

Sustainability Report

永續報告書



東和鋼鐵
TUNG HO STEEL

2021

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About this Report

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

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

I Editing and Finalization

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

Corporate Governance and Nominating Committee

To implement the promotion of sustainable development, under the Corporate Governance and Nominating Committee of the Board of Directors, there sets a Sustainable Development Group in charge of the development, supervision, and review of the sustainable development policies, serving as a dedicated unit for sustainable development. Under the Sustainable Development Group are five sub-groups, including Corporate Governance, Environmental Sustainability, Product Liability, Employee Relations, and Social Welfare. These five sub-groups and their corresponding departments will make regular discussions on the identification of the stakeholders related to their businesses. Members of the sub-groups are representatives from all departments of the Head Office, factories, and the foundation, and the Administration Department is responsible for the secretariat business, including overall planning, communication and integration, data collection, and 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, the Sustainable development Team selected verification personnel for internal verification. After verified by an impartial third party, the Report was submitted to the Corporate Governance and Nominating Committee and Board of Directors and was finally issued upon verification by the Chairman.

I Basis and Assurance of the Report

Scope of the Report and Basis of Data

The content of this Report covers Tung Ho Steel's relevant operating systems and activities in Taiwan between January 1 and December 31, 2021, excluding the operating performance of related Group enterprises at home and abroad, and there was no significant change in the scope and boundary of the topics compared with the 2020 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 2021. Part of the content concerning our future policies, goals and plans are also included. Contents of relevant Columns also included the performance of our affiliated companies. In this Report, the content in each chapter was based on the results of the identification of material topics for data disclosure in 2021. The reorganization of some data in this Report is also detailed in the text.

Professional Guidelines and Principles

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

Sources of Data and Management

The statistical data disclosed in this Report came from Tung Ho Steel's internal statistics and survey and are presented in International Generic Indicators. The estimates in this Report will be noted in each relevant Chapter and Section. The financial statements are audited and verified by KPMG in accordance with the International Financial Reporting Standards (IFRS) and were all calculated in New Taiwan Dollars. In addition, the Health, Safety and Environmental Management System receives regular internal inspection and annual external verification of ISO 14001, ISO / CNS 45001:2018, the GHG inventory data passed the third-party external verification in accordance with ISO 14064-1 while the ISO 50001 Energy Management System also receives both internal and external audits.

External Verification

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

Report Release Schedule and Contact Information

Release Schedule

Tung Ho Steel will 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, 2021

Current edition: Released in June, 2022

Contact Information

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

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Official website
of Tung Ho Steel



Sustainable
Development
Section

Message from the Chairman

Dear friends and colleagues:

Tung Ho Steel has been upholding the core value of “integrity”, believing that good corporate governance lays an important foundation for sustainable development. Therefore, we have not only created higher return on investment for our shareholders but also created value for the society to undertake the sustainable development. Tung Ho Steel has been selected among the TWSE Corporate Governance 100 Index since 2018 and was ranked among the top 6%-20% of publicly listed companies in the TWSE Corporate Governance Evaluation System. Tung Ho Steel has been awarded Sustainability Report Award in the Taiwan Corporate Sustainability Awards (TCSA) for 7 consecutive years, and this year we were honored with the Platinum Award in the Traditional Manufacturing Category. We report to all our stakeholders our continued efforts in the promotion of sustainable management issues, disclosure of governance information and the concrete results in economic, environmental and social aspects.

We have actively been striving for the improvement in corporate governance and taking the lead with our innovation behavior. Under the Corporate Governance and Nominating Committee of the Board of Directors, there sets a Sustainable Development Group, with the president serving as the convener to be in charge of the assessment and management of climate-related risks and opportunities and the setting of strategies and goals to continue the analysis and control and regularly report the implementation status to the Corporate Governance and Nominating Committee.

To gradually participate in international initiatives related to environment and climate, we have carried out TCFD, Carbon Disclosure Project (CDP), Type III Environmental Product Declaration (EPD) and other projects since 2020. We officially signed up as one of TCFD Supporters in 2021. Tung Ho Steel's 2021 Climate-related Financial Disclosure Report (TCFD Report) has been verified by BSI, and BSI confirmed the highest “Level-5” for the maturity model of our TCFD Report. Relevant information has been provided 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 (B-) among Asian companies, and the average score of (B-) 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, benefited from the great demand for construction steel resulted from the needs for factory expansion among foreign investors and large semiconductor and electronic factories and the booming construction industry, the production and sales of construction steel have greatly increased, significantly reducing our costs. Coupled with the effective management of the balance between price and volume among sales, purchases and production, stable and good profitability could be maintained. The invested company, Tung Kang Steel Structure Corporation, has received a large of orders that led to significant growth in profits. The operation of our subsidiary in Vietnam has steadily stepped on the right track and turned losses into profits. Other invested companies also performed well, contributed positively to the substantial growth in profit of the Company this year, resulting in the substantial increase of 66.5% in the net income after tax.

Tung Ho Steel promotes energy conservation measures. In addition to changing the fuel oil of the furnace from heavy oil to natural gas transported by dedicated pipeline in Miaoli Works to lower environmental impacts, we also actively develop energy resources. Tung Kang Wind Power Corp. has obtained the Electricity Enterprise License and started the sale of electricity, and there is also an installation project for solar PV power generation equipment and a plan to sell green electricity and green electricity certificates to Tung Ho Steel for our works to use. The installation project is expected to be completed for power generation in 2023 to meet the terms for large power users of the Energy Bureau of MOEA. In addition, to work in line with the government's Non-Nuclear Homeland Policy, we have co-invested with Taiwan Sugar Corporation (TSC) in the establishment of a biomass energy processing center for the development of biomass energy. Biogas power is generated through anaerobic fermentation, and the biogas residues produced are sold as raw materials for organic fertilizer so that the current treatment method of biomass waste can be improved. The material receiving, gas production, and green power generation are expected to be achieved in the second half of this year, reaching the dual effects of recycling and energization, conforming more to the circular economy policy and the strategic goal of sustainable management.

Tung Ho Steel has been devoted to the promotion of concept of earthquake resistance and has released commercials of earthquake resistance steel products over the years. In 2022, we released the latest 2022 warm short commercial with short and catchy slogans of "Persistence in Quality, Resistance to Quake" and "Resistance to Quake, Persistence in Quality". It is hoped that the concept of earthquake resistance can be deeply rooted in a subtle way through the commercials. By arousing the awareness of the importance of shock-resistant steel products, we hope to set a new example of innovation for traditional industries.

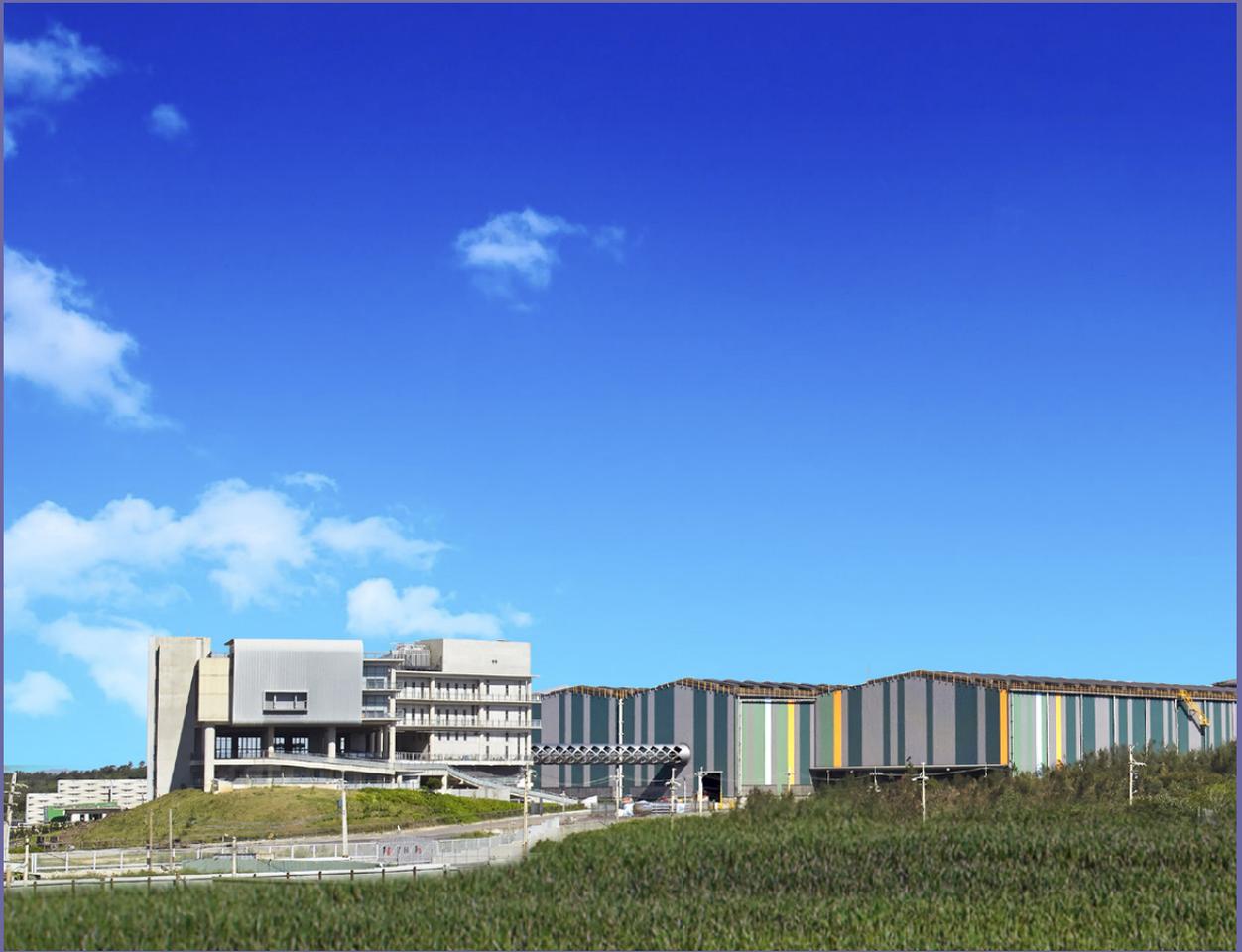
In terms of "Friendly Workplace" and "Social Prosperity", we have long been devoted to creating a harmonious, friendly and healthy working environment. There used to be few female employees working on-site, but now we can see female positions holders in mechanical drafting, rolling repair, and crane operation. We attach great importance to the professional capabilities, adaptability, and acuity of our employees, and gender is no longer a consideration for talent selection. We hope to break the gender barrier in the workplace to show our endeavor to create a diverse, open, and equal working environment and that female employees can have good development in the Company. Secondly, Tung Ho Steel supports the government's vaccine policy and encourages our associates to be vaccinated, providing a half-day vaccination leave, aiming at improving the protection against the epidemic (91% of employees have gotten the 2nd shot). We have been concerned about social welfare over the years and have sponsored the Shalom's Green Care Program for children with Kanner's syndrome. We hope that by taking actions to sponsor in this project, we can help attract others to join us to help this construction project of the center be completed as soon as possible.

Looking into the future, we will continue the improvement of technical capabilities, enhancement of management efficiency, reduction in production costs, close cooperation among production, sales and purchase to enhance the competitiveness and will work on research and development of new products and applications, participate in international initiatives, promote environmental protection and GHG reduction to construct a solid foundation for sustainable management. 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 Topics

1-5 Sustainability Performance

Special Column: Tung Ho Steel Signed the Sustainability Linked Loan, Committed to Sustainable Development

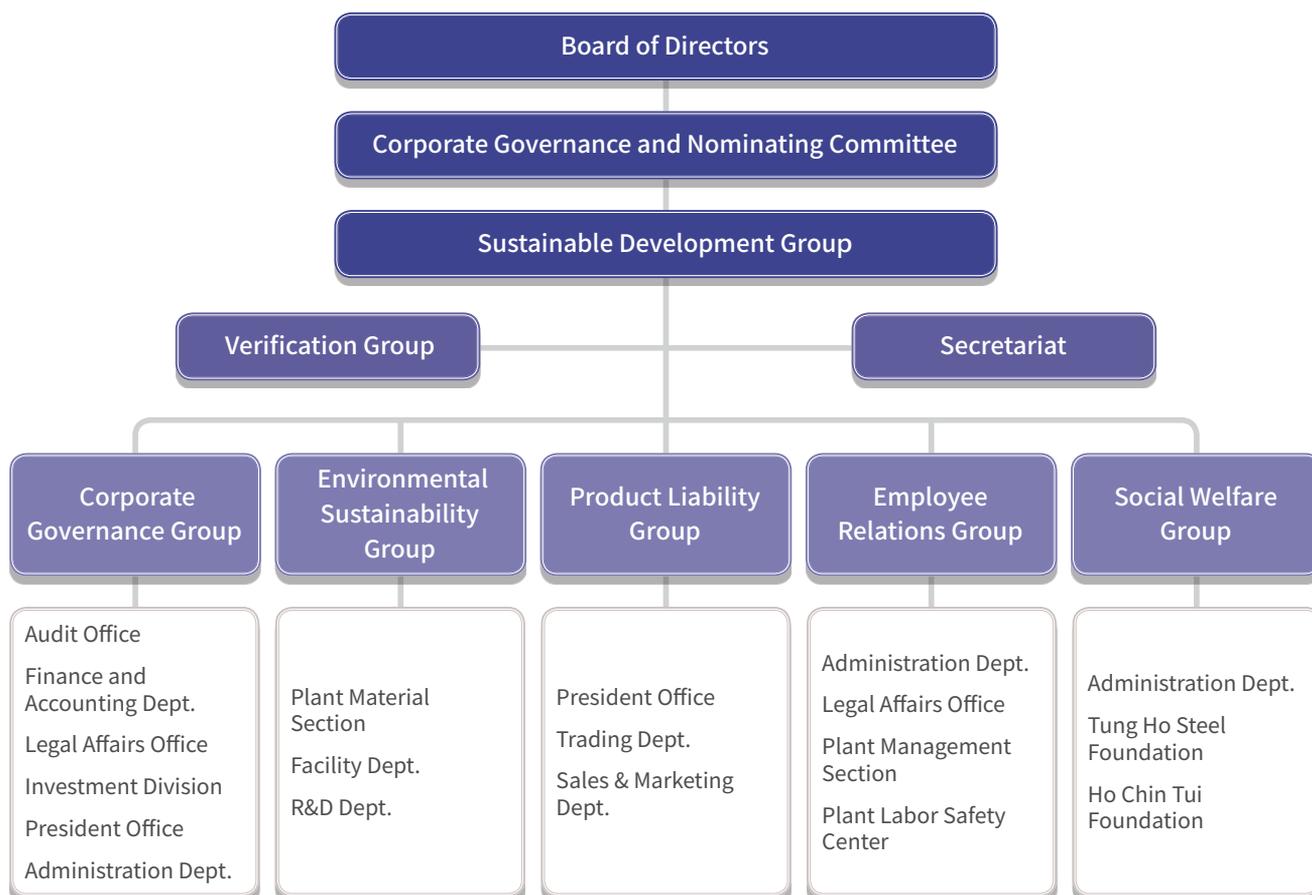
1-1 ESG Operation and Performance

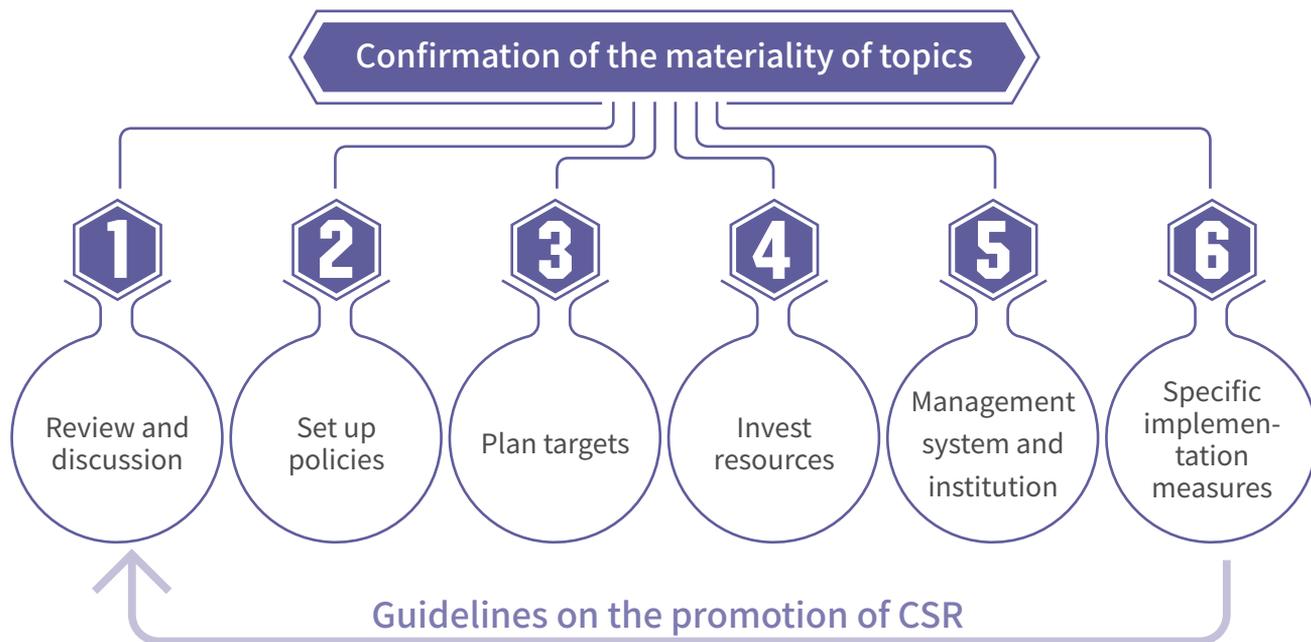
Organization and Promotion Policy

To implement the promotion of sustainable development, Tung Ho Steel established the “Sustainable development Best Practice Principles” in March 2015 (changed to “Sustainability Development Best Practice Principles” on March 10, 2022) and set up a cross-departmental “Sustainable development Team” in December of the same year. Since corporate sustainability has been regarded as one of the important corporate strategies, a new functional committee, Corporate Governance Committee, was added to the Board of Directors in September 2019, 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 July, 2021. Under the Committee are five groups in charge of relevant business, including Corporate Governance Group, Sustainable Development Group, Integrity Management Group, Environmental Sustainability Group, and Risk Management Group. Among them, the Sustainable development Group is divided into five subgroups, including Corporate Governance, Environmental Sustainability, Product Liability, Employee Relations, and Social Welfare Groups. Each group responds to its corresponding department and conducts regular discussions on the identification of stakeholders in accordance with the scope of their business, and the Administration Division is in charge of the secretariat affairs.

