The average salary increase is **4.72%**.



Employed **60** indigenous employees ( accounting for 3.1% of all employees )



Employed **26** employees with disabilities ( accounting for 1.3% of all employees ) .

1	Sustainable Management
	Integrity Governance
	Economic Sustainability
	Environmental Protection
	A Friendly Workplace
	Social Prosperity
	Appendixes

## Performance of Social Prosperity



The cumulative number of winners receiving Hou Jindui Distinguished Honor Award reached **174** in total.



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



Sponsored **the 2022 Miaoli Biennial Fine Arts Exhibition.**



The public welfare expenditure was approximately **NTD 20 million** (including the NTD 10 million in the Ukraine Child Rescue).

Tung Ho Steel held its 60 anniversary celebration in Miaoli Works on April 18. The ceremony began with the sound of the Gong initiated by the honorary chairman, Mr. Chen-Hsiung Hou and the chairman, Mr. Henry Chieh-Teng Ho, symbolizing the continuation of the past and the future and the inheritance.

Tung Ho Steel was established in 1962. Over the past six decades, Tung Ho has been adhering to the concept of integrity management and is committed to providing high-quality steel for construction for the safety of homes. In the early days when Mr. Jin-Duei Ho just founded Tung Ho Steel, the steel plates dismantled from scrap ships were stretched to make steel bars, followed by the honorary chairman's investment in industrialized processes to produce high-quality steel bar and section steel. Now, we not only continue the production of earthquake-resistant and high-quality steel products, but also use a more eco-friendly way to support safe roofs. In addition to using steel scrap to remake useful steel products, the by-products and waste generated in the production process are all recycled for reuse. At the same time, the investment in the environmental protection technology industry that turns waste into gold continues. In recent years, Tung Ho Steel has actively invested green energy businesses such as wind power, solar power and biogas power generation and storage equipment to make continuous efforts for the sustainable development of the society, economy and the environment.



Remarks by the chairman



The chairman announced that Tung Ho Steel is about to enter the era of renewable energy.

To achieve the goal of net zero emission by 2050, Tung Ho has not only deployed renewable energy in advance, but also conducted the transformation of the two electric furnaces. The phased task for 2030, namely the 30% carbon reduction and RE30 has also been set up pragmatically. The chairman announced that Tung Ho Steel has officially entered a new energy era of energy conservation, green energy, and energy storage. The Double 30 goals have been established clearly to thoroughly implement the policy for sustainable management so as to achieve the ultimate goals of net zero emissions by 2050, energy conservation, and environmental protection.

## Special Column

# Introduction of ISO/IEC 27001:2013 Information Security Management System

To cope with the ever-changing business environment, the dependence on information has increased greatly, making information the most important intangible asset of an enterprise. How to ensure the confidentiality, integrity, and availability of enterprise information has become the most important issue for information security management today.

The ISO/IEC 27001:2013 Information Security Management System Standards are designed to ensure that the control operations an organization chooses to protect the information assets are adequate and appropriate. ISO 27001 Information Security Management System has been introduced to prevent unauthorized access, inspection, disclosure, modification, recording, control, and destruction of information, as well as to reduce the threats and conflicts caused by information security incidents. It can not only assist enterprises with the management planning in the aspects of prevention in advance, continuous monitoring and emergency response, enabling enterprises to have effective evaluation and control of risks in the process of continuous strengthening of information security management, providing a commitment to organizational and customer information security.

We have listed information security as an important chapter for corporate governance. Therefore, from August, 2022, we started to introduce information security management system and obtained verification in February, 2023, and certificate in April. Obtaining a certificate is just another start for information security work. The implementation of the concept of "Information security is everyone's responsibility" is important, but how to continue improvement is even more crucial. In the future, we will continue making improvements in accordance with the ISO 27001 standards by applying Plan-Do-Check-Act (PDCA) cycle to strengthen the implementation of the information security system.

### Three Elements of Information Security

#### Confidentiality



To maintain the mechanism that unauthorized personnel cannot access, use or modify the data in the status of transmission, storage, and processing to ensure that all the information is correctly accessed at the right time, by the right person, with the right device and in the right location, thereby maintaining the confidentiality of information of the organization.

#### Integrity



Only authorized users can modify the content of the data, and the consistency of the data have to be maintained both internally and externally. The data in transmission shall be consistent with the received and stored data and can be confirmed.

#### Availability



Ensure that information and the system can continue to operate and be used normally. When legitimate users request to use the information system, they can be responded within an appropriate time and obtain services needed.







## Integrity Governance

2-1 Company Profile

2-2 Corporate Governance

2-3 Integrity Management



## 2-1 Company Profile



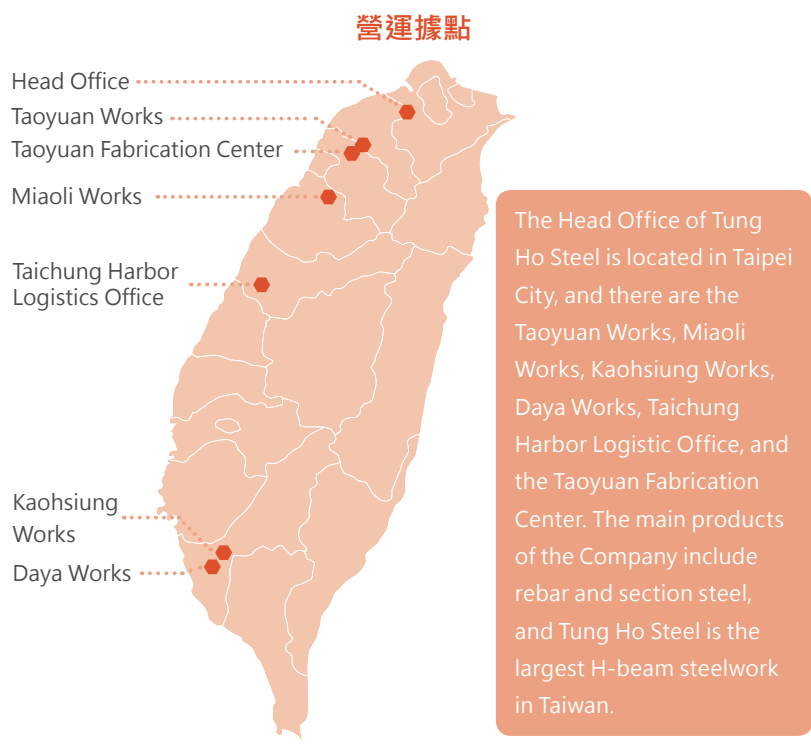
### Corporate Missions

The integrity management policy of Tung Ho Steel is to “treat all stakeholders with fairness, integrity and honesty.” 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.

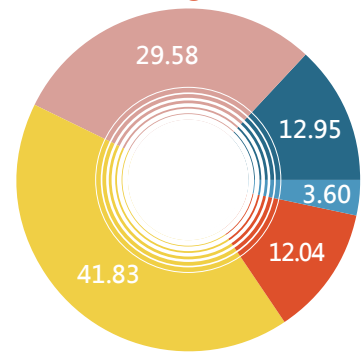
Tung Ho Steel has been upholding the concept and policy of integrity and trustworthiness, insisting on positive pursuit and interaction as well as the assurance of quality. The driving force based on this insistence also serves as the starting point of value and dignity, leading us to a future of innovation 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.
Date of establishment	May 30, 1962
Paid-in capital	NTD 7,302,138,180
Chairman	Henry C. T. Ho
President	Huang Bing-hua
Head Office	6F., No.9, Sec. 1, Chang-an E. Rd., Taipei City 10441, Taiwan
Number of employees	1,938 ( as of the end of December, 2022 )
Net sales in 2022	NTD 47,003,192 thousand
Gross sales in 2022	1,920,479 tons



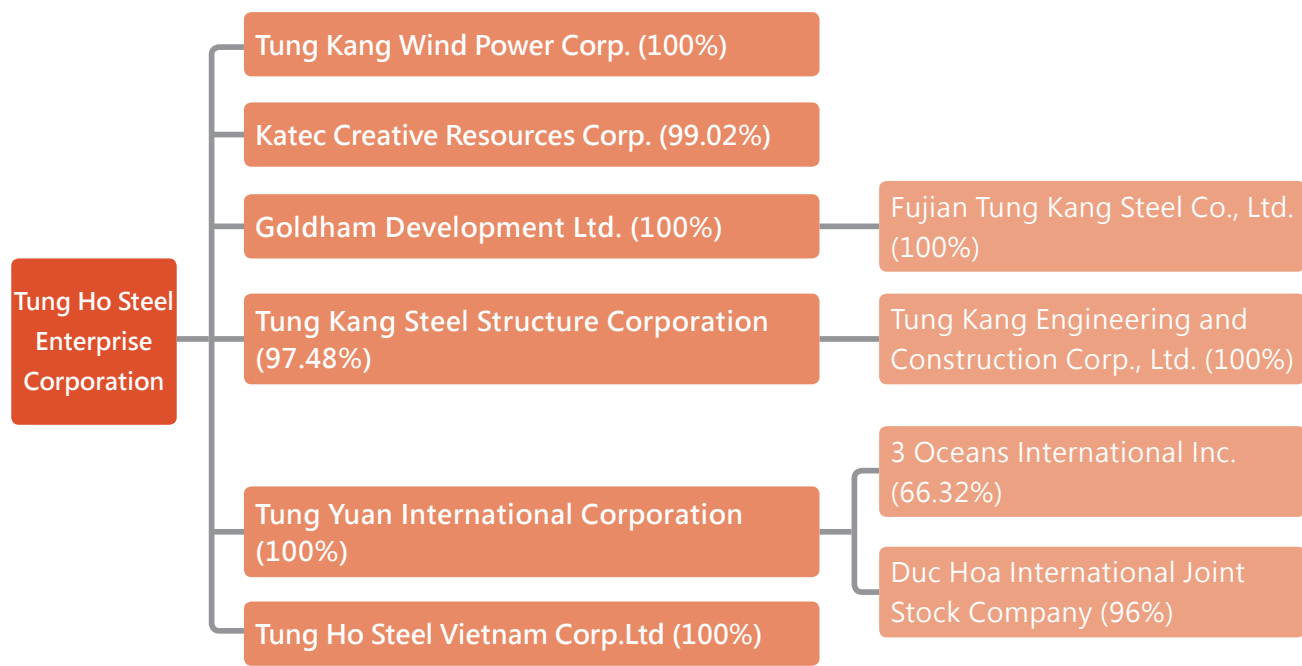
Shareholding ratio ( % )



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

Data on base day: March 31, 2023

## Organizational Chart of Affiliates



Note:

- The liquidation procedures of Fa Da Enterprise Corp. have been completed, and the write-off of the subsidiary was completed on March 2, 2022.
- The board of directors of Tung Sugar Energy Service Co., Ltd. passed the resolution on April 25, 2022, to hire a new president, who took office on July 1 the same year. The chairman of Tung Ho Steel no longer concurrently serves as the president of Tung Sugar Energy Service Co., Ltd. In addition, the board of directors of Tung Sugar Energy Service consists of five director members, and Tung Ho Steel only accounts for one seat of the board. According to the prescriptions of IFRS 10, Tung Ho Steel no longer has substantial control over Tung Sugar Energy Service. Therefore, it will no longer be listed as a consolidated entity in Tung Ho Steel's consolidated statements.
- 3 Oceans International Inc. carried out capital reduction to make up for losses, and therefore, the shareholding ratio dropped from 66.67% to 66.32%.

## 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.

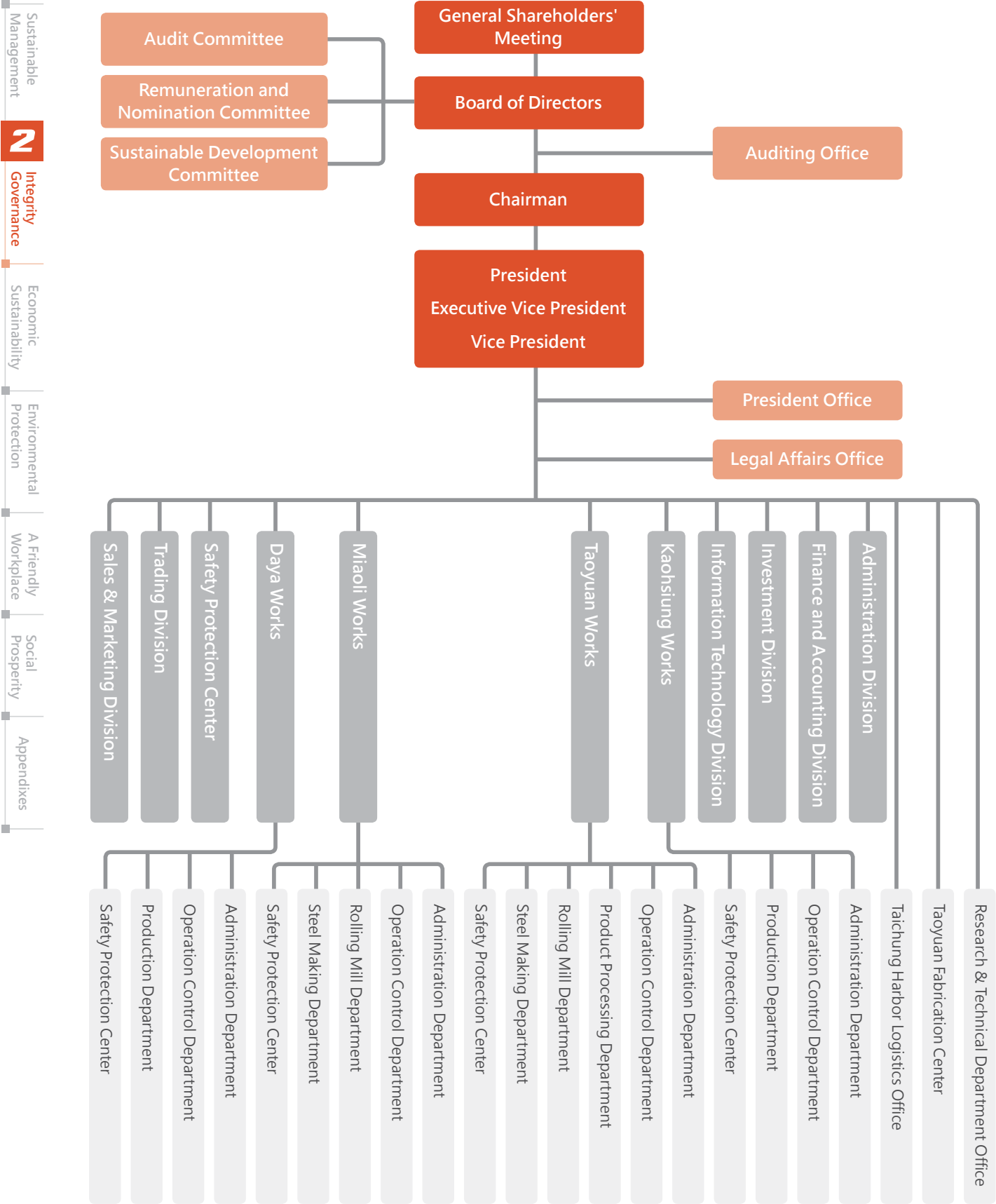
Name of organization	Exchange and cooperation ( ■ Group member )	Remarks
International exchanges		
World Steel Association	Regular member	Regular member since April, 2019
South East Asia Iron & Steel Institute	Member of Taiwan Chapter	Kai-Yu Wu, Head of Research & Technical Development Department serves 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 convener of board of supervisors
Chinese Institute of Mining and Metallurgical Engineers	■	Special assistant to Chairman 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	■	Vice president of production M. C. Liu serves as the director
The Corrosion Engineering Association of the Republic of China	■	
Chinese Society of Structural Engineering	■	
Others		
Chung-Hua Association for Financial And Economic Strategies	■	
CNS Certification Mark Association, R.O.C.	■	
Association of Police Friends of R.O.C.	■	Chairman Henry C.T. Ho serves as the director

## 2-2 Corporate Governance

### ■ Governance Structure

The board of directors of the Company has set up functional committees as needed (Compensation Committee, Audit Committee, Corporate Governance Committee). To strengthen the functions of the board of directors, the Corporate Governance Officer was established. To complete the functions of the board of directors, the Corporate Governance Committee was renamed the Corporate Governance and Nominating Committee. The adjustment of functional committees was passed in the board meeting in December, 2022, and the nomination functions of the Corporate Governance and Nominating Committee was merged into the Remuneration Committee, which was renamed the Remuneration and Nomination Committee, while the original Corporate Governance and Nominating Committee was renamed the Sustainable Development Committee. The adjustment came into effect after the amendment to the Company's Articles of Incorporation was passed in the shareholders' meeting on May 30, 2023.

To meet the business needs, the Company has set up six divisions, four works, three offices, the Research & Technical Development Department, Safety Protection Center, Taichung Harbor Logistic Office, and the Taoyuan Fabrication Center. Except for the Auditing Office that is subordinate to the board of directors, all the divisions, works, and centers are in the charge of department heads designated by the president.



## ■ The Composition and Operation of Board of Directors

The board of directors serves as the highest governance unit and the highest decision-making center of the Company. It should guide the Company's strategies, supervise the management level, and be responsible for the shareholders. The operations and arrangements of the Company's corporate system shall ensure that the board of directors exercise its functions and powers in accordance with laws, regulations, Articles of Incorporation, or resolutions of the shareholders' meetings.

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. None of the directors concurrently hold the position as an employee to ensure the independence of the board of directors. The duties and powers of the board of directors and the management level are clearly defined, and the division of labor between the chairman and the president is clear, giving full play to the supervisory function of the board of directors.

### Method of Nomination and Selection

1. In accordance with Article 21 of the Articles of Incorporation, the seats of directors shall be 7-13. The board of directors is authorized to determine the actual number of seats. Among them, there shall be no fewer than three independent directors, and shall not be reelected for more than three consecutive terms in order to maintain its independence. Independent directors and non-independent directors shall be nominated separately and elected at the same time, but the ballots will be tallied separately.
2. Incorporation was amended on July 15, 2021, and the Corporate Governance Committee was renamed the Corporate Governance and Nominating Committee. The 23rd meeting of the 24th term of Board of Directors passed the resolution and it was approved to merge the nomination functions of the Corporate Governance and Nominating Committee into the Remuneration Committee, which was therefore renamed the Remuneration and Nomination Committee, and the Articles of Incorporation were revised accordingly, which was officially implemented upon the approval of the shareholders' meeting on May 30, 2023. The Remuneration and Nomination Committee shall nominate candidates for directors after considering the following matters.
  - ( 1 ) Whether the director candidates have a diversified background covering the expertise, skills, experience, gender, etc. that are needed for corporate management.
  - ( 2 ) Whether the experience, professional qualifications, independence, integrity of the nominee, any concurrent position the nominee may hold in another company, as well as whether the nominee meets the requirements for independent director set out in the Securities and Exchange Act and the Regulations Governing Appointment of Independent Directors and Compliance Matters as well as the provisions set forth by the TWSE.
  - ( 3 ) Whether the qualifications of director candidates meet any of the conditions listed in Article 30 of the Company Act and it shall be handled in accordance with Article 192-1 of the Company Act.



There are a total of 9 directors in the 25<sup>th</sup> Session of Board of Directors, and among them, 3 are independent directors, and one of the board members is female. In terms of the age distribution, there are 4 directors below 60 years of age (inclusive), 4 between 61-69 years of age, and 1 aged 70 years old and above. The board members have abundant experience in operation and management, each of them has a relevant professional background, and is equipped with the professional knowledge, skills, and competence required to perform his/her duties. In the 11 diversified core items, at least 1/3 of the board members are equipped with the competence to execute the relevant business. The three core items the Company focuses on are operational judgement, management administration, and crisis management, which more than 80% of the board members are equipped with. Please check the official website of the Company for detailed information of the board members at (<https://www.tunghosteel.com/investors/member>).

### ► Board Diversity Policy

In accordance with the strengthened norms of the functions of the board of directors stipulated in Article 22 of Chapter 3 in Corporate Governance Best Practice Principles, diversity should be put into consideration in the composition of the board of directors, and an appropriate diversity policy should be set up based on its operation, operational model and development needs, including but not limited to the standards of the following two major aspects:

- (1) Basic conditions and values: Gender, age, nationality, culture, etc.
- (2) Professional knowledge and skills: Professional background (such as law, accounting, industry, finance, marketing or technology), professional skills, and industry experience.

The board members shall be equipped with the knowledge, skills, and competence required to perform their duties. To achieve the ideal goal of corporate governance, the board of directors shall be equipped with the following abilities overall.

- |   |  |
|---|--|
| (1) Ability to make operational judgments.                | (7) Ability to lead.                               |
| (2) Ability to perform accounting and financial analysis. | (8) Ability to make policy decisions.              |
| (3) Ability to conduct management administration.         | (9) Ability to conduct sustainability management.  |
| (4) Ability to conduct crisis management.                 | (10) Ability to conduct risk management.           |
| (5) Knowledge of the industry.                            | (11) Ability to conduct climate change management. |
| (6) An international market perspective.                  |  |

Specific management goals of diversification.

- (1) The board of directors of the Company attaches importance to gender equality of board members, which should include at least one female director.
- (2) The board of directors shall focus on operational judgement, management administration, and crisis management abilities, and at least 2/3 of the board members shall be equipped with the capabilities of the core items.
- (3) Independent directors shall not be re-elected for more than three terms to maintain their independence.
- (4) The number of the board members who serve as the employee or whose mother, child, siblings serving as the employees of the Company shall be less than (inclusive) 1/3 of the seats of board of directors so as to achieve the purpose of supervision.

## Structure of Board of Directors

Title	Chairman	Vice Chairman	Directors				Independent Directors		
Name	Henry C. T. Ho	George Y. S. Ho	Joshua P.H. Tung	Chih-Ming Huang	Pao-He Chen	Yen-Liang Ho	Der-Ming Lieu	Jih-Gang Liu	Chia-Wen Liu
Age of directors	70 years old and above						●	●	
	Above 60 years old but less than 70		●	●	●				
	Less than 60 years old	●	●			●			●
Gender	male	male	male	male	male	male	male	male	female
Education	Graduated from Dept. of Economics, Harvard University	Graduated from Dept. of Visual and Environmental Studies, Harvard University	MBA of EMBA, College of Commerce, National Chengchi University	MBA of California State University	MBA of Royal Roads University	EMBA of Aalto University	PhD in Economics, Ohio State University	Graduated from the Dept. of Mechanical Engineering, National Taiwan University	PhD in Accounting, National Taiwan University
Core items	Operational judgement	●	●	●	●	●	●	●	
	Accounting and financial analysis	●	●	●	●	●	●		●
	Business management	●	●	●	●	●	●	●	●
	Crisis management	●	●	●	●	●	●	●	●
	Industry knowledge	●	●	●			●	●	
	International market	●	●	●		●	●	●	
	Leadership	●	●	●	●	●	●	●	●
	Decision-making capacity	●	●	●	●	●	●	●	●
	Sustainable management	●	●	●	●	●	●	●	●
	Risk management	●	●	●			●	●	●
	Climate change management	●					●	●	

Note :

1. All board members have a nationality of Republic of China (R.O.C.), and the board member includes one female director.
2. Director Po-Hsiun Tung has retired on April 30, 2022.
3. The re-election of directors was conducted in the shareholders' meeting on May 30, 2023, and the new term of office will be from May 30, 2023, to May 29, 2026, for a period of 3 years. Among them, the term of office of the 3 independent directors does not exceed 3 terms.

## ► Board of Directors Meetings

The board of directors convenes at least a meeting every quarter, and a total of 8 board meetings were held in 2022. 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>› Donations to Tung Ho Steel Foundation</li> <li>› Independence and suitability assessment of certified public accountants ( CPAs )</li> <li>› Deliberation of the CPA's audit fee</li> </ul>	<ul style="list-style-type: none"> <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 corporate governance promotion status- Establishment of intellectual property management plans that are linked with the operational objectives, prevention of dishonest behavior and insider trading, risk management, information security management, environmental sustainability, etc.</li> <li>› Establish GHG management strategies, reduction targets and plans</li> <li>› Issuance of Sustainability Reports and TCFD Reports</li> </ul>
Irregular	<ul style="list-style-type: none"> <li>› Approved the appointment and dismissal of the Company's Chief Financial Officer.</li> <li>› The formulation and revision of regulations</li> <li>› Acquisition and disposal of real estate</li> <li>› Related party transaction</li> </ul>	<ul style="list-style-type: none"> <li>› Supervision of subsidiaries, including cash capital increase and loan credit line endorsement</li> <li>› Approved the establishment of the Regulations Concerning Appropriation and Use of Special Surplus Reserve in Response to Climate Change Adaptation and Mitigation.</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 8.18 hours per person in 2022. 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. <https://www.tunghosteel.com/investors/resolution>

## ■ Functional Committees

### ► The Remuneration and Nomination Committee

The Remuneration Committee was renamed the Remuneration and Nomination Committee on May 30, 2023, which is composed of two independent directors and one university professor with a professional background, all equipped with 5 years of work experience and relevant qualifications, sufficient to maintain the independence, professionalism, and impartiality. It is mainly in charge of reviewing the selection of directors and senior executives, the remuneration policies, standards for performance appraisal and so on, as well as making suggestions to strengthen the selection mechanism of directors (independent directors) to build a diversified and professional board of directors. The committee shall convene at least two times every year. In 2022, a total of 2 meetings were convened, with an average attendance rate of 100%. For detailed information of its operation, please refer to pp. 44-45 of the 2022 Annual Report of the Shareholders' Meeting.

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 Remuneration and Nomination 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 Remuneration and Nomination 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.

### ► Audit Committee

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 2022, a total of nine meetings were held, with the average attendance rate of 100%. Please refer to pp. 33~36 of the 2022 Annual Report of Shareholders' Meeting for details.

### ► The Sustainable Development Committee

The Sustainable Development Committee is composed of three members, more than 50% of which are independent directors. They are in charge of decision-making and supervision of the Company's sustainability development-related work, under which are the Environmental Sustainability Group,

Corporate Social Responsibility Group, and Corporate Governance Group. This committee shall convene at least two times every year. In 2022, a total of 3 meetings were convened, with the attendance rate of 100%. The president assigns supervisors of relevant units to take charge of work duties and implementation of the operation plans. The work plans and implementation results shall be reported to the Sustainable Development Council on a yearly basis. Please refer to p.45-46 of the 2022 Annual Report of Shareholders' Meeting for details.

### Members of functional committees

Name	Gender	Education	The Remuneration and Nomination Committee	Audit Committee	The Sustainable Development Committee
Henry C. T. Ho	Male	Graduated from Dept. of Economics, Harvard University			⊙
Der-Ming Lieu	Male	PhD in Economics, Ohio State University		●	●
Cheng-Ming Chu	Male	PhD of Dept. of Business Administration, National Taiwan University	●		
Jih-Gang Liu	Male	Graduated from the dept. of Mechanical Engineering, National Taiwan University	⊙	●	●
Chia-Wen Liu	Female	PhD in Accounting, National Taiwan University	●	⊙	

Note:

1. ⊙ is the convener.
2. The former independent director, I-Chi Liu, serves as the convener of the Audit Committee and the committee member of the Remuneration Committee; the independent director, Chuang-Hsi Chang, serves as the convener of the Remuneration and Nomination Committee and the committee member of the Corporate Governance Nomination Committee.
3. The term of the Audit Committee is from May 19, 2020, to May 30, 2023. The term of office of the Remuneration Committee and Corporate Governance Nomination Committee was from June 3, 2020, to May 30, 2023. After the reelection of the board of directors in the shareholders meeting on May 30, 2023, the term of office of the Audit Committee is from May 30, 2023, to May 29, 2026. The board of directors is scheduled to approve the appointment proposals for the Remuneration and Nomination Committee and the Sustainable Development Committee on June 19, 2023, whose term of office will start from the date when the board of directors approves the appointment proposal to May 29, 2026.

## 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<sup>Note</sup>. Please refer to p. 20-21 of the 2022 Annual Report of Shareholders' Meeting for details information concerning the positions of the Company's board members in other affiliated companies.

Note : Please refer to pp. 28-29 of the 2022 Annual Report of Shareholders' Meeting for the status of the recusal of directors that were an interested party with respect to the agenda item(s) in 2022.

To work in line with the Corporate Governance 3.0 - Sustainable Development and as prescribed in Article 17 of the Corporate Governance Best Practice Principles for TWSE/TPEX Listed that "When a TWSE/TPEX listed company and its affiliated enterprises enter into inter-company business transactions, a written agreement governing the relevant financial and business operations between them shall be made in accordance with the principle of fair". The content shall include management procedures for transactions such as purchase and sale transactions, acquisition or disposal of assets, capital loans, and endorsement guarantees. The Company has set up the Procedures of Financial and Business Operations between Related Parties, which was approved in the 25<sup>th</sup> meeting of the 24<sup>th</sup> term of board of directors on February 22, 2023.

### ■ Performance Evaluation of Board of Directors

The Company passed the resolution to revise the Rules for the Performance Evaluation of the Board of Directors in the 15<sup>th</sup> board meeting of the 24<sup>th</sup> term of board of directors on December 21, 2021. In addition to the annual internal evaluation of the board of director, a newly added requirement stipulates that the evaluation of board of directors shall be conducted by an external professional independent institution or a team of external experts and scholars at least once every three years.

The 2022 "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.

In 2022, the unit implementing the external evaluation was Taiwan Corporate Governance Association. Neither the association nor the experts implementing the evaluation have business dealings with the Company and are with independence. The association used an open-ended questionnaire and the Company conducted self-assessment operation. After reviewing the relevant documents provided by the Company, the association appointed 4 evaluation committee members to have a video conference



with the chairman, conveners of the functional committees, the president, corporate governance officer, and the audit supervisor for the evaluation on September 13, 2022. The content and items of the evaluation of the operation of board of direction covered eight aspects, including the composition of the board of directors, the guidance of the board of the board of directors, the authorization of the board of directors, the supervision of the board of directors, the communication of the board of directors, internal control and risk management, self-discipline of the board of directors, and other board meetings and support systems. The evaluation results showed that the Company's board of directors had good meeting culture, that the Company attaches great importance to the sustainable development of the enterprise and pays attention to talent cultivation and inheritance, the members of the board and the functional committees are active and fulfil their duties, and the corporate governance mechanism is perfect.

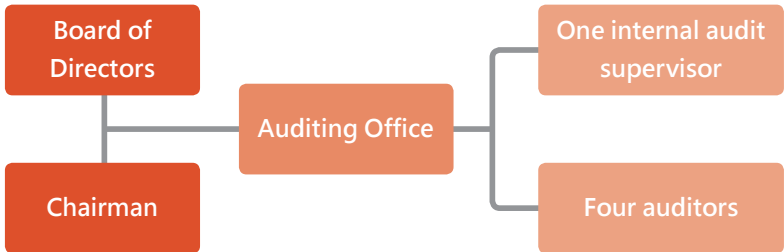
The results of the 2021 performance evaluation of the board of directors were reviewed and approved in the 4<sup>th</sup> session of the 7<sup>th</sup> term of Compensation Committee on February 21, 2023 and were reported to the 25<sup>th</sup> session of the 24<sup>th</sup> term of board of directors on February 22, 2022. The evaluation report of the external evaluation of board performance has been submitted and reported to the 6<sup>th</sup> Remuneration Committee meeting on December 13, 2022 and the 23<sup>rd</sup> board meeting of the 24<sup>th</sup> term of board of directors on December 22, 2022, as a basis for review and improvement.

Please refer to the official website of the Company for the detailed board performance evaluation report. <https://www.tunghosteel.com/investors/resolution>

## 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 Auditing 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.

Organization of Internal Audit



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.

The Auditing Office draws up an annual audit plan based on the results of the risk assessment. The audit subjects include the businesses all the units of the Company and the businesses subsidiaries are in charge of. The focus of audit includes the operating procedures of various operation cycles and the audit items prescribed by the FSC, which, after the approval from the Audit Committee and the board

of directors, will be carried out. When internal control deficiencies and abnormal matters are identified, the inspected unit is asked to propose improvement measures after communication, and follow-up will be conducted until the improvement is made. The Auditing Office also checks the implementation of integrity management of the Company and prepares relevant audit reports. After the audit report and follow-up report are completed, they are submitted to the independent directors for review before the end of the following month, and the audit executions should also be reported to the board of directors and the Audit Committee. The Auditing Office has completed the 2022 annual audit work and has listed the deficiencies identified in the audit of all units (including subsidiaries) and tracked relevant improvement status to ensure risks of all operations can be effectively controlled.



### Operation of Internal Audit

#### > Planned audits:

The Auditing 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.

#### > Project audits:

Depending on the operational requirements, the senior executives or the head of the Auditing Office will designate the subject and time of the audit, and the auditors shall conduct various audit operations within the designated time, which includes relevant norms related to economy, environment, society (human rights) in the Sustainable Development Best Practice Principles.

#### > Self-audit ( internal audit ) operations:

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 Auditing Office will review the self-assessment report and add the deficiencies and abnormalities of internal control found by the Auditing 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.

## ■ 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.

The Company attaches great importance to the conduct and moral requirements of every director and employee. In addition to requiring the directors to sign the Statement of Integrity and the employees to sign the code of conduct commitment letter, there is also the Risk Management Policy and Procedure that includes the recognition, prevention and control of fraud risks. Every year, education and training as well as publicity on integrity management, anti-corruption, and anti-bribery are conducted for

directors, managers, employees, and subsidiaries to allow them to fully understand the Company's determination, policies, prevention plans, and consequences of dishonest behavior.

In 2022, risk assessment and necessary preventive plans and measures for various possible dishonest behavior were conducted in all the Company's operating bases and subsidiaries. The content of assessment included 16 items (including risk factors such as providing or accepting improper benefits, facilitation payments, political contributions, charitable donations or sponsorships, conflicts of interest, insider trading and confidentiality mechanism, etc.) and the overall assessment result showed low risk.

In 2022, the education and training course on "Anti-corruption for Enterprises" was held, targeting at the supervisors higher than the position of section chief, sales personnel, personnel of the Trading Department or the Material Department, accountants, procurement personnel, etc., with 134 participants and a total of 268 hours. In addition, to strengthen our associates' concept of human rights and corporate social responsibility to enhance their own rights and interests, relevant information or regulations announced by competent authorities, such as the insider trading related laws and regulations, major information publicity, Q&A for handling guidelines are all sent to them via email or through the intranet of the Company from time to time. Promotional content about anti-corruption and sexual harassment prevention measures are also prepared and all employees are required to read such content to strengthen their awareness of compliance.

We attach importance to the equality of human rights, provide employees with fair and equip job opportunities, and do not have any discrimination against race, gender, physical and mental disabilities, religion, or other characteristics in the employment of talents or workers from outsourced factories. Tung Ho Steel does not use any form of forced or compulsory labor.

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.

In terms of the economic, environmental and social (including human rights, disability injury and so on) aspects in 2022, there were no records of employees being laid off for violating anti-corruption regulations, nor were there any material<sup>Note</sup> corruption incidents, dishonest behaviors, or sexual harassment incidents, and there were no penalties imposed by competent authorities for material violations. None of the social-related violations that have occurred belonged to material violations, and improvement measures have been completed. Detailed compliance status and prevention measures are as follows.

## Overview of Compliance

Facilities	Description of case	Improvement and preventive measures
	<p><b>Sanction Date: Nov. 15, 2021   Penalty: NTD 180,000</b></p> <p>Labor inspection violations: (1) The lathe did not have a safety door with an interlocking function, and there was a hazard of being trapped. (2) Openings with a height of more than 2 meters were not equipped with guardrails, and there was a risk of falling. (3) The pumping motor in the wastewater area was not equipped with a leakage circuit breaker, with a risk of electric shock. The three items violated Subparagraph 5 of Article 58, Paragraph 1 of Article 224, Subparagraph 2 of Article 243 of the Regulations for the Occupational Safety and Health Equipment and Measures respectively and Paragraph 1 of Article 6 of the Occupational Safety and Health Act.</p> <p><b>Sanction Date: Dec. 22, 2021   Penalty: NTD 70,000</b></p> <p>A major occupational accident occurred in the maintenance operation of steel scrap trolleys (part of the equipment was shut down), violating Paragraph 1 of Article 22 of the Regulations for the Occupational Safety and Health Equipment and Measures respectively and Subparagraph 1, Paragraph 1 of Article 6 of the Occupational Safety and Health Act, and was fined NT\$70,000 in accordance to Subparagraph 2 of Article 43 of the Occupational Safety and Health Act.</p>	<p>Relevant safety devices were added in accordance with the deficiencies in the audit, and full inspection and improvement of similar equipment and facilities in the factory area was also conducted.</p> <ol style="list-style-type: none"> <li>1. Installed interlocking devices and warning alarm light at the entrance of the underground tunnels; added lighting equipment, alarm lights, and a monitoring system in the maintenance area; improved the trolley movement alarm devices.</li> <li>2. Implemented hazard identification and risk assessment before the trolley maintenance operations; added safety work standards before the maintenance operations and the safety inspection record sheets for maintenance operations implemented education and training; conducted the industrial inspection in the whole factory.</li> </ol>
Taoyuan Works	<p><b>Penalty of two cases: NTD 180,000</b></p> <p><b>Sanction Date: Jan. 25, 2022</b></p> <p>Violations of regulations and content: Paragraph 1 of Article 224 of Regulations for the Occupational Safety and Health Equipment and Measures and Subparagraphs 1, 5 of Article 6 of the Occupational Safety and Health Act. The hired worker crossed from the mobile construction frame to the motor cover of the trolley with a height of 2 meters and more where there was no protective equipment such as guardrails of appropriation strength, and carried out the ground metal residues removal, resulting in the occupational accident of falling.</p> <p><b>Sanction Date: Jan. 25, 2022</b></p> <p>Violations of regulations and content: Article 285 of Regulations for the Occupational Safety and Health Equipment and Measures and Subparagraphs 1 Paragraph 1 of Article 6 of the Occupational Safety and Health Act. The iron house to avoid steel bars from sticking out was not completely equipped with the protective plates, causing the occupational accident for workers to be burned by the sticking out steel bars when engaged in inspection operation on the rolling production line.</p> <p><b>Sanction Date: May 6, 2022   Penalty: NTD 150,000</b></p> <p>Violations of regulations and content: Paragraphs 2 of Article 32 of the Labor standards Act. The extended working hours exceeded 46 hours a month.</p>	<ol style="list-style-type: none"> <li>1. Implement the education and training on elevated operations and publicize it in the safety green card.</li> <li>2. Post warning signs prohibiting climbing.</li> <li>3. Implemented 3-month safety observation.</li> </ol> <ol style="list-style-type: none"> <li>1. Revised the steel rolling safety operation standards and implement education and training every 6 months.</li> <li>2. Use the steel plates to narrow the gaps in the sheet house and conduct inspections once a month.</li> <li>3. Added a mobile high-speed camera to monitor the movement of CV3, and posted signboards of the control area to warn that distance shall be kept and do not stay for a long time.</li> </ol> <p>Recruited new employees to make up the manpower needs through 17 talent-seeking activities in Taoyuan City and Niew Taipei City to improve the problem of extended working hours that exceeded the statutory limit of working hours.</p>

Facilities	Description of case	Improvement and preventive measures
	<p><b>Sanction Date: May 9, 2022   Penalty: NTD 338,955</b></p> <p>Violations of regulations and content: The construction of the first phase was used without approval beforehand, violating Article 25 of the Building Act, and was fined of 10% of the construction cost of the building in accordance with the stipulation in Article 86 of the same act.</p>	<ol style="list-style-type: none"> <li>1. The factory promised to apply for the use permit afterwards, which was obtained on May 9, 2022.</li> <li>2. In the future, when contracting the expansion project, the inspection and acceptance shall be based on the acquisition of the use permit to avoid the reoccurrence of the same situation.</li> </ol>
Taoyuan Works	<p><b>Sanction Date: June 10, 2022   Penalty: NTD 120,000</b></p> <p>Violations of regulations and content: S Article 285 of Regulations for the Occupational Safety and Health Equipment and Measures and Subparagraphs 3, Paragraph 1, Article 6 of the Occupational Safety and Health Act. The employed worker used the cutting tools to fuse steel bars on the casting table (high-temperature operation place), and there was no appropriate protective equipment nor were they equipped with appropriate one so that a fire occurred to the working workers, resulting in the occupational accident of burns and scalds.</p>	<ol style="list-style-type: none"> <li>1. Completed hazard identification and risk assessment and revised the safety operation standards of cutting.</li> <li>2. Included in the safety green card publicity.</li> <li>3. Included in the training courses for new recruits in all departments in the steelmaking department for implementation.</li> </ol>
Taoyuan Fabrication Center	<p><b>Sanction Date: Oct. 12, 2022   Penalty: NTD 100,000</b></p> <p>Violations of regulations and content: Article 21 of Regulations for the Occupational Safety and Health Equipment and Measures and Subparagraphs 13, Paragraph 1, Article 6 of the Occupational Safety and Health Act. The recipient failed to take necessary preventive measures for falls in the sheet metal storage area, causing the hired worker to trip over a steel bar while walking, resulting in injury in his right thigh.</p>	<ol style="list-style-type: none"> <li>1. Completed hazard identification and revised the safety operation standards for sheet metal storage and implemented education and training for relevant operators.</li> <li>2. Added marking lines in the storage area and inspect the safety and sanitation every two weeks.</li> <li>3. Included in the safety green card publicity.</li> </ol>
	<p><b>Sanction Date: Jan. 4, 2022   Penalty: NTD 20,000</b></p> <p>Violations of regulations and content: Paragraph 2 Article 32 of Labor Standards Act. The extended working hours, together with the normal working hours, exceeded 12 hours a day. The extended working hours was more than 46 hours a month.</p>	<p>Supplement manpower and control the extended working hours to be within the legal limit of 46 hours.</p>
Miaoli Works	<p><b>Penalty Payment Date: Jan. 10, 2022   Penalty: NTD 60,000</b></p> <p>Violations of regulations and content: Subparagraph 3, 4, Paragraph 1, Article 27 of the Occupational Safety and Health Act. The contractor's workers used the spreader without anti-falling device. Places that may be hazardous to workers and cause occupational accidents were not inspected as prescribed. Contractors were not provided with guidance or assistance needed for safety and health education.</p>	<ol style="list-style-type: none"> <li>1. Revised the safety operation standards in the BH assembly area and require contractors to implement education and training.</li> <li>2. The contractors implement work safety analysis and inspections.</li> <li>3. Urged contractors to establish work rules for employees to follow.</li> <li>4. Use qualified fixtures.</li> </ol>
	<p><b>Sanction Date: Mar. 3, 2022   Penalty: NTD 60,000</b></p> <p>Violations of regulations and content: Article 183 of Regulations for the Occupational Safety and Health Equipment and Measures and Paragraph 1, Article 6 of the Occupational Safety and Health Act. For the operation of handling large amount of high-heat materials, there were no appropriate preventive measures taken to prevent from the flying and spilling of high-heat materials that may engender workers, causing the workers to fall when escaping.</p>	<ol style="list-style-type: none"> <li>1. Implement operation hazard identification and risk assessment.</li> <li>2. Revised the safety operation standards for slag dumping and slag truck driving, implement education and training as well as case publicity.</li> <li>3. Set up a rain shelter in the spare slag barrel storage area.</li> <li>4. Publicize matters to be paid attention to for slag barrel pre-operation and slag ballasting.</li> <li>5. Case publicity and safety green card publicity</li> </ol>

Facilities	Description of case	Improvement and preventive measures
Miaoli Works	<p><b>Sanction Date: Aug. 24, 2022   Penalty: NTD 181,533</b></p> <p>Violations of regulations and content: Article 25 of the Building Act. The construction project of the Iron and Steel Industry R&amp;D Center started without the approval of competent construction authority.</p>	It was examined and approved by the competent construction authority and has been issued a construction license.
	<p><b>Sanction Date: Dec. 12, 2022   Penalty: NTD 20,000</b></p> <p>Violations of regulations and content: Paragraph 2 Article 32 of Labor Standards Act. The extended working hours, together with the normal working hours, exceeded 12 hours a day. The extended working hours was more than 46 hours a month.</p>	Supplement manpower and control the extended working hours to be within the legal limit of 46 hours.
	<p><b>Sanction Date: Dec. 28, 2022   Penalty: NTD 100,000</b></p> <p>Violations of regulations and content: Paragraph 1 Article 92 of Regulations for the Occupational Safety and Health Equipment and Measures and Subparagraph 3 Paragraph 5, Article 6 of the Occupational Safety and Health Act. When operating the fixed crane, no equipment or measures were taken to prevent the hanging objects from passing over the personnel or from personnel entering the area under the hanging objects, causing the worker to be trapped.</p>	<ol style="list-style-type: none"> <li>1. Implemented risk identification and risk assessment, revised the safety operation standards for the finished product rework area, and implement education and training.</li> <li>2. Make a case publicity.</li> <li>3. Implemented safety observation on relevant operators.</li> </ol>
Kaohsiung Works	<p><b>  Penalty of two cases: NTD 110,000</b></p> <p><b>Date of accident: Nov. 24, 2022</b></p> <p>Violations of regulations and content: Subparagraph 1 Paragraph 6 Article 280 of Regulations for the Occupational Safety and Health Equipment and Measures and Paragraph 1 Article 6 of the Occupational Safety and Health Act. It was not noticed that the hook head was stuck on the iron base of the equipment and the hook head continued to rise, causing the hook head of the second hoisting chain to get departed from the base and hit an employee in the right eye, leading to an occupational accident caused by flying objects.</p>	<ol style="list-style-type: none"> <li>1. Make safety publicity and record it in the safety green card.</li> <li>2. Implemented safety observation on relevant operators.</li> </ol>
	<p><b>Date of accident: December 5, 2022</b></p> <p>Violations of regulations and content: Paragraph 3 Article 57 of Regulations for the Occupational Safety and Health Equipment and Measures and Paragraph 1 Article 6 of the Occupational Safety and Health Act. An employ extended his fingers to the ROD oil seal of the air compressor cylinder to check for any leakage, and the middle finger of the right hand was pinched, resulting in occupational accident of being pinched or rolled.</p>	<ol style="list-style-type: none"> <li>1. Foam should be used to check for gas leakage, and the test bottle should be hung next to the machine.</li> <li>2. Make safety publicity and record it in the safety green card.</li> </ol>
	<p><b>Date of accident: Dec. 26, 2022   Penalty: NTD 100,000</b></p> <p>Violations of regulations and content: Paragraph 9 Article 63 of Safety Regulations for Lifting Equipment and Subparagraph 4 Paragraph 1 Article 6 of the Occupational Safety and Health Act. When an employee assisted with the removal of the hook, the position of the hand happened to be close to the bearing box and the stop of the turner. The bearing box suddenly slid, and the hand could not be pulled away in time, and the tip of the ring finger of the left hand was pinched between the bearing box and the turner, resulting in the occupational accident.</p>	<ol style="list-style-type: none"> <li>1. It should be confirmed that the lifting object is placed firmly before the removal of the hook.</li> <li>2. Carry out safety publicity to associates in the affiliated unit and record it in the employee safety green card.</li> </ol>



Facilities	Description of case	Improvement and preventive measures
Head Office	<p>Sanction Date: Aug. 4, 2022   Penalty: NTD 750</p> <p>Violations of regulations and content: Paragraph 3 Article 89 of the Income Tax Act. It is stipulated that the withholding-free voucher shall be declared before the expiration of the declaration period of the following year, and the Company did not start the automatic declaration until May 17, 2022.</p>	Strengthen the required education and training for the employees in the affiliated unit.
Taichung Harbor Logistic Office	<p>Sanction Date: Jul. 19, 2022   Penalty: NTD 3,000</p> <p>Violations of regulations and content: Article 39 of the Building Act. It is stipulated that when applying for design change, the construction was not implemented in accordance the approved drawing and instructions. From the attached construction license application for design change and the photos of the current status of the architect certification, 95% of the construction has conducted.</p>	Design changes have been reviewed and approved by the competent construction authority.

Note : Definition of material violation: Matters falling under the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.

## ► Other operational compliance status of the Company



### Corporate governance related regulations

- › No violation of Company Act
- › No violation of Commercial Law
- › No violation of securities and finance related laws
- › No involvement in corruption incident



### Labor rights related regulations

- › Compliance with Labor Standards Act
- › No violation of Act of Gender Equality in Employment
- › No child labor<sup>Note</sup>
- › No discrimination and sexual harassment
- › No violation of indigenous rights
- › No infringement of freedom of association and collective bargaining



### Products related regulations

- › No products that are prohibited from sale
- › No violations of health and safety regulations and voluntary standards during the life circle of relevant products
- › No occurrence of violations of product and service information and labeling related regulations
- › No occurrence of violations of marketing communication related regulations
- › No anti-competition behavior
- › No anti-trust incident
- › No monopoly incident

Note : According to the definition in the Labor Standards Act, child labor refers to "employees over the age of 15 but under the age of 16" .



# 3

## Economic Sustainability

3-1 Operating Status

3-2 Risk Management

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

Special Column : Carbon Reduction 30/ RE 30

3-4 Product and Service Quality

3-5 Customer Service

Special Column : Comprehensive Processing Services

# 3-1 Operating Status

In 2022, after the lockdown measures for epidemic prevention was successively lifted by countries, the global economy was expected to continue the recovery. However, due to the Russia-Ukraine war, the inflationary pressure worsened, and the central banks of the Europe and the U.S. adopted monetary tightening and lifting interest rates to curb inflation, resulting in weak demand. China's adherence to its zero-COVID policy also impacted the global supply chain, which further affected the inventory policies of manufacturers. On the other hand, the Sino-US trade war also gradually increased the geopolitical risks. High political risks and extreme weather impacts have caused the economic slowdown in countries around the world. Thanks to Taiwan's record high public construction budgets and strong private consumption, along with the loosening epidemic control measures, the domestic consumption and performance in related industries have improved, making the economy shift from export sales to domestic demand, and the overall performance did not experience much fluctuation.

The global iron and steel industry showed slight weakness due to the epidemic and the weakened real estate market in China. The bullish trend in iron and steel industry also came to an end in 22Q2 as the global economy slowed down. The iron and steel industry in Taiwan had good results in 1H22, yet the international atmosphere reversed in 2H22, and the domestic industrial investment gradually calmed down. With the improvement of the boom in the construction industry, the demand for building materials have also returned. However, the area applied in the building permit in Taiwan remained at high level, resulting in the growth in sales of rebars in the whole year compared with 2021. For section steel products, due to the market corrections, the investment within the island cooled down, coupled with the geopolitics and destocking, the construction schedules have been delayed, impacting on shipments, leading to a decline in the annual sales compared with 2021.

Due to the effective control of the operation of production, sales and purchase, the Company still maintained good profits despite the environment of drastic changes this year. Although our subsidiary in Vietnam was impacted by the global economy and the lift of interest rates, the local real estate market was also deeply impacted, so the local market shipments slowed down. Coupled with the exchange losses and interest costs, there showed losses this year. Overall, the investment business this year performed well on average, contributing to a certain degree in the profits of the Company.

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 2022, the sales of rebars mainly focused on the domestic sales. Domestic sales of section steel accounted for 92.56% while foreign sales of it accounted for 7.44%, mainly to countries such as Australia and New Zealand. There was no prohibition on sale of these products.



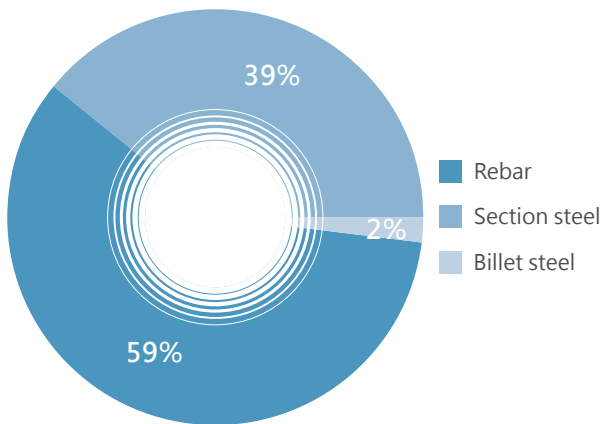
## Product Overall

Unit : tons

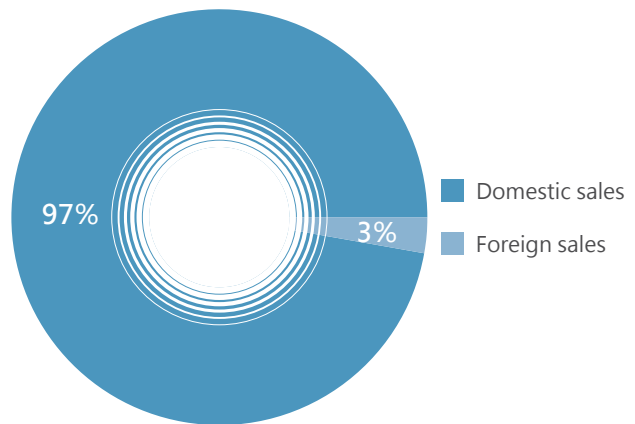
Item	Total annual production capacity	Output	Sales
Billet steel	2,650,000	1,912,605	52,621
Rebar	1,500,000	1,160,164	1,213,895
Section Steel <sup>Note</sup>	1,200,000	632,992	644,729
Total	5,350,000	3,705,761	1,911,245

Note : 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 for 2022 increased by 3.15% compared with 2021, and the net income after tax amounted to NTD 3,994,004 thousand, a decrease of 32.38% compared with 2021. The earnings per share was NTD 5.47. In 2022, the employee compensation and benefits were NTD 2,331,649 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
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
2021	45,569,308	37,582,832	7,202,005	5,906,247	2,301,082	1,586,948	13,309
2022	47,003,192	40,527,363	5,055,832	3,994,004	2,331,649	1,334,601	20,038
YoY ( % )	3.15%	7.83%	-29.80%	-32.38%	1.33%	-15.90%	50.56%

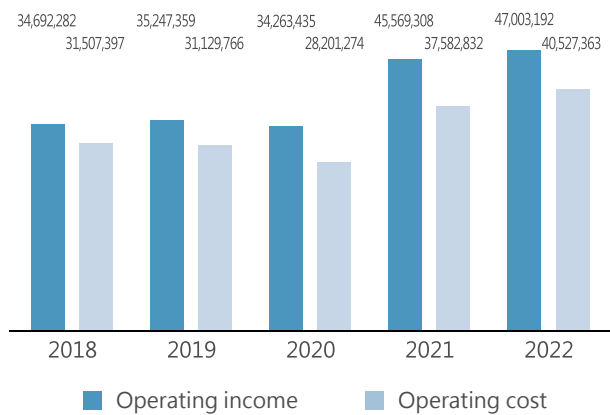
## Earning distribution over the years

Unit: NTD

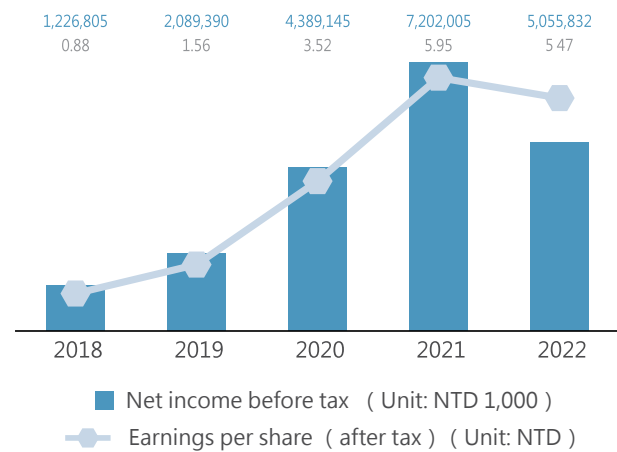
Year	Earnings per share ( after tax )	Cash dividend	Total dividend payout ratio
2018	0.88	1.20	136.4%
2019	1.56	1.35	86.5%
2020	3.52	1.50	42.6%
2021	5.95	6.4	107.6%
2022	5.47	3.5	64.0%

## Operating income and operating cost

Unit: NTD 1,000



## Net income before tax and earnings per share



## ► Govern subsidies

## Government subsidies received over the years

Unit: NTD

Item	2018	2019	2020	2021	2022
Investment tax credit- Article 10 of the Statute for Industrial Innovation	6,034,480	5,285,730	4,139,518	6,171,844	7,164,484
Investment tax credit- Article 10-1 of the Statute for Industrial Innovation	-	1,664,855	-	250,000	250,000
Substantial Investment prescribed in Article 23-3 of the Statute for Industrial Innovation	-	6,605,078	-	50,812,368	-
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	-	-	-	-	-
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	-	-	-	-

Item	2018	2019	2020	2021	2022
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	8,660,858	15,220,518	4,139,518	57,234,212	7,414,484

## ► Country-by-Country Report

The distribution of the Company's income, taxes and operating activities in various tax jurisdictions in the world in 2022 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	54,665,679	2,443,986	57,109,666	6,243,713	1,629,749	1,259,834	11,237,095	2,435	38,334,264
British Virgin Islands	1,227	65,084	66,311	(61,867)	0	0	449,444	0	0
Vietnam	5,100,846	999,380	6,100,226	(951,300)	2,961	942	6,689,154	442	6,382,188
China	774,920	23,170	798,090	81,159	15,150	16,079	547,526	69	322,638
Samoa	5,218	0	5,218	(9,571)	0	0	40,528	0	0

Note :

- 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, and Tung Sugar Energy Service Co., Ltd. in Taiwan, and Tung Ho Steel Vietnam Corp., Ltd. and Duc Hoa International Joint Stock Company in Vietnam. The entity covered in China includes Fujian Tung Kang Steel Co. Ltd.
- It was re-judged in November, 2022, that the Company no longer had substantial control power over Tung Sugar Energy Service Co., Ltd., so it would not be included in the consolidated entity from November 1, 2022.
- 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.
- Tung Ho Steel Vietnam Corp., Ltd. applies to the preferential tax rate for 4-year tax exemption and 9-year 50% tax reduction.
- 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.

## ▣ Technology and R&D

The Company's R&D expenses in 2020 amounted to NTD 47,763,224, accounting for 0.1% 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, continuous development of ultra-high-strength steel, and the electric furnace (exhaust heat recovery for ORC power generation, low-carbon green processes, steel scrap preheating for continuous feeding). 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  $\geq 300\text{mm}$  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.



Major annual R&D projects

■ Introduction of oxygen-enriched combustion in the Ladle Preheater	■ Introduction of oxygen-enriched combustion in the heating furnace
■ The application of AI to the development of intelligent plant technology	■ Renewable energy (solar, wind, biogas power generation) planning and research
■ Energy storage system planning and research	■ Research on Carbon Capture Utilization and Storage (CCUS) Technology application
■ Research on hydrogen energy technology application	■ Installation of industrial big data energy management system

Major Capital Expenditure and Benefits

Taoyuan Fabrication Center

Taoyuan Fabrication Center was established in September, 2022, serving as the professional rebar processing factory of Tung Ho Steel. By adhering to the concepts of “strengthening customized service” and “service extension” , we provide customers with sales of higher quality rebar processing products and more comprehensive services, providing the best production with one-stop shopping services.



To provide services for more downstream manufacturers, Taoyuan Fabrication Center uses the self-produced rebars and introduced equipment including the brand-new rebar cutting machine, computerized automatic rebar bending machine, semi-automatic rebar forming processing machine, and the friction welding equipment to provide customized services to meet the needs of customers.

Daya Works

The Company participated in the bidding case of Kaohsiung District Court in August, 2022, and obtained the land, plant, and equipment of Daya Works. Production started upon the completion of factory registration in January, 2023. The addition of Daya Works can make the Company's refining and rolling production line more balanced and flexible. With the synergy, the newly added processing line can expand its high-quality processing services, and the Company can provide higher quality and more comprehensive products and services to its customers in the southern region. It is estimated to increase the annual production capacity of rebars by 300,000-350,000 tones.

# 3-2 Risk Management



## 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.

The Company has established the Risk Management Policy and Operating Procedure based on which the risk management procedures for 2022 was conducted. Potential risks for relevant departments were identified through risk management meetings, which included a total of 23 risk factors in the four major aspects, including operational aspect, financial aspect, operating aspect, and environmental aspects. Each relevant department evaluates the possibility of occurrence and level of impact of various risk factors in accordance with the work scope and establishes necessary measures for implementation to properly manage various risks and evaluate possibility and level of impact. The domestic economy was impacted by the Russia-Ukraine war and the lift of interest rates in the U.S., so the newly added risks after evaluation this year included "interest rate risk", "strategic risk", "operational risk", "major external hazard risk", and "the impact of major policy and legal changes at home and abroad on the Company's sustainable operation". In addition, Taiwan released the Net Zero Emission Pathway and Strategy Statement this year, and climate change risk is still one of the most important risks this year. For items with higher risks, relevant departments have drawn up management measures.

The Auditing 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. Relevant promotion situations were reported to the 23<sup>th</sup> session of the 24<sup>th</sup> term of board of directors convened on December 22, 2022.



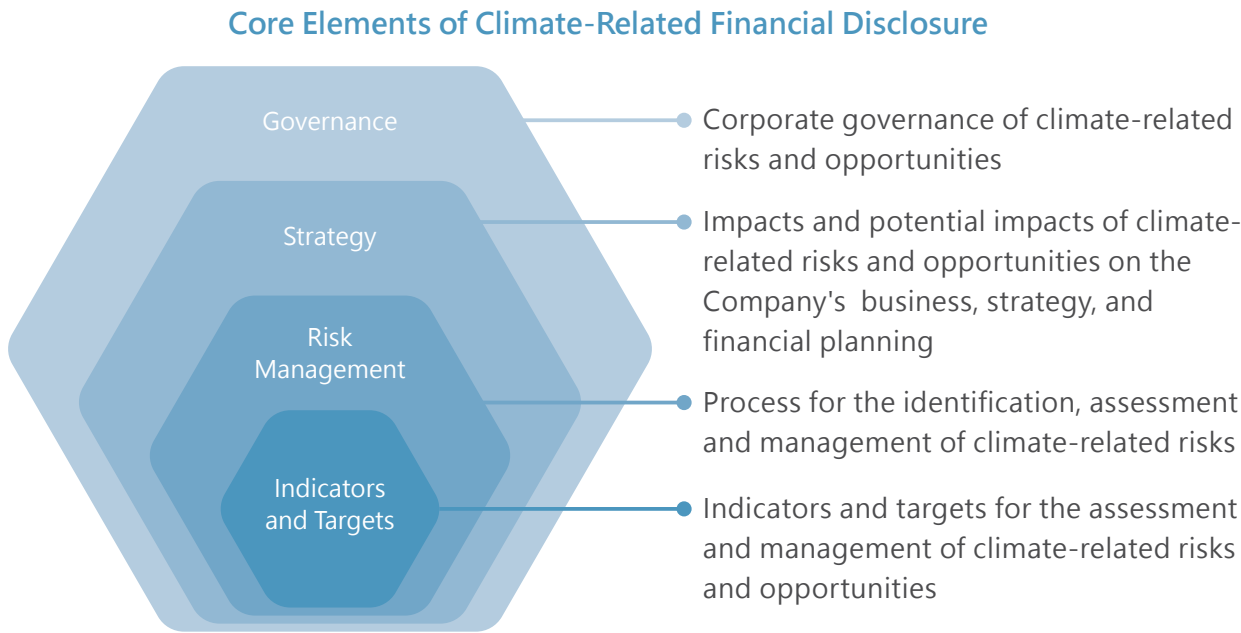
Risk items and management of the Company

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

Faced with global warming, extreme weather, environmental protection and energy conservation, safety and health, and the rising awareness of conservation, Tung Ho Steel pays close attention to the trend of global climate change and the direction of international response, incorporates climate change into the material topics and one of the critical major risks for corporate sustainable development, and continues to make analysis and control, being dedicated to the adaptation and mitigation of GHG.