The Rules Governing the Preparation and Internal Verification and Validation of Sustainability Reports was passed on April 14, 2022 to serve as a basis for the preparation, international verification and validation related work.

Organizational Structure of Sustainable Development





Sustainable Development Policy

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

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

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

Environmental Protection Actively respond to climate change, promote circular use of resources, continue to reduce waste, energy use and carbon emissions and work for the implementation of environmental protection.

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

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

Relevant regulations and measures

It is specified in the regulations and measures that directors, managers, employees, mandataries of the Company or persons having substantial control over the Company are required to comply with relevant laws and regulations.

- | | |
|---|---|
| 1. Ethical Corporate Management Best Practice Principles | 8. Regulations for the Prevention and Handling of Sexual Harassment |
| 2. Procedures for Ethical Management and Guidelines for Conduct | 9. Regulations Governing Personal Information Data Security Maintenance and Management |
| 3. Corporate Governance Best Practice Principles | 10. Regulations Governing Intellectual Property Management |
| 4. Guidelines for the Adoption of Codes of Ethical Conduct for Directors and Managers | 11. Risk Management Policy and Operational Procedures |
| 5. Rules for the Performance Evaluation of the Board of Directors | 12. Regulations Governing Personal Information Data Security Maintenance and Management |
| 6. Work Rules | 13. Regulations Governing Employee Grievance and Whistleblowing (Whistleblower Protection Policy) |
| 7. Sustainable Development Best Practice Principles | |



Sustainable Development Group conducted education and training on the current condition and trends of ESG in November and December, 2021, and the content included sustainable development and challenges, international trends, current legal prescriptions, introduction of revision of GRI Standards for topics and so on. In addition, meetings for stakeholder identification, questionnaire distribution and identification of material topics were held. After data collection, meetings for group discussion and first draft discussion were convened in January and March, 2022. The Verification Group was also established for internal verification operations. The Report was verified by an impartial third party, submitted to the Corporate Governance and Nominating Committee and Board of Directors, and was finally issued upon approval by the Chairman.

The issuance of this 2021 Sustainability Report was reported to the 4th meeting of the 2nd Session of Corporate Governance and Nominating Committee and the 18th meeting of the 24th Session of Board of Directors in May, 2022.

Internal Verification of the Sustainability Report

To ensure that the Sustainability 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, we developed the Rules Governing the Internal Verification of Sustainability Report. The internal verification of the Report is conducted every year between March and April.

2021 Taiwan Corporate Sustainability Awards (TCSA)- Platinum Award

Taiwan Corporate Sustainability Awards (TCSA) held by Taiwan Academy of Corporate Sustainability has been acclaimed as the Oscar for Taiwan's Corporate Sustainability, and it is also a platform for domestic leading and benchmark companies in different fields to compete to demonstrate their performance in sustainability. Tung Ho Steel has won awards for consecutive years since its participation in 2015. In 2021, we were honored with the 2021 TCSA Sustainability Report Award- Platinum Award in the Traditional Manufacturing Category. This shows our efforts in improving the quality of sustainability management issues and disclosure of governance information is embodied in economic, environmental, social, and corporate governance aspects. We also take actions to practice our commitment to sustainable reporting and implement sustainable issues to step toward sustainability development.



2021 TCSA Sustainability Report Award- Platinum Award

1-2 Communication with Stakeholders

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

Identification of Stakeholders

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

Communication with Stakeholders

Tung Ho Steel attaches great importance to the stakeholders' rights and opinions and has set up public and direct communication channels to provide information concerning the Company's 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	Communi- cation issues	Communication channels	Frequency	Communication performance in 2021
 <p>Shareholders Tung Ho Steel has been upholding integrity management and devoted to sustainable governance to improve our operating performance to create value for our shareholders.</p>	Economic Performance	Questionnaire survey of Corporate Sustainability topics	Annual	<ul style="list-style-type: none"> ■ 2 legal person briefings ■ 31 corporate interviews ■ 1 shareholders' meeting ■ Disclosure of monthly and quarterly information of revenues and financial statements on our official website and MOPS.
	Integrity Management	Shareholders' meeting	Regular	
	Corporate Governance	Annual reports/ financial statements	Annual/regular	
	Corporate Sustainability Development	Investors Service Section on the official website	Irregular	
 <p>Employees Employees are the most important assets of Tung Ho Steel, and they are the driving force of innovation and the cornerstone of our sustainable management.</p>	Risk Management	External communication mailbox	Immediate	<ul style="list-style-type: none"> ■ 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 17,635 person-hours.
		Questionnaire survey of Corporate Sustainability topics	Annual	
		Stakeholders Section on the official website	Immediate	
		Labor-management meeting	Quarterly	
	Occupational Health and Safety	Internal communication mailbox	Immediate	
	Labor-management Relations	Occupational Safety and Health Committee	Monthly	
	Education and Training	Internal publications	Quarterly	
	Remuneration and Benefits	Employee Welfare Committee	Regular	
	Corporate Sustainability Development	Enterprise union	Regular	
		Intranet	Irregular	
		Plant safety care and advocacy	Irregular	
		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		

Stakeholders/ significance to Tung Ho Steel	Communication issues	Communication channels	Frequency	Communication performance in 2021
 <p>Customers/ distributors</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&D capabilities to create a win-win situation.</p>	<p>Customer Health and Safety</p> <p>Customer Satisfaction</p> <p>Compliance</p> <p>Customer Privacy</p>	Questionnaire survey of Corporate Sustainability topics	Annual	<ul style="list-style-type: none"> Convened 12 distributors meetings Fixed window for communication with distributors Distributors place orders directly through the e-commerce system to reduce the error rate
		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	
		E-commerce sales	Immediate	
ung Ho Steel (THS) Steel shipments messenger (APP)	Immediate			
 <p>Suppliers</p> <p>Our suppliers are important partners for our operation. We pursue sustainable management and growth together with our suppliers.</p>	<p>Procurement Practices</p> <p>Corporate Sustainability Development</p> <p>Response to Climate Change Impact</p>	Questionnaire survey of Corporate Sustainability topics	Annual	<ul style="list-style-type: none"> We had weekly discussion with steel and metal scrap dealers on the market and supply situation A total of 358 suppliers signed the Supplier Social Responsibility Commitment, accounting for 86.4% of the transaction amount
		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	Irregular	
 <p>Government agencies</p> <p>The government is the creator of sustainability related policies and also the important promoter supporting and influencing the Company to step toward sustainability.</p>	<p>Integrity Management</p> <p>Compliance</p> <p>Environmental Protection</p> <p>Public Safety</p> <p>Response to Climate Change Impact</p>	Questionnaire survey of Corporate Sustainability topics	Annual	<ul style="list-style-type: none"> Participated in 17 sessions of decrees propaganda briefings or symposiums held by environmental protection agency Participated in 9 government meetings related to climate change Participated in 4 sessions of Occupational Safety and Health Administration's self-management seminars
		Stakeholders Section on the official website	Immediate	
		Exchange of official documents	Immediate	
		Regulation briefing, public hearing or symposium	Immediate	

Stakeholders/ significance to Tung Ho Steel	Communi- cation issues	Communication channels	Frequency	Communication performance in 2021
 <p>Media</p> <p>Media are also an important bridge connecting the Company and other stakeholders for rapid communication.</p>	<p>Economic Benefits</p> <p>Compliance</p> <p>Social Welfare</p> <p>Environmental Protection</p> <p>Public Safety</p>	<p>Questionnaire survey of Corporate Sustainability topics</p> <p>Stakeholders Section on the official website</p> <p>External communication mailbox</p> <p>Spokesman interview</p> <p>Press release</p>	<p>Annual</p> <p>Immediate</p> <p>Immediate</p> <p>Immediate</p> <p>Immediate</p>	<ul style="list-style-type: none"> ■ 2 legal person briefings ■ 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 ■ Exclusive interview with Commonwealth Magazine entitled “Importing American Technology to Taiwan, Turning Leftovers into Green Electricity” ■ Interview on Commonwealth Magazine Podcase Ep. 45 “Relying too much on wind and solar power? What is the solution to the power crisis under the unbalanced green energy in Taiwan”? ■ Promote the seismic resistance characteristics of SN steel in the building material area for builders
 <p>Community residents</p> <p>Through community participation and care, we can better understand issues of the residents’ concern and establish a harmonious relationship with them.</p>	<p>Community Participation</p> <p>Waste</p> <p>Air Pollutant Emissions</p> <p>Community Impact</p> <p>Community Development</p> <p>Social Welfare</p>	<p>Questionnaire survey of Corporate Sustainability topics</p> <p>Stakeholders Section on the official website</p> <p>External communication mailbox</p> <p>Community visits</p> <p>Direct communication</p>	<p>Annual</p> <p>Immediate</p> <p>Immediate</p> <p>Immediate</p> <p>Immediate</p>	<ul style="list-style-type: none"> ■ Our three Works participated in 6 times of community activities ■ Kaohsiung Works sponsored the student’ s emergency relief fund, school anniversary celebration, and the Vietnamese Language Learning Camp of Xiaogang High School
 <p>Iron & steel industry</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>	<p>Anti-competitive Behavior</p> <p>Innovative R&D</p> <p>Market Presence</p>	<p>Questionnaire survey of Corporate Sustainability topics</p> <p>Stakeholders Section on the official website</p> <p>External communication mailbox</p> <p>Steel & Iron Industries Association meetings</p> <p>Direct communication</p>	<p>Annual</p> <p>Immediate</p> <p>Immediate</p> <p>Immediate</p> <p>Immediate</p>	<ul style="list-style-type: none"> ■ Participated in 25 Steel & Iron Industries Association meetings.

Stakeholders/ significance to Tung Ho Steel	Communi- cation issues	Communication channels	Frequency	Communication performance in 2021
 Contractors/ subcontractors Under the trend of professional division of labor, we achieve our operational targets through the cooperation and assistance of the contractors.	Occupational Health and Safety	Questionnaire survey of Corporate Sustainability topics	Annual	<ul style="list-style-type: none"> ■ Convened a consultative organization meeting for joint operation. ■ All contractors attended the monthly Occupational Safety and Health Committee meeting to review the monthly deficiencies concerning safety ■ Participated in the in-plant safety and health education and training
	Education and Training	Stakeholders Section on the official website	Immediate	
	Corporate Sustainability Development	External communication mailbox	Immediate	
	Compliance	Symposium/ education and training	Irregular	
	Environmental Protection	Direct communication	Immediate	
 Academic & research institutions Academic & research institutions play a leading role in the development and application of forward-looking technologies, and they can assist the Company with innovative R&D to enhance our competitiveness in the market.	Waste			<ul style="list-style-type: none"> ■ Signed the industry-academia cooperation project with National Taiwan University on “Research on Microstructure Development of Ultra-high Strength Steel Plates” ■ Taiwan Concrete Institute entrusted the Company to carry our research project on “Comprehensive and Innovative Solutions for Circular Economy in the iron and steel industry ■ Participated the technology exchange seminar of Electric arc furnace (EAF) steelmaking organized by Taiwan Steel & Iron Industries Association and National Chung Hsing University
	Carbon Management	Questionnaire survey of Corporate Sustainability topics	Annual	
	Responsible Consumption and Production	Corporate visits	Irregular	
	Energy/Affordable Energy	Industry-Academia Collaboration	Irregular	
	Cleantech Opportunity	Patent licensing	Annual	

Consultation & Grievance Channels for Stakeholders

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

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

Consultation & Grievance Channels for Stakeholders

Category	Consultation & Grievance Channels
Internal stakeholders	<p>Internal stakeholders: directors, managerial officers, employees, mandatory person or any person having substantial control</p> <p>The Company has established various regulations and made public announcements of information concerning employees' rights, obligations, and work rules. In addition, to protect the rights and interests of our employees to avoid others from improperly infringing upon the Company's interest, we have established "Regulations Governing Employee Grievance and Whistleblowing". Employees can file complaints or report to the unit head or the management unit of each factory in writing, mail (email), orally or by telephone. After receiving the complaints, the unit or personnel responsible will start investigation. If there are major violations of regulations or concerns of major damage to the Company, such unit or personnel shall prepare a report and notify independent directors in writing. If any violation by a director or managerial officer is verified through investigation, relevant information will be instantly disclosed at the MOPS. The Company will also strive to protect the confidentiality of the whistleblower's identity to protect his/her safety so as to avoid any form of retaliation or threats.</p>
External stakeholders	<p>External stakeholders: Shareholders, customers/ distributors, suppliers, contractors/subcontractors, government agencies, community residents, media, iron & steel industry, and academic & research institutions.</p> <p>We have set up a dedicated contact window for all our external stakeholders and the information is available on our official website. We accept notifications, suggestions, complaints and whistleblowing, and dedicated personnel are assigned to handle and respond to the complaints. Website: http://www.tunghosteel.com/CSR/mp_investment.html</p>
Email for internal and external complaints	<ul style="list-style-type: none"> ■ Email: tungho@tunghosteel.com ■ Employees: Ms. Yu-Chen Ding (02) 2551-1100 Ext. 531/dingyuj@tunghosteel.com ■ Customers: Mr. Rui-Hong Weng (02) 2551-1100 Ext. 538/rhweng@tunghosteel.com ■ Shareholders and media: Ms. Shu-Mei Guo (02) 2551-1100 Ext. 568/ksm@tunghosteel.com ■ Suppliers: Mr. Zhong-Ming Pan (02) 2551-1100 Ext. 604 / pcm@tunghosteel.com ■ Email addresses of independent directors: <ul style="list-style-type: none"> Yi-Ji Liu: 617ycliu@gmail.com Chuang-His Chang: drachang@livemail.tw Der-Ming Lieu: dmlieu@hotmail.com

Complaint Handling and Responses

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

Environment

A dedicated unit in charge of environmental complaints has been set up. When the employees of the factories, related groups outside the factories, or residents from the surrounding communities have opinions or disputes on environmental issues, they can file a complaint to the dedicated unit through face-to-face interviews, phone calls, emails or other channels. The factory will communicate, handle and respond to the complaint in accordance with relevant communication management regulations.

Labor & human rights

The Company and the factories hold labor-management meetings regularly to have bilateral communication with our employees for exchange of opinions in an open manner. In addition, we have also set up human rights policy, Regulations Governing Employee Grievance and Whistleblowing (Whistleblower Protection Policy), Regulations for the Prevention and Handling of Sexual Harassment, Sustainable Development Best Practice Principles, and Workplace Violence Prevention Policy Statement. There are also the Tung Ho Steel mailbox and the employee suggestion boxes in the factories so that our employees can propose their opinions or file complaints or any other questions to unit supervisors or the management unit in the factory in the forms of writing, emails, oral or by telephone to ensure effective and timely solution to the problem.

Society

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

Products

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

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

Tung Ho Steel attaches great importance to and actively handles various complaints. As of the end of 2021, there were no complaints concerning gender, racial discrimination or labor practices that violate human rights.

In 2021, due to the complaint concerning environmental protection filed by the residents near Taoyuan Works, personnel of the Environmental Protection Bureau visited Taoyuan Works 4 times, 2 for the complaints of air pollution and 2 for the complaint of illegal storage of waste. After the inspections, the results showed that the Company met relevant regulations. The handling of the complaints received in 2021 is detailed as follows.

Complaint cases received

Category	Content	Handling situations
Labor right	1 grievance by the employee of Kaoh-siung Works .	The case was properly handled and closed in accordance with the Regulations Governing Employee Grievance and Whistleblowing, and relevant improvement measures were made to enable our associates to work at ease.
Environment	Taoyuan Works received 2 complaints for the air pollution and 2 for illegal storage of waste.	The personnel from Environmental Protection Bureau visited the factory for inspection, and the results showed that we all met relevant regulations.
Products	A total of 21 customer complaints were established in 2021. The content of the complaints included the quality of the plant area and operation process of the production units.	All the 21 customer complaints concerning products in 2021 were properly closed. In the future, we will strengthen product testing, collect complete data to establish control information, increase the qualified rate and continue to track improvement plans. Any situation in the operation process should be immediately reported to the production unit for relevant corresponding measures.



1-3 Analysis of Material Topics

Tung Ho Steel introduced the materiality analysis during the preparation of this 2021 Sustainability Reports as the basis of reference for the disclosure of information, aiming at identifying sustainable development topics the stakeholders concern about and the ones having significant impact on the sustainable management of the Company in a systematic way. The materiality analysis of sustainable development topics includes five major steps, including “identification of stakeholders”, “summary of sustainable development topics”, “survey of issues of concern”, “identification of material topics”, and “review and discussion” to determine the material topics and the prioritization of materiality.