The Company refers to the TCFD's (Task Force on Climate-Related Financial Disclosures) proposal released by Financial Stability Board (FSB) and has established a risk framework in accordance with the four elements for TCFD to identify major risk and opportunity that could have impacts on operations and also put forward corresponding strategies. Tung Ho Steel officially signed as TCFD Supporter in February, 2021<sup>note</sup>.

Note: The list of TCFD Supports is available at <https://www.fsb-tcf.org/supporters/>.



## Climate Change-Related Governance

### ► The Board of Directors is in Charge of Governance of Climate Change Issues

The board of directors is in charge of reviewing and guiding climate change strategies, action plans and annual targets, and it regularly monitors the implementation status of the GHG reduction goals and attainment rate every year.

The board of directors has set up the Sustainable Development Committee ( functional committee ) composed of three members, and more than 50% of the members are independent directors appointed in accordance with the resolution of the board, with the chairman of the board serving as the convener ( chair ) , responsible for climate change related issues, including the setting, supervision and review of the environmental sustainability system and goals. Sustainable Development Committee is convened twice a year, and relevant contents concerning climate change are regularly reported in the board meeting every year, and discussions on GHG inventory and reports on the schedules and planning are conducted in the board of directors on a quarterly basis. Risk management, strategies, and goals related to climate change in this Report were set and approved in the 27th session of the 24th term of board of directors dated on May 9, 2023. The board of directors also actively participates in discussions between the government and the industry to face the challenges for sustainability development brought by climate change in a pragmatic and forward-looking attitude.


The Company invites external lecturers to provide education and training for climate change-related issues in 2021 and 2023. The trainees were all board members and senior executives, and the courses provided were on corporate climate governance and practices of TCFD disclosure, with a total of 233 training hours.




► **Representatives of Climate Change Issues at BOD level**

The Environmental Sustainability Group is established under the BOD's Sustainable Development Committee ( functional committee ), which is composed of responsible personnel assigned by relevant departments. The chair of the Environmental Sustainability Group is the Executive Vice President, who is in charge of the evaluation and management of climate-related risks and opportunities and the setting of strategies and goals. The Environmental Sustainability Group will regularly report the implementation status to the Sustainable Development Committee.

**Organization chart of Tung Ho Steel's Climate Change-related Governance**



Corporate governance hierarchy	Task of climate change governance	Implementation results
 <p>Board of Directors</p>	<p>In charge of reviewing and guiding climate change strategies, action plans and annual targets, and it regularly monitors the implementation status of the GHG reduction goals and attainment rate every year</p>	<ul style="list-style-type: none"> <li>› The proposal of the application for the lease of the roofs of some buildings of Tung Ho Steel's Works through Tung Kang Wind Power Corp. for the installation of the solar PV power generation equipment and relevant facilities was approved in the 17<sup>th</sup> session of the 24<sup>th</sup> term of board of directors on April 12, 2022.</li> <li>› The climate change risk management, strategies, and goal setting were approved in the 19<sup>th</sup> session of the 24<sup>th</sup> term of board of directors on May 27, 2022.</li> <li>› It was approved to establish the Regulations Concerning Appropriation and Use of Special Surplus Reserve in Response to Climate Change Adaptation and Mitigation in the 20<sup>th</sup> session of the 24<sup>th</sup> term of board of directors on August 4, 2022.</li> </ul>

Corporate governance hierarchy	Task of climate change governance	Implementation results
 Board of Directors	In charge of reviewing and guiding climate change strategies, action plans and annual targets, and it regularly monitors the implementation status of the GHG reduction goals and attainment rate every year	<ul style="list-style-type: none"><li>› The board of directors has approved the 2030 phased goal of “Net Zero Emissions by 2050” and set two 30s as the phased goals by 2030 in the 25<sup>th</sup> session of the 24<sup>th</sup> term of board of directors on February 22, 2023. (1) 30% Carbon Reduction: the total carbon emissions in 2030 is aimed to be reduced by 30% compared with the 2005 level. (2) RE 30: By 2030, we aim to use 30% of renewable energy and complete the purchase of renewable projects accounting for 30% of the annual electricity consumption of the Company.</li><li>› In the 26<sup>th</sup> session of the 24<sup>th</sup> term of board of directors on April 11, 2023, the plan of the subsidiary, Tung Kang Wind Power Corp., to establish a grid-connected E-dReg energy storage system was approved.</li></ul>
 Sustainable Development Committee	Responsible for climate change related issues, including the setting, supervision and review of the environmental sustainability system and goals; relevant contents concerning climate change are regularly reported in the board meeting every year	<ul style="list-style-type: none"><li>› The proposal to issue the 2022 TCFD Report was approved in the 4<sup>th</sup> session of the 2<sup>nd</sup> term of board of Sustainable Development Committee on May 24, 2022, and was reported to the board of directors.</li><li>› The proposal of setting the Appropriation and Use of Special Surplus Reserve in Response to Climate Change Adaptation and Mitigation was passed on the 5<sup>th</sup> session of the 2<sup>nd</sup> term of Sustainable Development Committee on July 29, 2022.</li><li>› The proposal to issue the 2023 TCFD Report was approved in the 8<sup>th</sup> session of the 2<sup>nd</sup> term of board of Sustainable Development Committee on May 2, 2023, and was reported to the board of directors.</li></ul>
 Environmental Sustainability Group	In charge of the evaluation and management of climate-related risks and opportunities and the setting of operational plans and goals; regularly report the implementation status to the Sustainable Development Committee	<ul style="list-style-type: none"><li>› The president made a keynote speech on “Blueprint for Carbon Reduction at Tung Ho Steel” , attended by middle and senior executives.</li><li>› In 2022, discussion meeting on climate-related scenarios and financial methodologies, climate-related strategy assessment meeting, climate-related target setting meeting, and discussion meeting of the draft of the TCFD Report were held.</li><li>› Held the planning meeting of the Energy Conservation and Carbon Reduction Working Group and the meeting for the furnace equipment renovation.</li><li>› Implemented the Carbon Capture and Storage (CCS) technology and hydrogen research project of the Green Energy and Environment Research Laboratories, ITRI.</li><li>› Held the kick-off meeting of the WSA Set-Up Program.</li></ul>

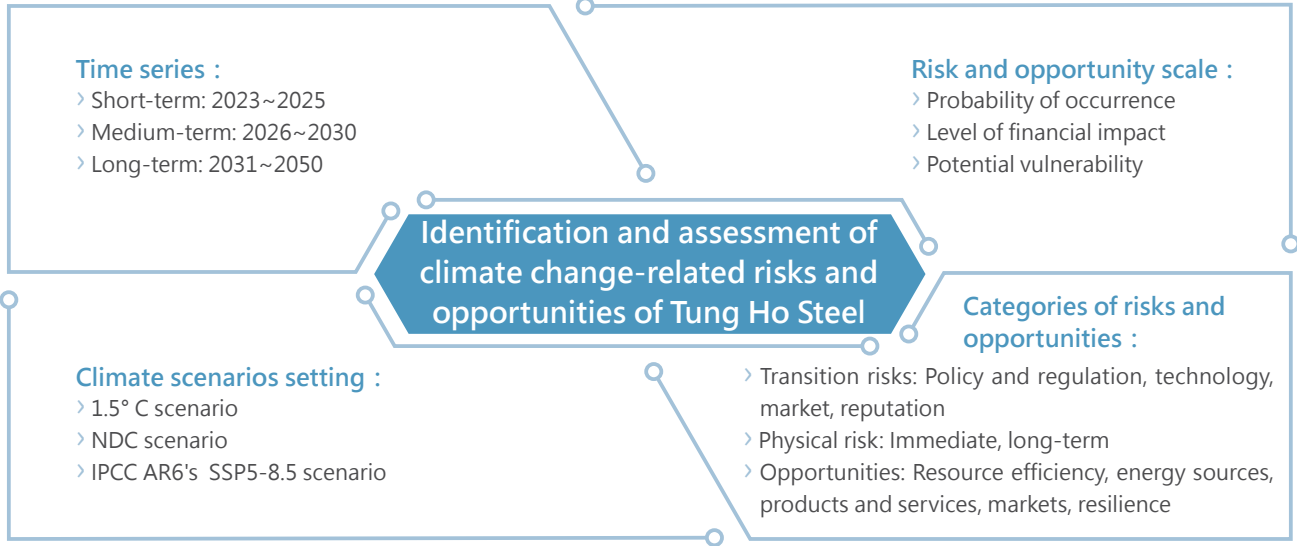
## ▣ Climate Change-Related Risks and Opportunity Management

### ► Risk and Opportunity Management Process

The Sustainable Development Committee is under the board of directors of the Company, and there are Environmental Sustainability Group, and Corporate Governance Group in the committee. The Corporate Governance Group is in charge of the establishment, supervision and review of relevant policies in relation to corporate governance, integrity management, and risk management, and the management mechanisms. It is in charge of the coordination of relevant departments for the risk identification, assessment, control and supervision, reports to the Sustainable Development Council the implementation status, and the Sustainable Development Committee shall report to the board

of directors the overall risk management implementation status at least once a year. The relevant departments assess the possibility of occurrence of various risk factors and the degree of impact in accordance with the content of job responsibilities, and necessary measures shall be formulated for implementation to properly manage various risks. The Environmental Sustainability Group of the Sustainable Development Council is a dedicated unit of climate change related management. The Company has understanding of various international initiative activities/ content of organization in relation to sustainability and climate change and include the concerns and evaluation criteria of the international initiatives into the Company's considerations when establishing environmental and GHG policies, so as to comply with the international development trends and improve the Company's ability to respond to climate change.

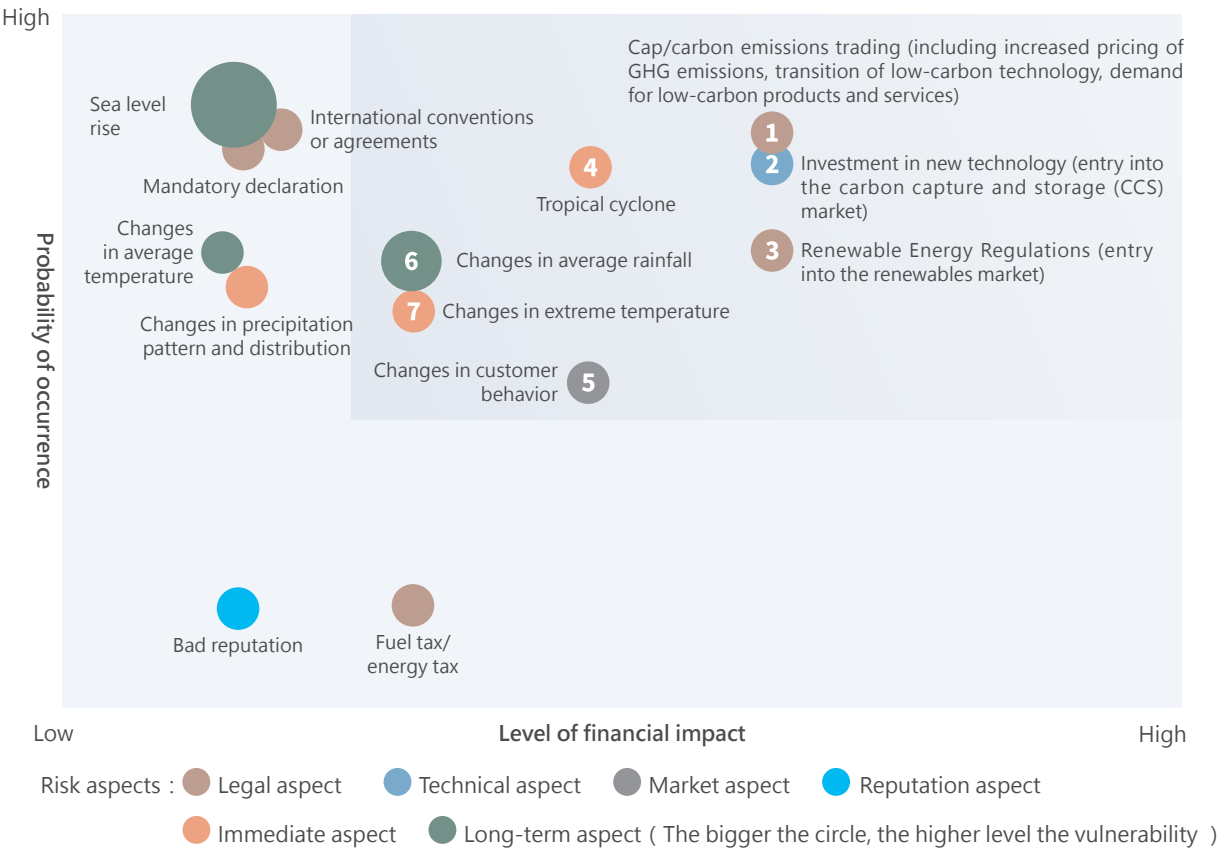
### ► Identification of Climate Change-Related Risks and Opportunities



The Environmental Sustainability Group members convened a climate change risks and opportunities identification meeting in accordance with the TCFD recommended assessment framework. (The level of impact x likelihood of occurrence, and the score of 8 points or more is classified as material). A total of 7 significant climate change-related risks and 4 significant climate-related opportunities were identified, and the financial impact (year) is defined as short-term (2025), mid-term (2030) and long-term (2050).



Matrix of climate change-related risks



Matrix of climate change-related opportunities



## ► Description of Climate Change-Related Risks

The climate change-related risks identified by the Company include Cap/carbon emissions trading, Renewable Energy Regulations, New technology investment, Tropical cyclone, Changes in consumer behavior, Changes in average rainfall, and Changes in extreme temperature .

### Results of risk identification

Category / Item			Financial impact of risk	Description
Transition risk	Policy and Regulatory Risk	Cap/carbon emissions trading	<b>【Increase in costs】</b> The carbon fee is expected to increase year by year. For the payment of monetary substitution of large electricity users stipulated in the Renewable Energy Development Act, Taiwan Power Company makes an increase of 20% every 5 years.	<b>Time point of risk: Short-term 、Medium-term</b> The Company will use newer electric furnaces with high efficiency, purchase renewable energy certificates, not use milling iron in the steelmaking process, and try to enter the new market for carbon capture and storage (CCS) and other strategies to mitigate the impact of climate regulations, and turn them into the financial opportunities for the future operation of the Company.
		Renewable Energy Regulations	<b>【Increase in costs】</b> According to the “large power user clauses” announced by MOEA, if power users above a certain contract capacity do not install renewable energy as prescribed, an annual fee must be paid.	<b>Time point of risk: Medium-term</b> Company will install solar energy generation equipment, which can not only be used to deduct related fees but also reduce the costs of purchased electricity.
	Tech-nology	New technology investment	<b>【Increase in costs】</b> The carbon fee is expected to increase year by year.	<b>Time point of risk: Medium-term</b> The Company plans to invest in the industry-university collaboration research project on CCUS (Carbon Capture, Utilization and Storage) in the short term, and launch the CCUS experiment and mass production plan in the medium and long term to cope with the regulatory requirements and reduce the financial risk impact on the Company's operation in the future.
	Market	Changes in consumer behavior	<b>【Decrease in profits】</b> The trend of the regulatory requirements for low-carbon transition services, and low-carbon products and services are getting more and more stringent. The customers require the Company to provide EPD certificate in the short term and the carbon neutrality certificates in the medium and long term to be qualified for delivery.	<b>Time point of risk: Long-term</b> Continue to invest in the guidance and certification of EPD carbon labels. In the medium and long term, we will purchase carbon credit to achieve carbon neutrality of products to meet the requirements of the market and the customers. In addition to reducing the revenue risk of reduced orders, additional financial revenues and increased profits can even be obtained.
Physical risk	Immedi-ate	Tropical cyclone	<b>【Increase in costs】</b> <b>【Decrease in profits】</b> The scenario is that the rate of increase in strong typhoons in Taiwan is 100%. It is estimated that from 2030, there will be two typhoons that will cause losses to the production plants every year, including property loss (repair costs), downtime property loss (repair costs), downtime costs, and labor costs.	<b>Time point of risk: Long term</b> Tung Ho Steel uses insurance as the risk transfer. Currently, the whole company has insured property insurance, covering fire, fire caused by explosions, lightening strikes, explosion insurance, earthquake insurance, typhoon and flood insurance and so on.

Category / Item			Financial impact of risk	Description
Physical risk	Immediate	Changes in extreme temperature	<b>【Increase in costs】</b> <b>【Decrease in profits】</b> Power rationing due to extreme high temperatures that led to suspension of work: Short-term: 5 days, medium-term: 10 days, long-term: 20 days, resulting in financial impacts of reduced revenues and increased costs for the company.	<b>Time point of risk: Long term</b> It is planned to maintain flexible shifts to reduce financial impact of the loss of labor costs.
	Long term	Changes in average rainfall	<b>【Increase in costs】</b> <b>【Decrease in profits】</b> The water supply in the factory area is cut off for 7 days, resulting in the financial impact of reduced revenue and increased costs for the company.	<b>Time point of risk: Long term</b> The Company will make a long-term strategy of using water tankers to maintain the operation of the factories. Although the costs will increase, the financial impact of the company's revenue reduction and cost increase can be lowered.

### ► Description of Climate Change-Related Opportunities

The climate change-related opportunities identified by the Company include Use more efficient production, Recycle and reuse, Incentives from financial institutions, and Shift to decentralized energy. The financial impact, description of opportunities, and corresponding measures and costs of opportunities are detailed as follows.

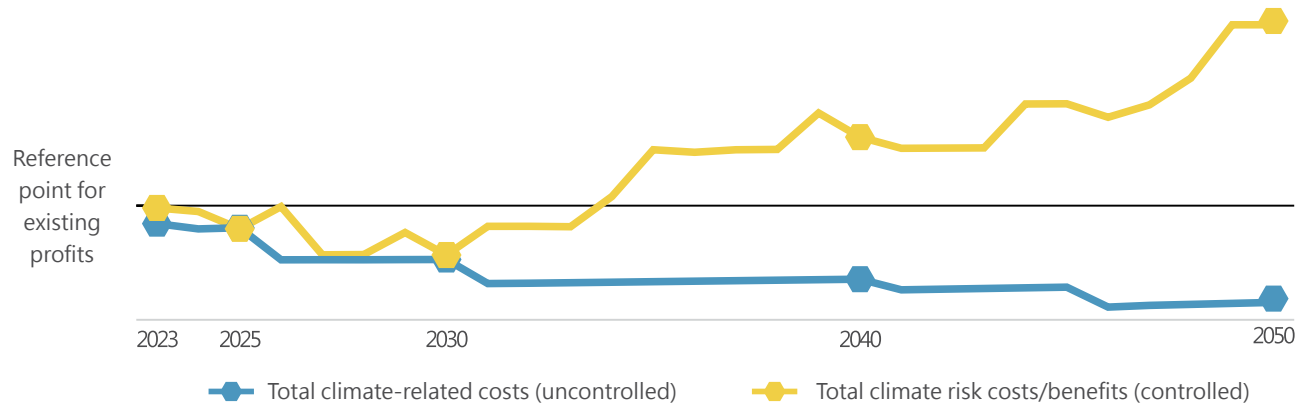
#### Results of opportunities

Category / Item		Financial impact of opportunity	Opportunity response strategy
Resource efficiency	Use more efficient production	<b>【Capital expenditures】</b> <b>【Increase in costs】</b> <b>【Decrease in costs】</b> Electric furnaces with high efficiency will bring cost opportunities to reduce the electricity costs compared with the existing equipment, and this can also reduce Scope 2 indirect GHG emissions.	<b>Time point of opportunity: Medium term</b> In the medium-term renovation plan, scrap preheating electric furnaces are expected to replace old ones, reducing the unit smelting power by 100~120 kWh. Although there is an increase in capital expenditure and depreciation costs, the comprehensive reduction in costs of purchased electricity will bring financial opportunities of reduced costs and increased profits for the company.
	Recycle and reuse	<b>【Increase in profits】</b> <b>【Opportunity costs】</b> The waste recycling strategies of the circular economy will become more and more important, and the recycling business can also obtain considerable financial opportunities.	<b>Time point of opportunity: Short term</b> Invest in Taiwan Steel Union Co., Ltd. and Katec Creative Resources Corp. to obtain financial opportunities for earning stable profit.
Market	Incentives from financial institutions	<b>【Increase in costs】</b> <b>【Decrease in costs】</b> The credit and investment of financial institutions will be linked to the company's ESG and climate change management performance. Companies with good performance will have the financial opportunity to reduce loan interest costs.	<b>Time point of opportunity: Short term</b> The Company's investment in TCFD, CDP, and other related climate change management reports and evaluations will increase the Company's financial opportunities for obtaining credit from the financial market, low-interest loans, and financing.

Category / Item		Financial impact of opportunity	Opportunity response strategy
Source of energy	Shift to decentralized energy	<b>【Capital expenditures】</b> <b>【Increase in costs】</b> <b>【Increase in profits】</b> In the future, the decentralized energy will be one of the major trends in the future international and Taiwan's net-zero emission management, together with the government's subsidy programs of energy storage systems, financial opportunities to investors can be brought.	<b>Time point of opportunity: Medium term</b> The energy storage system invested by Tung Ho Steel's subsidiary, Tung Kang Wind Power Corp., will bring the benefits of increased revenues and profits.

Overall assessment of climate-related material risks, opportunities and strategic response

In the face of the risks, challenges, and opportunities of climate change, Tung Ho Steel's team makes pragmatic assessment of the corresponding strategies and financial impacts of risk and opportunities. The Company will still be able to maintain stable and sustainable operation in the future in the short-, medium-, and long-term financial conditions, and create more profits.



# Climate Change-Related Strategies

## Climate-Related Scenario Analysis

Climate-related risks and opportunities affect the Company's strategies and financial planning. Therefore, the Company uses the two risk types, the transition risk type and physical risk type as well as the The Worst-case Scenario for climate opportunity in accordance with the TCFD recommendations for the analysis and assessment of the resilience of climate strategies.

Type of climate-related risks and opportunities	Scenarios of the evaluation strategy of the Company	Content of scenario
<ul style="list-style-type: none"> <li>Transition risk</li> <li>Opportunity</li> </ul>	<ul style="list-style-type: none"> <li>1.5° C scenario</li> <li>Taiwan 2050 net-zero emission pathway and strategies</li> <li>Taiwan's NDC (Nationally Determined Contribution)</li> <li>Taiwan's Climate Change Response Act</li> </ul>	2050 net-zero carbon emission has become a global trend. Taiwan also released the Net Zero Emission Pathway and Strategy Statement and set up a plan to implement the goal of transition to net zero. The phased goals and actions of 2050 net zero transition were announced in December 2022, and the nationally determined contribution (NDC) emission reduction target of 2030 was proposed to be 24% ± 1%. In January 2023, Taiwan's Legislative Yuan passed the Climate Change Response Act for the third reading, stipulating that Taiwan shall achieve net zero GHG emissions by 2050, which will become the main source of law for future climate governance and the establishment of a carbon fee mechanism.
<ul style="list-style-type: none"> <li>Physical risk</li> </ul>	<ul style="list-style-type: none"> <li>The worst scenario of global warming in IPCC AR6 (SSP5-8.5)</li> </ul>	Under the extremely high GHG emission scenario ( SSP5-8.5 ), climate change causes drastic changes in future average temperature, extreme high temperature, annual total rainfall, annual maximum one-day rainstorm intensity, annual maximum consecutive days without rainfall, and the proportion of strong typhoons, which may have operational impacts on the Company and its value chain.

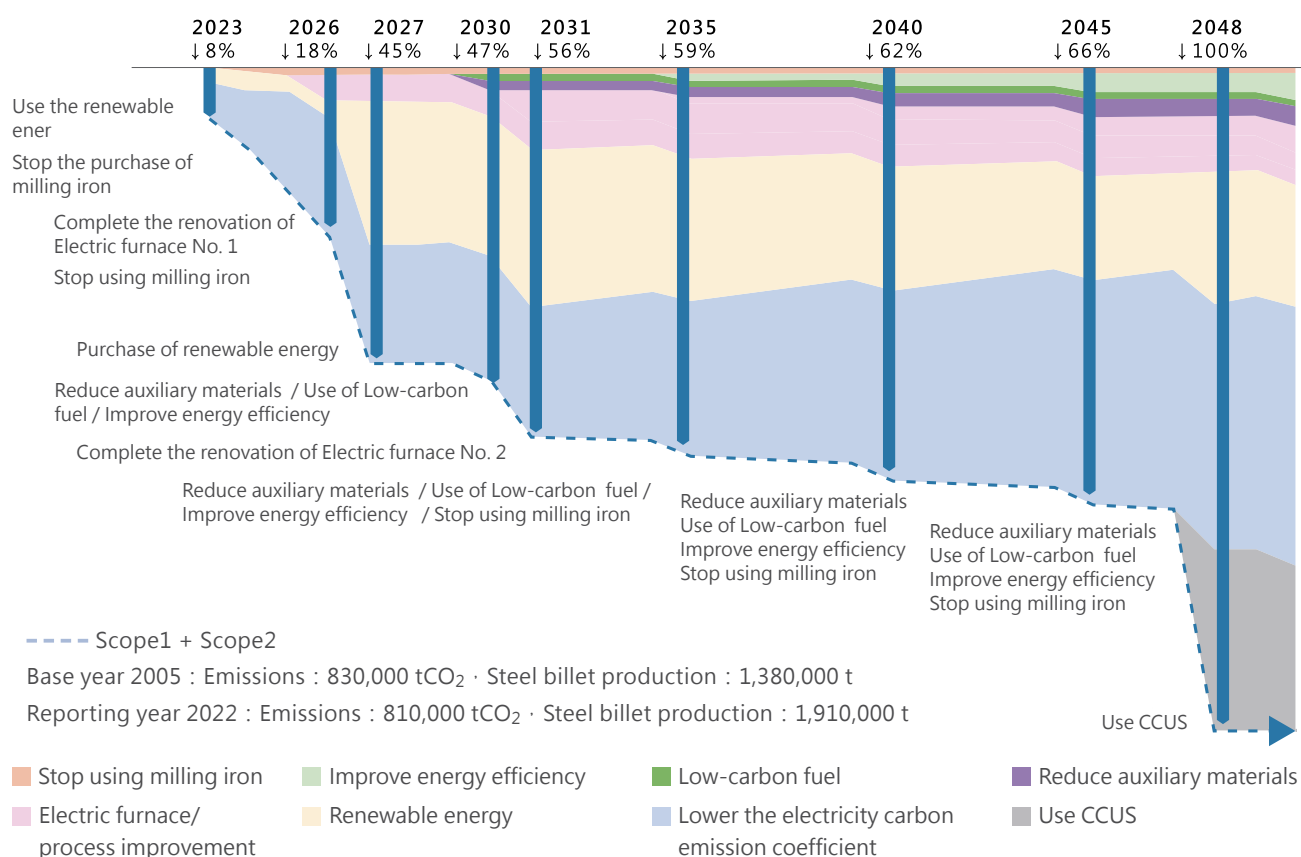
### ► Internal carbon pricing and allocation of carbon reduction funds

To promote climate change adaptation and mitigation actions, the 20<sup>th</sup> session of the 24<sup>th</sup> term of board of directors on August 24, 2022, passed the proposal of setting the Appropriation and Use of Special Surplus Reserve in Response to Climate Change Adaptation and Mitigation. NT\$ 200/ton will be allocated as a special surplus reserve for climate change adaptation and mitigation based on the total carbon emissions of Scope 1 and Scope 2 in the internal inventory of the year. The special surplus reserve is used for energy-saving equipment or upgrading of equipment efficiency, development of energy conservation technology research, low-carbon product development technology, and other climate-change adaptation and mitigation projects. In 2022, the special surplus reserve amounted to approximately NT\$ 170 million.

### ► Climate Change-Related Strategies

The GHG emissions at Tung Ho Steel are mainly indirect emissions (Scope 2) caused by electricity use. Therefore, the 1.5°C low-carbon transition plan is currently working on the planning of carbon reduction pathway targeting at the electricity using items, followed by the use of CCUS technology to reach the goal of net zero. Please refer to [2023 Tung Ho Steel TCFD Report](#) for other climate change-related strategies.

## Tung Ho Steel Carbon Reduction Pathway

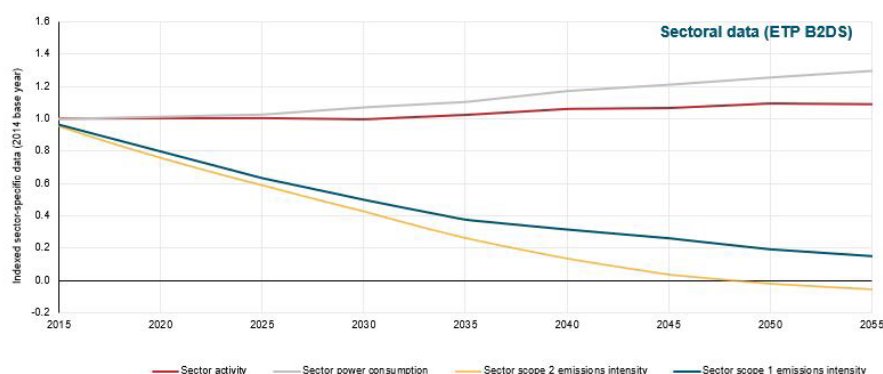


## Climate Change-Related Indicators and Targets

### ► Science Based Targets initiative (SBTi)

Tung Ho Steel referred to the Science Based Targets initiative (SBTi) as the basis for the climate change-related indicators and target evaluation. Monthly target meeting is also convened, and the president will track the difference between the actual performance of GHG emission intensity of all plants and the targets for discussions and establishment of necessary measures.

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

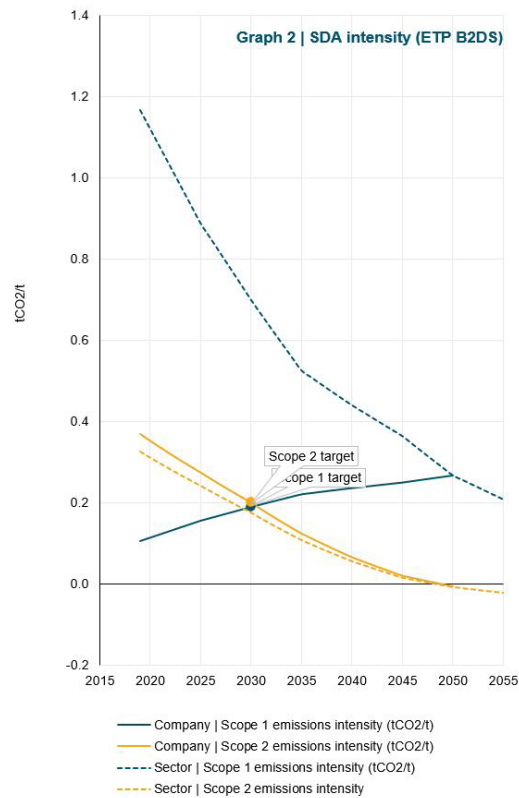
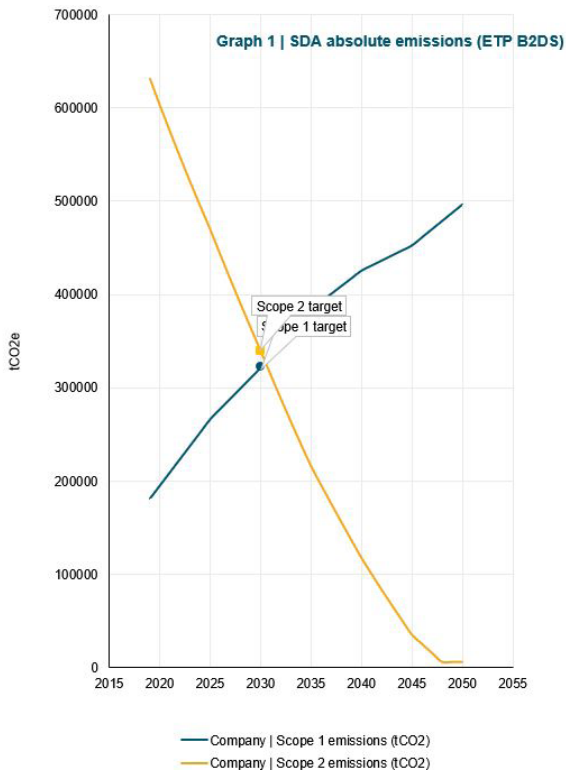


#### IEA ETP B2DS scenario

[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%



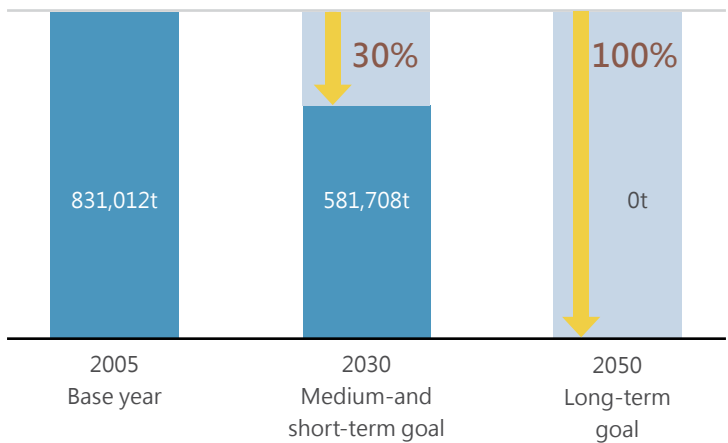


► Description of GHG Emission Targets

The absolute reduction targets were established by referring to the tool, SBTi-Tool (SDA\_Tool\_v1.2.1) provided by Science Based Target Initiative as the scientific basis. In addition, the Taiwan 2050 net-zero emission pathway and reduction target announced in March, 2022 was also referred to. The Company set 2005 as the base year and set the medium-term goal of carbon reduction by 30%

In 2022, the emission of Scope 1 was 188,593 tonnes CO<sub>2</sub>e, Scope 2 621,505 tonnes CO<sub>2</sub>e, and the combined emissions of both Scope 1 and Scope 2 totaled 810,098 tonnes CO<sub>2</sub>e, and the comparison of the emission trends as well as the difference is detailed in Chapter 4-2 Use of Energy Resources. The GHG emissions in 2022 was relatively lower than 2021, and the use of milling iron will be discontinued. In the future, we will continue to use renewable energy and work on the electronic furnace renovation project and move toward the target of reducing carbon emissions by 30% by 2030.

Description of GHG Emission Targets



- Note :
1. In the Taiwan's 2050 Net Zero Emission Pathway and Strategy Statement, the carbon reduction pathway from 2025 to 2050 estimated that the carbon reduction in 2030 will account for 30% of the carbon reduction of 2005.
  2. GHG emissions are the sum of those in Scope 1 and 2.

Tung Ho Steel's Task Force on Climate-related Financial Disclosures (TCFD) Report 2023 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



### Wind power generation

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 14,056 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 2022, the total gross power generation amounted to 27,134,400 kWh, contributing to reduction of 13,811 tons of carbon emission.

Note :

1. Electricity emissions were calculated based on the electricity carbon emission coefficient of 0.509 kg announced by the Energy Bureau of MOEA in 2022.
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.

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	28,000,000 kWh
Annual generation capacity	11,500 ( kW )



### Solar Power Generation

Starting from 2023, the wind power generation and certificates of Tung Kang Wind Power Corp. will be transferred to the parent company Tung Ho Steel. In addition, Tung Kang Wind Power Corp. has also installed about 17.622 MW of solar photovoltaic power generation equipment on the roofs of Tung Ho Steel's factories, an average of power generation of 22.03 million kWh every year, reducing carbon emissions by 11,212 tons. In addition, the green electricity and the green electricity certificate (REC) are sold to Tung Ho Steel to meet the terms of large electricity users of the Energy Bureau, MOEA. After meeting the terms for major electricity users, the surplus power will be purchased by Taiwan Power Company. The amount of investment of this project is approximately NT\$ 725 million, and the installation is expected to be completed in 2023, and power generation is also expected to start then.



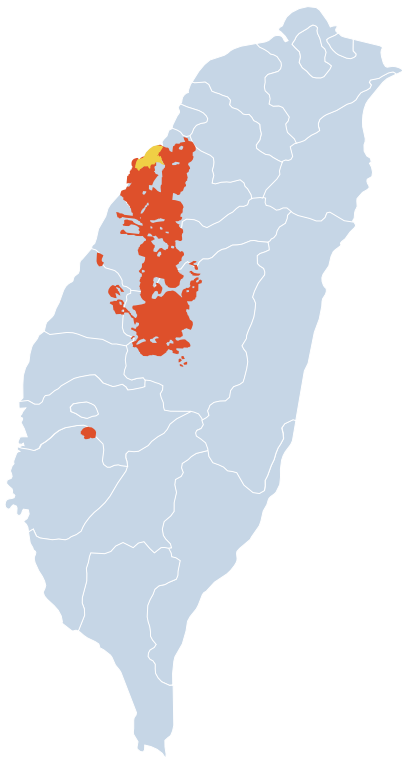
### Conservation of Leopard Cats is the Responsibility for All

With the development of human society, the number of leopard cats in Taiwan has dropped significantly. In 2008, leopard cats were listed the Grade 1 endangered animal, and the Miaoli County Council passed the Autonomous Ordinance for the Conservation of Leopard Cats in Miaoli County on December 10, 2019.

The Company's Longgang Industrial Park is located in Houlong Township, the hotspot activity area for leopard cats. To avoid the impact of the development behavior on leopard cats, the Company specially installed automatic infrared cameras in the Longgang Industrial Park to conduct ecological monitoring of the leopard cats. In addition, we also contribute to the conservation of leopard cats through relevant measures.

- › The management of stray dogs: Through the mechanism to block the sources, the conflicts between stray dogs and leopard cats can be reduced, such as the competition for habitat, pray, or chasing and biting, as well as the spread of the diseases, all can be serious threats to the survival of leopard cats.
- › Implement the publicity work to limit the speed of vehicles inside the industrial park to reduce the occurrence of road kills, or at least to reduce the damage to the minimum when collides accidentally happen.
- › Staff are prohibited from harassing and hunting wild animals, and no poison baits and iron traps are allowed inside the industrial park.

Habitat distribution of leopard cats



Important habitat (areas currently known as leopard cats' habitat) is approximately 2,140 km<sup>2</sup> in area.

- Houlong Township
- Habitat distribution of leopard cats



## Tung Sugar Energy Service Co., Ltd.

Tung Sugar Energy Service Co., Ltd. is an energy service company producing energy from biomass. Various decomposable biomass is collected externally. After processed by anaerobic fermentation technology, three major products can be produced: biogas, biogas residue, and biogas slurry. Biogas can be converted into electricity through the biogas generator; biogas residues can be used as organic fertilizers after proper treatment, and biogas slurry can be provided as liquid fertilizer.

Taiwan Sugar Corporation actively promotes the use of biomass waste as energy resources, which is in line with Tung Ho Steel's long-term commitment to promoting the concept of circular economy. Therefore, a joint venture, Tung Sugar Energy Service Co., Ltd., was established, and biogas technology was introduced from the U.S. to develop biogas power generation. The professional technology, manpower, and capitals were combined to invest in the development of biomass energy so as to create a new green energy business and improvement the quality of the domestic environment for sustainable management. Tung Sugar Energy Service provides a safe and reliable processing site for food factories, serving as a channel for operators to sell waste for effective disposal of waste and turn it into renewable energy. The joint venture is expected to be put into operation by the end of 2023. This investment project is estimated to have a rate of return of about 5-8% and can effectively reduce industrial waste in the food (processing) industry, which is in line with the circular economy policy and the strategic goal of sustainability management.



Since the COP26 UN Climate Change Conference in 2021, countries around the world have raised the Nationally Determined Contribution (NDC) of the GHG emission reduction to more than 40%. In Taiwan's 2050 Net Zero Transition Report released by National Development Council in December, 2022, the 2030 NDC targets were also proposed, and the reduction target raised from the original 20% to 24%. Tung Ho Steel has been dedicated to carbon reduction and improvement of process since last century, taking the lead in introducing carbon management in the industry, and actively aligning with international practices in terms of climate change issues. Therefore, setting targets higher than Taiwan's TDC targets has been Tung Ho Steel's long-term goal and direction for implementation.

RE100 is a global renewable initiative led by the global climate organizations, the Climate Group and the Carbon Disclosure Project (CDP). Participating companies have to make a public commitment to achieve 100% use of green electricity between 2020 and 2050 and put forward plans every year. Currently, there are more than 240 corporate members all over the world. Through the investment in green electricity for self-use, purchase of Renewable Energy Certificates (RECs), the signing of Power Purchase Agreement (PPA) and other means, the goal of using green power is reached.

In the Company's overall GHG emissions, 76% are from electricity consumption. As for the goal to achieve sustainable development, the purchase of the RECs is the most important measures for Tung Ho Steel to realize its commitment to the environment, reduce the dependence on fossil fuel, and reduce energy costs, achieving the legal requirement for renewable energy of the country, meeting the country's requirement for renewable energy, and embodying the Company's corporate social responsibility. However, in terms of the current renewable energy generation capacity, it would be unrealistic for all big carbon emitters. After evaluating from a pragmatic perspective, Tung Ho Steel believed that the RE 30 is the feasible goal in the medium term.

To respond to the global trend and the national net zero emissions target by 2050, the Company incorporated climate change into the material topic for sustainable development and passed the 2030 phased goal of net zero emission by 2050 in the 25<sup>th</sup> session of the 24<sup>th</sup> term of board of directors.

1. 30% Carbon Reduction: the total carbon emissions in 2030 is aimed to be reduced by 30% compared with the 2005 level.
2. RE 30: By 2030, 30% of the total electricity consumption will come from renewable energy.

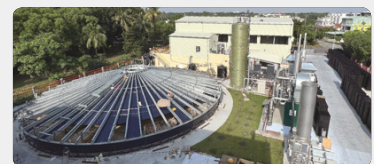
### Our renewable energy



The total installed capacity of the wind power generation equipment is 11.5 MW



The total installed capacity of the solar PV power generation equipment is 20 MW



Biogas power generation is expected to start operation in the second half of 2023



# 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

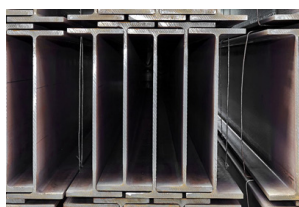


Rebar refers to the building material used in reinforced concrete and prestressed reinforced concrete.

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



### 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 educe 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.



Rebar 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.

In 2022, there were 17 customer inspections in Taoyuan Works, and 2 customer visits in Kaohsiung Works, 1 routine visit from the section steel customer and 1 from rebar customer to confirm the production process and quality, and the results all met the customers' requirements for quality.

Our declared product quality philosophy



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

100% free of radiation contamination



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.

### ► Verification of Management Systems of Each Factory

Our Rebar products have passed 10 types of certification marks while our beam and steel plate products passed 19 types of certification marks in 2022. All products meet the safety impact assessment improvement and legal requirements for product information, labeling and regulations. In addition, we also established and provide product purchase information and use instruction from customers' perspective, attesting to our product quality, integrity, and our insistence that customers always come first. In May, 2022, the KS D 3504 product certification was completed, and that for AS/NZS 4671 products was completed in June, 2022. In November, 2022, the quality evaluation of rebar material suppliers by the Department of Rapid Transit Systems, Taipei City Government in November, 2022, was also completed.

Works Passing ISO Verification

		Taoyuan Works	Miaoli Works	Kaohsiung Works	Head Office
Occupational Safety and Health Management System	ISO 45001	●	●	●	●
	CNS 45001	●	●	●	●
Environmental Management System	ISO 14001	●	●	●	
Quality Management System	ISO 9001	●	●	●	
Energy Management System	ISO 50001	●	●		

Certification marks our major products passed

■ means 100% passed

Category of certificate marks	Product Type	Rebar	Beam	Steel plate	Billet steel
Product Certification	MIT Smile Logo	■	■	■	
	Product Safety Mark	■	■	■	
	CNS Mark ( CNS560-2018 )	■	■	■	
	Recycled Green Product Certification				■
	ACRS certified hot-rolled steel	■	■	■	
	JIS SPECIFICATION / APPROVAL	■	■	■	
	ABS certified ship steel		■	■	■
	NIPPON KAIJI KYOKAI certified ship steel		■	■	■
	BV certified ship steel		■	■	■
	DNV GL certified ship steel		■	■	■

Category of certificate marks	Product Type	Rebar	Beam	Steel plate	Billet steel
Product Certification	Lloyd's Register certified ship steel		■	■	■
	KS certified hot roll steel	■	■	■	
	Singapore BC 1: 2012. Factory Production Control (FPC) Certificate		■		
	Certified by UK Conformity Assessment Body (UKCA)		■		
	Construction Products Regulation (CPR)		■		
Product Carbon Footprint	ISO / TS 14067	■	■	■	
Laboratory Accreditation	TAF Physics Laboratory	■	■	■	
	TAF Physics Laboratory	■	■	■	
Factory Production Control Certificaiton	Lloyd's Register CPR		■		
Environmental Labels and Declarations	EPD Tpye III Environmental Product Declaration	■	■	■	

## 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 2022, we scored 96 points from our section steel customers and 89 points from our rebar customers, with 13 copies and 30 copies of questionnaire returned respectively. The customer suggestions and unsatisfactory items have been handled immediately and obtained customers' replies showing satisfaction.

## 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, 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 2022, there were no complaints of infringement of customer privacy or loss of customer data.

## Rebar Processing Service

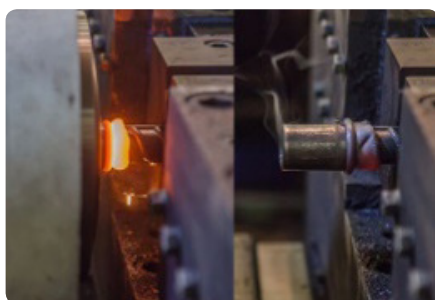
Due to the small construction sites in the urban areas in Taiwan, it is difficult to conduct on-site processing or to control the quality of processing. In addition, the problem of labor shortage is getting more and more serious. Tung Ho Steel has started to provide cutting services to customize finished product lengths from 1922. Then due to the extensive demand of the domestic engineering industry for the back-end processing of Rebar, we have stepped into the forming and processing services so as to integrate the upstream and downstream operations in the rebar industry. Currently, the Company has established three major rebar processing plants, Taoyuan Fabrication Center, Taichung Harbor Logistic Office, and the Processing Plant in Kaohsiung Works.



Cut to Length



Bending



Fiction Welding Coupler



Re-bar Wire Mesh

### Extending services to create new values

Due to the small construction sites in the urban areas in Taiwan, it is difficult to control the on-site processing efficiency and quality. Tung Ho Steel has started to provide cutting services to customize finished product lengths from 1992. Later, due to the wide range of demands for the back-end processing of Rebar and the increasing serious problem of labor shortage, the Company has stepped into forming processing services and integrated the upstream and downstream operations of the iron and steel industry to assist the construction industry to reduce operating costs and transportation, energy and environmental issues.

#### The advantages include the followings

1. Provide a one-stop shopping for a full set of services to save the number of times for material handling, reduce the freight costs and the exhaust emissions from vehicle transportation, and achieve reduction of GHG emissions.
2. Increase the amount of friction welding processing, reduce the loss of rebar head and tail scraps, increase steel recovery rate, avoid secondary refining processing, and achieve the purpose of energy conservation and carbon reduction.
3. Provide high-quality processed rebar finished products in the market to improve the building safety of customers, creating a safe and secure living quality.

Currently, there are rebar processing plants in the north, central and south regions in Taiwan. Our production capacity and shipments of rebar have reached more than one million tons per year, and the shipments accounted for more than 19% of the total domestic demands. Through processing, the total production volume has accounted to more than 74% of the total shipment volume of the Company, taking the lead in the industry by the production scale and output.

### Expansion of the Scale of Processing Services

To deepen the field of rebar processing and provide comprehensive product sales and services, the Company has further established the Taoyuan Fabrication Center in 2022 and further expanded the processing capacity of the Taichung Harbor Logistic Office. In addition to the originally planned processing industrial park, the newly purchased Daya Works will also add processing production line in the future to provide customers in the southern region with more complete and diversified services.

With the increasing demand in the construction industry for processing, in addition to custom rebar cutting and forming processing services, Tung Kang Engineering & Construction Corp. also cooperates with Tung Ho Steel's new product development and promotes the Screwed Re-Bar splicing works, ultra-high-strength rebar pre-assembly project, and the R&D of new construction methods needed in the domestic engineering industry, providing a full range of rebar industry services.



Rebar forming processing



Rebar cage



Assembled Screwed Re-Bar couplers





# 4

## Environmental Protection

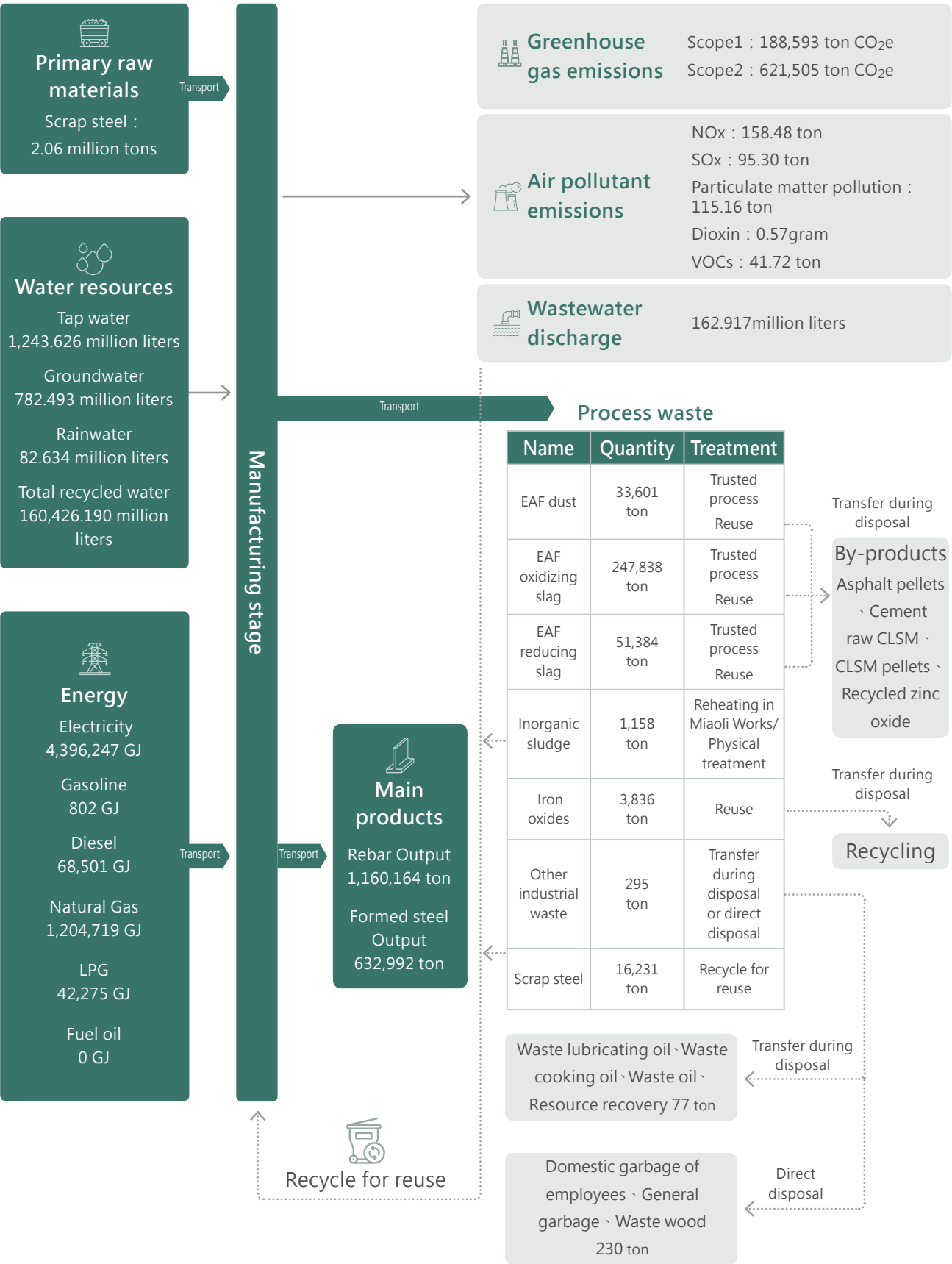
4-1 Green Procurement

4-2 Use of Energy Resources

4-3 Pollution Prevention and Control  
Management

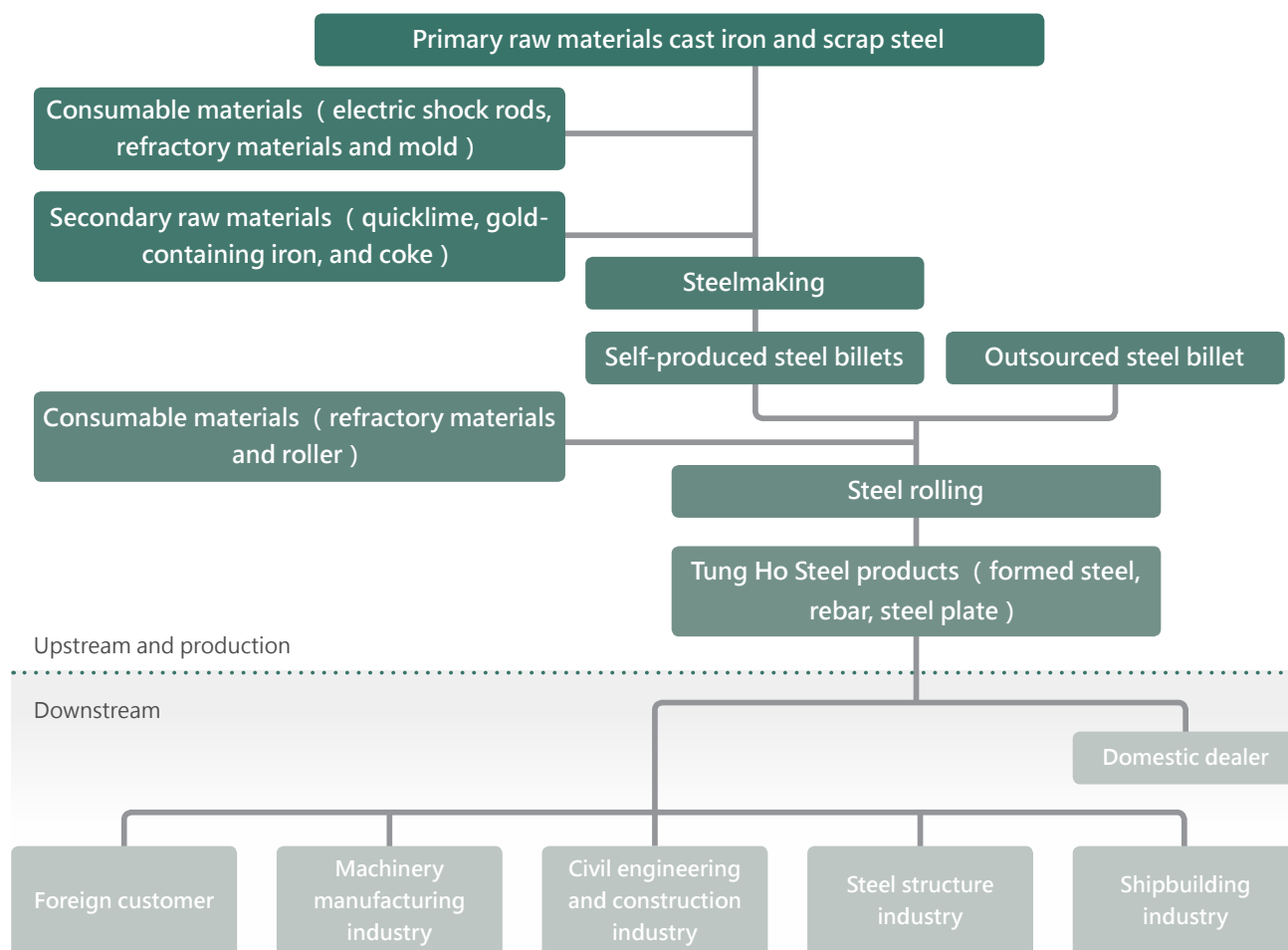


# 4-1 Green Procurement



# Introduction of Value Chain

The connection of upstream, midstream and downstream of the industry

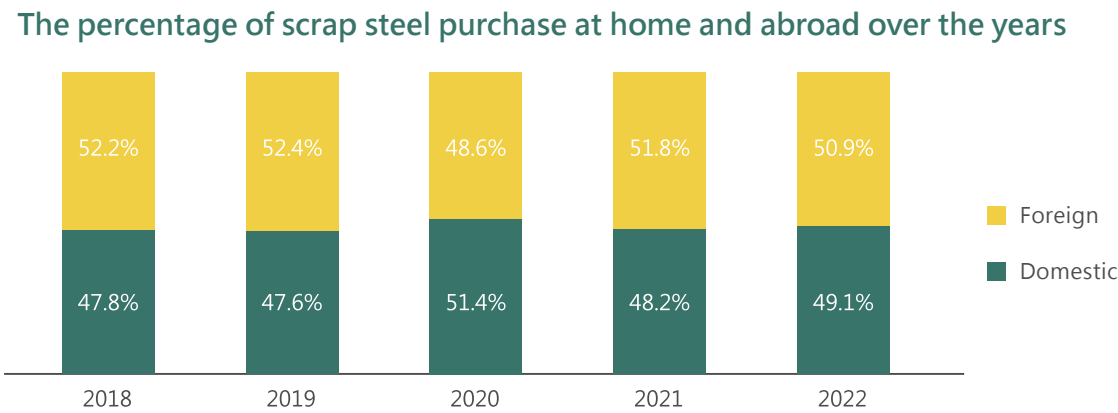
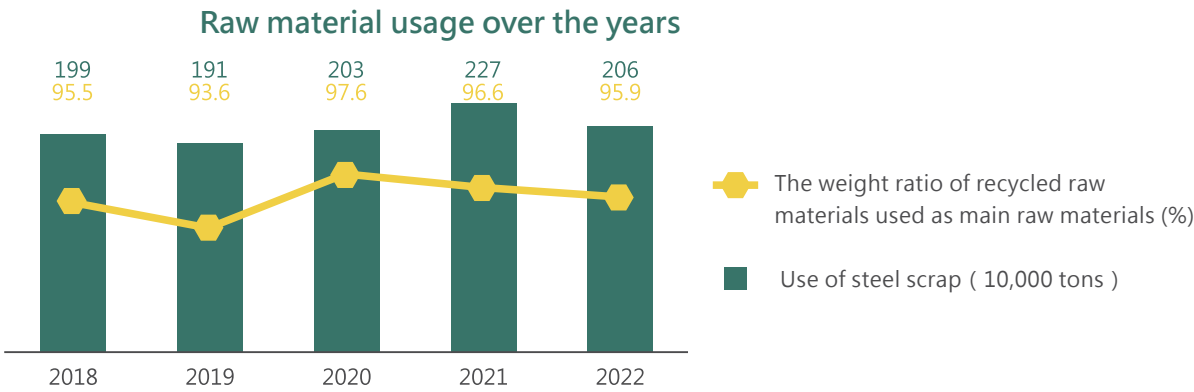


Tung Ho Steel's products are steel materials for building and construction. In Tung Ho Steel, more than 90% of the primary raw materials are scrap steel. There are no products or packaging materials that can be directly recycled. Ore resources are non-renewable raw materials, but their characteristics 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. The Company uses the unique characteristic of steel that can be indefinitely and recycle steel scraps from urban mines to produce steel products in a more energy-saving, low-carbon, and eco-friendly way. The Company uses steel scrap as the main raw material and uses electric arc furnaces to smelt it to produce steel products for building structures. When the building reaches the end of its service life, the waste steel is recycled again through the resource recovery system to be used as steelmaking raw materials for the electric furnace plants.



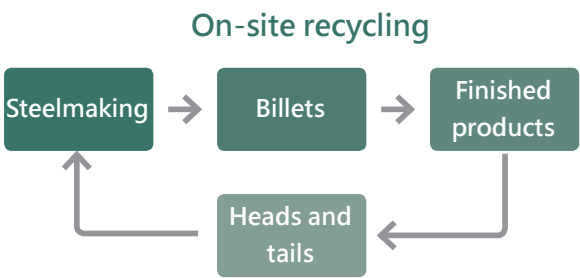
Making use of scrap steel for steelmaking is the most energy-saving and carbon-reducing process.

The primary raw materials of Tung Go Steel are mainly scrap steel, cast iron and iron alloy. In 2022, the price of international steel raw materials was affected by the Russia-Ukraine War and the interest rate hike in the United States, and the price fluctuated drastically. In the second half of 2022, the demands for finished and semi-finished steel products dropped rapidly. Although the output of the scrap steel leftovers in domestic basic industries has shrunk further, the purchase of domestic scrap steel was strengthened strategically to maintain the procurement ratio. The Company gives priority to local manufacturers in Taiwan not only for the consideration of the material supply efficiency but also for the stability of the domestic economy. In 2022, the percentage of local procurement accounted for 49.1%, which indirectly helped the establishment of the scrap steel recycling system in Taiwan, reducing the environmental impact while maximizing the reuse of resources.



- Note :
- 1. The weight ratio of recyclable raw materials used as the main raw material is used to adjust the consumption ratio according to the cost status.
  - 2. Foreign purchases were mainly from the U.S., Japan and Central and South America.

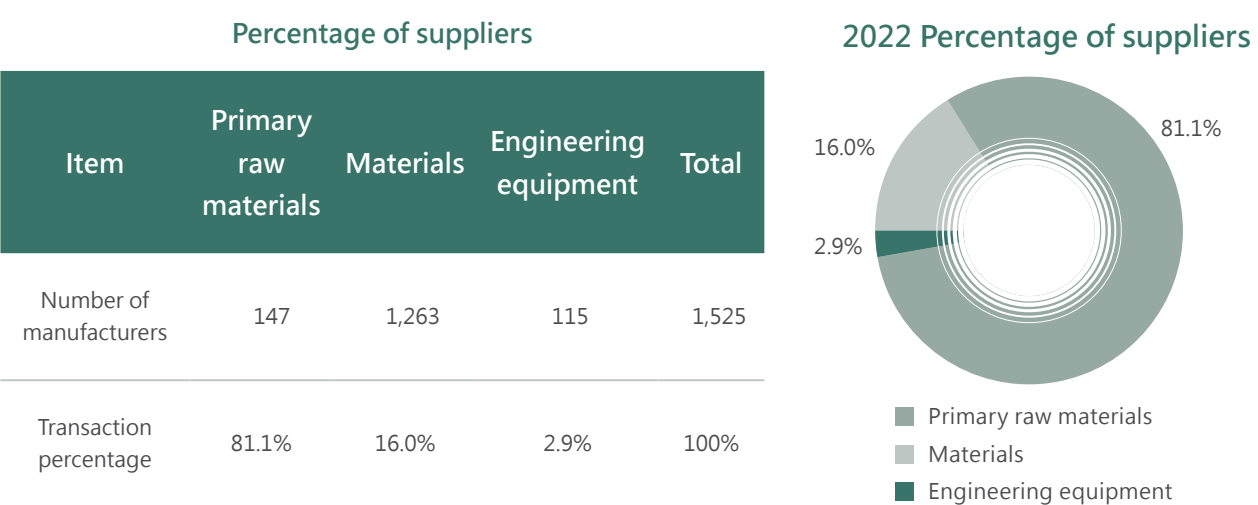
We have established the ISO 9001 management system and set up standards for steel scrap acceptance inspection and electric furnace operation. We increase the procurement amount of domestic scrap steel based on the monthly production plan, set up the crush workshop and increase the recovery rate in the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



In terms of the ratio of heads and tails after the cutting of rolled steel or the return scrap in 2022, the rebar accounted for 1.94% while formed steel accounted for 4.64%.