Steps for ESG material topics analysis

Identification of stakeholders

10 major categories of stakeholders

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

Summary of sustainable development topics

46 sustainable development topics

For the collection of topics, context of sustainability was put into consideration. It was mainly based on the GRI Standards, and at the same time, the topics and performance index of G4 Sector Disclosures –Mining and Metals, Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies and the Sustainable Development Goals (SDGs) were also referred to. Finally, a total of 46 topics concerning corporate governance, economy and environment were summarized and used as the basis for the questionnaire design.

Survey on issues of concern

213 copies of questionnaires were returned

Questionnaires were distributed for the survey of the issues of the stakeholders’ concern and the impact level of the management on the Company’s sustainable management for the reference of the prioritization of the topics. A total of 213 copies of questionnaires were returned in 2021, among them, 194 copies were level of concern questionnaires and 19 were level of impact questionnaires (filled out by the management of Tung Ho Steel).

Identification of material topics

21 material topics

Through questionnaire analysis, the scores of each topic in the level of concern survey and the scores of the level of impact to the sustainable management of the company were utilized for matrix analysis. After discussions in the Sustainable Development Group, 21 material topics were identified in 2021, and an effective management approach was formulated for each topic.

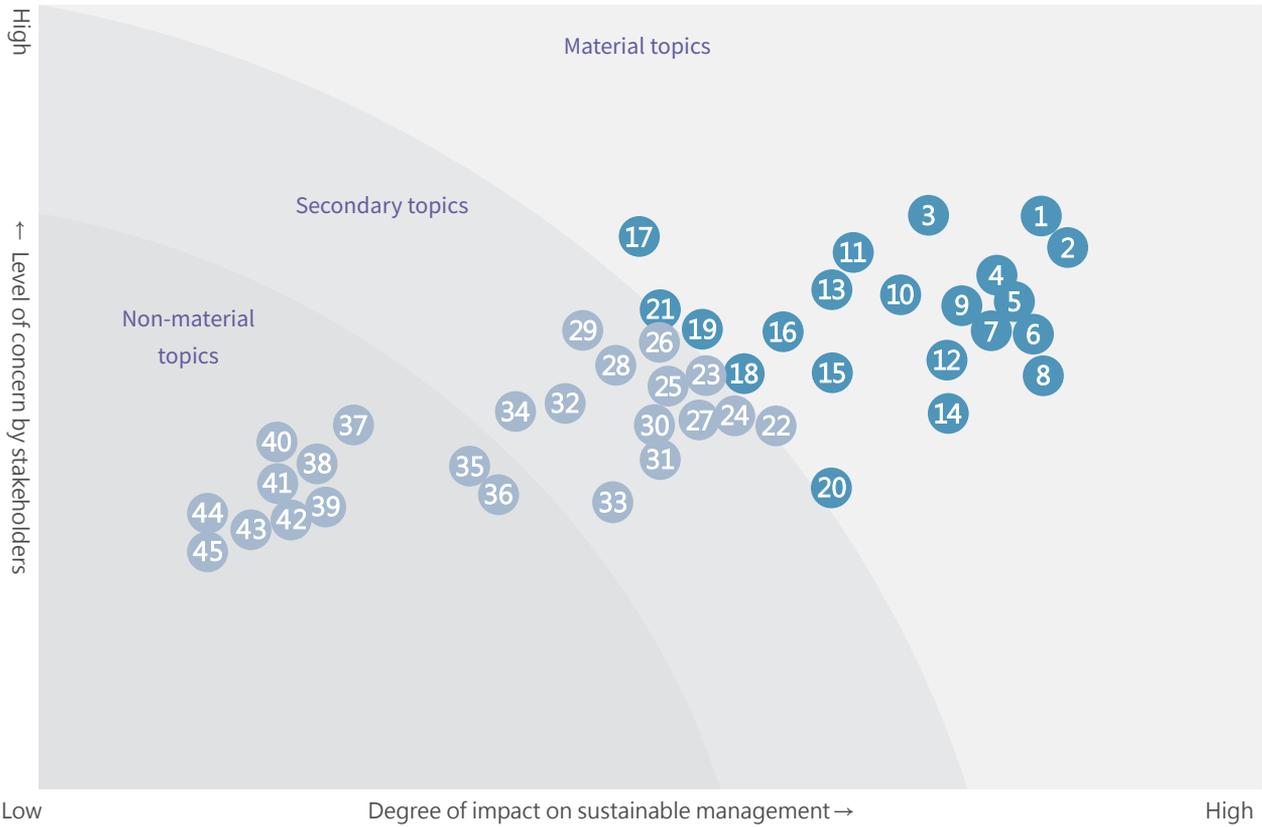
Review and discussion

The 7th Sustainability Report

Tung Ho Steel will continue to strengthen management and disclose relevant information in the Sustainability Report based on the material topics identified, responding chapters and boundary analysis. This is Tung Ho Steel’s 7th Sustainability Report. In the future, review of whether adjustment of material topics is needed will be conducted annually.

Analysis of Materiality

Matrix of material topics analysis



Material topics

1 Waste	12 Materials
2 Emissions	13 Climate-related Financial Impacts
3 Occupational Safety and Health	14 Water and Effluents
4 Cleantech Opportunity	15 Labor-Management Relations
5 Energy/Affordable Energy (Goal 7 of SDGs)	16 Socioeconomic Compliance
6 Green Action (Action Against the Climate) (Goal 13 of SDGs)	17 Supplier Environmental Evaluation
7 Economic Performance	18 Customer Health & Safety
8 Corporate Governance	19 Training and Education
9 Carbon Management	20 Supplier Social Assessment
10 Responsible Consumption and Production (Goal 12 of SDGs)	21 Information Security
11 Environmental Compliance	

Note: In 2021, Cleantech Opportunity, Climate-related Financial Impacts, Supplier Environmental Evaluation, Supplier Social Assessment, and Information Security were newly added material topics while Sustainable City was adjusted to be the secondary topic.

1-4 Response to Material Topics

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

After discussions in the Sustainable Development Group, a total of 21 material topics were identified this year, which were combined into 13 sustainability issues. Corresponding management actions to these topics are taken and relevant behaviors are detailed as follows.

Aspect	GRI Standards- Material topics	Sustainability issues	Significance to operations	Corresponding chapter	Impact		
					Tung Ho Steel	Custo- mers	Suppliers
Economic Aspect	Economic Performance	1. Stable Operation	The foundation for corporate operations is to increase profitability and to be able to create long-term and stable sustainable performance.	<u>3-1 Operating Status</u> <u>3-2 Risk Management</u>	●	■	■
	Corporate Governance*	2.Implemen- tation of Corporate Governance	Implementation of the corporate operating responsibility and while giving consideration to the interests of stakeholders to protect the rights and interests of our shareholders.	<u>2-2 Corporate Governance</u>	●	■	■
	Environmental Compliance Socioeconomic Compliance	3.Compliance	Avoid risks of operational disruption, ensure operating results and decrease financial risks caused by fines or impact on reputation.	<u>2-3 Integrity Management</u> <u>3-2 Risk Management</u> <u>Environmental Compliance</u>	●	■	■
	Cleantech Opportunity*	4.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.	<u>3-3 Management of and Strategies for Climate Change Risks and Opportunities</u>	●	■	■

Aspect	GRI Standards- Material topics	Sustainability issues	Significance to operations	Corresponding chapter	Impact		
					Tung Ho Steel	Custo- mers	Suppliers
Economic Aspect	Information Security*	5.Information Security	To ensure the confidentiality, integrity, availability, and legality of information for uninterrupted operation.	3-2 Risk Management <u>Customer Privacy</u>	●	■	■
	Materials Responsible Consumption and Production* Waste	6.Materials Circular Economy 	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.	Introduction of Value Chain 4-3 <u>Pollution Prevention and Control Management</u> <u>Waste Treatment and Recycling</u>	●	■	■
Environmental Aspect	Emissions Energy/Affordable Energy * Climate-related Financial Impacts Carbon Management* Green Action (Action Against the Climate) *	7.Climate Action  	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>	●	■	■
	Water and Effluents	8.Water Resources Management	Effective water resources management can reduce operational risks and strengthen corporate competitiveness.	<u>Water Resources</u>	●	■	■

Aspect	GRI Standards- Material topics	Sustainability issues	Significance to operations	Corresponding chapter	Impact		
					Tung Ho Steel	Custo- mers	Suppliers
Sustainability Issues in Social Aspect	Customer Health & Safety	9.Enhancement of Product and Service Quality	Providing stable and great product quality will help improve customer satisfaction and operational performance.	<u>Quality Management</u>	●	■	○
	Occupational Safety and Health	10.Safe and Healthy Workplace	Employees are important assets to the company, and the safety of the working environment should be ensured to avoid potential costs and risks caused by occupational accidents.	<u>5-4 Occupational Health and Safety</u>	●	○	○
	Labor-Management Relations	11.Talent Retention	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>	●	■	■
	Training and Education	12.Talent Cultivation	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>	●	■	■

Aspect	GRI Standards- Material topics	Sustainability issues	Significance to operations	Corresponding chapter	Impact		
					Tung Ho Steel	Custo- mers	Suppliers
Sustainability Issues in Social Aspect	Supplier Environmental Evaluation Supplier Social Assessment	13. Supplier Management	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.	<u>Supplier Management</u>	●		■

Note:

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

1

Sustainability
Issues in
Economic Aspect

Stable Operation

Material topic covered / Economic Performance

Boundary limit

In this 2021 Sustainability Report, disclosure of the topic of continuous profitability only reveals the information of Tung Ho Steel's economic performance in the form of consolidated statements.

Importance

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

Purpose of management

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

Material topic covered / Economic Performance

Policies

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

Goals

Stable growth and profitability.

Resources
invested

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

Evaluation
mechanism

- Prepare annual budgets and conduct tracking and reviews of goals through monthly meetings and take necessary measures.
- Grasp real-time economic trends and have close cooperation among production, sales and purchase for integrated operation.
- 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

Performance:

- In 2021, the EPS was NTD 5.95.
- In 2021, the cash dividend was NTD 6.4.

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](#)

2

Sustainability Issues in Economic Aspect

Implementation of Corporate Governance

Material topic covered / Corporate Governance

Boundary limit

The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of Tung Ho Steel's corporate governance is disclosed.

Importance

The fulfillment of our sustainable development is an important project Tung Ho Steel keeps paying attention to in order to meet the stakeholders' expectation in terms of corporate governance, environmental protection and social prosperity.

Purpose of management

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

Policies

Establish effective corporate governance structure, protect the shareholders' rights and interests, strengthen the functions of the board of directors, bring the functions of the functional committees into full play, respect the stakeholders' rights and interests, and increase the information transparency.

Goals

To follow the international development trend of corporate governance and the Corporate Governance 3.0 - Sustainable Development Roadmap, implement corporate governance, fulfill our sustainable development and be committed to ESG development to achieve sustainable management.

Resources invested

- 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 Corporate Governance Committee, there are Departments of Corporate Governance, Sustainable development, Integrity Management, Environmental Sustainability, and Risk Management. The president assigns supervisors of relevant units to be in charge of the work in the departments and implementation of operational plans. In addition, the work plans and implementation results will also be submitted to the Committee.
- 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.

Material topic covered / Corporate Governance

Performance:

- In 2021, Tung Ho Steel was ranked in the top 5% among the listed companies in the TWSE Corporate Governance Evaluation.
- The Corporate Governance Committee was renamed the Corporate Governance and Nominating Committee in July, 2021
- Revised the amendment to the Rules for the Performance Evaluation of the Board of Directors in December, 2021, and it was added that the evaluation shall be conducted by external professional independent organization or external team of experts and scholars at least once every three years. The external evaluation is scheduled to be carried out in 2022.
- Incorporated the climate change-related item into the performance evaluation of the board of directors to strengthen the supervision of the management level and the participation in the management of climate change.
- 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 4 consecutive years between 2018 and 2021.
- Require the suppliers to sign the Supplier Social Responsibility Commitment, and the commitments include labor rights and human rights, environmental protection, emphasis on climate change mitigation and adjustment, integrity management and ethics.

**Performance
and adjustment****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 topic covered / Socioeconomic Compliance, Environmental Compliance

Boundary limit

The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of environmental and social compliance in all factories in Taiwan is disclosed.

3

Sustainability Issues in Economic Aspect

Compliance

Material topic covered / Socioeconomic Compliance, Environmental Compliance

Importance

Compliance is the basic standard and requirement in corporate operation. Incidents that are likely to occur can be eliminated through prioritized improvement action plans, achieving the goals of management and raising expectations of stakeholders. Incidents of violations may affect the social perception, damage corporate image and even lead to losses from suspension of work or even termination of business, impacting on the sustainable operation of the company.

Purpose of management

To effectively manage legal risks of the company, fulfill the company's sustainable development and avoid major violations and penalties.

Policies

Environmental aspect:

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

Socioeconomic Aspects:

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

Goals

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

Resources invested

Environmental aspect:

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

Socioeconomic Aspects:

- Establish a dedicated unit to promote compliance with relevant laws and regulations, convene relevant meetings regularly to review social and economic regulations and provide employees with necessary training.
- Organize at least one educational publicity on insider trading-related laws and regulations for directors, managers and employees every year.
- Organize educational publicity every year on integrity management to allow directors, managers, employees and mandataries to fully understand the importance of integrity and the consequences of unethical conduct.

Material topic covered / Socioeconomic Compliance, Environmental Compliance

**Evaluation
mechanism****Environmental aspect:**

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

Socioeconomic Aspects:

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

**Performance
and adjustment****Environmental aspect:**

- Assigned dedicated personnel to check the environmental compliance.
- The goals and three projects (Improvement project of the leakage in continuous casting PUSH oil pipeline, Project of adding a guide plate to the lubricating oil groove of the finishing rolling, and the Improvement project of water conservation of faucets) of Taoyuan Works have been completed, and are all in line with the expected benefits.

Socioeconomic Aspects:

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

**Corresponding
chapters**

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

4

Sustainability Issues in Economic Aspect

Cleantech Opportunity

Material topic covered / Cleantech Opportunity

Boundary limit

The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of cleantech opportunity in all factories in Taiwan is disclosed.

Importance

In response to the international trend and national goal of Carbon Neutrality by 2050, only by actively developing clean technology such as renewable energy, hydrogen energy, carbon capture can we reach the target of net zero emissions by 2050.

Purpose of management

To actively plan the installation of renewable energy systems and related technology to ensure the direction and goals of cleantech technology and maintain our competitiveness.

Policies

Actively develop renewable energy, invest in preliminary research and the experimental plant for carbon capture and storage (CCS) technology in the electric furnace factory, and continue to pay attention to the technological development and practical application trend of hydrogen energy in the iron and steel industry.

Goals

Complete the installation of the solar PV power generation system with the capacity of 22MW by the end of 2023, and complete the preliminary research and the establishment of the experimental plant for carbon capture and storage (CCS) technology in the electric furnace factory.

Resources invested

Installation of solar PV power generation system: The subsidiary, Tung Kang Wind Power Corp. makes an overall planning of the installation of solar power generation equipment in all works with an overall capacity of 22,851 Kw.

Preliminary research and the experimental plant for carbon capture and storage (CCS) technology: The research funds and costs for industry-academia cooperation invested by 2025 is estimated to be around NT\$ 7 million. The capital investment in the experimental plant for CCS technology in 2026 will be approximately NT\$ 60 million.

Evaluation mechanism

During the installation of solar PV energy generation system, regular project review meetings are held to supervise the progress of project implementation.

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 Corporate Governance and Nominating Committee.

Performance and adjustment**Performance:**

- The installation of solar PV power generation system: The contracting operation has been completed in June, 2021. The first phase installed capacity is expected to be 17MW, which will be completed by January, 2023 while the second phase installed capacity will be completed by the end of 2023.

4

Sustainability Issues in Economic Aspect

Cleantech Opportunity

Material topic covered / Cleantech Opportunity

Performance and adjustment

- Preliminary research of the CCS technology: Currently, the expert interviews, continuous detection of gas components in the flue gas of electronic furnaces and heating furnaces are being conducted. After relevant analysis, related research projects will be planned.
- Technological development and the trend of practical application of hydrogen energy in the iron and steel industry: Meetings with equipment manufacturers of steelmaking preheaters, furnace burners and others have been made. We also attend technical seminars to understand the current development trend of hydrogen technology and continue to pay close attention to the latest development information.

Adjustment mechanism:

Reports are submitted to the Corporate Governance and Nominating Committee to track and review the attainment of goal and take necessary management measures.

Corresponding chapters

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

5

Sustainability Issues in Economic Aspect

Information Security

Material topic covered / Information Security

Boundary limit

The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information concerning information security in all factories in Taiwan is disclosed.

Importance

The information system supports the business operations of this Company. It is important to avoid the failure of normal operation of the information system that will cause losses to the business.

Purpose of management

To ensure proper management of the information security related operations.

Policies

1. The management regulations of information security shall be compliant with statutory and contractual requirements.
2. Maintain the integrity and availability of the data.
3. Restrict access to confidential information
4. Ensure that only those being authorized can get access to files and resources.
5. Prevent unauthorized use.
6. Prevent unforeseen events from jeopardizing hardware, software, and other resources.
7. Prevent intentional damage of hardware, software and other resources .
8. Prevent inappropriate use of online resources.

5

Sustainability
Issues in
Economic Aspect

Information Security

Material topic covered / Information Security

Goals

To establish an information security protection system to ensure the confidentiality, integrity, availability, and legality of information for uninterrupted operation.

**Resources
invested**

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 Audit Office and the audit accounting firm.

**Performance
and adjustment****Performance:**

- Information security inspection conducted by the audit accounting firm did not mention items to be improved.
- 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 90 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](#)

Material topic covered / Materials, Responsible Consumption and Production, Waste

Boundary limit

The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of Tung Ho Steel's materials, hazardous waste, and related pollution control is disclosed.