# Supplier Management

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. During the procurement process of equipment or engineering, we let the third-party suppliers know about the Company's Ethical Corporate Management Best Practices Principles and Procedures for Ethical Management and Guidelines for Conduct for them to fulfill the social responsibility, aiming at growing with our suppliers and establishing a mutually beneficial, long-term and stable supply chain. There were about 1,525 suppliers and contractors working with us in 2022.



### Supplier Management Policy

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.

### Integrity Clauses

The suppliers shall not impose any direct or indirect contact and agreement or provide any improper benefits (including but not limited to kickbacks, commissions, improper gifts, and entertainment, etc.) to Tung Ho Steel personnel. Violators shall not only bear civil and criminal legal responsibility, but also promise to accept Tung Ho Steel's unconditional termination and rescission of the contract or deduct the equivalent amount of the illegitimate interest from the price payable. In case of coercion, bribery, intimidation, injury, or other abnormal conditions, the suppliers can report and appeal to Tung Ho Steel.

Tung Ho Steel has incorporated Integrity Clauses and 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. If the suppliers fail to fulfill the commitment, the Company may require improvement first within a time limit, and if improvement is not made within the time limit, the contract may be terminated or rescinded at any time, and the supplier shall not claim any damage. In 2019-2022, a total of 591 manufacturers have signed the Supplier Social Responsibility Commitment, accounting for 89% of the Company's transaction amount. Among them, 8 suppliers were newly added secondary material suppliers in 2022, and all of them have signed the Supplier Social Responsibility Commitment.

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. Based on the evaluation results, we will discuss the reason with the suppliers, make an improvement plan, and track the improvement results to reconfirm the improvement of the deficiency. When the quality of materials provided by suppliers is not good and improvements have not been made, the result of the regular evaluation will be determined as non-conformity. The qualification of such supplier shall be re-determined, which will also be noted in the supplier's basic information sheet, and the supply from such supplier will be suspended. For semi-finished products and secondary materials supplied by suppliers at home and abroad fail to pass the incoming material inspections for three times in a row, the Quality Management Section will fill out the "Incoming Material Quality Improvement Notice" and notify the Trading Department or the personnel in the Material Department, while such supplier will be notified to put forward the cause analysis and countermeasures for improvement within a time limit, and the effectiveness of the countermeasures proposed will be tracked.

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 verification 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. Currently, the secondary materials are all directly imported by suppliers without domestic production process and are directly placed in large bags or shipped by tank trucks, leaving little negative environmental impact, so no identification was conducted.

In February, 2022, the procurement unit conducted a questionnaire survey on the GHG inventory and verification status of the 197 major suppliers. The results showed that a total of 9 suppliers have conducted GHG inventory and have been verified by a third party, accounting for 4.6% of all suppliers. In March, 2023, the Standard Supplier Assessment Form was revised and "climate-related responsibility" has been incorporated into the scoring items to encourage suppliers to complete GHG inventory and verification as soon as possible. The next stage is to gradually raise the distribution ratio and include the signing of the collaborative carbon reduction agreement into the scoring item.

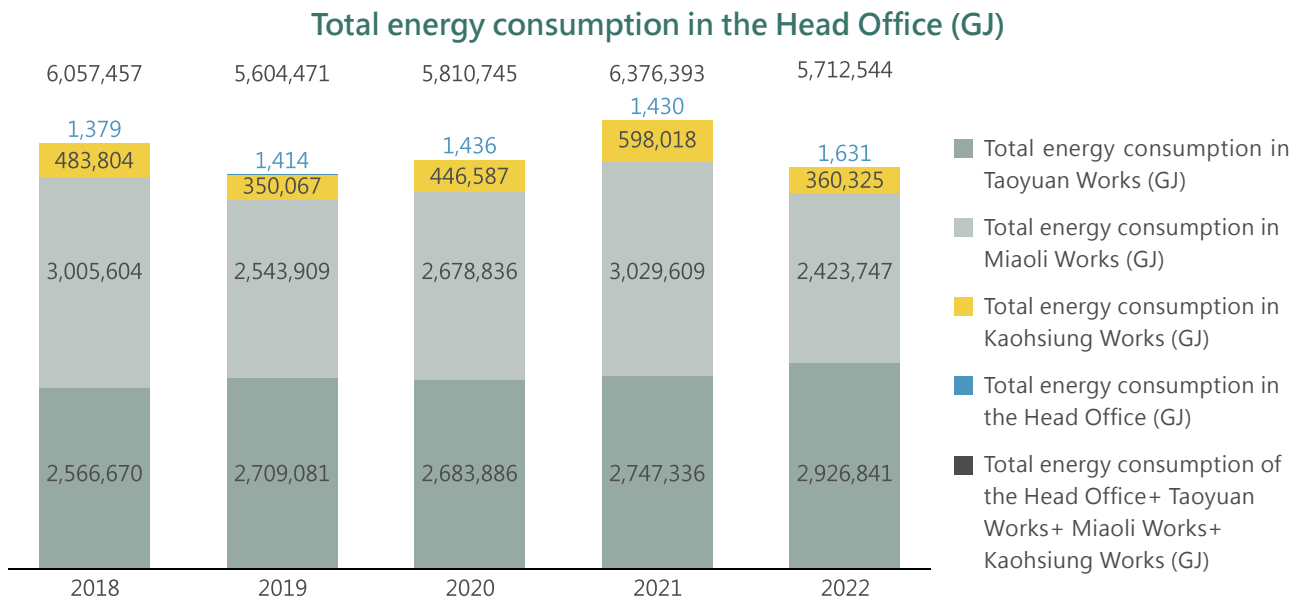
In March, 2023, a collaborative carbon reduction agreement with the value chain manufacturers were drafted, and the questionnaire was distributed to manufacturers in the value chain, including the upstream suppliers, downstream construction companies, and the transportation companies to investigate their willingness to join the collaborative carbon reduction agreement. A total of 307 copies of questionnaire have been distributed, with 272 copies returned and the return rate at 89%. A total of 257 manufacturers are willing to join the collaborative carbon reduction agreement, accounting for 84%. In the future, we will start drafting the template of the collaborative carbon reduction agreement and start negotiation with manufacturers willing to join this agreement. It is expected to gradually launch the signing of the collaborative carbon reduction agreement in the second half of 2023.

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 2022, all domestic and foreign steel scrap dealers met the evaluation criteria, and the 165 secondary material suppliers all received the supplier evaluation, with 100% passing rate. There were no suppliers having significant or potential impact on the environment or society.

## 4-2 Use of Energy Resources

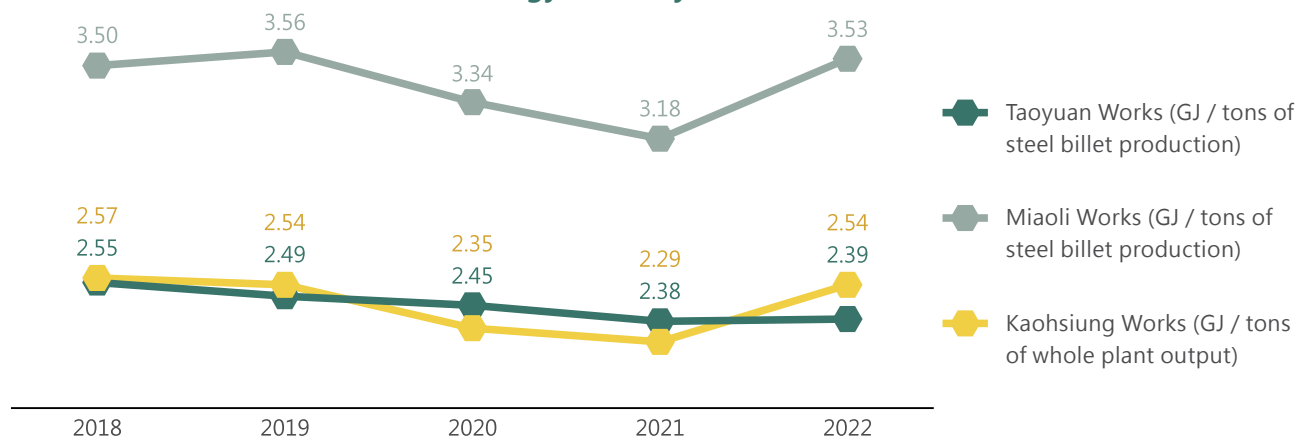
### ■ Broadening sources and reducing consumption

The main energy use of the Company includes purchased electricity, natural gas, liquefied petroleum gas (LPG), diesel and gasoline. There was no use of renewable energy electricity and renewable energy fuels. 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 2022 amounted to 5,712,544 GJ (of which non-renewable fuel consumption was 1,316,298 GJ, electricity consumption was 4,396,246 GJ), a decrease of 10.41% compared with 2021.





### Energy intensity of three works



Note :

- 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.
- Energy use has been converted into GJ (1 GJ=10<sup>9</sup> joules).
- 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.
- The Head Office is a non-production unit, and energy intensity was not evaluated.

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

Facility	Item	2018	2019	2020	2021	2022	Comparison with 2021
Company-wide	Energy consumption	6,057,457	5,604,471	5,810,745	6,376,393	5,712,544	↓ 10.41%
	Billet output (tons)	1,865,773	1,804,569	1,896,688	2,108,099	1,912,605	↓ 9.27%
	Energy intensity	3.25	3.11	3.06	3.02	2.99	↓ 1.25

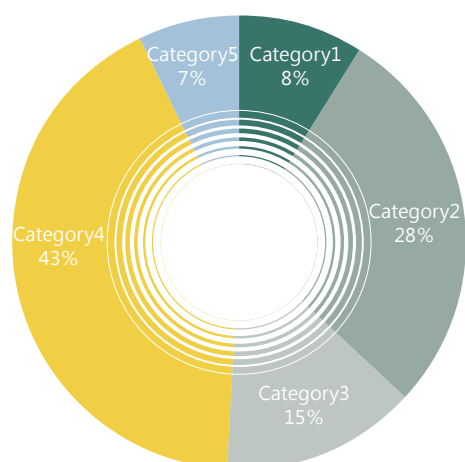
## Greenhouse Gas Inventory

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 14064-1 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 ) . The inventory of Scope 3 conducted included upstream and downstream transportation and distribution, employee commuting, business travel, transportation of customers and visitors, fuel and energy related activities, waste generated in operations, downstream leased assets, and investments, covering items in Category 3 to 6.

## 2022 Company-wide Proportion of GHG by Category

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

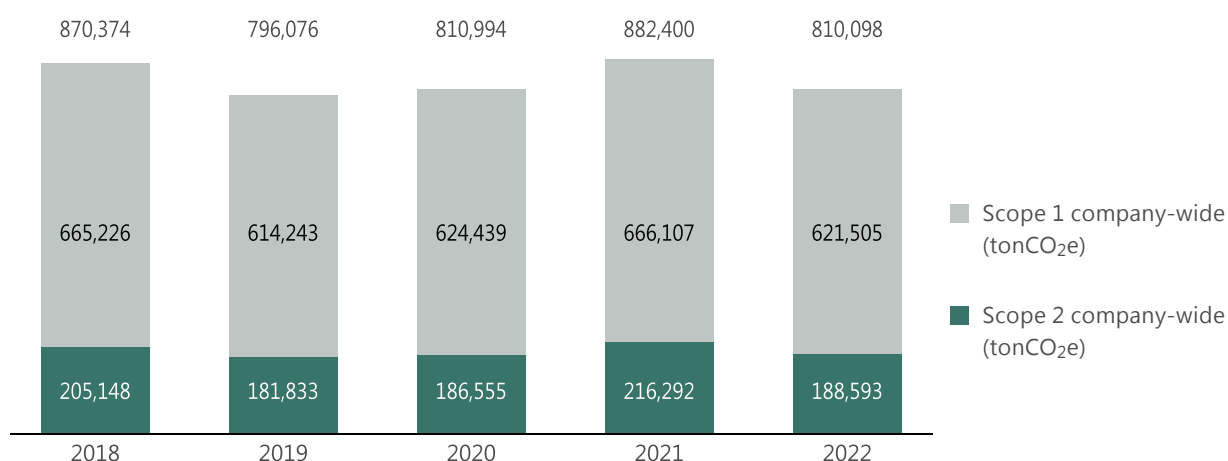


Scope	Category	Description	tons of CO <sub>2</sub> e
Scope 1	Category 1	Direct GHG emissions	188,593
Scope 2	Category 2	Energy input	621,505
	Category 3	Transportation	328,029
	Category 4	Products purchased by the reporting company	958,516
	Category 5	Use of sold products from the company	155,453
Scope 3	Category 6	Others	-
	Total		2,252,096

The 2022 GHG emissions (Scope 1 + Scope 2) totaled 810,098 tonCO<sub>2</sub>e<sup>Note</sup>, an 8.2% decrease compared with 2021. The overall production decreased caused the increased emission intensity. The GHG emissions (Scope 3) totaled 1,441,998 tonCO<sub>2</sub>e.

Note : For the comparability of data, the total GHG emissions in 2022 were calculated in both Scope 1 and Scope 2, excluding Scope 3.

## Total GHG emissions company-wide ( 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	2018	2019	2020	2021	2022	Comparison with 2021 emissions
Scope 1	205,148	181,833	186,555	216,292	188,593	
Scope 2	665,226	614,243	624,439	666,107	621,505	↓ 8.2%
Total	870,374	796,076	810,994	882,400	810,098	
Billet output (tons)	1,865,773	1,804,569	1,896,688	2,108,099	1,912,605	↓ 9.3%
GHG emission intensity (tons of CO <sub>2</sub> e/ tons of steel billet production)	0.466	0.441	0.428	0.419	0.424	↑ 1.2%

## 2022 Scope 1 Emissions of 7 major Greenhouse Gases

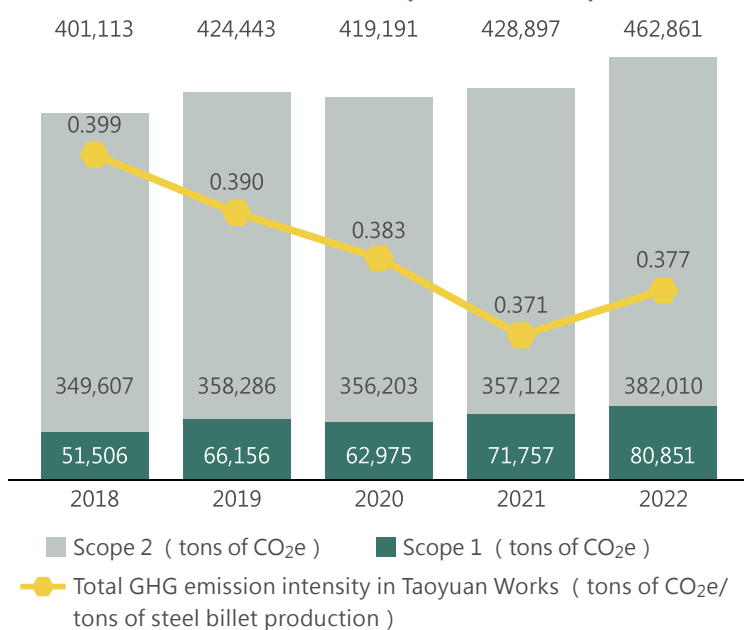
Unit : tons of CO<sub>2</sub>e

Facility	CO <sub>2</sub>	CH <sub>4</sub>	N <sub>2</sub> O	HFCs	PFCs	SF <sub>6</sub>	NF <sub>3</sub>	Total emissions
Taoyuan Works	80,483	10	47	311	0	0	0	80,851
Miaoli Works	91,374	104	50	4	0	0	0	91,532
Kaohsiung Works	16,078	43	12	42	0	0	0	16,175
Head Office	31	0	1	2	0	0	0	34
Total	187,966	157	110	359	-	-	-	188,592

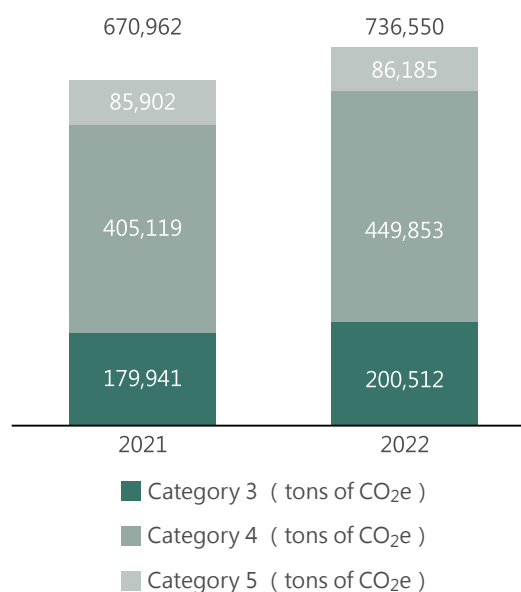
Note :

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.
2. The method used to consolidate the amount of GHG emissions: operational control approach.
3. 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.
4. Sources of Global Warming Potential (GWP): The source of GWP in the reports before 2020 was from IPCC Fourth Assessment Report (2007). The IPCC Fifth Assessment Report (2013) version was adopted in the 2021 Report while the IPCC Sixth Assessment Report (2023) version was used in the 2022 Report.
5. 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.
6. 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.
7. Category 3 includes upstream transportation and distribution, downstream transportation and distribution, employee commuting, business travel and visitor transportation.
8. Category 4 includes purchased goods 1 (in-plant production related), purchased goods 2 (production from purchased energy), capital goods, disposal of solid and liquid waste, assets use and not used in the services above.
9. Category 5 includes use of goods, downstream leased assets, end-of-life treatment of sold products, and investment

### GHG emission in Taoyuan Works (Total emission of Scope 1 and Scope 2)



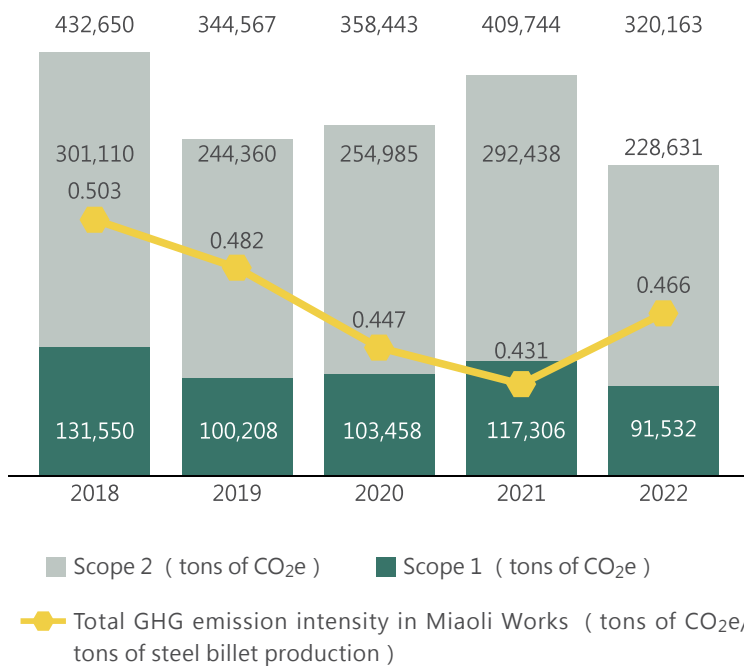
### GHG emission in Taoyuan Works (Total emission of Scope 3)



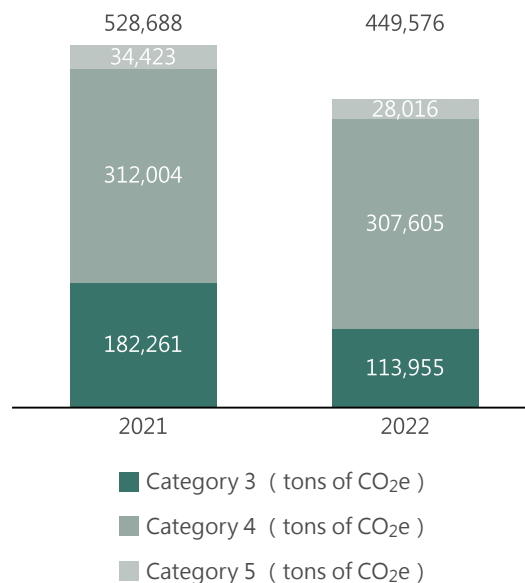
Note :

1. The base year for the GHG emission in Taoyuan Works (Total emission of Scope 1 and Scope 2): 2012 (394,785 ton CO<sub>2</sub>e)
2. The total committed amount of Scope 1 and Scope 2 in the EIA commitment letter of Taoyuan Works was 735,808 tons/year.

### GHG emission in Miaoli Works (Total emission of Scope 1 and Scope 2)

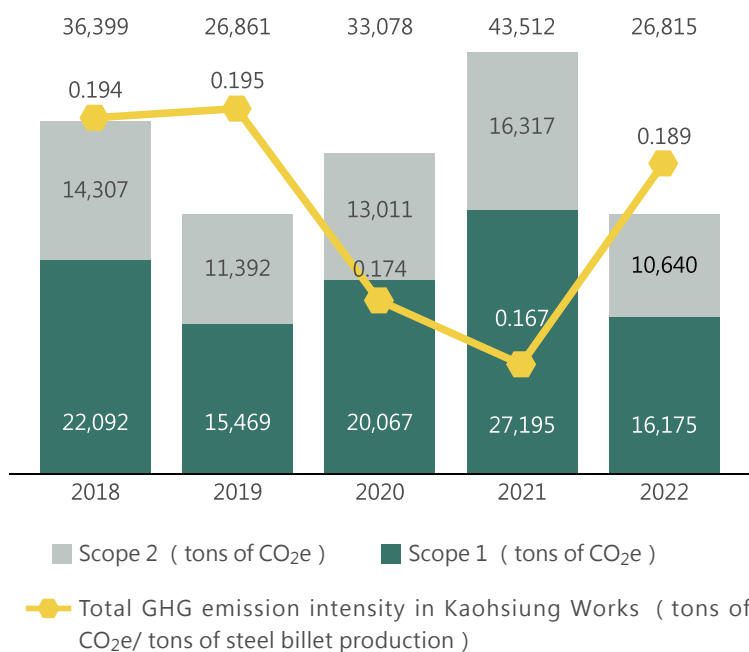


### GHG emission in Miaoli Works (Total emission of Scope 3)

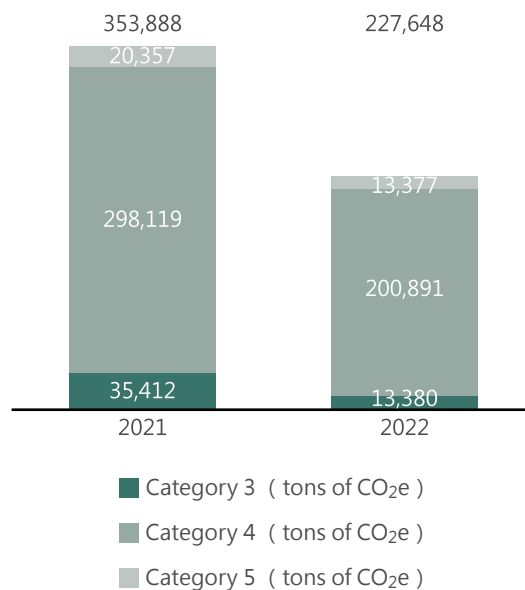


Note : The base year for the GHG emission in Miaoli Works (Total emission of Scope 1 and Scope 2): 2010 (489,725 ton CO<sub>2</sub>e)

### GHG emission in Kaohsiung Works (Total emission of Scope 1 and Scope 2)

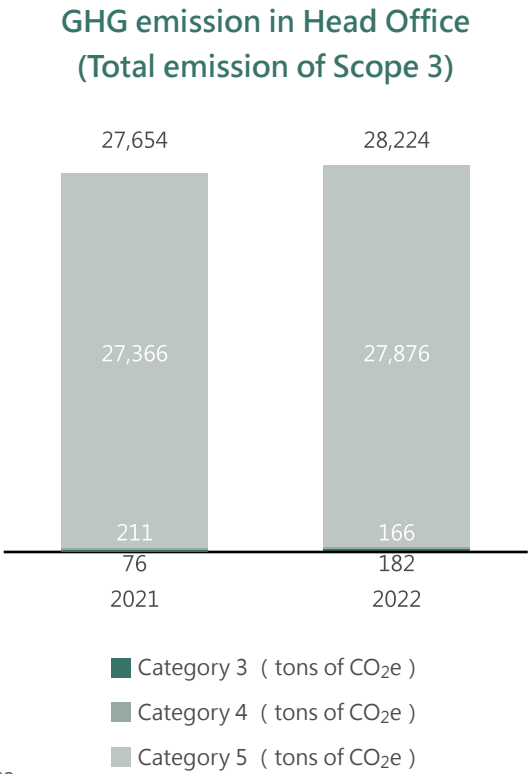
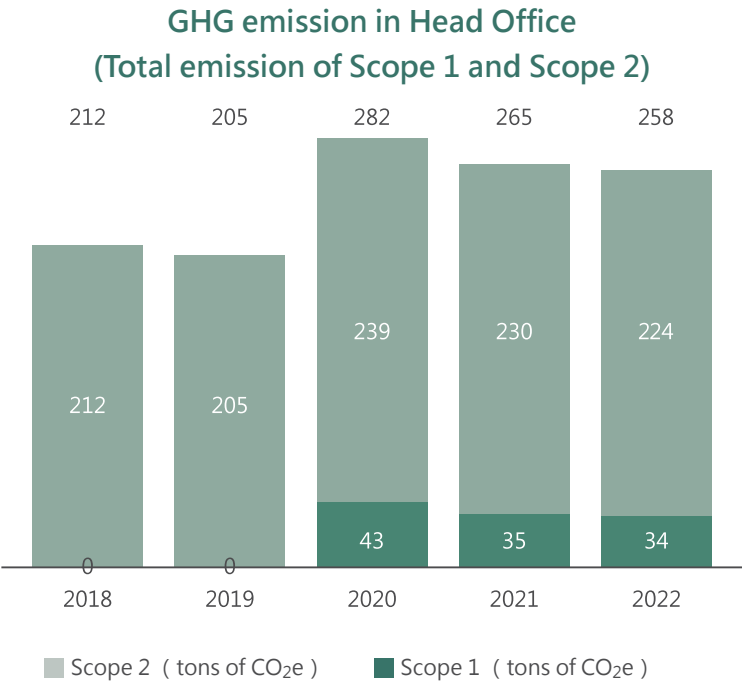


### GHG emission in Kaohsiung Works (Total emission of Scope 3)



Note :

1. The base year for the GHG emission in Kaohsiung Works (Total emission of Scope 1 and Scope 2): 2013 (56,170 ton CO<sub>2</sub>e)
2. Kaohsiung Works only has the steel rolling process, and there is no steelmaking process.



Note : There was no evaluation of GHG emission intensity of the Head Office.



### Continue to participate in the Worldsteel Climate Action Program

Tung Ho Steel pays close attention to the global climate trend and the international response direction. We have conducted the GHG inventory as early as in 2003, successively carried out carbon footprint verification, and participated in the Voluntary Emissions Reduction Project. In 2012, Tung Ho Steel actively joined the World Steel Association (WSA) Climate Action Program and became a Climate Action Member and discloses the GHG management information and finds possible opportunities for improvement while at the same time analyzing feasible methods to reduce GHG reduction. Currently, there are only 55 steel companies in the world that joined this program, and Tung Ho Steel has been a member for 15 consecutive years.

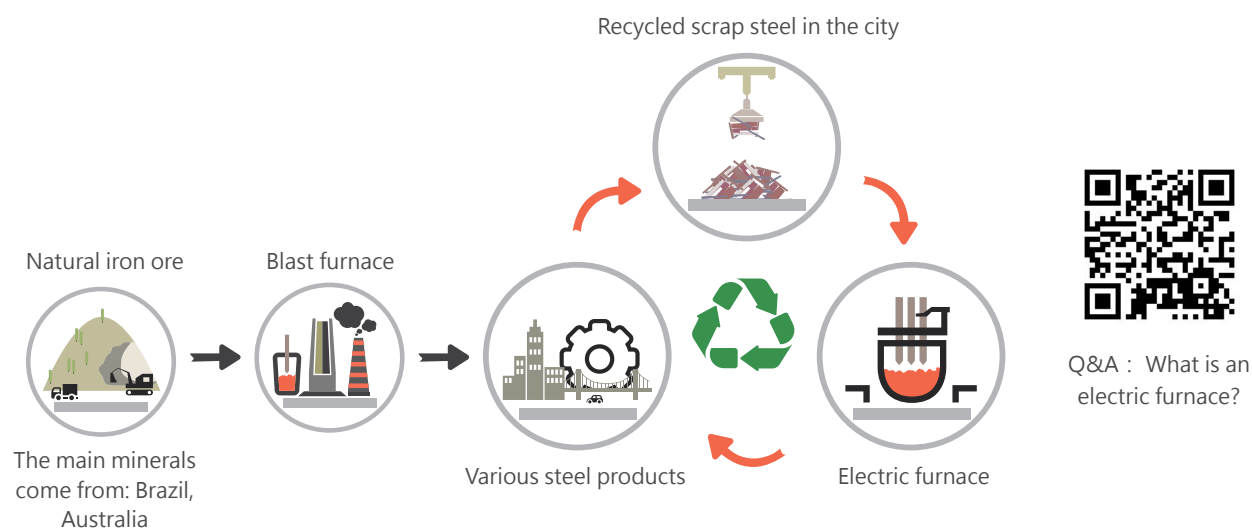


## Green Process

### Scrap Steel Remelting Process in the Electric Furnace

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

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%
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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.

Although compared with other industries, iron and steel industry is relatively more energy-consuming. However, steel can be produced and used through resource recycling and in a more energy saving and carbon reducing, as well as an eco-friendly way. 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.

### ► One-stop Operation of Steelmaking and Rolling

Tung Ho Steel's Taoyuan Works introduces the most advanced and direct rolling process with the brand-new design of energy conservation and carbon reduction as well as the environmental protection design and through the modern configuration to integrate smelting and rolling operation, the red-hot steel billets are quickly sent to the rolling mill to be rolled into steel bars, and only electric induction heating is used in the process to make up a small amount of steel billet temperature, making Tung Ho Steel the very first steel company in Taiwan without traditional heating furnaces.

Without the polluting emissions during the combustion process, the heating energy consumption in the process is even largely decreased (after conversion, the emissions of CO<sub>2</sub> reduced every year reached 68,631 tons, equivalent to the absorption of CO<sub>2</sub> of 176 Taan Forest Parks)

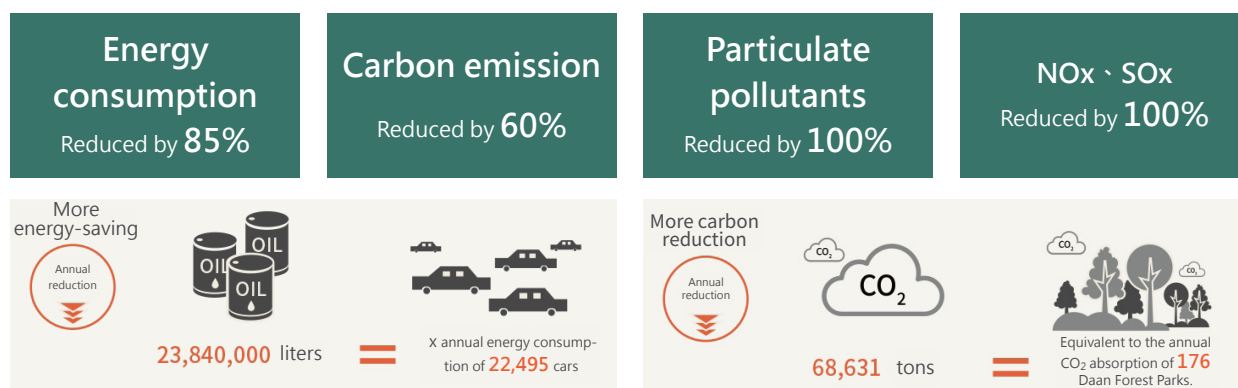


It's indeed not easy to leave out the heating furnace!



Most steel works in the world need to reheat the steel billet in a heating furnace before rolling. The innovative process in our Taoyuan Works skips the heating furnace for direct rolling consumes low energy and is nearly non-polluting, which has been imitated and introduced by many steel works at home and abroad, making a very positive and significant contribution to environmental protection.

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



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 : The calculated data in the table above referred to the comparison of the actual performance of Taoyuan Works and Bade Works (former Taoyuan Works), and the calculation was made based on an 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, 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 2022, the total energy saving and carbon reduction effects in all facilities amounted to approximately 25,789.6 tons of CO<sub>2</sub>e.

#### 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	Reduced energy consumption of the cooling fan by 20%.	3,049.4	431.2
	Reduced electricity usage during summer peak hours.	134,817.3	19,061.7
	Reduced the number of running rollers.	494.8	70.0
	Large furnace to improve oxygen utilization rate.	29,832.0	4,217.9
	Energy conservation of continuous casting water spraying.	121.5	17.2

Facility	Energy conservation and carbon reduction measures	Energy savings estimates ( GJ )	Carbon reduction estimates ( tons of CO <sub>2</sub> e )
Taoyuan Works	Reduced the power consumption of cold billet heating.	335.9	47.5
	Replacement of patio lights from Rolled Steel Column A-F.	1,958.4	276.9
	Demand bidding- economy type.	1,802.4	254.8
	2022 emergency response measures.	3,041.0	430.0
	Reduced the electricity of the Rolling Mill 2 used for heating the hot steel billets.	349.3	49.4
Miaoli Works	Replacement of sodium lamps in the steelmaking department with high-power COB-LED projection lamps.	826.7	122.4
	2022 energy-saving solutions to reduce the downtime of machinery and equipment.	4,236.9	627.3
	About 144 street lamps in Miaoli Works were changed from 400W mercury lamps to 80W LED lamps.	330.1	48.9
Kaohsiung Works	Rebar cutting line air compressor update and improvement project.	570.6	80.7
	The improvement project of the public production control joint office (fixed frequency) box-type water-cooled air conditioners.	216.2	30.6
	The improvement project of changing the crane lighting in the factory from 400W high-pressure sodium lamps to 150W LED lamps.	145.8	20.6
	Renewal and improvement of office lighting fixtures in all factories.	19.5	2.8
Total		176,754.1	25,789.6

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 in 2021 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.

## 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 ( 98.53% ), 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</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 2022 reached 1,574.232 million m<sup>3</sup>, and the total water consumption of Taoyuan Works in 2022 was 1.124 million m<sup>3</sup>, mainly industrial water, accounting for 0.0714% 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 0.931m<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 2022 that the daily water consumption shall be 3,900 m<sup>3</sup>. The actual daily water consumption was 3,081 m<sup>3</sup>, and the approval amount was about 79%.

## 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. Tap water is from Liyutan Reservoir in Sanyi Township, and the application for the use amount is also approved by TWC. In 2022, the total water intake of underground well water was 782,493m<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 53,328 m<sup>3</sup> while the amount of rainwater recovery was 65,844m<sup>3</sup>. The total water intake of Miaoli Works in 2022 was 901,665 m<sup>3</sup>.

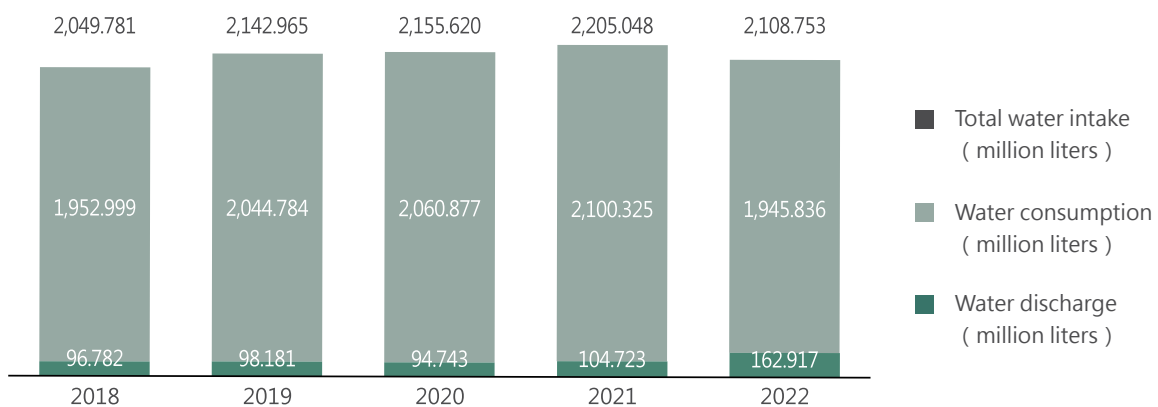
## Kaohsiung Works

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 2022, the water recovery rates of all works were all above 91%. Among them, water recovery rate of Taoyuan Works was even as high as 99.22%, significantly reduced the consumption of tap water and other water resources. The total water intake in 2022 amounted to 2,108.753 million liters, decrease of 4.37% compared with 2021.

### Company-wide water consumption over the years



Note : Water consumption = water intake ( amount of water used ) – water discharge ( amount of wastewater discharged )

### Water recovery and intensity of all facilities

Unit : million liters

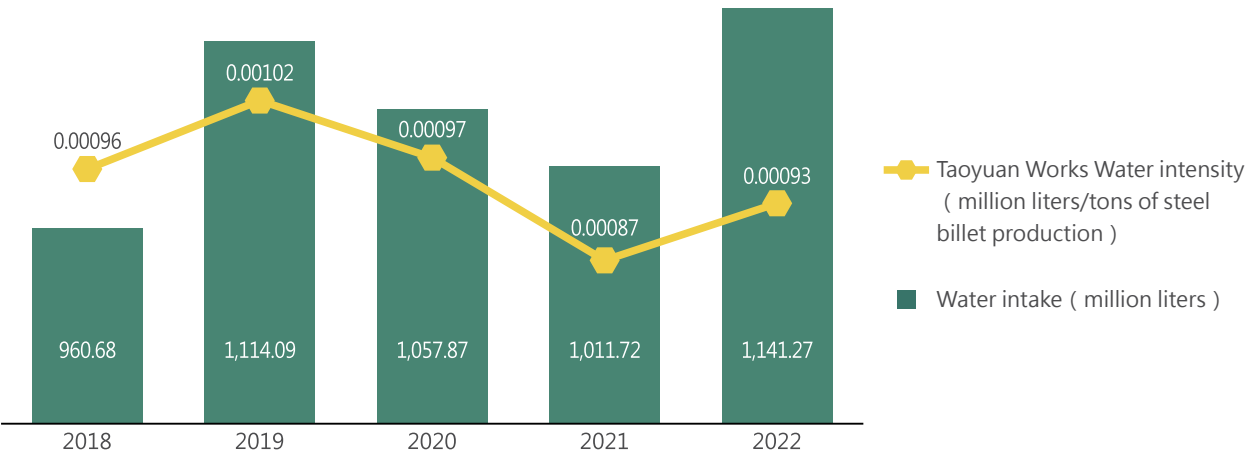
Facility	Tap water	Rain-water	Under-ground well water	Total water intake	Yoy of total water intake ( % )	Water intensity	Yoy of water intensity ( % )	Water recovery rate in the whole facility ( % )	Yoy of water recovery rate ( % )
Taoyuan Works	1,124.478 ( Shihmen Reservoir )	16.790	-	1,141.268	↑ 12.80%	0.00093	↑ 6.36%	99.22%	↓ 0.06
Miaoli Works	53.328 ( Liyutan Reservoir )	65.844	782.493	901.665	↓ 18.31%	0.00131	↑ 13.29%	92.19%	↑ 0.92%
Kaohsiung Works	63.320 ( Fengshan Reservoir )	-	-	63.320	↓ 27.68%	0.00045	↑ 32.95%	98.54%	↑ 0.52%
Head Office	2.500 ( Feicui Reservoir )	-	-	2.500	↑ 20.95%	-	-	-	-

Note :

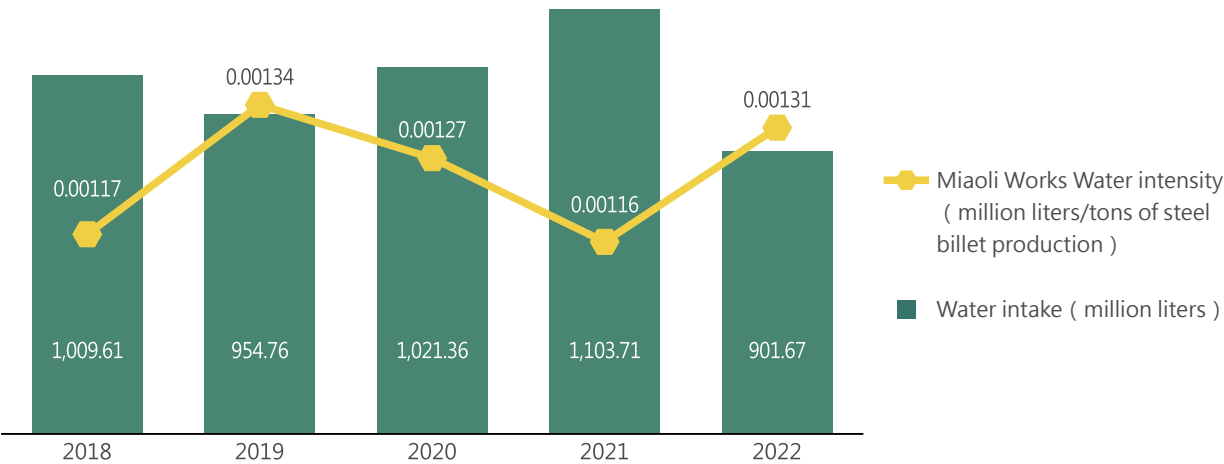
1. The water intensity of Taoyuan Works and Miaoli Works is million liters/tons of steel billet production while that of Kaohsiung Works is million liters/tons of whole plant output.
2. Kaohsiung Works only has the steel rolling process, and there is no steelmaking process.
3. The Head Office is a non-production 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 increase in water intake in Taoyuan Works increased due to the increase in production; that in Miaoli Works and Kaohsiung Works decreased due to the decrease in production
7. The water intensity in Taoyuan Works and Kaohsiung Works both increased mainly due to the decreased production.
8. Water consumption in the Head Office is evenly shared by each floor of the industrial building, and therefore, the reason for the decrease of water consumption cannot be correctly determined.

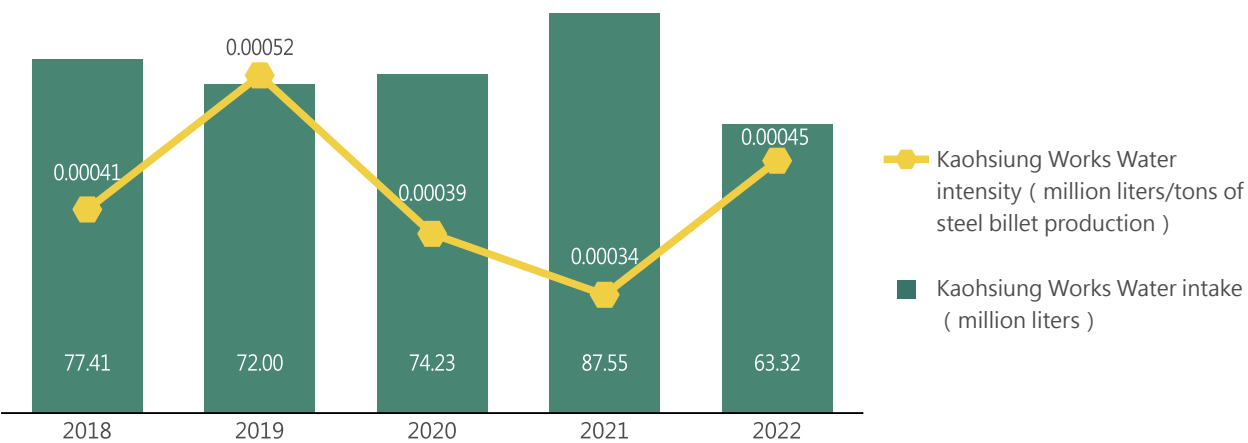
Taoyuan Works Water intake & Water intensity

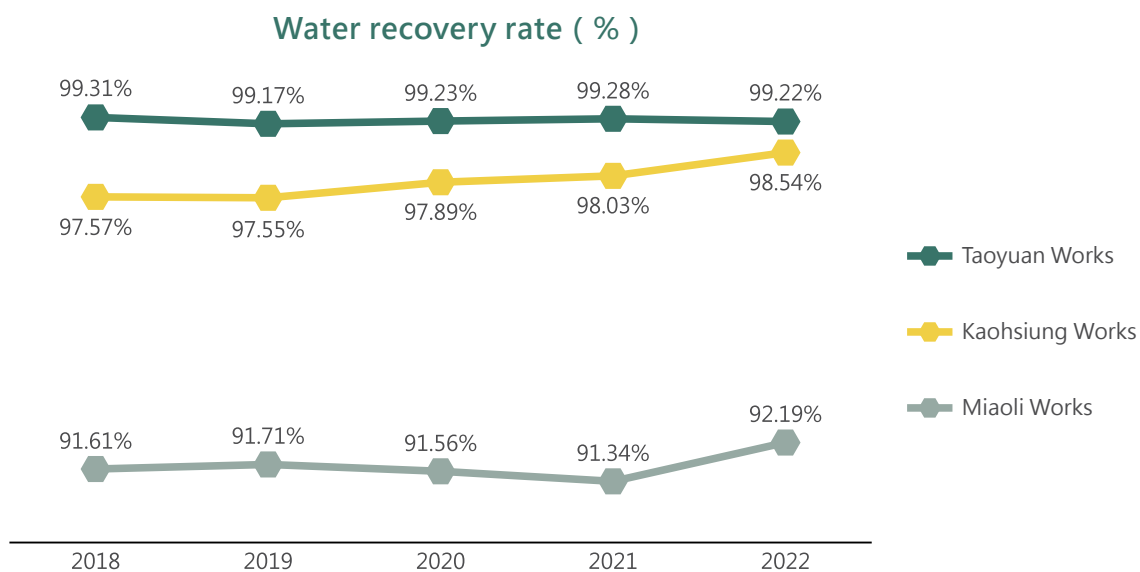


Miaoli Works Water intake & Water intensity



Kaohsiung Works Water intake & Water intensity





## EPD ( Environmental Product Declarations )

Environmental Product Declarations (EPD) is an international report as a disclosure tool mainly used to help consumers know more about the environmental impact of a product based on the product life cycle characteristics of ISO 14025 standard (Environmental labels and declarations), providing consumers with quantified and comparable environmental performance results.

EPA 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, potential toxicity risks, and scarcity of water footprint. 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. Tung Ho Steel is very first domestic steel factory to obtain EPD certification (Environmental Product Declarations) for all steel products.





# 4-3 Pollution Prevention and Control Management

## Emission Control



### 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

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. 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), NO<sub>x</sub> (nitrogen oxide), and SO<sub>x</sub> (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. All works comply with the air pollutant emission standards, and the average monitoring value of emissions in 2022 was in line with the local air pollutant standards; there were no penalties for air pollution violations. The air pollutant emissions of all facilities over the years are as follows.

Air pollutant emissions standards in all facilities

Facility		NOx ( ppm )	SOx ( ppm )	Particulate pollutants ( mg / Nm <sup>3</sup> )	Dioxin ( ngI-TEQ / Nm <sup>3</sup> )
Taoyuan Works		150	100	10	0.5
	Steelmaking process	500	650	15	0.5
Miaoli Works	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 : Taoyuan Works: The emission standards are in accordance with EIA content. Miaoli Works: The emission standards are in accordance with the approved operating permit.Kaohsiung Works: The emission standards are in accordance with the Stationary Pollution Source Air Pollutant Emissions Standards.

### 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 )
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
2021	94.21	40.47	19.93	0.48	25.44
2022	85.06	42.92	18.64	0.52	26.98

Note : 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.

### 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 )
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
2021	81.07	62.54	84.64	0.04	19.04
2022	60.30	52.38	96.02	0.05	13.72

Note : 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.

### 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 )
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
2021	23.72	0.00	1.08	-	0.52
2022	13.13	0.00	0.50	-	1.02

Note :

1. Kaohsiung Works did not emit dioxin.
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 VOC monitoring value increased due to the increased maintenance and the increase in paint use.

## ► 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, 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 2022 was 0.0636 tons/year ( equivalent to 0.003498 CFC-11 ) while that in Miaoli Works was 2.8372 tons/year (equivalent to 0.156 CFC-11). In Kaohsiung Works, eco-friendly refrigerants (R-134A, R404A, R-407C, R-410A, R-32, R-600A) are used and refrigerants are recycled for reuse. There is no use of chlorofluorocarbons (such as R124, R22) controlled by the Montreal Convention and the R-12, R-22 consumption is not supplemented. In addition to the use of the above-mentioned refrigerants, the process of Kaohsiung Works does not use ozone-depleting substances.

Note: The ozone depletion potential (ODP) of HCFC-22(R-22) is 0.055.

## ► 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.

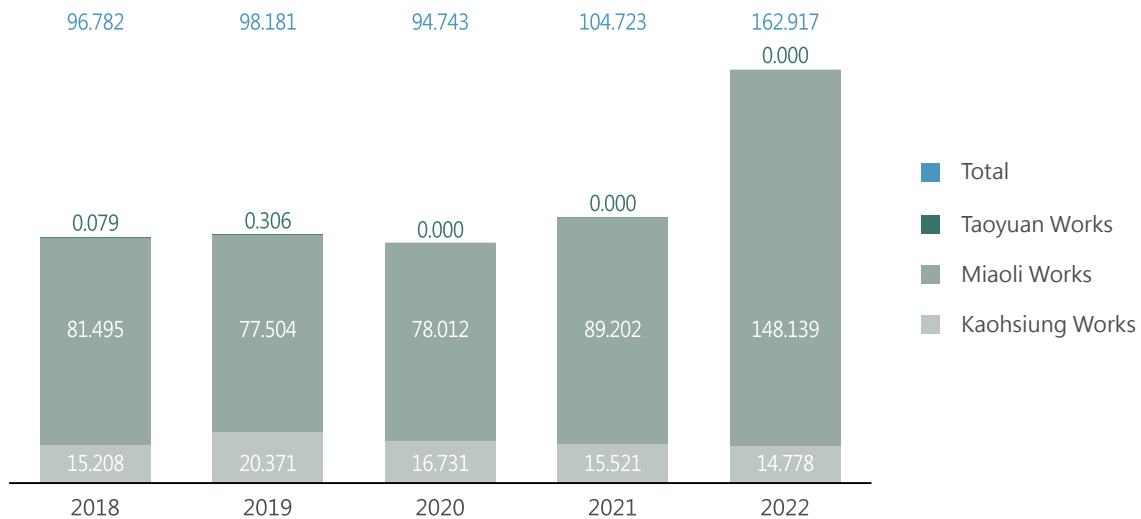


Taoyuan Works and Miaoli Works are both equipped with rainwater collection systems. Waste ( sewage ) water in the main production plants is recycled for reuse after being treated in appropriate wastewater treatment facilities, and part of the recovered water is used for irrigation of green land and for 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 (the average daily discharge is 411m<sup>3</sup>/day, lower than the approved daily discharge of 950 m<sup>3</sup>/day) through the water meter. 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 2022, the total amount of wastewater discharged from the three Works of Tong Ho Steel amounted to 162.917 million liters, a 55.57% increase compared with 2021, mainly caused by the water leakage from the combustion tower of the dust collection system of Miaoli Works. The wastewater discharge volumes of all Works over the years are as follows.

## Wastewater discharge volume in three Works

Unit : million liters



## Wastewater discharge volume and discharge standards in three Works

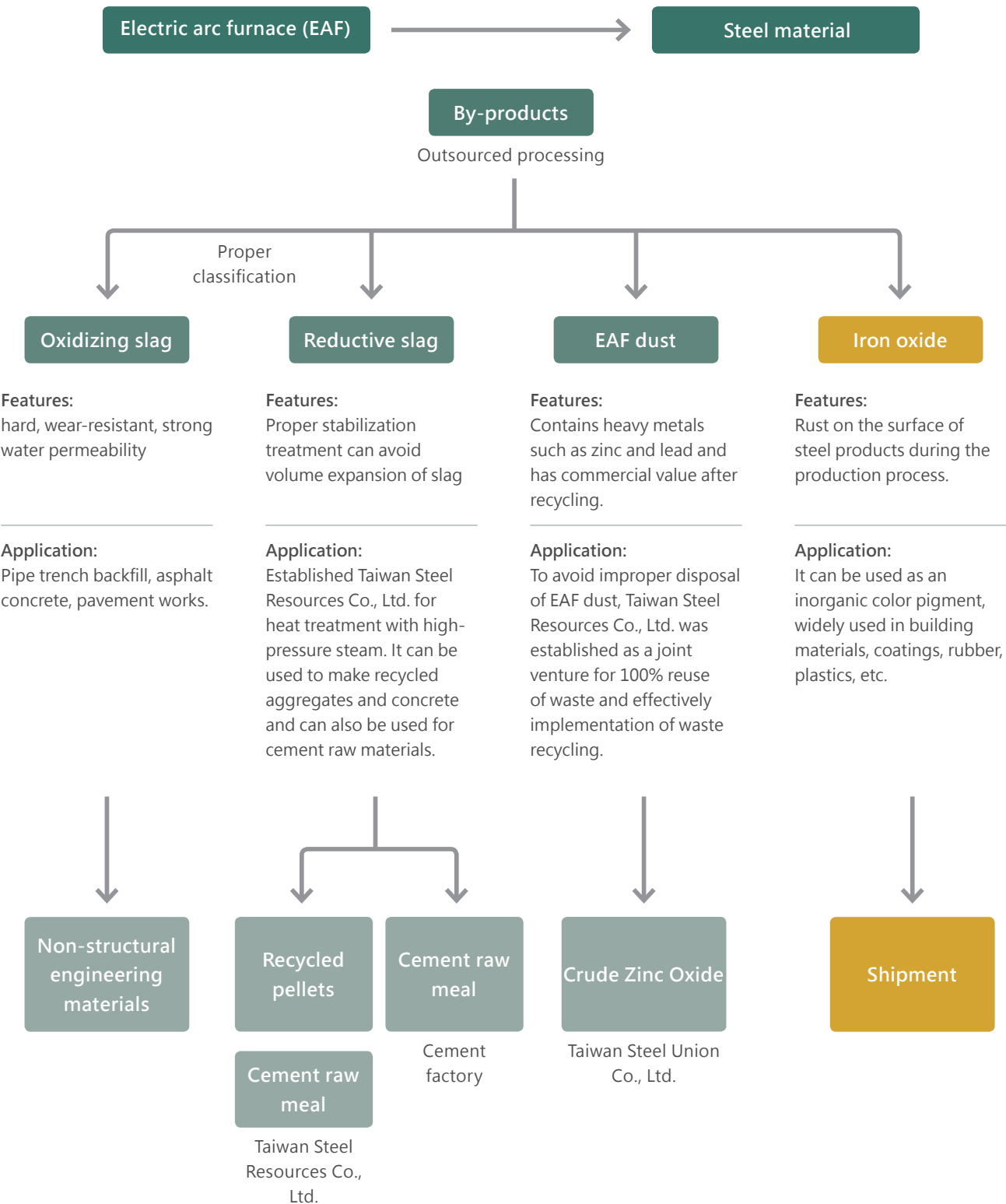
Year/ Facility	Taoyuan Works		Miaoli Works		Kaohsiung Works	
	Chemical oxygen demand ( COD ) Average discharge mg/L	Suspended solids ( S.S ) Average discharge mg/L	Chemical oxygen demand ( COD ) Average discharge mg/L	Suspended solids ( S.S ) Average discharge mg/L	Chemical oxygen demand ( COD ) Average discharge mg/L	Suspended solids ( S.S ) Average discharge mg/L
2018	27.63	4.48	13.55	10.63	90.14	16.33
2019	11.81	6.25	13.83	5.35	90.54	17.07
2020	-	-	14.95	11.33	62.68	15.20
2021	-	-	20.93	13.15	73.27	19.00
2022	-	-	18.28	10.03	104.97	22.04

Note :

1. 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.
2. The effluent standards Miaoli Works uses are the test methods and assumptions of effluents announced by EPA.
3. Kaohsiung Works uses the analysis standards, methodology and assumptions of the Kaohsiung Linhai Linyuan & Dafa Industrial Parks Combined Wastewater Treatment Plant.
4. In Taoyuan Works, the discharge standard for chemical oxygen demand (COD) was 100.00 mg/L, and 30 mg/L for suspended solids (SS). Wastewater discharge was canceled from 2020, so the annual overflow in 2022 was 0 ton.
5. In Miaoli Works, the discharge standard for chemical oxygen demand (COD) was 100.00 mg/L, and 30 mg/L for suspended solids (SS).
6. In Kaohsiung Works, the discharge standard for chemical oxygen demand (COD) was 480.00 mg/L, and 240 mg/L for suspended solids (SS).

# Waste Treatment and Recycling

## Waste Management



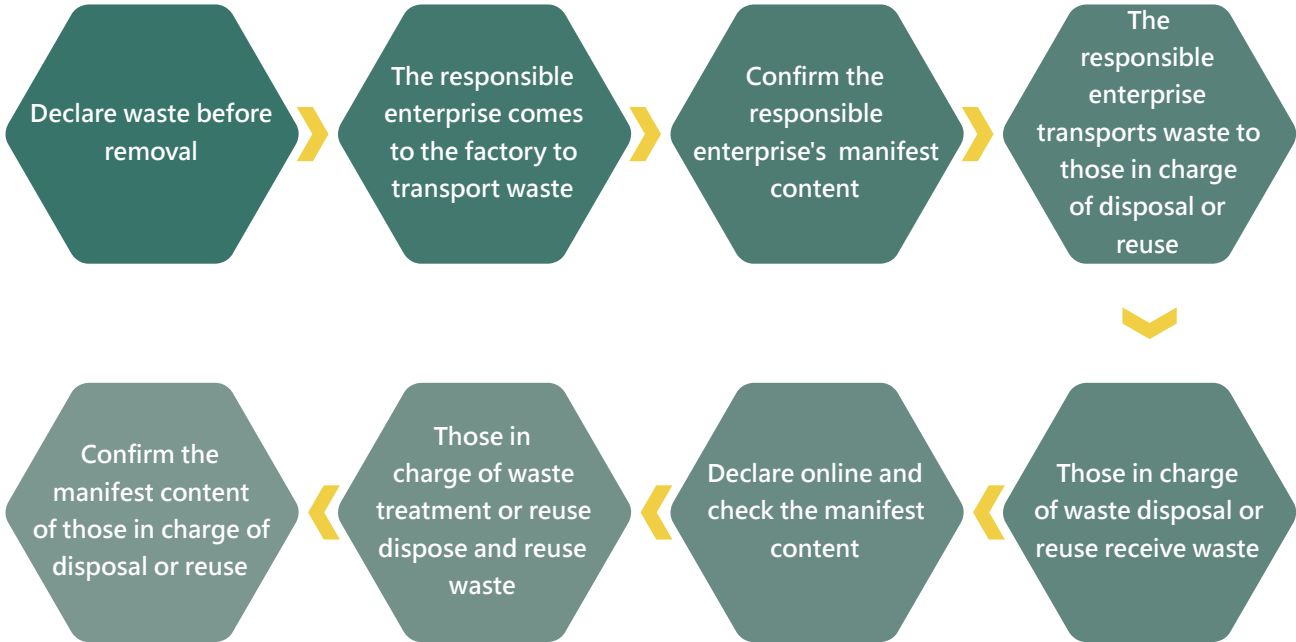
The three works of the Company have established an autonomous waste inspection and audit system, and the results are all kept in written records. Improvement of defects is also followed up and included in the main point of autonomous inspection and audit.

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.

The major waste in Taoyuan Works and Miaoli Works are furnace slag and EAF dust whose amount of generation depends on the quality of the scrap steel, the main raw materials for steelmaking. Currently, the EAF dust generated is handed over to Taiwan Steel Union Co. to extract crude zinc oxide to be used as industrial raw material. The recycling and reuse of oxidizing slag is handed over to the recycling agency approved by the environmental protection agency, and after the oxidizing slag is crashed, magnetically separated and screened, it is used for non-structural engineering purposes. The recovery and reuse of reduced ballast is mainly handed over to the cement factory approved by the environmental protection agency to make cement raw meal, and part of it is sent to Taiwan Steel Resources Co., Ltd. for stabilization, which is used for non-structural engineering purposes.

The total weight of waste amounted to 353,787 tons in 2022, and the total waste recycling ratio was 98.6%.

### Process of collecting and monitoring waste data





## 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.

## Waste treatment

Unit : tons / year

Category	Processing category	Description of processing method	On-site			Offsite		
			Taoyuan Works	Miaoli Works	Kaoh-siung Works	Taoyuan Works	Miaoli Works	Kaoh-siung Works
Hazardous industrial waste	EAF dust or sludge	recycling	0.00	0.00	0.00	22,511.90	11,089.39	0.00
	Subtotal		0.00	0.00	0.00	22,511.90	11,089.39	0.00
Non-hazardous industrial waste	EAF slag	Taoyuan Works : recycling	0.00	0.00	0.00	161,431.55	85,838.31	0.00
	LF slag	Taoyuan Works : recycling	0.00	0.00	0.00	31,119.81	20,263.79	0.00

Category		Processing category	Description of processing method	On-site			Offsite		
				Taoyuan Works	Miaoli Works	Kaoh-siung Works	Taoyuan Works	Miaoli Works	Kaoh-siung Works
Non-hazardous industrial waste	Inorganic sludge	Taoyuan/ Kaohsiung Works : Other recycling operations Miaoli: recycling	Miaoli Works self-reuse it by remelting Taoyuan/Kaohsiung Works: physical treatment ( heat treatment )	0.00	953.06	0.00	176.45	0.00	28.60
	Other industrial waste (including general garbage and employees' domestic garbage)	Kaohsiung Works : Other recycling operations, incineration (including energy recovery)	Kaohsiung Works: Physical treatment	0.00	80.23	0.00	54.97	0.00	59.88
	Waste wood	Kaohsiung Works: Incineration (including energy recovery)		0.00	0.00	0.00	0.00	0.00	35.07
	Waste oil	Kaohsiung Works : Other recycling operations	Kaohsiung Works: Physical treatment	0.00	0.00	0.00	0.00	0.00	9.84
	Waste lubricating oil	Taoyuan Works : Other recycling operations Miaoli/ Kaohsiung Works : recycling	Taoyuan Works: Physical treatment Miaoli / Kaohsiung Works: off-site recycling	0.00	0.00	0.00	38.70	16.00	1.62
	Waste cooking oil	Miaoli Works recycling	Miaoli Works: recycling	0.00	0.00	0.00	0.00	1.28	0.00
	Recycling	Kaohsiung Works : recycling	Kaohsiung Works : Recycling	0.00	0.00	0.00	0.00	0.00	9.42
	Scrap steel Iron oxide	Kaohsiung Works : recycling	Kaohsiung Works: Reuse	3,619.74	0.00	0.00	0.00	0.00	16,447.40
Subtotal				3,619.74	1,033.29	0.00	192,821.48	106,119.38	16,591.83

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 2022, Tung Ho Steel did not transport, import or export substances considered hazardous waste in Annexes I, II, III, and VIII to the Basel Convention

## ► Reuse of By-product

Waste in all facilities is all recycled. The reuse method of oxidizing slag focuses on asphalt pavement, the base layer for subgrade, and CLSM. 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. Tung Ho Steel also worked with Hao Sheng Industrial Co., Ltd. and applied oxidizing slag to the road pavement and subgrade projects of the Taoyuan City Government, and the application of oxidizing slag to local government road projects can effectively remove the waste, and it also has positive assistance in the construction quality and service life of the roads. It is hoped that the development of applying oxidizing slag to ultra-high-strength concrete can be further advanced to turn waste into gold.

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, and 100% of it is used as 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, National Chung Hsing University. The research results won the Outstanding R&D Consortium Award. Moreover, 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.