Importance

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

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

Purpose of management

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

Policies

- Comply with relevant laws and regulations of both central and local government as well as the operating standards the Company has established.
- Maintain an environmental management system to continue the improvement of pollution so as to achieve improvement in environmental performance.
- To increase the domestic purchase amount of scrap steel and increase the recycling rate of in the steel-making process.

Goals

- To reach the goals of circular economy and reuse of resources and at the same time extend the value chain to create the value of resources reuse.
- To solve the problem of treating the in-plant electric arc furnace (EAF) dust in the steel making industry, and the EAF dust (containing heavy metal of zinc oxide) can be refined for recycling and reuse.
- To jointly handle the treatment for the recycling of industrial waste, such as EAF dust, oxide slag and reductive slag to reach the goal of a circular economy of zero waste, zero pollution and making the best of materials.
- To purchase scrap steel in accordance with the monthly production plan.
- The Company adopts the best available control technology (BACT) to effectively reduce the emission of particulate pollutants. The waste is all recycled so as to step toward the goal of zero waste.

Resources invested

- ISO 14001 has been introduced into all factories to effectively manage emissions.
- Establish the ISO 9001 management system, establish operating standards for scrap steel acceptance and electric furnace operations.
- Establish a fine crushing workshop to increase the recovery rate of steel making.
- Expenses on industrial waste disposal reached approximately NTD 306 million in 2021.

6

Sustainability
Issues in Environ-
mental Aspect

Materials Circular Economy

SDGs Goals



Material topic covered / Materials, Responsible Consumption and Production, Waste

Evaluation
mechanism

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

Performance
and adjustment

Performance:

- All the average monitoring values meet the air pollutant emission standards.
- The waste recycling rate (recycling for reuse) reached 99.91% in 2021.
- In 2021, the ratio of the weight of recyclable materials to the primary raw materials reached 96.6%.
- Effectively grasp the scrap steel markets at home and abroad and increase the recovery rate in the steel making process.

Adjustment mechanism:

- Relevant units continue to propose improved management plans in PDCA model in accordance with the ISO 14001 environmental management system on a regular basis.
- Report the achievement status and evaluation level of the implementation performance in the annual management review committee meeting for necessary review and adjustment.

Corresponding
chapters

Introduction of Value Chain
Pollution Prevention and Control Management
Waste Treatment and Recycling

7

Sustainability
Issues in Environ-
mental Aspect

Climate Action

SDGs Goals



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

Boundary limit

The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating activities of related Group enterprises at home and abroad. Therefore, only the information of energy management behavior of all factories in Taiwan and corresponding behavior to climate change related risks is disclosed. Currently we do not require our suppliers to provide GHG reduction related information.

Importance

In the face of the global trends of accelerated climate policies and advanced carbon control, the impact of GHG emissions generated from energy use on the environment has been included in statutory control. Active responses and proper carbon management strategies can help the company with the reduction of CO₂ emissions, the conservation of energy use, reduction in costs and enhancement of product competitiveness.



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

Purpose of management To reduce emissions to reduce production costs and enhance product competitiveness to avoid possible operational risks in the future for sustainable management.

Policies

- 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 disclosure of carbon information to enhance our corporate competitiveness.

Goals

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

Resources invested

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

Evaluation mechanism

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

Performance and adjustment

Performance:

- Energy conservation and carbon reduction measures were implemented in 2021, saving a total of 49,226 tonnes of CO₂e.
- The three works of Tung Ho Steel all passed UL verification and obtained Type III Environmental Product Declaration (EPD), making Tung Ho Steel the very first steelmaker to obtain the EPD certification for all its steel products.
- The Task Force on Climate-related Financial Disclosures (TCFD) Report has been verified by BSI in May, 2021. According to BSI, the maturity model for Climate-related Financial Disclosures is Level 5: Excellence grade.
- The three works of Tung Ho Steel conduct GHG inventory every year and have obtained the verification statement of ISO 14064-1:2006. Our Taipei Office obtained the verification statement for the first time in May, 2021.
- Taoyuan Works has installed the rolling equipment without the heating furnace, which not only allows no pollutant emissions during the combustion process but also significantly reduces the heating energy consumption in the process (reducing approximately 68,631 tonnes of CO₂ emissions annually, equivalent to the annual absorption of CO₂ by 176 Daan Forest Parks).

7

Sustainability
Issues in Environ-
mental Aspect

Climate Action

SDGs Goals



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

Performance
and adjustment

- During the peak demand for electricity in summer, we actively cooperate by shifting to off-peak power consumption period for our power consumption to maintain the balance between people's livelihood and industrial power consumption. In addition, we also promote improvement of energy conservation of equipment to reduce energy consumption and reach the goal of reducing electricity consumption every year.
- Invested in a wind power company and installed 5 units of wind power generation equipment to provide green energy. The sale of electricity started from 2016.

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

Sustainability
Issues in Environ-
mental Aspect

Water Resources Management

Material topic covered / Water and Effluents

Boundary limit

The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating behavior of related Group enterprises at home and abroad. Therefore, only the information of the amount of water intake, drainage and water consumption of all factories in Taiwan is disclosed. The scope of information disclosure concerning water recovery rate and water resources management behavior mainly covers our production facilities of Taoyuan Works, Miaoli Works and Kaohsiung Works.

Importance

Cooling water is used in the steel making and steel rolling process for indirect and direct cooling of the equipment and other purposes. Therefore, the management of its recovery rate can reduce the costs risks and increase our products' competitiveness in sustainability issues.

Purpose of
management

To effectively manage the water intensity and regulatory risks concerning Water Act.

Material topic covered / Water and Effluents

Policies

To conform to the committed value in the Water Usage Plan and strengthen the recycling rate of water resources.

Goals

Taoyuan Works:

To conform to the committed recycle value^{Note} in the Water Usage Plan.

Miaoli Works:

To adjust the rain recovery amount in Retention Basin C to increase the reuse rate of water resources. To continue the promotion of water conservation policy and improvement of manufacturing process so as to conform to the water and cooling water recovery rate in the Water Usage Plan committed when the factory was built.

Resources
invested

- The wastewater treatment costs amounted to approximately NTD 14.7 million in 2021.
- 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.

Evaluation
mechanism

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.

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.

Performance
and adjustment

Performance:

- All the factories comply with the committed recycle value of water and cooling water in the Water Usage Plan.
- In 2021, the water recovery rate reached 91% and above in all factories.
- The total recovery amount of the Retention Basin C in Miaoli Works reached 50,411 tons, which increased by 22,204 tons compared to the 28,207 tons in 2020.
- The effluents are 100% compliant with the legal discharge standards.

Adjustment mechanism:

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.

Corresponding
chapters

[Water Resources](#)

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

9

Sustainability Issues in Social Aspect

Enhancement of Product and Service Quality

Material topic covered / Customer Health & Safety

Boundary limit	In this 2021 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.
Importance	The quality of products is the key to sustainable management, corporate reputation and the establishment of corporate image to an enterprise. Tung Ho Steel's stakeholders expect strict control over the production activities to provide safe and reliable building materials to the public.
Purpose of management	To conduct strict control over production activities to provide safe and reliable building materials.
Policies	<ul style="list-style-type: none"> ■ "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	<ul style="list-style-type: none"> ■ 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.
Resources invested	To ensure the appropriateness and implementation of the quality management system, the Quality Management Committee composed of the factory director and heads in production, administration, sales and purchase departments is established in each factory to hold regular meetings discussing the status of quality and proposing improvement measures. In response to the requirements of JIS Certification and KS Certification, dedicated personnel in charge of quality management are established to take full responsibility of the quality of certified products. In addition, ISO 9001 and TAF accredited laboratory have been introduced to set up related operating standards and automated auxiliary systems.
Evaluation mechanism	Relevant departments have set up quality goals annually and put forward corresponding quality implementation plans in accordance with the annual goals. The implementation results of the plans are reviewed every 6 months, and the quality goals are reported and reviewed in the annual management review meeting (including the continuous applicability of the quality management system, quality policy and quality goals).
Performance and adjustment	<p>Performance:</p> <ul style="list-style-type: none"> ■ 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 2021, scored 90 points in customer satisfaction among rebar customers and 96 points among section steel customers.

9

Sustainability Issues in Social Aspect

Enhancement of Product and Service Quality

Material topic covered / Customer Health & Safety

Performance and adjustment

Adjustment mechanism:

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

Corresponding chapters

Quality Management

10

Sustainability Issues in Social Aspect

Safe and Healthy Workplace

Material topic covered / Occupational Safety and Health

Boundary limit

In terms of the topic of Occupational Safety and Health in this 2021 Report, information of the Company's occupational safety system and performance and information of reduction of risks of occupational accidents and health promotion, as well as data concerning the injury rate, the number of work-related deaths and the management practices of subcontractors' workers in Tung Ho Steel are disclosed.

Importance

It is the corporation's due social responsibility to take care of the safety and health of workers, which are the necessary conditions for work.

Purpose of management

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

Policies

- The "Friendly Workplace" in our sustainable development: 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.

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 / CNS 45001: 2018 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.

Material topic covered / Occupational Safety and Health

Performance and adjustment**Performance:**

- Zaro 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 average percentage of labor representatives participating in the Occupational Safety and Health Committee in 2021 was 39.4%, 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.
- The occupational health physicians provide “integrated employee health service” to ensure the health and safety of the workplace. There was no occurrence of occupational diseases among the company employees and workers from contractors.
- Occupational safety and health training courses have been organized and the contractors have been assisted with the promotion of safety and health management. In 2021, the company’s investment in safety and health education and training was approximately NTD 1.12 million, with a total of 17,635 person-hours, an increase of 7% compared with 2020.
- We organize employee health checkups exceeding the frequency and items required by law every year. In 2021, there were 1,587 people receiving general health checks and 1,760 people receiving special health checks. The costs of these health checkups amounted to NTD 2.47 million.
- Organized 19 sessions of emergency response and disaster prevention drills. The operating environment test showed that all items were lower than the regulatory standard values except the noise.

Adjustment mechanism:

- Convene monthly Occupational Safety and Health Committee meetings and require the subcontractors to attend the meetings to implement the promotion of safety and health management. All factories will set the goals of the following year based on the execution status of the safety goals in the previous year to improve equipment and prevent personnel injuries and the occurrence of major accidents.
- The Audit Office and the Labor Safety Centers in all factories will conduct joint cross-plant inspection every quarter and report to the president the deficiencies and corrective measures. For major occupational accidents that require hospitalization, the section chief and the division head should conduct monthly and factory director and deputy director should conduct autonomous management every two months and report to the president for review.
- In the company-wide target management meeting chaired by the president every month, analysis of statistics and corrective measures of the occupational disasters in the previous month are reviewed.
- Information Technology Division applies big data to control (manage) unsafe behavior or environment to improve on-site safety and health management.

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Sustainability Issues in Social Aspect

Safe and Healthy Workplace

Material topic covered / Occupational Safety and Health

Corresponding chapters [5-4 Occupational Health and Safety](#)

11

Sustainability Issues in Social Aspect

Talent Retention

Material topic covered / Labor-Management Relations

Boundary limit	The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of labor-management relations in all factories in Taiwan is disclosed.
Importance	Employees are the important assets of the company. Harmonious labor-management relations can increase the cohesion among employees and improve productivity, which will further enhance our corporate image and performance, achieving the purpose of personal growth and corporate development.
Purpose of management	To establish harmonious labor-management relations to attract and retain good talents to maintain our competitive advantages through sooth and diverse communication channels.
Policies	<ul style="list-style-type: none"> ■ Construct a fair and safe working environment, harmonious labor-management relations and a complete system. ■ Organize diversified education and training and welfare measures for employees.
Goals	To provide a complete remuneration and welfare system and a good working environment to maintain the employees' health and safety.
Resources invested	<ul style="list-style-type: none"> ■ Organize employee education and training as employee welfare measures. 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	<ul style="list-style-type: none"> ■ 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. ■ Employees can submit their opinions or complaints to the unit head or the management unit in writing, email, orally or by telephone through the Regulations Governing Employee Grievance and Whistleblowing to respond to any problems at any time to protect their own rights and interests and express their thoughts so that the problems can be solved effectively and immediately.

11

Sustainability
Issues in
Social Aspect

Talent Retention

Material topic covered / Labor-Management Relations

Performance and adjustment	Performance:
	<ul style="list-style-type: none"> ■ There were no labor disputes in 2021. ■ The percentage of employees joining the union companywide reached 99% and more.
	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](#)

12

Sustainability
Issues in
Social Aspect

Talent Cultivation

Material topic covered / Training and Education

Boundary limit	The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of training and education in all factories in Taiwan is disclosed.
Importance	Employees are the important assets of the company. We stimulate the potentials of employees and enhance their professional capabilities, provide diverse channels for learning resources, aiming to enable fit for work for all the employees to enrich the human resources of the company through a complete education and training system.
Purpose of management	To enhance the competitiveness of talents to maintain the competitive advantage through diverse learning channels.
Policies	<ul style="list-style-type: none"> ■ Enrich human resources, provide employees with learning opportunities and proper job rotations to reach fit for work. ■ Provide employees with planned training to meet their needs for self-growth and improve techniques and performance of business management.
Goals	To enhance the employees' techniques and core functions through the education and training system to improve their work performance and organizational goals while reaching fit for work.

12

Sustainability Issues in Social Aspect

Talent Cultivation

Material topic covered / Training and Education

Resources invested

- Establish a human resources development system to organize internal and external training of the company.
- 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.
- 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.

Evaluation mechanism

- 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.
- Education and training is included in the department performance indicators in all factories, which is also included in the performance evaluation of section supervisors.

Performance and adjustment

- In 2021, the total education and training hours reached 30,015 hours, and the average training hours was 17 hours per person.

Corresponding chapters

5-3 Career Development and Training

13

Sustainability Issues in Social Aspect

Supplier Management

Material topic covered / Supplier Environmental Evaluation, Supplier Social Assessment

Boundary limit

The scope of information disclosure in this 2021 Sustainability Report only covers Tung Ho Steel's relevant operating systems and activities in Taiwan and does not include the operating performance of related Group enterprises at home and abroad. Therefore, only the information of Tung Ho Steel's supplier environment and social management is disclosed.

Importance

To strengthen the suppliers' social responsibility, the suppliers are required to sign Commitment of Supplier for Sustainable development to work with Tung Ho Steel to jointly contribute to the society. In regard to the source, quality, operation, and subsequent transportation, our suppliers are required to make sure the materials they supply are compliant with domestic labor regulations and human rights regulations. They shall attach great importance to business ethics and fair competition, strengthen their response to environmental changes and risks and strive to enhance competitiveness of product sustainability.

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Sustainability Issues in Social Aspect

Supplier Management

Material topic covered / Supplier Environmental Evaluation, Supplier Social Assessment

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.

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.

Resources invested

Conduct supplier environmental safety assessment and supplier evaluation before making purchase, and plan the establishment of a supply chain management system.

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**Performance:**

- In 2021, our domestic scrap steel providers all met the domestic scrap steel supplier evaluation standards.
- In 2021, 192 secondary materials suppliers all accepted the supplier evaluation, reaching a pass rate of 99%.
- A total of 257 suppliers have signed the Commitment of Supplier for Sustainable development in 2021, accounting for 88% of the Company's transaction value with suppliers.
- In 2021, 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

Annual Sustainability Performance



Performance of Integrity Governance



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



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



Directors and supervisors averagely received **8.45** hours of education and training per person.



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



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



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

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



No violation of Commercial Law.



The Corporate Governance Committee was renamed the **Corporate Governance and Nominating Committee**.



Performance of Economic Sustainability



The earnings per share (EPS) was reported as NTD **5.95** and the cash dividends was NTD **6.4**.



Participated in the climate change questionnaire of Carbon Disclosure Project (CDP) for the first time and **scored B** (entering climate change management stage)



Awarded 2021 TCSA Sustainability Report Award- **Platinum 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 **90** 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 **96.6%**.



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



The fuel of the heating furnace was changed **from heavy oil to natural gas** in Miaoli Works.



Tung Kang **Wind Power Corp.** installed solar panels in all works.



The three works all obtained Type III Environmental Product Declaration (EPD), making Tung Ho Steel the **very first domestic steel-maker to obtain the EPD certification for all its steel products.**



The water recovery rate in all areas of the factories was higher than **91%**.
The recovery and reuse rate of water in Taoyuan Works reached **99.28%**.



The waste recycling rate (recycle and reuse rate) reached **99.91%**.



Took the lead in issuing the **TCFD Report.**

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



Performance of the Friendly Workplace



Employed **58** indigenous employees (accounting for 3.3% of all employees).

Employed **25** employees with disabilities (accounting for 1.4% of all employees).



Organize employee health check-ups **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 **17,635** person-hours.



Provided **paid vaccination leave.**



Performance of the Social Prosperity



The cumulative number of winners receiving Hou Jindui Distinguished Honor Award reached **168** in total.



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



Sponsored the **Vietnamese Language Learning Camp of Xiaogang High School**



public welfare expenditure was approximately **NTD 13.3 million.**



Tung Ho Steel Signed the Sustainability Linked Loan, Committed to Sustainable Development

In March, 2022, the Company signed a one-year contract of Sustainability Linked Loan (SLL) with HSBC (Taiwan) Commercial Bank, with the total loan limit reaching NT\$ 900 million. This not only shows Tung Ho Steel's determination to promote sustainable development but also is an action taken to respond to green finance with our partner in the financial industry to implement the goal of sustainable development and strive for the vision of sustainability.

What is Sustainability Linked Loan (SLL)?

In the past, banks used to focus on risk prevention of credit and industry in terms of lending evaluation. However, in recent years, due to the frequent occurrence of extreme climate events, climate change issues are paid more attention to, including the sustainable development risks derived from ESG related issues, such as climate change, environmental pollution, and labor issues. Therefore, when financial institutions conduct credit business, ESG issues are also included in their evaluation indicators. Sustainability Linked Loan (SLL) refers to the loan provided with discount or reduction of interest to encourage the borrowing company to achieve the sustainability goals agreed in advance and thereby, assisting more companies to incorporate sustainable development into their operating strategies.

Tung Ho Steel obtained a score of B in its first CDP Climate Change Questionnaire

CDP invites thousands of companies around the world to disclose carbon management-related data, risks, and opportunities. CDP is a highly credible environmental sustainability evaluation. Tung Ho Steel participated in the Climate Change Questionnaire for the first time and scored B, better than the average score of (C) of the metal smelting and refining and forming process industries, the average score of (B-) among Asian companies, and the average score of (B-) among global companies, indicating that Tung Ho Steel has entered the climate change management stage and taken integrated actions on climate change. In the future, the Company will continue to pay close attention to the global climate change trend and the direction of international response, incorporate climate change into one of the material topics of corporate sustainable development and key critical risks, continue to conduct analysis and control, and be dedicated to the adaptation and mitigation of GHG.





2

Integrity Governance

2-1 Company Profile

2-2 Corporate Governance

Special Column: Top 5% in the TWSE Corporate
Governance Evaluation

2-3 Integrity Management

2-1 Company Profile

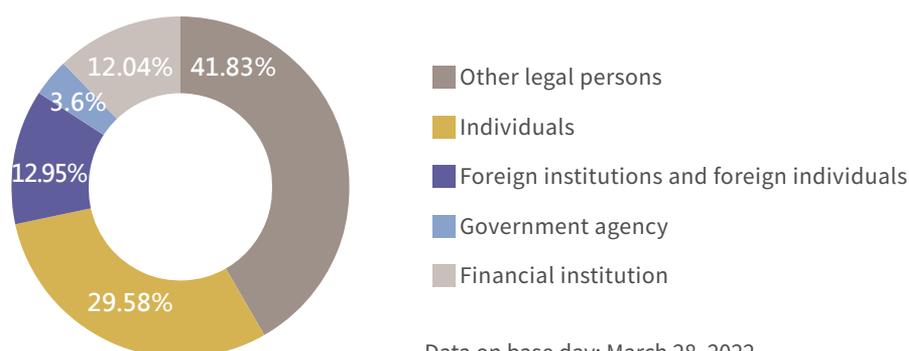
Corporate Missions

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

TUNG HO STEEL ENTERPRISE CORP.

Equity status/Market Type	Public offering/ Listed company (Stock Ticker: 2006)
Industry	Iron and Steel
Main business	Manufacturing, processing and sale of rebar, section steel, steel plate, channel iron, coil, steel sheet pile and other steel products.
Operating bases	Head Office, Taoyuan Works, Miaoli Works, Taichung Harbor Logistic Office, and Kaohsiung Works
Date of establishment	May 30, 1962
Paid-in capital	NTD 7,302,138,180
Chairman	Henry C. T. Ho
Head Office	6F., No.9, Sec. 1, Chang-an E. Rd., Taipei City 10441, Taiwan
Number of employees	1,777 (as of the end of December, 2020)
Net sales in 2021	NTD 45,569,308 thousand
Gross sales in 2021	2,108,575 tons

Shareholding ratio (%)



Data on base day: March 28, 2022

Invested Businesses

Tung Ho Steel bases on the axis of steel manufacturing business, having a footing in Taiwan with its product value while moving toward diversification management strategies that include steel structure, construction, environmental protection and wind power generation, aiming at the cooperation with the overall operation of steel manufacturing to give full play to the operational synergies. Please refer to the Consolidated Financial Statements for Q42021 (pp.74~75) for detailed information of our invested businesses.



Info. of invested businesses

Exchanges and Cooperation

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

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

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

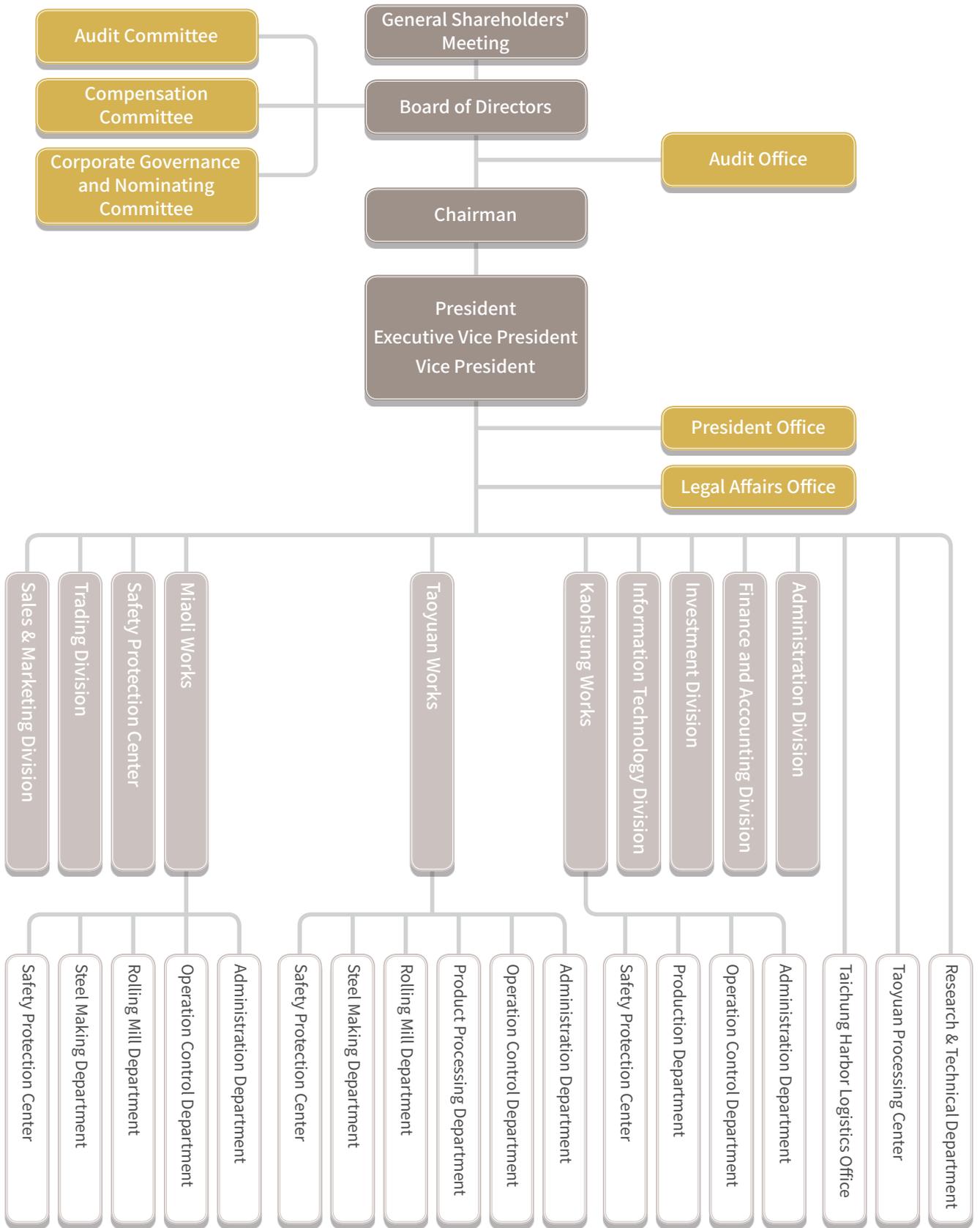
2-2 Corporate Governance

I Governance Structure

The board of directors of the Company has set up functional committees as needed. It was approved to set up the Compensation Committee in December, 2011, the Audit Committee in June, 2017, and in March, 2019, to cooperate with the Corporate Governance 3.0 - Sustainable Development Roadmap announced by FSC to strengthen the functions of the board of directors and enhance the corporate sustainable value, the Senior Corporate Governance Officer was established, followed by the establishment of the Corporate Governance Committee in September, 2019. To further complete the functions of the board of directors, the Corporate Governance Committee was renamed the Corporate Governance and Nominating Committee in July, 2021.

The Audit Office is subordinate to the board of directors, and appropriate number of full-time internal auditors are assigned. In addition, in accordance with operational requirements, the President Office, Legal Affairs Office, six Divisions, three Works, the Taichung Harbor Logistics Office, Taoyuan Processing Center, the Research & Technical Development Office and Safety Protection Center are set in place, and the head of each division or unit is assigned by the president to take charge separately.

In order to clearly divide the supervision and execution responsibilities of the chairman and the president, the Company actively fosters candidates to succeed the position of the president. The review was passed in the 3rd session of the 2nd term of Corporate Governance and Nominating Committee on November 11, 2021, and it was submitted to the resolution of the 15th session of the 24th term of the board of directors for approval on December 21, 2021. The resolution was passed to appoint Mr. Bing-Hua Huang as the president of Tung Ho Steel from January 1, 2022.



The Composition and Operation of Board of Directors

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

A. Method of Nomination and Selection

- Article 21 of the Articles of Incorporation was amended on July 15, 2021, changing the fixed seats of 11 directors to flexible seats of 7 to 13, and 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.
- The Company currently has 11 directors (including 3 independent directors), and all of them have business, financial and accounting backgrounds and the abilities required for company business. In the future, the composition structure of members of the board of directors and their experience as well as background will be maintained.
- The Articles of Incorporation was amended on July 15, 2021, and the Corporate Governance Committee was renamed the Corporate Governance and Nominating Committee, which shall nominate the recommended candidates for directors after comprehensive considerations of the following matters.
 - Whether the director candidates have a diversified background covering the expertise, skills, experience, gender, etc. that are needed for corporate management
 - 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.
 - 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.

Structure of Board of Directors

	Title	Chairman	Vice Chairman	Directors						Independent Directors		
	Name	Henry C. T. Ho	George Y. S. Ho	Hui-Ming Wu	Joshua P.H. Tung	Chih-Ming Huang	Pao-He Chen	Yen-Liang Ho	Chao-He Lin	I-Chi Liu	Chuang-Hsi Chang	Der-Ming Lieu
Age of directors	70 years old and above			●					●	●		
	Above 60 years old but less than 70				●	●	●					●
	Less than 60 years old	●	●						●		●	

Structure of Board of Directors

Title	Chairman	Vice Chairman	Directors						Independent Directors			
			Name	Henry C. T. Ho	George Y. S. Ho	Hui-Ming Wu	Joshua P.H. Tung	Chih-Ming Huang	Pao-He Chen	Yen-Liang Ho	Chao-He Lin	I-Chi Liu
Education	Graduated from Dept. of Economics, Harvard University	Graduated from Dept. of Visual and Environmental Studies, Harvard University	Graduated from Dept. of Materials and Mineral Resources Engineering of the National Taipei Institute of Technology	MBA of EMBA, College of Commerce, National Chengchi University	MBA of MBA of California State University	MBA of NBA of Royal Roads University	EMBA of Aalto University	Graduated from Dept. of Economics, Soochow University	Master of Graduate Institute of Accounting, National Chengchi University	PhD of University of Law, Economics and Social Sciences (Paris II)	PhD in Economics, Ohio State 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 are all males.
2. The re-election of directors was held in the general shareholders' meeting on May 19, 2020 for a new term from May 19 in 2020 to May 18 in 2023.
3. The chairman has left his office as the president since January 1, 2022, and Director Po-Hsiun Tung is schedule to retire on April 30, 2022.

■ Board of Directors Meetings

The board of directors convenes at least a meeting every quarter, and a total of 9 board meetings were held in 2021. 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"> ■ Important financial business reports ■ The Company's derivative commodity transactions 	<ul style="list-style-type: none"> ■ Reports of audit business ■ The Company's loan credit line, credit guarantee line, and riskline of derivative products with various financial institutions
Every quarter	<ul style="list-style-type: none"> ■ Quarterly financial report 	
Every year	<ul style="list-style-type: none"> ■ Annual financial statements and business reports ■ Annual distribution of earnings ■ Reports of liability insurance of directors, supervisors and important officers ■ The allocation of remuneration of directors and employees ■ The convention of shareholders' meetings and related matters concerning the distribution of dividends ■ Donations to Tung Ho Steel Foundation ■ Independence and suitability assessment of certified public accountants (CPAs) ■ Deliberation of the CPA's audit fee 	<ul style="list-style-type: none"> ■ Reporting of the annual audit plan ■ Issuance of declaration of internal control system ■ Performance evaluation report of the board of directors ■ 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. ■ Establish GHG management strategies, reduction targets and plans ■ Issuance of Sustainability Reports and TCFD Reports
Irregular	<ul style="list-style-type: none"> ■ Set up relevant affairs concerning the exercise of the right of redemption and termination of OTC trading of the Company's 7th domestic Unsecured Convertible Corporate Bonds ■ Issuance of convertible corporate bonds ■ Capital reduction ■ Appointment of senior executives and managers of important subsidiaries 	<ul style="list-style-type: none"> ■ The formulation and revision of regulations ■ Acquisition and disposal of real estate ■ Related party transaction ■ Supervision of subsidiaries, including cash capital increase and loan credit line endorsement

■ 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, sustainable development, internal control system and financial reporting responsibilities. Directors participating in the courses reached 31 person-times, with a total of 93 training hours, and the average training hours amounted to 8.45 hours per person in 2021. The training hours of all directors were 100% compliant with the regulations stipulated in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. Please refer to our [official website](#) for detailed information.

The courses included Corporate Climate Governance and TCFD Disclosure Practices, The Only Way to Corporate Sustainable Management- External Innovation, The Only Insurance Directly Referring to Corporate Governance- Information Security Insurance, The Impact of Commercial Courts on the Operation of the Board of Directors and the Execution of Duties of Directors, Global Risks Perception, The 13th Taipei Corporate Governance Forum, Corporate Anti-corruption and Whistleblower Protection Seminar, How to take into account the risk of intelligence security and create a win-win-win situation in the digital transformation of enterprises, etc.

Functional Committees

■ Compensation Committee

To complete the compensation system for directors and managers in the Company, it was approved to establish a Compensation Committee in accordance with the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Taiwan Stock Exchange or the Taipei Exchange in December, 2011, whose major responsibilities include regular review of the Remuneration Committee Charter and propose suggestions for amendments, establishment and regular review of the performance evaluation of the directors, and the policy, system, standard, and structure of the remuneration of managers of the Company, and the regular review of the remuneration of the directors and managers of the Company.

The allocation of directors' remuneration follows the prescriptions in the Company Act and Article 28 of the Article of Incorporation, and directors shall be paid fixed amount every month. The Compensation Committee will propose recommendations to the board of directors on the compensation and remuneration policies of the Company while referring to the standards of the same trade and other listed companies for decision making.

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

The Compensation Committee is currently composed of two independent directors and a university professor with a professional background, all with more than five years of work experience and relevant qualifications that are sufficient to maintain the independence, professionalism and impartiality of the Compensation Committee. The Committee convenes at least two meetings annually. In 2021, a total of two meetings were convened, with an average attendance rate of 100%. Please refer to [pp. 38~39](#) of the 2021 Annual Report of Shareholders' Meeting for details.

■ Audit Committee

The Audit Committee was established in accordance with the Articles of Incorporation and Article 3 of Regulations Governing the Exercise of Powers by Audit Committees of Public Companies on June 16, 2017. The Audit Committee is composed of three independent directors, responsible for assisting the board of directors with the supervision and

evaluation of the appropriate expression of the Company's financial statements, the selection, independence and performance of the CPAs, the effective implementation of the internal control system, compliance with regulations and rules, management of existing and potential risks of the Company and so on to ensure that the Company's operation is in compliant with the relevant government laws and regulations as well as practical norms.

The Committee meeting is convened at least once every quarter. In 2021, a total of eight meetings were held, with the average attendance rate of 100%. Please refer to [pp. 28~30](#) of the 2021 Annual Report of Shareholders' Meeting for details.

■ Corporate Governance and Nominating Committee

To complete the functions of the board of directors, the Corporate Governance Committee was established by the Company 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 July 15, 2021. Under the Committee are five groups in charge of relevant business, including Corporate Governance Group, Sustainable Development Group, Integrity Management Group, Environmental Sustainability Group, and Risk Management Group, serving as the decision-making committee for economic, environmental and social topics. The president assigns unit heads of relevant units to manage the work of each group and implement the work plans, and the five groups have to submit the work plans and implementation results to the Committee every year. There are three members of the Corporate Governance and Nominating Group who are responsible for the implementation results of the Corporate Governance Best Practice Principles, sustainable development policies or relevant management approaches, the environmental sustainability system and the formulation, supervision and review of the risk management policies.

The Committee has to convene at least 2 times a year. A total of 2 meetings were convened in 2021, with the attendance rate reaching 100%. In addition, in the board meetings convened on May 11 and November 12, 2021, the ESG implementation status was reported/ the issuance of the 2020 Sustainability Report, stakeholder communication situation were reported and the proposal of the issuance of 2021 TCFD Report was approved in the 9th session of the 24th term of BOD; in the 14th session of the 24th term of BOD, the implementation status of Corporate Governance and Nominating Committee was reported, and the proposal of the GHG management strategies, reduction objectives and setting of plans was passed. Please check our official website for detailed information.