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	245,141	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	47,344	0	100	Cement raw meal
EAF dust	Dust collected in the electric furnace process	33,480	0	100	Sent to Taiwan Steel Union Co., Ltd. for zinc oxide recovery
Inorganic sludge	Generated from wastewater treatment	758	72	28	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 but 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 2022, the depreciation of capital expenditures was approximately NTD 69,292 thousand, and the current expenditures was approximately NTD 581,337 thousand, with the total being amounted to NTD 650,629 thousand.

#### Environmental protection expenditures

Unit: NTD 1,000

Item / Facility	Taoyuan Works	Miaoli Works	Kaohsiung Works	Subtotal
Environmental capital expenditures ( depreciation )	36,592	32,442	258	69,292
Current expenditures for environmental protection	318,419	253,833	9,085	581,337
Subtotal of environmental protection expenditures by works	355,011	286,275	9,343	650,629

### ► Environmental Compliance-Cases, Responses and Handling

The Company did not receive any major<sup>note</sup> liquid or gas leakage penalties in 2022. Improvement measures for environmental violations have been completed. Detailed information of environmental compliance and improvement and preventive measures are listed as follows.

Facility	Description	Improvement and preventive measures
Taoyuan Works	Sanction Date: Jan, 7, 2022   Penalty: NTD 100,000 Violations of regulations and content: Paragraph 2 Article 23 of Air Pollution Control Act. Opacity correction not performed.	When a power outage occurred on site and causes the failure of the monitoring computer, the relevant units have to be informed. Photos have to be taken to record the correction situation on the day to avoid reoccurrence.
Miaoli Works	Sanction Date: Sep. 30, 2022   Penalty: NTD 10,000; 2 hours of environmental lectures Violations of regulations and content: Paragraph 2 Article 15 and Subparagraph 8 Article 24 of Regulations Governing the Establishment and Management of Dedicated Wastewater (Sewage) Treatment Units or Personnel and Paragraph 2 Article 21 of Water Pollution Control Act.	Changed the business supervisor and reported such change.
Kaohsiung Works	Date: July 21, 2022   Penalty: NTD 200,000 Violations of regulations and content: Paragraph 4 Article 34 of Air Pollution Control Act. The air pollution prevention and control personnel of Kaohsiung Works concurrently serve as the occupational safety and health personnel.	A new dedicated person in charge of air pollution prevention and control has been set up on Jan. 4, 2023, and it has been approved by the Environmental Protection Bureau for future reference.

Note : Definition of material violation: Matters falling under the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities.



# 5

## A Friendly Workplace

- 5-1 Manpower Structure with Equality
- 5-2 Labor-Management Relations
- 5-3 Career Development and Training
- 5-4 Occupational Health and Safety

# 5-1 Manpower Structure with Equality



## Human Rights Policy

Tung Ho Steel respects and supports the internationally recognized human rights norms and principles, including the "Universal Declaration of Human Rights", "United Nations Global Covenant", and the International Labor Organization's "Declaration on Fundamental Principles and Rights at Work". We abide by the laws and regulations of the place where the Company is located and have established human rights policy<sup>note</sup> in accordance with the UN Guiding Principles (UNGPs) on Business and Human Rights.



Human Rights Policy

1. Diversity inclusion and equal job opportunity is embodied.
2. Provide a safe and healthy working environment.
3. Respect employees' freedom of assembly and association.

Please check the official website for more details concerning human rights policy at: [https://www.tunghosteel.com/CSR/workplace\\_staff.html](https://www.tunghosteel.com/CSR/workplace_staff.html)

Note: The scope of this policy also applies to the Company's subsidiaries, foundations whose cumulative direct or indirect donations exceed 50%, and other group companies and organizations such as institutions or legal persons that we have substantial control over.

To prevent and handle sexual harassment of other incidents damaging the rights of all staff or other employees in the workplace, the Company has publicly announced the Prohibit Workplace Violence Written Statement. Tung Ho Steel has established Regulations for the Prevention and Handling of Sexual Harassment, Regulations Governing Employee Grievance and Whistleblowing, and the Review Committee for Sexual Harassment Grievance that apply to all directors, employees, practitioners and service targets, providing grievance channels to respond appropriately and look for assistance. In 2022, human rights related education and courses held included "Sexual harassment Prevention and Handling Measures" , "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 168, accounting for 15% of the total employees, and the total number of training hours was 294.5.

To implement the life management responsibility 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, our three Works received a total of 4 inspections, and all the three Works passed the inspections. Relevant customer inspections do not include human rights impact assessment review or impact assessment.





Birthday cake given in the symposium for Thai workers



Souvenirs presented to Thai workers working for three years at the symposium for Thai workers



Symposium for Thai workers

## □ Distribution of Employees

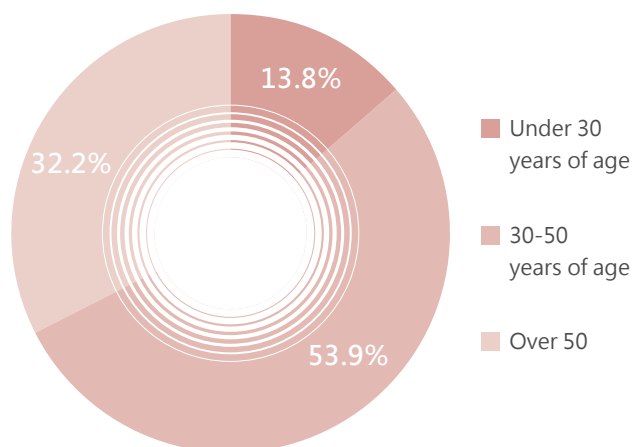
To establish a harmonious, friendly, and healthy working environment, Tung Ho Steel hires employees in accordance with Labor Standards Act, Act of Gender Equality in Employment and Occupational Safety and Health Act. As of the end of 2022, the total number of employees in Tung Ho Steel was 1,938, including 1,676 full-time employees (1,505 males and 171 females) and 262 temporary employees<sup>Note 1</sup>. Senior management<sup>Note 2</sup> are 100% Taiwanese nationals, and all employees are full-time employees. In addition, there were 3 staff members without guaranteed working hours and 220 non-employee workers. The Company hired 60 indigenous employees (accounting for 3.1%) and 26 employees with disabilities (accounting for 1.3%), higher than the 1% standard of the government's employment quota prescribed in the People with Disabilities Rights Protection Act. 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. The number of people employed by the Company's important operating bases in Taiwan increased by 161 compared with 2021, mainly due to the increase of the operating needs and the acquisition of the land, plant and equipment of Daya Works in August, 2022, which made it necessary to increase manpower accordingly to strengthen the technology and experience of the team.

### Type of employment and gender distribution of Taiwanese employees

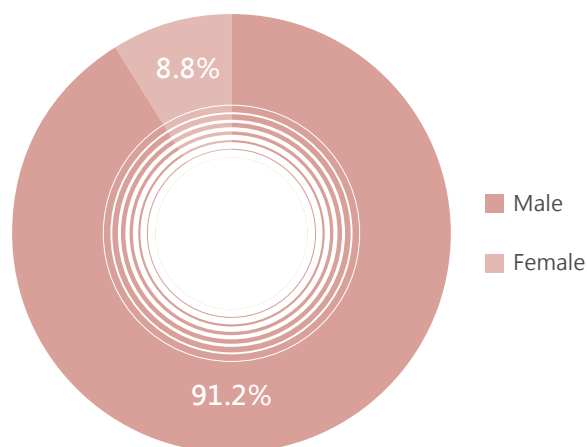
Unit: person

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		6	67	53	3	7	1	6	36	27	-	-	-	206
Taoyuan Works	Full-time	82	345	105	4	63	34	5	24	15	-	-	-	677
Miaoli Works		50	229	237	27	54	2	4	12	11	-	-	-	626
Kaoh-siung Works		36	169	126	41	26	0	4	13	14	-	-	-	429
Subtotal		174	810	521	75	150	37	19	85	67	-	-	-	1,938
Total		1,505			262			171			-			

## Employee age distribution



## Employee distribution by gender



### Note:

1. Temporary employees refer to specific contract personnel, mainly foreign workers.
2. High-level management refers to management positions including the 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, Daya Works, Taoyuan Fabrication Center, and Taichung Harbor Logistic Office.

## Age distribution of employees with disabilities and indigenous employees

Unit: person

Age	Employees with disabilities		Indigenous employees	
	Male	Female	Male	Female
Under 30	1	0	12	0
30-50	12	1	36	0
Over 50	11	1	12	0
Subtotal	24	2	60	0

## Turnover of Employees

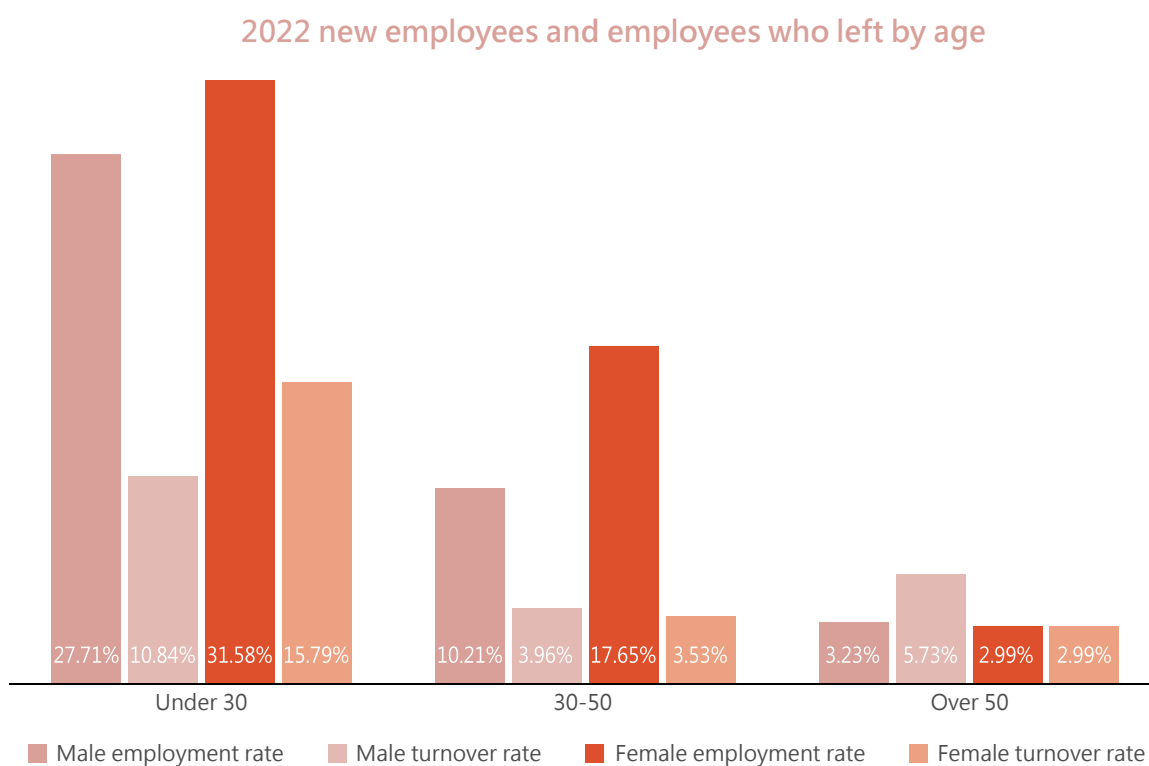
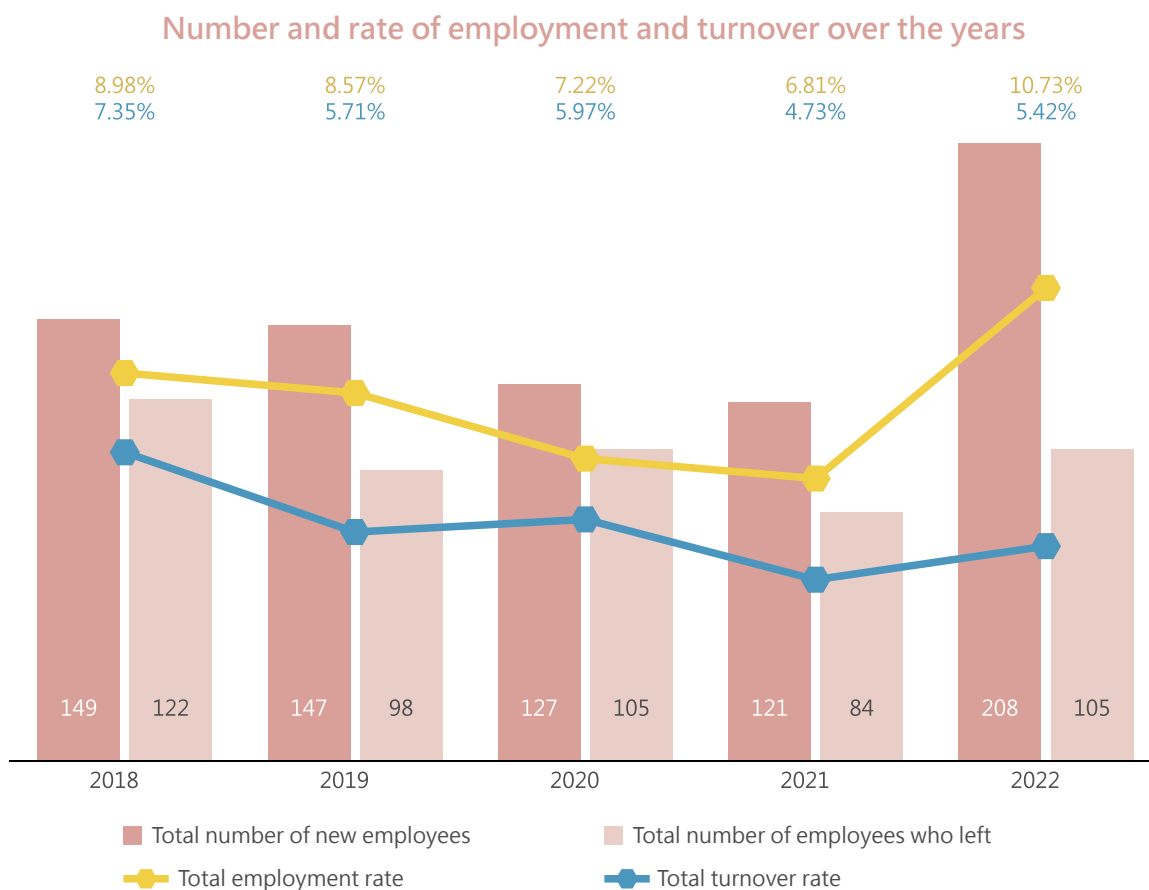
For the sustainable management, the Company recruits new employees when appropriate. In 2022, the employment rate was 10.73% and the turnover rate was 5.42%, which was an increase of 3.92% compared with 2021.

### Employment rate and turnover rate over the years

Year		2018				2019				2020				2021				2022			
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	72	41.14	8	42.11	74	35.24	7	33.33	53	22.94	4	18.18	66	28.21	2	11.11	69	27.71	6	31.58
	30-50	63	6.92	5	7.14	62	6.94	4	5.56	64	7.20	3	4.69	47	5.38	3	4.48	98	10.21	15	17.65
	Over 50	0	0.00	1	1.96	0	0.00	0	0.00	3	0.61	0	0.00	0	0.00	3	4.92	18	3.23	2	2.99
	Total New employees	149				147				127				121				208			
	Total employees	1,660				1,716				1,758				1,777				1,938			
	Employment rate (%)	8.98%				8.57%				7.22%				6.81%				10.73%			
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	34	19.43	1	5.26	19	9.05	1	4.76	25	10.82	1	4.55	23	9.83	2	11.11	27	10.84	3	15.79
	30-50	53	5.82	3	4.29	50	5.60	2	2.78	43	4.84	6	9.38	36	4.12	0	0.00	38	3.96	3	3.53
	Over 50	26	5.99	5	9.80	24	5.16	2	3.70	28	5.68	2	3.39	19	3.63	4	6.56	32	5.73	2	2.99
	Total number of employees who left	122				98				105				84				105			
	Total employees	1,660				1,716				1,758				1,777				1,938			
	Total turnover rate (%)	7.35%				5.71%				5.97%				4.73%				5.42%			

Note:

1. Employment rate (%)=Number of new full-time 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 full-time employee in the category / Total number of employees at the end of the current year.
3. Turnover rate (%)=Number of full-time 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 full-time 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.



# 5-2 Labor-Management Relations

## ■ Compensation Structure

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. The remuneration received by the directors, including the remuneration policy, content and amount of individual remuneration, shall be reported at the shareholders' meeting. The managers' personal salary is determined in accordance with the Company's relevant regulations, which will be regularly evaluated by the Compensation Committee for its rationality.



Compensation Policy

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 2022, 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	1.334	1.152	1.027	1.241
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, Kaohsiung Works , Daya Works, Taoyuan Fabrication Center, and Taichung Harbor Logistic Office) in 2022.
  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, vice president, assistant manager and factory director.
  4. The salary ratio of other staff was higher than that of the section chief level management due to the overtime pay and night shift allowance.

## Salary and Salary Adjustment Ratio

Year	2022
Ratio of salary of top paid individual to median of other employees (Top Individual: Employee)	9.05
Salary adjustment ratio of the highest paid individual to the median of other employees (highest individual: employee)	2.50

Note:

1. The calculation is based on the total annual remuneration, including basic salary, supervisor's bonus, job allowance, gas refueling allowance, food allowance, other allowance, work bonus or sales bonus, surplus bonus, year-end bonus, and employee compensation.
2. Calculation formula: 2022 remuneration= 2022 withholding income + 2022 tax-exempt income.

### ► 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 25,250) in 2022, as shown in the following table.

New entry-level employees in different categories	Administrative staff	Technician	Engineering staff
Multiple	1.39 times	1.54~1.94 times	1.64~1.91 times

Note: The salary of administrative and engineering staff was calculated based on the salary of university graduates without working experience.

## □ Employee Benefits

### ► Labor-Management Communication

The Company does not hinder the right to freedom of association 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 2022, more than 99% of employees in the Company joined the trade union. The enterprise union in Miaoli Works officially signed a collective agreement, covering 100% of the total number of employees. 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 Taoyuan Works



## ► 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, Kaohsiung Works, Daya works, Taoyuan Fabrication Center, and Taichung Harbor Logistic Office) to organize various employee welfare activities and subsidies.



Employee Benefits



Club activity of Miaoli Works



Employee trip of the Head Office

## ► Parental Leave without Pay

In 2022, a total of 4 employees applied for parental leave without pay (2 males and 2 females). A total of 5 employees (3 male and 2 females) were due to be reinstated, and the actual number of reinstated employees was 5 (3 male and 2 females), and the reinstatement rate reached 100%. The retention rate was 100% in 2022.

Item/Year	2018			2019			2020			2021			2022		
Gender / Subtotal	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)	127	6	133	120	13	133	109	14	123	96	15	111	115	21	136
The number of people who actually applied for parental leave without pay of the current year (B)	1	1	2	1	3	4	2	3	5	2	1	3	2	2	4
The number of employees who should be reinstated after parental leave without pay of the current year (C)	3	2	5	1	3	4	1	3	4	3	0	3	3	2	5
The number of employees who were actually reinstated after parental leave without pay of the current year (D)	3	1	4	1	3	4	1	3	4	1	0	1	3	2	5

Item/Year	2018			2019			2020			2021			2022		
Gender / Subtotal	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
The number of people who were actually reinstated after parental leave without pay in the previous year (E)	2	1	3	3	1	4	1	3	4	1	3	4	1	0	1
The number of employees who were actually reinstated in the previous year and has been reinstated for 12 months (F)	1	0	1	3	1	4	1	3	4	1	3	4	1	0	1
The reinstatement rate of the current year %(D/C)	100	50	80	100	100	100	100	100	100	33	-	33	100	100	100
The retention rate of the current year %(F/E)	50	0	33	100	100	100	100	100	100	100	100	100	100	-	100

Note: The number of employees who were eligible to apply for parental leave without pay in 2022 was calculated based on the number of employees who had taken paternity leave and maternity leave from January 1, 2019 to December 31, 2022.

## ► 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<sup>Note</sup>. 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%), and a meeting is convened regularly to protect the employees' rights and interests. As of the end of 2022, 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 2022, 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 [P43](#) of the Individual Financial Statement for Q4/2022 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		2018		2019		2020		2021		2022	
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	16	100%	15	100%	14	100%	15	100%	15	100%
	Female	3	100%	2	100%	2	100%	2	100%	3	100%
Division head	Male	28	100%	34	100%	32	100%	30	100%	34	100%
	Female	3	100%	3	100%	3	100%	3	100%	2	100%
Section chief	Male	72	100%	75	100%	78	100%	84	100%	86	98.9%
	Female	6	100%	6	100%	6	100%	7	100%	8	100%
Other personnel	Male	1,243	88.5%	1,182	81.8%	1,214	81.5%	1,227	81.8%	1,631	100%
	Female	117	91.4%	130	95.6%	128	95.5%	127	94.1%	158	100%
Total	Male	1,359	89.4%	1,306	83.2%	1,338	83.0%	1,356	83.2%	1,766	99.9%
	Female	129	92.1%	141	95.9%	139	95.9%	139	94.6%	171	100%

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. To encourage our employees to continue on-the-job learning to obtain more knowledge and skills, the costs for participating in education and training at home and abroad of the employees are 100% covered by the Company in accordance with the Education and Training Regulations. If the education and training courses are held beyond normal working hours, the employees can apply for overtime or switch shifts as prescribed.

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. 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 2022, 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 134 people participated in the course, with a total of 268 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. The supervisors assist the employees to jointly establish the improvement plans and take corresponding measures, and three to six months will be provided for improvement. We aim at achieving the purpose of enabling employees to be in appropriate job fit.



Keynote speech on energy conservation and carbon reduction



Education and training on safety operation standards

## 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
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
2021	Male	240	16	530	17	1,275.5	15	26,525	18	28,570.5	18
	Female	38	19	53	18	126	18	1,227.5	9	1,444.5	10
	Total (person) hours	278	16	583	17	1,401.5	15	27,752.5	17	30,015	17
2022	Male	322	21	873	27	1,607	19	29,107.5	18	31,909.5	18
	Female	83	28	71	36	179	22	1,328.5	8	1,661.5	10
	Total (person) hours	405	23	944	28	1,786	19	30,436	17	33,571	17

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

The guards are all full-time employees of the Company<sup>note</sup>. According to the Work Rules, all the new security personnel in all facilities receive the orientation education and training (including human rights polity 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 personal 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 "General Safety and Health Education Training for Security Personnel" in 2022, with a total of 18 participants, and the participation rate was 60%.

Note: All employees of the Company shall abide by relevant regulations of Work Rules, and the entry and exit of personnel shall be checked in accordance with relevant regulations to ensure the interests of our employees and manufacturers. Taoyuan Fabrication Center was established in September, 2022. Currently, it has signed contract with the security company to assign 4 security personnel, and all of them have received the courses of Act of Gender Equality in Employment and Sexual Harassment Prevention Act, with a total of 16 man-hours.



# 5-4 Occupational Health and Safety

The Company attaches great importance to the employees' rights and opinions, especially focusing on the safety and health of employees. We strive to provide a safe, healthy, and friendly working environment to promote the employees' physical and mental health, so that they can give full play to their working energy and enhance the Company's overall competitiveness.



## 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

The Company's three works and the Taipei Office implement safety and health management work step by step in accordance with the PDCA of the occupational safety and health management system, and they all obtained ISO / CNS 45001:2018 Occupational Safety and Health Management System Verification. The scope of implementation and applicable objects of this system cover all the operating sites and all the workers in the works. Management System, 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. Those for the contractors/ subcontractors are stipulated in the contracts.

Category of staff	Number of people	Ratio
Employees	1,938	90%
Non-employee workers whose work and/or workplace is under the control of the organization	220	10%
Total	2,158	100%

## Verificaiton certification of Occupational Safety and Health Managmenet System

Head Office  
until May, 2024

Taoyuan Works  
until Aug, 2025

Miaoli Works  
until Aug, 2023

Kaohsiung Works  
until April, 2026

## Verificaiton certification of TOSHMS

Head Office  
until May, 2024

Taoyuan Works  
until Aug, 2025

Miaoli Works  
until Aug, 2023

Kaohsiung Works  
until April, 2026



## Occupational Safety System and Performance

### ► 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, 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 38% 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/ CNS 45001:2018 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.

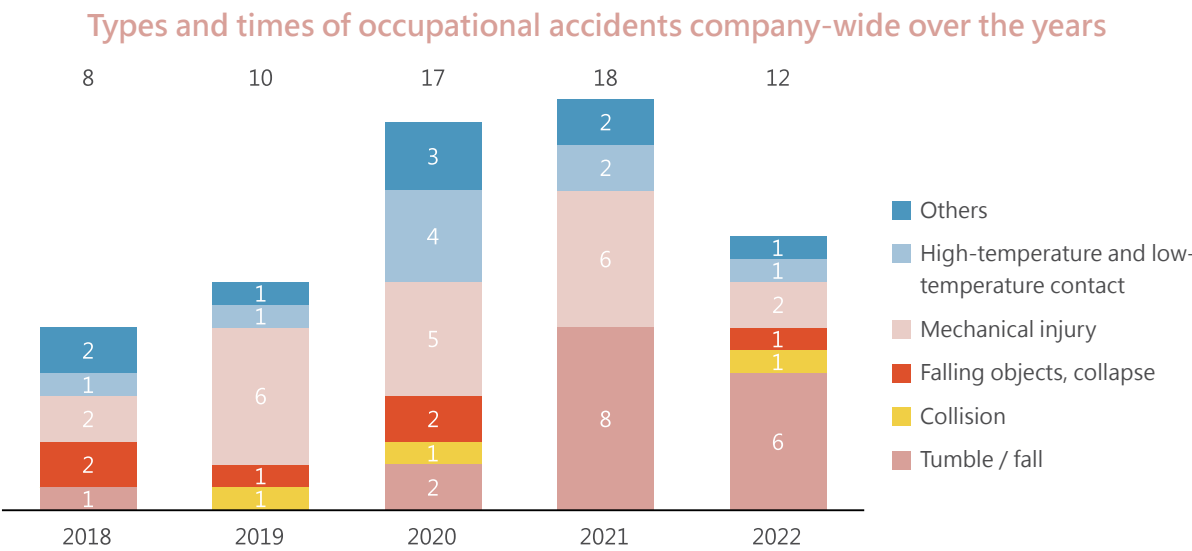
A total of 245 subcontractors received the evaluation, and the passing rate reached 100%, 0% failed the evaluation. A total of NT\$199,500 were fined for contractors who violated regulations when entering the factory. A total of 41 sessions of safety and health education and training were held, participated by 12 subcontractors in total.

### ► 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 addition to the discussion of the analysis and corrective measures of the occupational accidents in the previous month reviewed by the president, the Auditing 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 factory director should conduct autonomous management every two months and report to the president for review.

In 2022, there are a total of 12 injury accidents (all males) in the three works, a decrease of 6 case compared with 2021. There were no major occupational safety incidents, which shows that the relevant improvement measures taken in 2022 are substantially effective. We will continue to verify and improve in accordance with the occupational safety and health management system for the implementation of safety and health management.

In view of the higher number of injuries accidents caused by unsafe behavior and unsafe environment in Kaohsiung Works in 2022, in addition to immediately submitting the accident investigation report for review and improvement by unit supervisors in the monthly occupational safety and health committee, it was also decided in the annual management review meeting that education and training of relevant coursoers for personnel and the incentives encouraging safety and health improvement proposals will continue to be implemented, and the daily toolbox meetings before work and safety observation of each unit will be increased. The Labor Safety Centers will arrange monthly interviews on safety with personnel in each unit, and through the interview process, whether improvement has to be further made in terms of people, equipment and the environment can be found out.



Note: 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.

## Industrial safety performance of Head Office over the years

Item / Year	2018	2019	2020	2021	2022
Annual working hours	336,883	362,173	359,156	324,459	334,307
Number of deaths caused by occupational injuries	0	0	0	0	0
Number of severe occupational injuries ( excluding deaths )	0	0	0	0	0
Rate of recordable work-related injuries ( FR )	0	0	0	0	0
Occurrence of false alarm	-	-	1.11	0	0

## Industrial safety performance of Taoyuan Works over the years

Item / Year	2018	2019	2020	2021	2022
Annual working hours	1,092,720	1,143,816	1,246,768	1,249,056	1,248,360
Number of deaths caused by occupational injuries	0	0	0.16	0	0
Number of severe occupational injuries ( excluding deaths )	0	0.17	0	0	0
Rate of recordable work-related injuries ( FR )	0.55	0.70	1.28	1.60	0.32
Occurrence of false alarm	-	-	0	1.76	0.96

## Industrial safety performance of Miaolil Works over the years

Item / Year	2018	2019	2020	2021	2022
Annual working hours	1,334,353	1,335,350	1,357,983	1,368,178	1,360,141
Number of deaths caused by occupational injuries	0	0.15	0	0	0
Number of severe occupational injuries ( excluding deaths )	0	0	0	0	0
Rate of recordable work-related injuries ( FR )	0.45	0.15	0.74	0.73	0.44
Occurrence of false alarm	-	-	0	0	0.15

## Industrial safety performance of Kaohsiung Works over the years

Item / Year	2018	2019	2020	2021	2022
Annual working hours	552,203	583,209	614,712	719,203	773,532
Number of deaths caused by occupational injuries	0	0	0	0	0
Number of severe occupational injuries ( excluding deaths )	0	0.34	0.33	0	0
Rate of recordable work-related injuries ( FR )	0.72	1.37	1.30	0.83	1.81
Occurrence of false alarm	-	-	0.65	0.28	0.26

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 2018 and 2022. In 2021, one fatal work injury occurred to a non-employee worker in Taoyuan Works. The rate of fatalities as a result of work-related injury = 4.88, and the rate of recordable work-related injuries = 4.88.
3. Rate of fatalities as a result of work-related injury = (Number of deaths caused by occupational injuries/annual working hours) x 200,000.
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) x 200,000.
6. Rate of recordable work-related injuries (FR)= (Number of recordable work-related injuries/annual working hours) x 200,000
7. Occurrence of false alarm= (Number of false alarms/annual working hours) x 200,000.
8. False alarms that occurred between 2018 and 2019 were not counted.

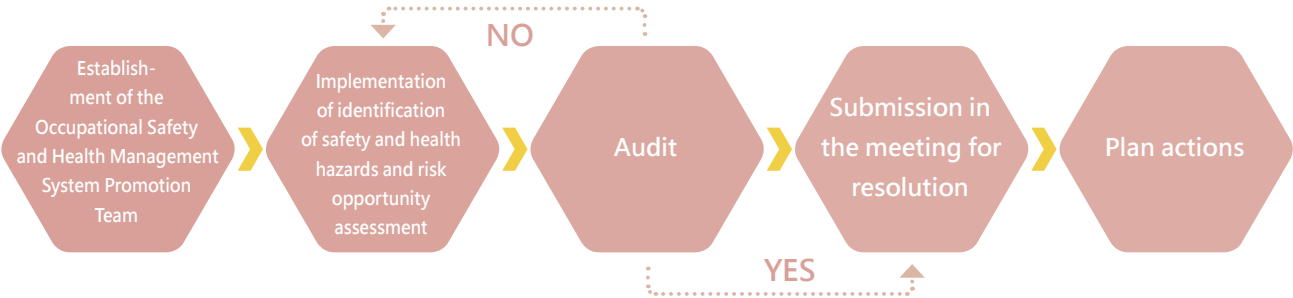
## □ Reducing Risk of Occupational Accidents

The Company followed the Occupational Safety and Health Administration's technical guidelines for all safety and hazards around the workplace caused by operating activities inside and outside the factory area (including routine and non-routine activities, workers and visitors entering the factory area, personal behavior, and other human factors), and set up the safety and health hazard identification risk assessment regulations and related procedures for risk assessment, the implementation of identification, assessment and control of the work environment and hazards.

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 have 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.

In view of the unsafe behavior and unsafe environment that cause harm, the AI Team of the Information Technology Division applies 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.