Members of functional committees

Name	Gender	Education	Compensation Committee	Audit Committee	Corporate Governance and Nominating Committee
Henry C. T. Ho	Male	Graduated from Dept. of Economics, Harvard University			⊙
I-Chi Liu	Male	Master of Graduate Institute of Accounting, National Chengchi University	●	⊙	

Name	Gender	Education	Compensation Committee	Audit Committee	Corporate Governance and Nominating Committee
Chuang-Hsi Chang	Male	PhD of University of Law, Economics and Social Sciences (Paris II)	◎	●	●
Der-Ming Lieu	Male	PhD in Economics, Ohio State University		●	●
Cheng-Ming Chu	Male	PhD of Dept. of Business Administration, National Taiwan University	●		

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



Top 5% in the TWSE Corporate Governance Evaluation

Tung Ho Steel has been actively strengthening the operation of board of directors, corporate governance, climate change response, and management of environmental, social, and governance (ESG). In addition, Tung Ho Steel was ranked in the top 5% among the listed companies in the 7th (2020) TWSE Corporate Governance Evaluation, showing our achievement in the promotion of corporate governance.

In the 7th TWSE Corporate Governance Evaluation, there were a total of 1,617 companies being evaluated, including 905 listed companies and 712 OTC companies. A total of 45 listed companies were ranked in the top 5%, and the change rate was about 36% compared with the results in the previous year, which also showed how fierce the competition was. Compared with the results in the previous year, the number of listed companies that were newly added in the list was 9, and Tung Ho Steel was one of them. In addition, Tung Ho Steel was also listed in the Top 10% of the non-financial-electronics companies with a market value of more than NT\$10 billion.

The Corporate Governance Evaluation system is jointly established by Taipei Exchange (TPEX) and Taiwan Stock Exchange (TWSE). The content of evaluation took into account the international trends, important international corporate governance development trends, newly revised domestic laws and regulations, official letters and policies, and the evaluation system includes the 4 categories, namely “Protecting Shareholder Rights and Interests and Treating Shareholders Equitably”, “Enhancing Board Composition and Operation”, “Increasing Information Transparency”, and “Promoting Sustainable Development”, with a total of 78 indicators. The Company regularly reviews domestic laws and regulations, policy trends and evaluation content on a rolling basis every year and continues to complete the corporate governance mechanism in accordance with the new Corporate Governance Roadmap to fulfill our responsibility for sustainability.



2-3 Integrity Management

It is clearly prescribed in the Rules of Procedures for Board of Directors Meetings that when a director is an interested party with respect to any agenda item, the director shall evade himself/herself. When it is likely to prejudice the interests of the company, the director may not participate in discussion or voting on that agenda item, and further, shall enter recusal during discussion and voting on that item and may not act as another director's proxy to exercise voting rights on that matter. The directors of the Company uphold a high degree of self-discipline, and if the proposal involves their own interests, they all uphold the principle of avoidance of conflict of interest and evade themselves. Please refer to [p.14](#) of the 2021 Annual Report of Shareholders' Meeting for details information concerning the positions of the Company's board members in other affiliated companies.

The status of the recusal of directors that are an interested party with respect to the agenda item (s) in 2021 is shown in the following table.

Name of director	Date of board meeting / term Content of agenda items	Reason for avoidance of conflict of interest	Participation in voting
Henry C. T. Ho George Y. S. Ho	May 11, 2021/ 9 th session of the 24 th term of Board of Directors Donations to Tung Ho Steel Foundation	Chairman, Mr. Henry C. T. Ho, serves as the director of the Foundation and the Vice Chairman, Mr. George Y. S. Ho, is a blood relative within the second degree of kinship of the chairman.	The independent director, Mr. Chuang-Hsi Chang served as the acting chairman for the discussion and voting of this proposal. Except for the recusal of the above-mentioned directors, other directors passed the proposal unanimously without objection.
Henry C. T. Ho George Y. S. Ho	June 25, 2021/ 10 th session of the 24 th term of Board of Directors The outflow control project of Taoyuan Processing Center to be outsourced to Tungkang Engineering & Construction Corp.	Chairman, Mr. Henry C. T. Ho, serves as the director of the Foundation and the Vice Chairman, Mr. George Y. S. Ho, is a blood relative within the second degree of kinship of the chairman.	The independent director, Mr. Chuang-Hsi Chang served as the acting chairman for the discussion and voting of this proposal. Except for the recusal of the above-mentioned directors, other directors passed the proposal unanimously without objection.
Henry C. T. Ho George Y. S. Ho	November 12, 2021/ 14 th session of the 24 th term of Board of Directors The main expansion project of Taoyuan Processing Center to be outsourced to Tungkang Engineering & Construction Corp.	Chairman, Mr. Henry C. T. Ho, serves as the director of the Foundation and the Vice Chairman, Mr. George Y. S. Ho, is a blood relative within the second degree of kinship of the chairman.	The independent director, Mr. Chuang-Hsi Chang served as the acting chairman for the discussion and voting of this proposal. Except for the recusal of the above-mentioned directors, other directors passed the proposal unanimously without objection.

Performance Evaluation of Board of Directors and Corporate Governance Evaluation

Since the establishment of the Rules for the Performance Evaluation of the Board of Directors in 2017, the Company has regularly implemented the performance evaluation of the board of directors and made review and revisions yearly on a rolling basis. In the 15th session of the 24th term board of directors, the board passed the amendment to align the rules with the TCFD (Climate-related Financial Disclosure Report) and CDP (Carbon Disclosure Questionnaire) and include the item of climate change related evaluation to strengthen the supervision of the governance level and participation in the management of climate change. In addition, it is also added that the evaluation should be carried out by an external professional independent organization or an external expert and scholar team at least every three years. The external evaluation is scheduled to be carried out in 2022.

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

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

The results of the 2021 performance evaluation of the board of directors were reviewed and approved in the 4th session of the 5th term of Compensation Committee on March 8, 2022 and were reported to the 16th session of the 24th term of board of directors on March 10, 2022 as prescribed as the basis for review and improvement. Relevant content, method and implementation status as well as the results of the evaluation are all disclosed in the annual report.

Items of Performance Evaluation

Evaluation target	Board of directors	Functional committee	Board members
Aspects of evaluation	<ul style="list-style-type: none"> ■ Participation in the operation of the company ■ Improvement of the quality of the board of directors' decision making ■ Composition and structure of the board of directors ■ Election and continuing education of the directors ■ Internal control 	<ul style="list-style-type: none"> ■ Participation in the operation of the company ■ Awareness of the duties of the functional committee ■ Improvement of quality of decisions made by the functional committee ■ Makeup of the functional committee and election of its members ■ Internal control 	<ul style="list-style-type: none"> ■ Alignment of the goals and missions of the company ■ Awareness of the duties of a director ■ Participation in the operation of the company ■ Management of internal relationship and communication ■ The director's professionalism and continuing education ■ Internal control
Measurement items	47	20~23	30

Internal Control

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

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

The Audit Office draws up an annual audit plan based on the results of the risk assessment. 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 Audit 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 Audit Office has completed the 2021 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

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

Organization of Internal Audit



Socioeconomic Compliance, Improvement and Prevention

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

We attach great importance to the ethical requirements of each director and employee, which is clearly stipulated in the Work Rules. Meanwhile, to cope with the requirements of FSC, we have established specific regulations like the "Codes of Ethical Conduct for Directors and Managers", "Sustainability Development Best Practice Principles", "Ethical Corporate Management Best Practice Principles", "Procedures for Ethical Management and Guidelines for Conduct", and "Enforcement Rules of the Personal Data Protection Act", and the directors as well as employees are all required to sign and keep complete records after reading these regulations. We also strengthen the code of conduct of all employees and remind them of integrity and honesty, avoidance and declaration of conflicts of interest, privacy protection, confidential information protection, intellectual protect protection, personal data protection, anti-corruption, and code of conduct. We also believe that the suppliers, distributors, and customers are all indispensable part for Tung Ho Steel to implement code of conduct and compliance. Through continuous communication and actions, we strongly convey our determination to maintain a high level of code of ethics and form a sense of partnership under the basic principle of business conduct.

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

In 2021, 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, and the overall assessment result showed low risk. We attach great importance to the equality of human rights at work, provide equal job opportunities to all employees, and does not discriminate against race, gender, physical and mental disabilities, religion, or other characteristics in the hiring of talents or to the employees of our contractors, and do not use any form of forced or compulsory labor.

In 2021, the education and training course on “Corporate Anti-corruption and Case Analysis of Corruption” was held, with 104 participants and a total of 208 hours. In addition, to strengthen our associates’ concept of human rights and sustainable development 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.

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

Overview of Compliance

Facilities	Description of case	Improvement and preventive measures
	<p>Date of punishment: December 22, 2021 Date of announcement: March 9, 2022</p> <p>A major occupational accident occurred during the maintenance of scrap iron trolley (part of the equipment was suspended), violating Article 22, Paragraph 1 of the Occupational Safety and Health Equipment and Measures and Article 6, Paragraph 1, Subparagraph 1 of the Occupational Safety and Health Act, and the fine was NT\$70,000 according to Article 43, Paragraph 2 of the Occupational Safety and Health Act.</p>	<p>Installed interlock devices and warning lights at the entrance of the underground tunnel; installed lighting equipment, warning lights and monitoring system in the maintenance area; improved the mobile alarm device of trolleys.</p> <p>Implemented hazard identification and risk evaluation before the trolley maintenance operations; revised the safety work standards before the trolley maintenance operations and keep safety inspection records during maintenance operations; implemented education and training; conducted factory-wide safety inspections.</p>
Taoyuan Works	<p>Date of punishment: January 20, 2021 Date of announcement: April 9, 2021</p> <p>A false alarm accident of the crane overturn due to tilted center of gravity, violating Article 120, Paragraph 1, Subparagraph 4 of the Occupational Safety and Health Equipment and Measures, and was fined NT\$ 60,000.</p>	<p>Carried out safety operation education and training and safety observation, and this incident is used as a case for publicity.</p>
	<p>Date of punishment: March 8, 2021 Date of announcement: June 2, 2021</p> <p>Displacement of the cover plate of pipe trench in the workplace, casing people to fall, violating Article 21 of the Occupational Safety and Health Equipment and Measures and Article 6, Paragraph 1, Subparagraph 13 of the Occupational Safety and Health Act, and the fine was NT\$ 60,000.</p>	<p>Fixed the cover plate of the pipe trench with steel welding repair, adjusted the placement of scrap buckets, modified the fixation method of the cover plate of the trench. This case is also used as the training and education material for publicity in the toolbox meeting for the implementation of the automatic check before, during and after the operation.</p>

Facilities	Description of case	Improvement and preventive measures
Taoyuan Works	<p>Date of punishment: January 25, 2021</p> <p>The construction of Building B-2 and Building X was completed first without completing the inspection of each stage, and the plant was used first without the completion inspection and obtaining of permit, violating Article 25 and Article 56 of the Building Act, and was fined NT\$ 72,000 and NT\$ 927,834 respectively.</p>	<p>Applied for and obtained the permit in accordance with relevant laws and regulation.</p>
	<p>Date of punishment: December 22, 2021 Date of announcement: March 9, 2022</p> <p>During the uploading work of steel bars, an accidental fall occurred, violating Article 6 Paragraph 1 of Occupational Safety and Health Act, and was fined NT\$ 60,000.</p>	<p>Carried out education and training and safety observation, publicize safe green card, and revised relevant operating standards.</p>
	<p>Date of punishment: November 15, 2021 Date of announcement: February 9, 2022</p> <p>Violations found in the labor inspection: (1) the lathe did not have a safety door with interlocking function, and there was danger of clamp. (2) There was no guardrail for openings with a height of more than 2 meters, and there was danger of fall. (3) There was no leakage circuit breaker for the pumping motor in the wastewater area, and there was danger of shock. The above items violated Article 58 Paragraph 5, Article 224 Paragraph 1, Article 243 Paragraph 2 of Occupational Safety and Health Equipment and Measures respectively and Article 6, Paragraph 1 of the Occupational Safety and Health Act, and the fine was NT\$ 180,000.</p>	<p>Relevant safety devices were installed in accordance with the deficiencies, and a comprehensive inspection and improvement was conducted for similar equipment and facilities in the factory area.</p>
	<p>Date of punishment: December 6, 2021</p> <p>The Lot No. 919 of the guaranteed segment was omitted when reporting the industrial zone, and the change in land category was not registered, violating the Regional Plan Act and was fined NT\$ 60,000.</p>	<p>Consulted the competent authority for relevant application procedure.</p>
	<p>Date of punishment: February 8, 2021 Date of announcement: May 10, 2021</p> <p>A worker fell and injured, violating Article 278 of the Occupational Safety and Health Equipment and Measures and was fined NT\$ 60,000.</p>	<p>Implemented hazard identification and risk assessment, overhauled related facilities, revised the operating standards, carried out education and training, filled in safety green card and use it as a case for publicity.</p>
Miaoli Works	<p>Date of punishment: February 8, 2021 Date of announcement: May 10, 2021</p> <p>A worker fell and injured, violating Article 12 Paragraph 1 Subparagraph 1 of the Regulations of Occupational Safety and Health Management and was fined NT\$ 60,000.</p>	<p>Implemented hazard identification and risk assessment, revised the operating standards, added a mobile maintenance stand, carried out education and training and safety observation, filled in safety green card, and use it as a case for publicity.</p>
	<p>Date of punishment: April 23, 2021 Date of announcement: August 10, 2021</p> <p>A worker was trampled and injured, violating Article 63 Paragraph 1 of the Safety Rules for Cranes and was fined NT\$ 60,000.</p>	<p>Carried out education and training and safety observation, filled in safety green card, and use it as a case for publicity.</p>
	<p>Date of punishment: December 16, 2021 Date of announcement: March 8, 2022</p> <p>The contractor used a spreader without an anti-falling device and did not conduct an actual inspection, violating Article 27 Paragraph 1 of Occupational Safety and Health Act and was fined NT\$ 60,000.</p>	<p>Revised the safety operation standards; used qualified lifting clips and urged contractors to implement pre-work safety analysis, implement education and training, and establish safe work rules as well as strengthen inspections.</p>

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

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
- ✓ No political contributions



Labor rights related regulations

- ✓ Compliance with Labor Standards Act
- ✓ No violation of Act of Gender Equality in Employment
- ✓ No child labor
- ✓ No discrimination and sexual harassment
- ✓ No violation of indigenous rights
- ✓ No infringement of freedom of association and collective bargaining
- ✓ No forced labor



Products related regulations

- ✓ No products that are prohibited from sale
- ✓ No violations of health and safety regulations and voluntary standards during the life cycle 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






3

Economic Sustainability

3-1 Operating Status

3-2 Risk Management

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

Special Columnn: Taking the Lead in Issuing the TCFD Report in Iron and Steel Industry

Special Columnn: Active Development of Green Power Industry

3-4 Product and Service Quality

Special Columnn: First Domestic Steel Manufacturer Obtaining EPD for All Steel Products

3-5 Customer Service

Special Columnn: Earthquake Resistance Starts by Choosing SN Steel

3-1 Operating Status

In 2021, the global economic situation continued to be impacted by the spread of COVID-19 epidemic. Despite improved situations compared to 2020, various countries still adopted anti-epidemic measures such as isolation, quarantine, and border lockout, which greatly slowed down economic activities, including production, consumption, trade and investment, leading to a sluggish global supply chain that caused shortage of commodity supply. In addition, the shortage of manpower caused by epidemic prevention measures also pushed up wages and freight costs, driving up the increase in commodity prices. There was also drastic change in the direction of monetary policies of the central banks of various countries to change the quantitative easing monetary policy to prevent the economic recession while fighting against the rising inflation and starting discussions on schedules of monetary tightening and lifting interest rates. It is expected that the financial environment will enter a cycle of interest rate hikes totally different from before, bringing adverse effect on the economic recovery and financial market prosperity in the post-epidemic era.

The global iron and steel industry was slightly weakened by the epidemic and the weakening boom of real estate in China, and quantities of raw materials, finished products, shipments and even the prices all declined. However, the booming manufacturing industry in Taiwan helped reverse the decline of the overall iron and steel industry in Taiwan. Construction steel in particular benefited from the huge demands from both the foreign and domestic companies' plant construction needs in Taiwan, coupled with the semiconductor and electronics manufacturers' factory expansion needs as well as the booming construction industry, leading to strong market demands and resulting in significant rebound of profits in this industry.

Tung Ho Steel also benefited from the booming demand for steel bar, and both the production capacity and output increased drastically while the production costs decreased significantly. What is more, because of the balance between the volume and prices resulted from the effective management of the sales, purchase and production, stable and good profits in an environment of fierce fluctuations of prices can be thus maintained. Moreover, great amount of orders in the steel structure business of our subsidiaries, Tung Kang Steel Structure Corp, also led to significant growth in profits. Our subsidiary in Vietnam also steadily stepped onto the right track, and despite the losses resulted from the impact of COVID-19 epidemic and not quite satisfactory shipment, the overall sales still turned losses into profits. The performance of other invested companies was excellent, contributing greatly to the drastic growth in profits of the Company this year.

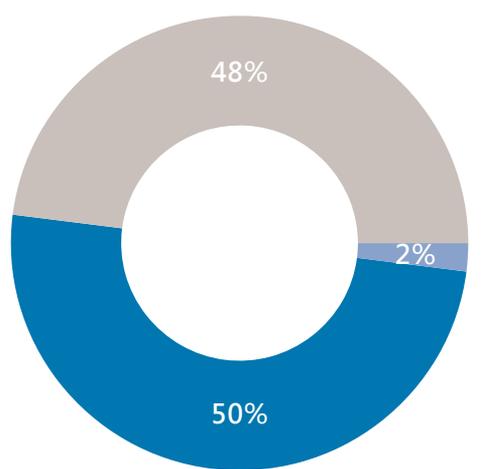
The main products of the Company include rebar, section steel and steel plate, which are mainly provided to the construction market in Taiwan and its outlying islands. Our services are provided to instruction industry, wholesaler of rebar (processing industry), traders and subcontractors (such as transport companies). In 2021, the sales of rebars mainly focused on the domestic sales. Domestic sales of section steel accounted for 89.4% while foreign sales of it accounted for 10.6%, mainly to countries such as Australia and New Zealand. There was no prohibition on sale of these products.

Overview of production and sales of products

Item	Total annual production capacity (tons)	Output (tons)	Sales (tons)
Billet steel	2,650,000	2,108,099	40,555
Rebar	1,500,000	1,087,528	1,183,278
Section Steel ^{Note}	1,200,000	863,372	871,896
Total	5,350,000	4,058,999	2,095,729

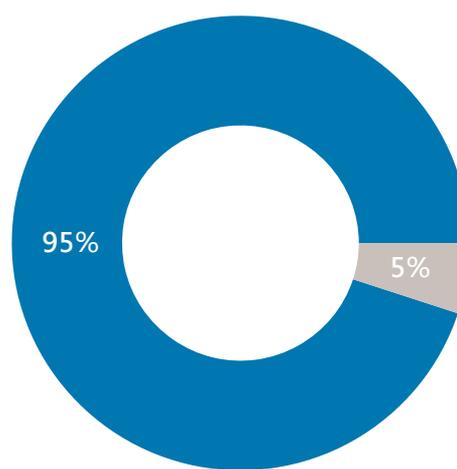
Note: Section steel includes H-beam, steel plate, channel steel, I-Beam and steel sheet pile.

Percentage of product turnover



■ Section steel ■ Rebar ■ Billet steel

Domestic and foreign sales of products



■ Domestic sales ■ Foreign sales

Financial Performance

The Company's annual revenue for 2021 increased by 32.08% compared with 2020, and the net income after tax amounted to NTD 5,906,247 thousand, an increase of 149.69% compared with 2020. The earnings per share was NTD 5.95. In 2021, the employee compensation and benefits were NTD 2,301,082 thousand.

Financial performance over the years

Unit: NTD 1,000

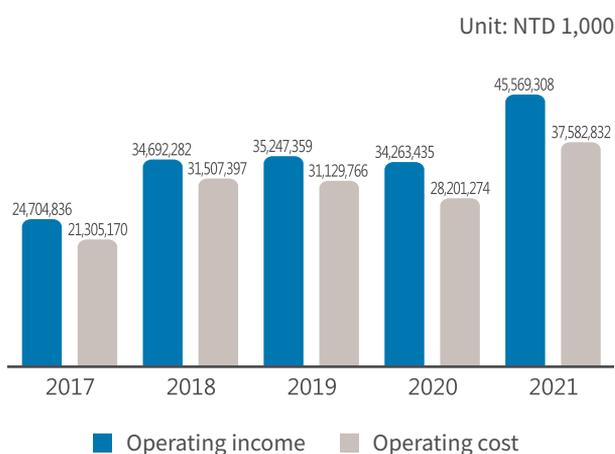
Year	Operating income	Operating cost	Net income before tax	Net income after tax	Employee compensation and benefits	Contribution to the government	Donations
2017	24,704,836	21,305,170	1,985,222	1,714,931	1,629,892	380,282	18,586
2018	34,692,282	31,507,397	1,226,805	887,932	1,591,062	455,520	19,081
2019	35,247,359	31,129,766	2,089,390	1,566,059	1,790,990	678,976	11,152
2020	34,263,435	28,201,274	4,389,145	3,562,064	2,001,608	1,339,957	6,882
2021	45,569,308	37,582,832	7,202,005	5,906,247	2,301,082	1,586,948	13,309
YoY (%)	32.08%	30.14%	134.63%	149.69%	16.72%	36.38%	57.63%

Earning distribution over the years

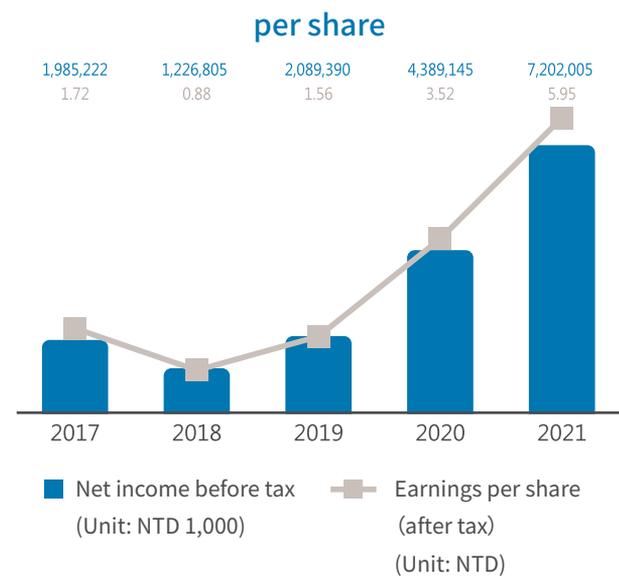
Unit: NTD

Year	Earnings per share (after tax)	Cash dividend	Total dividend payout ratio
2017	1.72	1.40	81.4%
2018	0.88	1.20	136.4%
2019	1.56	1.35	86.5%
2020	3.52	1.50	42.6%
2021	5.95	6.4	107.6%

Operating income and operating cost



Net income before tax and earnings



■ Govern subsidies

Government subsidies received over the years

Unit: NTD

Item	2017	2018	2019	2020	2021
Investment tax credit- Article 10 of the Statute for Industrial Innovation	4,289,840	6,034,480	5,928,815	4,139,518	6,171,844
Investment tax credit- Article 10-1 of the Statute for Industrial Innovation	-	-	1,664,855	-	250,000
Substantial Investment prescribed in Article 23-3 of the Statute for Industrial Innovation	-	-	6,605,078	-	11,173,927
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	56,540,876	-	-	-	-
Motor-driven systems subsidy for Taoyuan Works (Industrial Technology Research Institute)	-	924,000	-	-	-
Industrial low carbon technology subsidy program for Taoyuan Works (China Productivity Center)	-	-	1,457,500	-	-

Government subsidies received over the years

Unit: NTD

Item	2017	2018	2019	2020	2021
Industrial low carbon technology subsidy program for Miaoli Works (China Productivity Center)	-	778,378	-	-	-
Subsidy for water-cooled, fixed-frequency screw air compressor for Kaohsiung Works (Industrial Technology Research Institute)	-	924,000	-	-	-
Motor-driven systems subsidy for Taichung Harbor Logistic Center (Industrial Technology Research Institute)	-	-	207,355	-	-
Subtotal	60,830,716	8,660,858	15,863,603	4,139,518	17,595,771

■ Country-by-Country Report

The distribution of the Company's income, taxes and operating activities in various tax jurisdictions in the world in 2021 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	53,452,130	3,760,337	57,212,467	7,995,196	1,170,924	1,413,200	11,388,095	2,266	36,092,494
British Virgin Islands	19,373	0	19,373	(685)	0	0	422,447	0	0
Vietnam	4,779,765	1,097,032	5,876,797	146,187	0	0	5,523,670	462	8,069,299
China	820,640	3,734	824,375	1,915	6,209	1,008	537,496	78	398,991
Samoa	2	0	2	(6,391)	0	0	77,308	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, Fa Da Enterprise Corp., and Tung Sugar Energy Service Co., Ltd., in Taiwan, Tung Ho Steel Vietnam Corp., Ltd. and Duc Hoa International Joint Stock Company in Vietnam and Fujian Tung Kang Steel Co. Ltd. and Fujian Dong Sheng Metal Processing Co., Ltd. in China.
- 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 2021 amounted to NTD 41,145,626, accounting for 0.09% of the revenue. The R&D achievements of steelmaking include the development of billet steel of high purity and high ductility, the steelmaking of slab for 50mm SM570 steel plate, and continuous development of ultra-high-strength steel. The R&D achievements of steel rolling include the development of technology for endless welding rolling for billets to ensure uninterrupted production of rebar, the R&D of the Ultra High Tensile Re-Bar by direct rolling process that increase the strength by 1.6 times, the rolling of H beams with B value ≥ 300 mm by means of UE (Universal Edging) technology, and the R&D of online automated dimensional measurement and surface defect detection system of H beams/steel plate. The major R&D projects for 2022 include the continuous development of UE technology for the rolling of H beam, the development of the H/V (horizontal/vertical) rolling of angle steel and slab, the application of AI to the development of intelligent plant technology, the research on pavement and testing of asphalt concrete containing carbon steel oxidizing slags, the development of scrap pre-heating in an electric arc furnace and low-carbon green process technology, research on Carbon Capture Utilization and Storage (CCUS) Technology application, and research on hydrogen energy technology application.

■ Major Capital Expenditure and Benefits

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

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

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



Biomass materials generate biogas for power generation through anaerobic fermentation, and the biogas residues are sold as raw materials for organic fertilizers. By improving the current biomass waste treatment method, the dual benefits of recycling and energization can be reached, and it is expected that the goals of zero waste and sustainable management can be reached in the future. This center is expected to start production in 2022. The return rate of

this investment project is approximately 5~8%, and industrial waste in the food processing industry can be effectively reduced. This project not only works in line with the government's Non-nuclear Homeland Policy (renewable energy to account for 20% of the total power generation by 2025), but also conforms more to the circular economy policy and the strategic goals of sustainable management.

3-2 Risk Management

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.

A Corporate Governance Committee is added to the board of directors of the Company, under which are five groups, including Corporate Governance, Sustainable development, Integrity Management, Environmental Sustainability, and Risk Management. Risk Management Group is the responsible unit for the implementation of risk management, responsible for the coordination of relevant departments for the recognition, assessment, control and supervision of risks and regularly reporting the implementation status to the Corporate Governance Committee. Corporate Governance Committee will then report the overall status of risk management to the board of directors at least once a year.

The Company has established the Risk Management Policy and Operating Procedure based on which the risk management procedures for 2021 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 matrix diagram is prepared, and for items with higher risks, such as the "climate change risk" and "natural disaster risk" in the environmental aspect, relevant departments have set up management measures. The Audit Office will draw up annual audit plans based on the Risk Management Policy and the risk assessment results, implement the audit operations of various systems based on the plans, assist the

board of directors in the supervision and control of the potential risks of policy implementation, ensuring effective control over all operational risks and putting forward timely suggestions for improvement. Relevant promotion situations were reported to the 14th session of the 24th term of board of directors convened on November 12, 2021.

Risk items and management

Risk in operational aspect

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

Risk items and management

Risks in financial aspects

Financing risk	The Finance and Accounting Department is responsible for evaluating the money flow generated during the process of operation and the financing measures to be taken in accordance with future changes and surplus or deficit. In addition, it also negotiates financing methods with domestic and foreign financial institutions to diversify financing partners appropriately to avoid excessive concentration of financing lines, and conducts various financing operations within the scope of authorization by the board.
Investment risk	The Company has established reasonable management procedures for different types of investment, including Procedures for Obtaining and Disposing of Assets and Regulations Governing Investment Businesses and controls these invested businesses in accordance with approved authority.
Liquidity risk	The Company has regular control over the proportion of various assets, including current and non-current assets and non-current liabilities as well as the relevant proportions of them to regulate the debt-paying ability so as to reduce the liquidity risk.
Exchange rate risk	Information of changes in exchange rates is collected every day to have full grasp of the trends so as to make timely conversion of the currency or to keep the foreign currency borrowings. Procurement of foreign funds is through regular import and export transactions, and the foreign currency claims and debts are offset to generate a natural hedging effect. We also consult the foreign exchange department of the bank for hedging strategies and decision on the foreign exchange position based on the actual capital needs and the exchange rates.
Interest rate risk	Within the scope authorized by the board of directors, we conduct financing operations with financial institutions and negotiate an advantageous fund interest rate by referring to the market interest rate for the purpose of controlling the Company's financing costs. In addition to financial institutions, the Company also prudently evaluates other low-cost financing tools for major capital expenditures.
Lending funds to other parties risk	The Company has established operating procedures for lending funds to other parties, restricting the objects and conditions of the loans and setting standards for the total amount and limits of individual objects while the loan objects' operating conditions, financial status, debt-paying ability, credit status, profitability and the purpose of borrowing are investigated, evaluated and reported to the board of directors as a basis of risk assessment. Appropriate guarantee conditions are required, and the operations of fund lending are to be processed after the resolution is passed.
Endorsement risk	The Company has the operating procedures for endorsement guarantee, restricting the objects and conditions of the guarantee and has set standards for the total liability amount of the guarantee and the limit of individual objects. In addition, the Finance and Accounting Department shall review in advance and check on the loan line before submitting it to the chairman and reporting to the board of directors for resolution. After the resolution is passed, the guaranteed items, objects, amount and other relevant information will be recorded, and the Company's internal auditors regularly audit the operating procedures and implementation status of the endorsement guarantee.
Derivative commodity trading risks	The Company has established the Procedures Governing Derivatives Trading, stipulating the principles and types of transactions, and the board of directors authorizes executives to take full control by referring to the financial situation and operational needs. In regard to the total amount, individual amount and the upper limit of the contract transaction losses of the transaction contract, the Finance and Accounting Department will be in charge of the collection and provision of relevant data, giving transaction orders, evaluating the position, and setting the evaluation cycle of the derivative commodity position held, which will be submitted to the chairman or to the executive authorized by the chairman as reference for management. The transaction status and profit and loss assessment report will be reported to the board of directors.
Financial decision risk	All the Company's financial-related decisions, including disposition, fund lending, endorsement guarantee, derivative commodity transactions, and management of invested businesses, have relevant regulations for the content of operations. In addition, we are also compliant with laws and regulations and the decisions are handled in accordance with the level of authority approved. The audit unit also conducts auditing related operations to reduce the possibility of risks.

Risk items and management

Risks in operational aspects

Compliance risk	Integrity management and compliance with various laws and regulations are the most fundamental standards and requirements. The Administration Department and Finance and Accounting Department pay attention to the regulations proclaimed by the competent authorities for revision of the labor, management and financial regulations. The responsible unit in the factory carry out monthly compliance inspection on safety and health and environment (air pollution, water pollution soil pollution, waste removal, GHG, etc.) to make improvement or establish relevant operating procedures in case of deficiencies to reduce the compliance risk.
Information security risk	To implement information security management, the Company has set up the Information Security Management Regulations and relevant operating rules and carry out information work plans in accordance with such rules. In addition, the Regulations Governing Personal Information Data Security Maintenance and Management has also been established to strictly manage the use and security maintenance of data and build firewalls, the encryption systems of emails and electronic personal data storage platform to control the usage and access record. Meanwhile, the server endpoint protection function and privileged account management are also strengthened to prevent information security incidents from happening. The Company has also established a system backup mechanism and implemented annual disaster recovery drill to ensure the recovery of normal operation of the system and data preservation and reduce system interruption risks caused by unexpected natural disasters or human negligence.
Occupational safety and health management risk	The Company has a Labor Safety Center in the Head Office and each factory, which serves as the coordinating unit of safety and health management. To cope with the new version of the Occupational Safety and Health Management System (ISO/CNS 45001: 2018), each factory has revised the Safety and Health Management Manual and other related regulations and obtained verification to ensure the effectiveness and compliance of the system. In addition, we continue to promote safety and health management, improvement of process and equipment, risk identification and elimination or reduction of hazards to ensure safety and health of our personnel. Since 2020, cross-plant joint inspection of safety and health, deadlines for the improvement of deficiencies inspected, zero-disaster activities and the one-year project inspection for units experiencing major occupational disasters have been carried out. The frequency and intensity of inspections are increased to reduce as many occupational safety and health management risks as possible.
Fraud risk	The Company conducts an annual evaluation plan for the implementation of internal control system. All units carry out self-evaluation of the actual implementation situation, the current system, and the implementation of the regulations. In addition, improvement plans are found out to revise operating procedures and methods through the recommendations for deficiencies in inspections to reduce fraud risks. Furthermore, legal education for employees is also strengthened and effective communication channels are established to reduce the possibility of fraud risks.

Risk in environmental aspects

Climate change risk	We have started to understand the content of various international initiatives/organizations concerning sustainability and climate change to put the focus of international initiatives and evaluation criteria into consideration when establishing environmental and greenhouse gas policies of the Company so as to comply with the international development trends and to enhance the Company's capability to respond to climate change. Corporate Governance and Nominating Committee is the responsible unit for climate change. It intends to identify and evaluate the impacts and possibility of transition risks, physical risks, and opportunities in accordance with the climate risk and opportunity framework provided by TCFD. Please refer to 3-3 Management of and Strategies for Climate Change Risks and Opportunities for details.
Environmental pollution liability risk	A dedicated unit in charge of the promotion of the ISO 14001 Environmental Management System is set up to have effective management of exhaust gas, wastewater and waste. Funds for the improvement of pollution prevention equipment are continuous invested, and Best Available Control Technology (BACT) is adopted. Meanwhile, pollution prevention and industrial waste reduction are implemented and water conservation and wastewater recovery for reuse are strengthened to ensure environmental compliance. We strictly control the production, storage and removal procedures of waste and establish an internal self-check and audit waste system.

Risk items and management

Risk in environmental aspects

Natural disaster risk	Emergency response measures for natural disaster risks have been formulated so that when natural disasters occur, immediate and effective response measures can be taken to reduce personnel injuries and equipment and property losses. In addition, buildings and equipment, such as the offices, plants, equipment and income-generating equipment are all covered by property insurance while precision instruments and equipment are covered by additional electronic device insurance to reduce losses brought by disasters.
Major external hazard risk	Aside from changes in international situations, industrial policies and laws and regulations, the recent major external hazard risks are the impacts of the global epidemic of COVID-19 and the Russia-Ukraine War. We have evaluated possible impacts of the epidemic and formulated emergency countermeasures and plans for continuous operational management in advance. The emergency response organization and contact network are established and plans for continuous operational management (including personnel, equipment, information system, raw materials, transport, finance and back up plans) have been set up based for the key business under the premise of advanced preparation.