Identification of safety and health hazards/ opportunity assessment flowchart



► Control and Prevention of Abnormalities

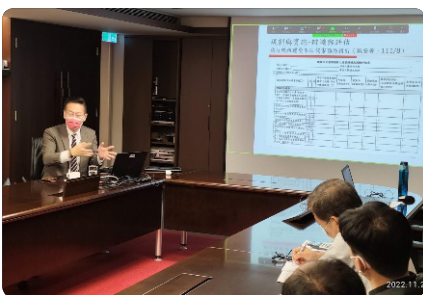
In terms of the operating mechanism of accident management, electronic information management system and on-site incident drills are utilized for the statistics of occupational accidents and cause analysis, and relevant supervisors and parties jointly convene an investigation meeting to thoroughly understand 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.

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.

Improving 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 2022 amounted to more than NTD 1.99 million, with a cumulative of 22,909 man-hours of training, a 30% increase compared with 2021.

Note: Safety and health education training courses include on-the-job education and training of general labor safety and health, occupational safety and health-related regulations and operating standards, fixed crane operators, forklift operators, anoxic operation supervisors, operator radiation safety, fire safety training, retraining of safety and health education for class-1, class-2, and class-3 manager of occupational safety and health affairs, etc.





Education and training of illegal infringement in the performance of duties



Health lecturer



Forklift operation safety education and training

The Company also participates in relevant labor safety and health plans promoted by local competent authorities. In 2022, relevant executives at all levels participated in the Symposium of Employers of High-Risk Business Units, publicity meetings and seminars organized by the Occupational Safety and Health Center of Occupational Safety and Health Administration, Ministry of Labor or Labor Inspection Office. By the partnership between the government and the employer groups and 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.

### ► Environmental Monitoring and Disaster Prevention Drills

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 on the Head Office and the three Works (Taoyuan Works, Miaoli Works, and Kaohsiung Works)<sup>note</sup>, and the items include noise, comprehensive temperature heat index carbon dioxide, chemical substances (manganese compounds, sulfuric acid, butanone), illuminance monitoring, and dust. Improvement will be immediately made if there is any abnormality found in the monitoring results to protect the health of the personnel.

Note: There are 62 monitoring points in the Head Office, 110 in Taoyuan Works, 84 in Miaoli Works, and 70 in Kaohsiung Works; the monitoring points of all factories include areas and personnel.

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 2022, a total of 25 sessions of emergency response and disaster prevention drills were held (16 emergency response drills, 9 firefighting drills), and the content included emergency response drills for liquefied petroleum gas (LPG) tanks, wastewater treatment equipment failures, steelmaking/rolling air pollution, backfire accidents caused by holes in oxygen blowing gun hoses, self-defense fire prevention education and training, disaster prevention and escape drills, etc.





Emergency response drill for fire in hydraulic shear



Emergency response drill for LPG tank



Firefighting drill

## 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 so as 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 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 (including three non-employee workers). 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 2022, a total of 1,682 people received general health examination while 1,641 received special health examination, and the costs of the health examination totaled approximately NTD 2.92 million, an increase of 18% compared with 2021. In terms of noise check, the number of people requiring level-2 noise management was 272, and 0 requires management of level-3 or above. If the improvement measures cannot be handled by engineering control, administrative management, strengthening of the use of personal protective equipment or providence of health education will be conducted.



Annual employee health examination

## ■ Care for the Employees' Health

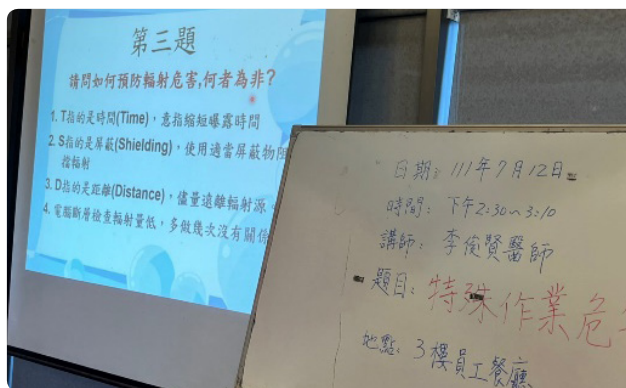
The Company establishes the health service plan based on the Occupational Safety and Health Act and Regulations of Labor Health Protection and adopts relevant regulations concerning labor health protection and safety and health measures, coupled with the provision of integrated employee health service by professional physicians. The on-site health service expenses totaled approximately NT\$1.67 million.

A total of 7 health lectures were held in 2022, with the themes of Hepatitis B/C and liver cirrhosis prevention and health care lectures, Prevention of special occupational hazards, and Cardiovascular care and health. Health advocacy was presented in the occupational safety meeting, covering the introduction of various vaccines for COVID-19, the right to seek medical treatment for occupational injuries, the introduction of diets against COVID-19, prevention of long-COVID, prevention of special occupational hazards, summer heat injury and other relevant medical knowledge. We also work with Department of Health to jointly organize influenza vaccination.

In 2022, a total of 672 people participated in health interviews, including 309 people for consultation, 235 people for fitness for work evaluation, 87 people for return to work evaluation, 3 people for maternal health protection, and 38 people for work overload.



Health lecture on cardiovascular care



Lecture on hazards of special operations



Vaccination of influenza



Autumn Health Seminar





# 6

## Social Prosperity

6-1 Biodiversity

6-2 Community Participation

6-3 Social Participation

## 6-1 Biodiversity

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 2022, Tung Ho Steel did not receive any petition for affecting the ecological zone.



## 6-2 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.



### Social participation of the three works

#### Taoyuan Works

- › 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.
- › Regularly assist with the mowing of weeds on the neighboring roads.
- › Actively visit the neighboring communities on an irregular basis, participate in community charity activities, and sponsor neighboring schools and club activities.



### Miaoli Works

- › Add the environmental impact and occupational safety and health risk assessment before the implementation of the new manufacturing process.
- › 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.
- › Assign dedicated personnel to actively participate in community development associations and village meetings.
- › Sponsor activities of the township offices, neighboring schools, and clubs.
- › Adopt nearby streetlights and clean the roads around the works every day.

### Kaohsiung Works

- › 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.
- › Visit the neighboring communities from time to time, and sponsor the community activities, school activities and festivals.
- › The plant supervisors participate in the good neighbor activities.

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.



2022 Beach cleanup activity at Caota Sand Dunes Geopark



Assistance with the roof leak prevention work of the local substation

## 6-3 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 20 million, including the NTD 10 million in the Ukraine Child Rescue.

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 2022, there have been a cumulative of 174 winners of this award. The award ceremony was suspended in 2022 due to COVID-19 epidemic.



### ■ Tung Ho Steel Foundation

Tung Ho Steel has supported the cultural and artistic activities in Taiwan for a long time and established the Tung Ho Steel Foundation to enhance the cultural and artistic literacy of the public, promoting art education, the development of cultural and creative industries, and organizing or sponsoring a number of cultural and artistic activities to promote the combination of iron and steel industry and culture. We have actively organized the Artist Residency Program. We have invited artists to enter Miaoli Works for the creation of steel sculptures, which is one of the important cases of cooperation between enterprises and artists in Taiwan, and the works were also awarded the Best Creativity Award of the 10<sup>th</sup> Art & Business Awards by the Ministry of Culture.



The 7<sup>th</sup> Tung Ho Steel International Artist Residency Program invited the senior Taiwanese artist, Jun T. Lai and Liang-Cheng Chiow for the Artist Residency Program to create artworks in Miaoli Works. The results presentation meeting of the program was completed on May 6<sup>th</sup>, 2022, and the residency process. The process of residing in the factory is recorded and an album will also be published and distributed to libraries, artists, educational units and so on for the promotion of the creation and appreciation of steel sculpture art works, hoping that it will become a cultural resource shared by the public and can be provided as relevant research basis and literature materials for generations to come.

To actively promote the results of the Artist Residency Program, we cooperate with Tung Kang Steel Structure Corp. and exhibit the artworks of the Residency Program in the Tung Kang Steel Structure's Yunlin Plant to share the beauty of steel art. Tung Ho also sponsored the 2022 Miaoli Biennial Fine Arts Exhibition to promote local cultural and artistic activities and encourage artistic creation and participation.

The Foundation started to initiate the “Refining Project- Engineering Practice” for the innovative design of steel structure from 2022, aiming at developing multiple ways to facilitate cooperation and exchange opportunities for professionals such as designers, construction teams, and structural engineers to explore various possibilities and practical operations with steel as the material, give full play to the greater benefit as steel components to provide feedback and improve the built environment in the society. In addition, a database is also established to record the R&D and implementation process, accumulate the wealth of civilization and wisdom, provide creators with multiple motivations and demonstrate the infinite possibility of steel through the application and practice of material science.



Work of Jun. T. Lai



Work of Liang-Cheng Chiow

# 7 Appendixes

## Appendix I: GRI Reporting Principles Standards Comparison Table

Statement of Use	Tung Ho Steel has reported the content during January 1 and December 31, 2022, in accordance with the GRI Reporting Standards			
GRI 1 used	GRI 1: Foundation 2021			
Applicable GRI Sector Standards	No applicable GRI Sector Standards			
Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	External assurance
GRI 2: General Disclosures 2021				
1. The organization and its reporting practices				
2-1	Organizational details	2-1 Company Profile	<u>52</u>	■
2-2	Entities included in the organization's sustainability reporting	Organizational Chart of Affiliates	<u>53</u>	■
2-3	Reporting period, frequency and contact point	About this Report	<u>2</u>	■
2-4	Restatements of information	About this Report	<u>2</u>	■
2-5	External assurance	About this Report	<u>2</u>	■
2. Activities and workers				
2-6	Activities, value chain and other business relationships	2-1 Company Profile 3-1 Operating Status Investment in Clean Energy in Response to Climate Change 3-4 Product and Service Quality 4-1 Green Procurement	<u>52</u> <u>72</u> <u>89</u> <u>93</u> <u>100</u>	■
2-7	Employees	Distribution of Employees	<u>130</u>	■
2-8	Workers who are not employees	Distribution of Employees	<u>130</u>	■
3. Governance				
2-9	Governance structure and composition	Governance Structure	<u>55</u>	■
2-10	Nomination and selection of the highest governance body	The Composition and Operation of Board of Directors	<u>57</u>	■
2-11	Chair of the highest governance body	The Composition and Operation of Board of Directors	<u>57</u>	■
2-12	Role of the highest governance body in overseeing the management of impacts	1-1 ESG Operation and Performance The Composition and Operation of Board of Directors	<u>8</u> <u>57</u>	■
2-13	Delegation of responsibility for managing impacts	1-1 ESG Operation and Performance	<u>8</u>	■
2-14	Role of the highest governance body in sustainability reporting	About this Report 1-1 ESG Operation and Performance	<u>2</u> <u>8</u>	■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	External assurance
2-15	Conflicts of interest	2-3 Integrity Management	<u>63</u>	■
2-16	Communication of critical concerns	1-1 ESG Operation and Performance The Sustainable Development Committee	<u>8</u> <u>61</u>	■
2-17	Collective knowledge of the highest governance body	The Composition and Operation of Board of Directors	<u>57</u>	■
2-18	Evaluation of the performance of the highest governance body	Performance Evaluation of Board of Directors	<u>63</u>	■
2-19	Remuneration policies	Compensation Structure	<u>134</u>	■
2-20	Process to determine remuneration	Functional Committees Compensation Structure	<u>61</u> <u>134</u>	■
2-21	Annual total compensation ratio	Compensation Structure	<u>134</u>	■
<b>4. Strategy, policies and practices</b>				
2-22	Statement on sustainable development strategy	Message from the Chairman	<u>5</u>	■
2-23	Policy commitments	1-1 ESG Operation and Performance 2-1 Company Profile Supplier Management 5-1 Manpower Structure with Equality	<u>8</u> <u>52</u> <u>103</u> <u>129</u>	■
2-24	Embedding policy commitments	Socioeconomic Compliance, Improvement and Prevention Supplier Management 5-1 Manpower Structure with Equality	<u>65</u> <u>103</u> <u>129</u>	■
2-25	Processes to remediate negative impacts	Consultation & Grievance Channels for Stakeholders Supplier Management	<u>15</u> <u>103</u>	■
2-26	Mechanisms for seeking advice and raising concerns	Consultation & Grievance Channels for Stakeholders	<u>15</u>	■
2-27	Compliance with laws and regulations	Socioeconomic Compliance, Improvement and Prevention Environmental Compliance	<u>65</u> <u>127</u>	■
2-28	Membership associations	Exchanges and Cooperation	<u>54</u>	■
<b>5. Stakeholder engagement</b>				
2-29	Approach to stakeholder engagement	1-2 Communication with Stakeholders Customer Satisfaction	<u>11</u> <u>96</u>	■
2-30	Collective bargaining agreements	Employee Benefits	<u>135</u>	■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	External assurance
<b>Material topics</b>				
<b>GRI 3: Material Topics 2021</b>				
3-1	Process to determine material topics	1-3 Analysis of Material Topics	<u>18</u>	■
3-2	List of material topics	1-3 Analysis of Material Topics	<u>18</u>	■
<b>Material topic: Stable Operation</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>23</u>	■
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Financial Performance	<u>73</u>	■
	201-4 Financial assistance received from government	Financial Performance	<u>73</u>	■
<b>Material topic: Implementation of Corporate Governance</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>24</u>	■
2-9	Governance structure and composition	Governance Structure	<u>55</u>	■
<b>Material topic: Compliance</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>26</u>	■
2-27	Compliance with laws and regulations	Socioeconomic Compliance, Improvement and Prevention Environmental Compliance	<u>65</u> <u>127</u>	■
GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	Complaint Handling and Responses	<u>17</u>	■
		Socioeconomic Compliance, Improvement and Prevention	<u>65</u>	
		Quality Management	<u>94</u>	
GRI 417 : Marketing and Labeling 2016	417-2 Incidents of non-compliance concerning product and service information and labeling	Socioeconomic Compliance, Improvement and Prevention	<u>65</u>	■
	417-3 Incidents of non-compliance concerning marketing communications	Socioeconomic Compliance, Improvement and Prevention	<u>65</u>	■
<b>Material topic: Cleantech Opportunity</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>28</u>	■
<b>Material topic: Information Security</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>29</u>	■
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy	<u>97</u>	■
<b>Material topic: Materials Circular Economy</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>31</u>	■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	External assurance
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Introduction of Value Chain	<u>101</u>	■
	301-2 Recycled input materials used	Introduction of Value Chain	<u>101</u>	■
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	Introduction of Value Chain Waste Treatment and Recycling	<u>101</u> <u>122</u>	■
	306-2 Management of significant waste - related impacts	Waste Treatment and Recycling	<u>122</u>	■
	306-3 Waste generated	Waste Treatment and Recycling	<u>122</u>	■
	306-4 Waste diverted from disposal	Waste Treatment and Recycling	<u>122</u>	■
	306-5 Waste directed to disposal	Waste Treatment and Recycling	<u>122</u>	■
<b>Material topic: Climate Action</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>33</u>	■
GRI 201: Economic Performance 2016	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>77</u>	■
GRI 302: Energy 2016	302-1 Energy consumption within the organization	Broadening sources and reducing consumption	<u>105</u>	■
	302-3 Energy intensity	Broadening sources and reducing consumption	<u>105</u>	■
	302-4 Reduction of energy consumption	Green Process	<u>111</u>	■
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Greenhouse Gas Inventory	<u>106</u>	■
	305-2 Energy indirect (Scope 2) GHG emissions	Greenhouse Gas Inventory	<u>106</u>	■
	305-3 Other indirect (Scope 3) GHG emissions	Greenhouse Gas Inventory	<u>106</u>	■
	305-4 GHG emissions intensity	Greenhouse Gas Inventory	<u>106</u>	■
	305-5 Reduction of GHG emissions	Green Process	<u>111</u>	■
<b>Material topic: Water Resources Management</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>35</u>	■
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	Water Resources Management	<u>113</u>	■
	303-2 Management of water discharge - related impacts	Emission Control	<u>118</u>	■
	303-3 Water withdrawal	Water Resources Management	<u>113</u>	■
	303-4 Water discharge	Emission Control	<u>118</u>	■
	303-5 Water consumption	Water Resources Management	<u>113</u>	■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	External assurance
<b>Material topic: Air Emissions</b>				
3-3	Material Topics Management	1-4 Response to Material Topics	<u>36</u>	■
GRI 305: Emissions 2016	305-6 Emissions of ozone-depleting substances (ODS)	Emission Control	<u>118</u>	■
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Emission Control	<u>118</u>	■
<b>Material topic: Enhancement of Product and Service Quality</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>38</u>	■
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Quality Management	<u>94</u>	■
<b>Material topic: A Safe and Healthy Workplace</b>				
3-3	Material Topics Management	1-4 Response to Material Topics	<u>39</u>	■
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	5-4 Occupational Health and Safety	<u>141</u>	■
	403-2 Hazard identification, risk assessment, and incident investigation	Reducing Risk of Occupational Accidents	<u>145</u>	■
	403-3 Occupational health services	Health Promotion	<u>148</u>	■
	403-4 Worker participation, consultation, and communication on occupational health and safety	Occupational Safety System and Performance	<u>142</u>	■
	403-5 Worker training on occupational health and safety	Reducing Risk of Occupational Accidents	<u>145</u>	■
	403-6 Promotion of worker health	Health Promotion	<u>148</u>	■
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Safety System and Performance	<u>142</u>	■
	403-8 Workers covered by an occupational health and safety management system	5-4 Occupational Health and Safety	<u>141</u>	■
	403-9 Work-related injuries	Occupational Safety System and Performance	<u>142</u>	■
	403-10 Work-related ill health	Health Promotion	<u>148</u>	■
<b>Material topic: Talent Retention</b>				
3-3	Management of material topics	1-4 Response to Material Topics	<u>42</u>	■
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	Turnover of Employees	<u>132</u>	■



Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	External assurance
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or parttime employees	Employee Benefits	<u>135</u>	■
	401-3 Parental leave	Employee Benefits	<u>135</u>	■
GRI 402: Labor/ Management Relations 2016	402-1 Minimum notice periods regarding operational changes	Employee Benefits	<u>135</u>	■
<b>Material topic: Talent Cultivation</b>				
3-3	Material Topics Management	1-4 Response to Material Topics	<u>43</u>	■
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Talent Cultivation	<u>138</u>	■
	404-2 Programs for upgrading employee skills and transition assistance programs	Talent Cultivation	<u>138</u>	■
	404-3 Percentage of employees receiving regular performance and career development reviews	Performance Appraisal	<u>138</u>	■
<b>Material topic: Supplier Management</b>				
3-3	Material Topics Management	1-4 Response to Material Topics	<u>44</u>	■
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	Supplier Management	<u>103</u>	■
	308-2 Negative environmental impacts in the supply chain and actions taken	Supplier Management	<u>103</u>	■
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Supplier Management	<u>103</u>	■
	414-2 Negative social impacts in the supply chain and actions taken	Supplier Management	<u>103</u>	■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	External assurance
<b>The topic-specific GRI Standards: 200 (Economic topics)</b>				
GRI 201: Economic Performance 2016	201-3 Defined benefit plan obligations and other retirement plans	Employee Benefits	<u>135</u>	■
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Compensation Structure	<u>134</u>	■
	202-2 Proportion of senior management hired from the local community	Distribution of Employees	<u>130</u>	■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	External assurance
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	6-3 Social Participation	<u>153</u>	■
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Introduction of Value Chain	<u>101</u>	■
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Socioeconomic Compliance, Improvement and Prevention	<u>65</u>	■
	205-2 Communication and training about anti-corruption policies and procedures	Socioeconomic Compliance, Improvement and Prevention	<u>65</u>	■
	205-3 Confirmed incidents of corruption and actions taken	Socioeconomic Compliance, Improvement and Prevention	<u>65</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>65</u>	■
The topic-specific GRI Standards: 400 (Social topics)				
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>57</u> <u>130</u>	■
	405-2 Ratio of basic salary and remuneration of women to men	Compensation Structure	<u>134</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>65</u> <u>129</u>	■
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 Supplier Management Employee Benefits	<u>65</u> <u>103</u> <u>135</u>	■
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Socioeconomic Compliance, Improvement and Prevention Supplier Management	<u>65</u> <u>103</u>	■
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 Supplier Management	<u>65</u> <u>103</u>	■
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Talent Cultivation	<u>138</u>	■
GRI 411: Rights of Indigenous People 2016	411-1 Incidents of violations involving rights of indigenous people	Socioeconomic Compliance, Improvement and Prevention	<u>65</u>	■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	External assurance
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	6-2 Community Participation 6-3 Social Participation	<u>151</u> <u>153</u>	■
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	Introduction of Main Products Quality Management	<u>93</u> <u>94</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>31</u>	■



## INDEPENDENT ASSURANCE OPINION STATEMENT

### Tung Ho Steel Sustainability Report 2022

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 purpose of assuring its statements relating to its sustainability report, 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 Tung Ho Steel Sustainability Report 2022.
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 Tung Ho Steel Sustainability Report 2022 provides a fair view of the Tung Ho Steel sustainability programmes and performances during 2022. The sustainability 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 performance information of Environment, Social and Governance (ESG) are fairly represented. The sustainability 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 sustainability 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 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.
- 12 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 the information of Environment, Social and Governance (ESG) 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 2021 (For each material topic covered in the applicable GRI Sector Standard and relevant GRI Topic Standard, comply with all reporting requirements for disclosures). Based on our review, we confirm that 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 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 sustainability 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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Statement No: SRA-TW-2022071  
2023-06-26

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# Appendix III: Comparison Table of strengthened disclosure of sustainability index of iron and steel industry of the Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies

Article 4, Paragraph 3, Schedule 1-6	Indicator Type	Unit	Content response
(1) Total energy consumption, percentage of purchased electricity, utilization rate of renewable energy, and total self-generated and self-consumed energy	Quantitative	GJ, percentage (%)	Total energy consumption: 5,712,544 GJ Grid electricity usage accounts for 77% Renewable energy accounted for 0% Total self-generated and self-consumed energy: 0 GJ
(2)Total fuel consumption, percentage of coal, percentage of natural gas, and percentage of renewable fuel	Quantitative	GJ, percentage (%)	Total fuel consumption: 1,316,298 GJ Coal accounted for 0 % Natural gas accounted for 91.5% Renewable energy accounted for 0%
(3)Total water intake and total water consumption	Quantitative	Thousand cubic meters (m³)	Total water intake: 2,108.753 thousand cubic meters Total water consumption: 1,945.836 thousand cubic meters
(4) Weight of waste generated, percentage of hazardous waste and percentage of recycling	Quantitative	Ton (t), percentage (%)	Total waste generation: 353,787 tons Hazardous waste: 9.5% Waste recycling: 98.6%
(5)Explain the number and rate of occupational accidents	Quantitative	Ratio (%), number	Number of occupational accidents: 12 people (0.62%)
(6)Output of main products by product category	Quantitative	Differs by product type	Billet steel: 1,912,605 tons Rebar: 1,160,164 tons Section Steel: 632,992 tons

## Appendix IV: TCFD Comparison Table

Topic	Suggested disclosure	Corresponding chapter	Page
Governance	a ) Describe the board of directors' oversight of climate-related risks and opportunities.	Climate Change-Related Governance	<u>78</u>
	b ) Describe the role of management level in the assessment and management of climate-related risks and opportunities.	Climate Change-Related Governance	<u>78</u>
Strategy	a ) Describe the short-, medium-, and long-term climate-related risks and opportunities identified by the organization.	Climate Change-Related Strategies	<u>85</u>
	b ) Describe the climate-related risks and opportunities that impact the organization in terms of business, strategic and financial planning.	Climate Change-Related Strategies	<u>85</u>
	c ) Describe the organization's strategic resilience and consider different climate-related scenarios (including 2° C or more severe scenarios).	Climate Change-Related Strategies	<u>85</u>
Risk Management	a ) Describe the organization's process for identifying and assessing climate-related risks.	Climate Change-Related Risks and Opportunity Management	<u>80</u>



Topic	Suggested disclosure	Corresponding chapter	Page
Risk Management	b ) Describe the organization's management process for climate-related risks.	Climate Change-Related Risks and Opportunity Management	<u>80</u>
	c ) Describe how the identification, assessment and management process of climate-related risks is integrated into the organization's overall risk management system.	Climate Change-Related Risks and Opportunity Management	<u>80</u>
Indicators and Targets	a ) Disclose the indicators the organization uses to assess climate-related risks and opportunities in accordance with the strategies and risk management process.	Climate Change-Related Indicators and Targets	<u>87</u>
	b ) Disclosure Scope 1, Scope 2, and Scope 3 (if applicable) GHG emissions and risks associated with it.	Climate Change-Related Indicators and Targets	<u>87</u>
	c ) Describe the goals the organization uses to manage climate-related risks and opportunities and the performance in implementing the goal.	Climate Change-Related Indicators and Targets	<u>87</u>

Note: For detailed information concerning climate-related financial disclosures, please refer to [Tung Ho Steel 2023 TCFD Report](#).

# Appendix V: Risks and Opportunities brought by Climate Change to the Company and Related Countermeasures Taken

Item	Corresponding Chapters	Page
1. Describe the board of directors' oversight and governance of climate-related risks and opportunities.	Climate Change-Related Governance	<u>78</u>
2. Describe how the risks and opportunities identified affect the business, strategy, and finances of the business (short-, medium-, and long-term).	Climate Change-Related Strategies	<u>85</u>
3. Describe the impact of extreme climate events and transitional actions on finances.	Climate Change-Related Strategies	<u>85</u>
4. Describe how the identification, assessment and management process of climate risks are integrated in the overall risk management system.	3-2 Risk Management	<u>77</u>
5. If scenario analysis is used to assess resilience to climate change risks, the scenarios, parameters, assumptions, analysis factors used and major financial impacts shall be explained.	Climate Change-Related Indicators and Targets	<u>87</u>
6. If there is a transition plan for climate-related risks management, describe the content of the plan, and the indicators and goals used to identify and management physical risks and transition risks.	Climate Change-Related Indicators and Targets	<u>87</u>
7. If internal carbon pricing is used as a planning tool, the basis for the pricing shall be stated.	Please refer to <a href="#">2023 TCFD Report</a>	
8. If climate-related goals are set, the activities, scope of GHG emissions, planning schedule, annual progress and other information shall be stated. If carbon offsets or RECs (renewable energy certificates) are used to achieve relevant goals, the source and quantity of carbon reduction credits or the number of RECs to be offset shall be stated.	Climate Change-Related Indicators and Targets	<u>87</u>

Item	Corresponding Chapters	Page
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9. GHG inventory and assurance status Only disclose the inventory + assurance of the parent company

Company Profile		In accordance with the Sustainable Development Roadmap of for TWSE- and TPEX-Listed Companies, disclosure shall at least include	
<ul style="list-style-type: none"> <li>■ Company with a capital of over NT\$ 10 billion, Iron and Steel Industry, Cement Industry</li> <li>□ Company with a capital of more than NT\$ 5 billion but less than NT\$ 10 billion</li> <li>□ Company with a capital less than NT\$ 5 billion</li> </ul>		<ul style="list-style-type: none"> <li>□ Individual inventory of the parent company</li> <li>□ Inventory of subsidiaries in the consolidated financial reports</li> <li>■ Individual assurance of the parent company</li> <li>□ Assurance of subsidiaries in the consolidated financial reports</li> </ul>	
Scope 1	Total emissions (tonCO <sub>2</sub> e )	Intensity, tonCO <sub>2</sub> e/NT\$ million)	Assurance institution
Parent company- Tung Ho Stee,	188,593	3.99	BV
Scope 2	Total emissions (tonCO <sub>2</sub> e )	Intensity, tonCO <sub>2</sub> e/NT\$ million)	Assurance institution
Parent company- Tung Ho Stee,	621,505	13.15	BV
Scope 3	Total emissions (tonCO <sub>2</sub> e )	Intensity, tonCO <sub>2</sub> e/NT\$ million)	Assurance institution
Parent company- Tung Ho Stee,	1,441,998	30.50	BV

#### Level of Assurance and Qualifications:

- Reasonable assurance
- This verification used a materiality threshold of 5% for aggregate errors in sampled data for each of the above indicators

#### Assurance Opinion:

Based on the process and procedures conducted, we conclude that the GHG statement for Gateogory 1,2,3,4 and 5 is materially correct and is a fair representation of the GHG data and information, and is prepared in accordance with the ISO 14064-1:2018. It is our opinion that Tung Ho Steel Enterprise Corp. Head Office, Taoyuan Works, Miaoli Works, Kaohsiung Works have established appropriate systems for the collection, aggregation and analysis of quantitative data for determination of these GHG emissions for the stated period and boundaries.

# Appendix VI: Sustainability Accounting Standards Board (SASB) Comparison Table- Iron & Steel Producers

Sustainability Accounting Standards Board, SASB

Topic	Code	Accounting Metric	Type	Content of report
Greenhouse Gas Emissions	EM-IS-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations (%)	Quantitative	See GHG inventory for the Scope 1 GHG emissions. The Scope 1 emission limits of Taoyuan Works was 10.99%. Currently, there are no emission limits for the Head Office, Miaoli Works, and Kaohsiung Works Please see GHG inventory for Scope 1 emissions and changes of emission
	EM-IS-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets.	Qualitative	The strategy is to replace heavy oil by natural gas, reduce the use of secondary raw materials and plan to introduce carbon capture, utilization and storage (CCUS) technology. Please refer to <a href="#">2023 TCFD Report</a> for the Scope 1 reduction plan.
Air Emissions	EM-IS-120a.1	Air emissions of the pollutants, including CO, NOx (excluding N2O), SOx, Particulate Matter (PM10), Manganese(MnO), Lead (Pb), Volatile Organic Compounds (VOCs), and Polycyclic Aromatic Hydrocarbons (PAHs)	Quantitative	Currently, the domestic requirements do not require the monitoring of CO, MnO, lead, and PAHs.
Energy Management	EM-IS-130a.1	Total energy consumed (GJ), Percentage grid electricity (%), and Percentage renewable (%)	Quantitative	Total energy consumed 5,712,544 GJ Percentage grid electricity 77% Percentage renewable 0%
	EM-IS-130a.2	Total fuel consumed, Percentage coal (%)/ Percentage natural gas (%)/ Percentage renewable (%)	Quantitative	Total fuel consumed 1,316,298 GJ Percentage coal 0 GJ Percentage natural gas 91.5% Percentage renewable 0%
Water Management	EM-IS-140a.1	Total fresh water withdrawn, Percentage recycled, Percentage in regions with High Baseline Water Stress (%), Percentage in regions with Extremely High Baseline Water Stress (%)	Quantitative	Total fresh water withdrawn 2,108.753 thousand cubic meters Total water recycled 250,051.241thousand cubic meters Total recycled 11,858% The water pressure in the region where the Company is located belongs to low-risk to medium-risk.
Waste Management	EM-IS-150a.1	Amount of waste generated, Percentage hazardous (%), Percentage recycled (%)	Quantitative	Amount of waste generated 353,787 tons Percentage hazardous 9.5% Percentage recycled 98.6%

Topic	Code	Accounting Metric	Type	Content of report
Workforce Health and Safety	EM-IS-320a.1	Total recordable incident rate (TRIR), Fatality rate, Near miss frequency rate (NMFR) for full-time employees and contract employees	Quantitative	Please refer to <u>Performance of Industrial Safety</u> for the total recordable incident rate (TRIR), Fatality rate, Near miss frequency rate (NMFR) for full-time employees and contract employees
Supply Chain Management	EM-IS-430a.1	Discussion of the process for managing iron ore and/or coking coal sourcing risks arising from environmental and social issues	Qualitative	Not applicable
Activity Metrics	EM-IS-000.A	Raw steel production, percentage from basic oxygen furnace processes and electric arc furnace processes	Quantitative	Steel billets production: 1,912,605 tons Tung Ho Steel does not have the basic oxygen furnace, and steelmaking is conducted 100% by electric furnaces.
	EM-IS-000.B	Total iron ore production (Note: The scope of production includes iron ore consumed internally and that which is made available for sale.)	Quantitative	No usage
	EM-IS-000.C	Total coking coal production (Note: The scope of production includes coking coal consumed internally and that which is made available for sale.)	Quantitative	Not applicable