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

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^{note}.

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



Four elements for Task Force on Climate-related Financial Disclosure (TCFD): “Governance”, “Strategy”, “Risk Management” and “Indicators and Targets”

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 Corporate Governance and Nominating 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. Corporate Governance and Nominating Committee is convened twice a year, and relevant contents concerning climate change are regularly reported in the board meeting every year.

Risk management, strategies, and goals related to climate change in this Report were set and approved in the 19th session of the 24th term of board of directors dated on May 27, 2022. 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 2022. 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 189 training hours.

■ Representatives of Climate Change Issues at BOD level

The Corporate Governance and Nominating Committee (a functional committee) of the Board of Directors has set up an Environmental Sustainability Sub-committee, with the President and the Vice President for Production acting as its convener and deputy convener respectively. Consisting of members appointed by the relevant departments, the sub-committee is responsible for assessing and managing climate-related risks and opportunities, establishing the relevant strategies and targets, and conducting continual analysis and control. The Environmental Sustainability Sub-committee submits regular reports to the Corporate Governance and Nominating Committee regarding its performance.

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



Corporate governance hierarchy

Task of climate change governance

2021 Implementation results

Corporate governance hierarchy	Task of climate change governance	2021 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"> Reviewed and approved the 2021 climate change risk management, strategies and target setting The board of directors reviews the implementation status of climate change management and reviews the GHG reduction targets and plans. Applied 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. Reviewed and approved the 2022 climate change risk management, strategies and target setting
 <p>Corporate Governance and Nominating Committee</p>	<p>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</p>	<ul style="list-style-type: none"> Passed the proposal of the issuance of 2021 TCFD Report and submitted it to the board of directors. Passed the proposals of setting GHG management strategies, reduction goals, and plans and submitted it to the board of directors. Passed the proposal of the issuance of 2022 TCFD Report and submitted it to the board of directors.



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 Corporate Governance and Nominating Committee

- Held many climate change-related response meetings in 2021, including planning meetings for new wind turbines, renewable energy, and energy storage equipment. And the review meeting of the progress of solar power generation equipment installation was held every two weeks.
- Held 2021 TCFD kickoff meetings and meetings for risk and opportunity identification
- The president made a keynote speech on “Blueprint for Carbon Reduction at Tung Ho Steel”, attended by middle and senior executives.
- 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.
- Held the planning meeting of the Energy Conservation and Carbon Reduction Working Group and the meeting for the furnace equipment renovation.

Climate Change-Related Risks and Opportunity Management

Identification of Climate Change-Related Risks and Opportunities

Time series

- Short-term: 2022~2025
- Medium-term: 2026~2030
- Long-term: 2031~2050

Risk and opportunity scale

- Probability of occurrence
- Level of financial impact
- Potential vulnerability

Climate scenarios setting

- 1.5° C scenario
- NDC scenario
- IPCC AR6’s SSP5-8.5 scenario

Identification and assessment of climate change-related risks and opportunities of Tung Ho Steel

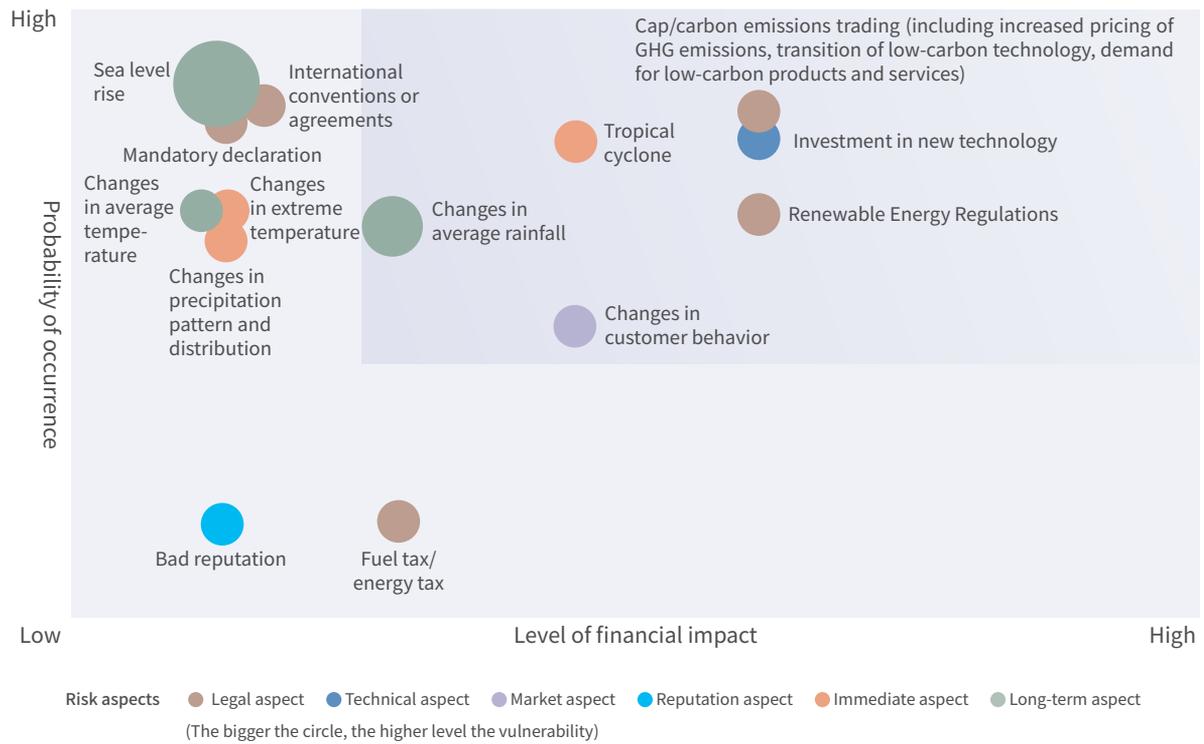
Categories of risks and opportunities

- Transition risks: Policy and regulation, technology, market, reputation
- Physical risk: Immediate, long-term
- Opportunities: Resource efficiency, energy sources, products and services, markets, resilience

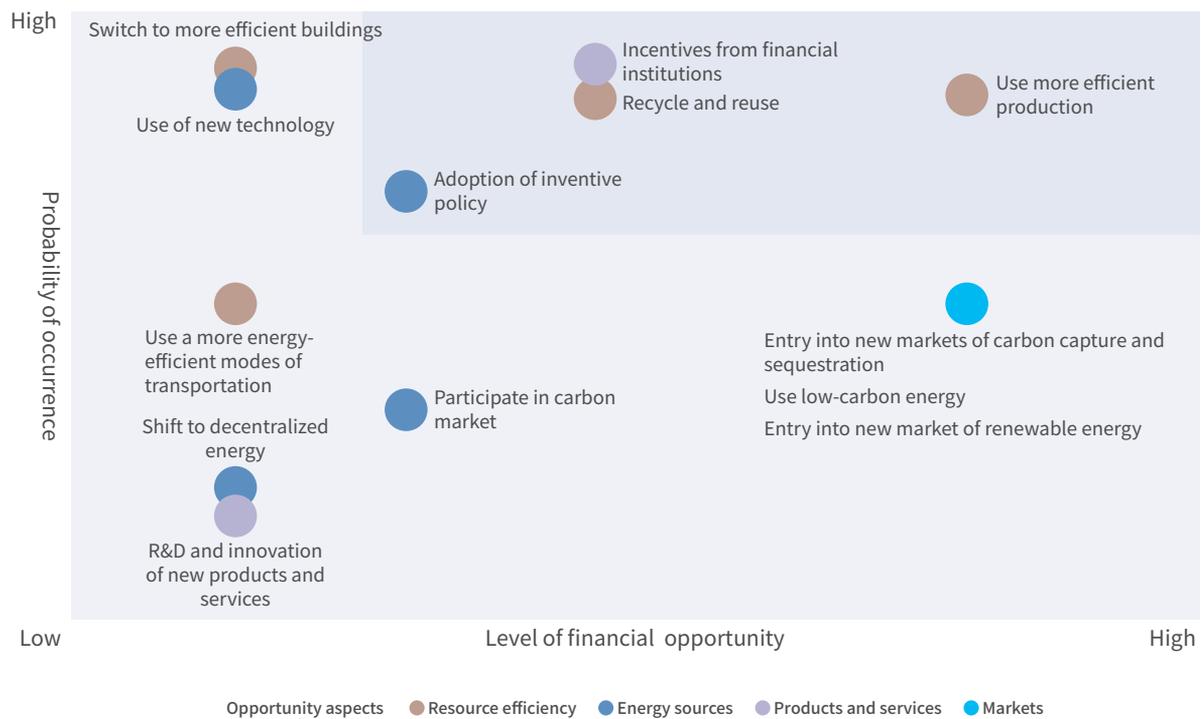
The Environmental Sustainability Group members convened a climate change risks and opportunities identification meeting and a total of 6 significant climate change-related risks and 4 significant climate-related opportunities were identified in accordance with the TCFD recommended assessment framework.

The matrix of identified climate change-related risks and opportunities is as follows.

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, and Changes in average rainfall.

Results of risk identification

Category / Item	Financial impact of risk	Description
Policy and Regulatory Risk	Cap/carbon emissions trading	<p><u>Increase in costs</u></p> <p>The carbon fee is expected to increase year by year.</p>
	Renewable Energy Regulations	<p><u>Increase in costs</u></p> <p>According to the “Regulations for the Management of Setting up Renewable Energy Power Generation Equipment of Power Users above a Certain Contract Capacity” announced by MOEA, if power users above a certain contract capacity do not install renewable energy as prescribed, an annual fee must be paid.</p>
Transition risk	New technology investment	<p><u>Increase in costs</u></p> <p>The carbon fee is expected to increase year by year.</p>
	Changes in consumer behavior	<p><u>Decrease in profits</u></p> <p>The scenario is that 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.</p>
Market		<p>In response to changes in consumer behavior, the guidance and the certification of Environmental product declaration (EPD) labelling is introduced in the short term, and in the medium and long term, the implementation of low-carbon transition plan and the purchase of carbon rights are carried out to reach carbon neutrality for products.</p>

Results of risk identification

Category / Item	Financial impact of risk	Description
Immediate	<p><u>Increase in costs / Decrease in profits</u></p> <p>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 costs, and labor costs.</p>	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.
Physical risk	<p><u>Increase in costs / Decrease in profits</u></p> <p>The scenario is that the total annual rainfall in Taiwan increased by 15%, but the number of consecutive days without rainfall increases by 5.5%, causing the water company to cut off water, leading to suspension of water supply in the factory area for 10 days, resulting in loss of property depreciation, labor costs, and even the shutdown of the factory.</p>	Part of our Works have groundwater rights and will not be impacted by the water rationing. For other Works that have no groundwater rights, water needs to be purchased to meet production needs.
Long term	<p>Changes in average rainfall</p>	

■ 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 Adoption of inventive policy. The financial impact, description of opportunities, and corresponding measures and costs of opportunities are detailed as follows.

Results of opportunities

Category / Item	Description of opportunity response strategy
Resource efficiency	<p><u>Decrease in costs / Increase in profits</u></p> <p>Use more efficient production</p> <p>In the medium- and long-term renovation plan, two scrap preheating electric furnaces are expected to replace old ones, reducing the unit smelting power by 100~120 kWh, and the costs of purchased electricity can also be reduced.</p>
	<p><u>Increase in profits</u></p> <p>Recycle and reuse</p> <p>Invest in Taiwan Steel Union Co., Ltd. and Katec Creative Resources Corp. to earn profits from invested recycling businesses.</p>
Market	<p><u>Decrease in costs / Increase in profits</u></p> <p>Incentives from financial institutions</p> <p>The Company has TCFD, CDP and other related reports, which will increase the chances of obtaining financial market credit, low-interest loans, and financing, and the interests can also be saved by obtaining the incentive opportunities form financial institutions.</p>
	<p><u>Increase in profits</u></p> <p>Adoption of inventive policy</p> <p>Invest in Tung Sugar Energy Service Co., Ltd., set up a biomass energy processing center, generate biogas power through anaerobic fermentation, and apply for the subsidy program for industrial low-carbon technology application from Industrial Development Bureau, MOEA and the subsidy for biogas power generator from the Bureau of Energy, MOEA.</p>

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.

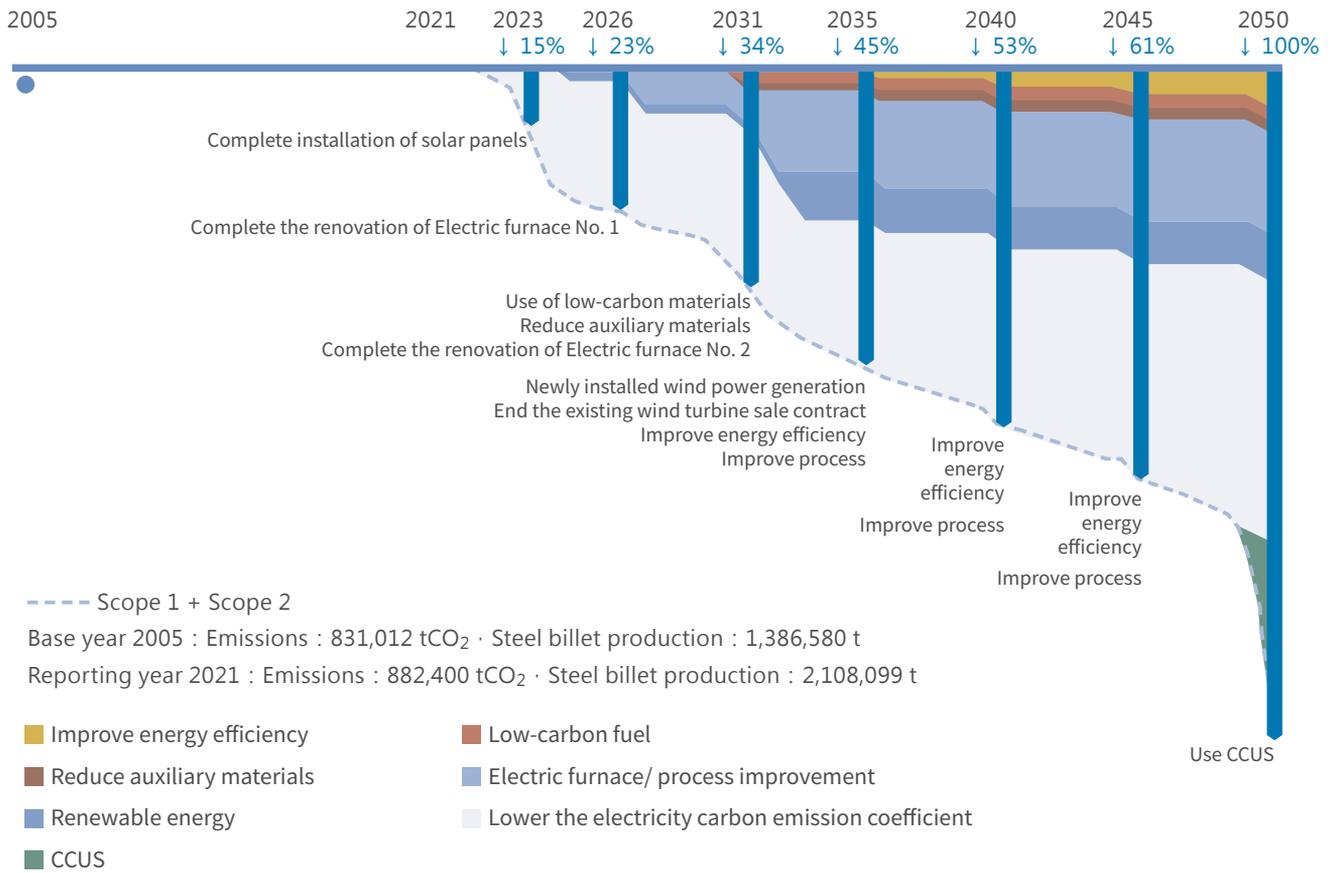
Type of climate-related risks and opportunities	Scenarios of the evaluation strategy of the Company	Content of scenario
<ul style="list-style-type: none"> Transition risk Opportunity 	<ul style="list-style-type: none"> 1.5° C scenario Taiwan 2050 net-zero emission pathway and strategies 	2050 net-zero carbon emission has become a global trend. Taiwan also released the Net Zero Emission Pathway and Strategy Statement. Four major transition strategies of “Energy Transition”, “Industrial Transition”, “Lifestyle Transition”, and “Social Transition”, as well as the 2 governance foundations of “Technology R&D” and “Climate Legislation” are applied to highly control the amount of GHG emissions, which may have operational impacts on the Company and its value chain.
<ul style="list-style-type: none"> Physical risk 	<ul style="list-style-type: none"> The worst scenario of global warming in IPCC AR6 (SSP5-8.5) 	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.

Compared with the 2021 climate risk and opportunity assessment strategy scenario using the 2 °C scenario and the RCP2.6 scenario, for the year 2022, the United Nations Framework Convention on Climate Change (UNFCCC) COP 26 and the change of climate-related regulations in Taiwan were put into consideration and the 1.5°C scenario, Taiwan 2050 net-zero emission pathway and strategies, the worst scenario of global warming in IPCC AR6 (SSP5-8.5) were used. New technology investment and Changes in consumer behavior are the significant climate-related risks, and Adoption of inventive policy and Incentives from financial institutions are the significant climate-related opportunities newly added for 2022.

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 [2022 Tung Ho Steel TCFD Report](#) for other climate change-related strategies.

Tung Ho Steel Carbon Reduction Pathway

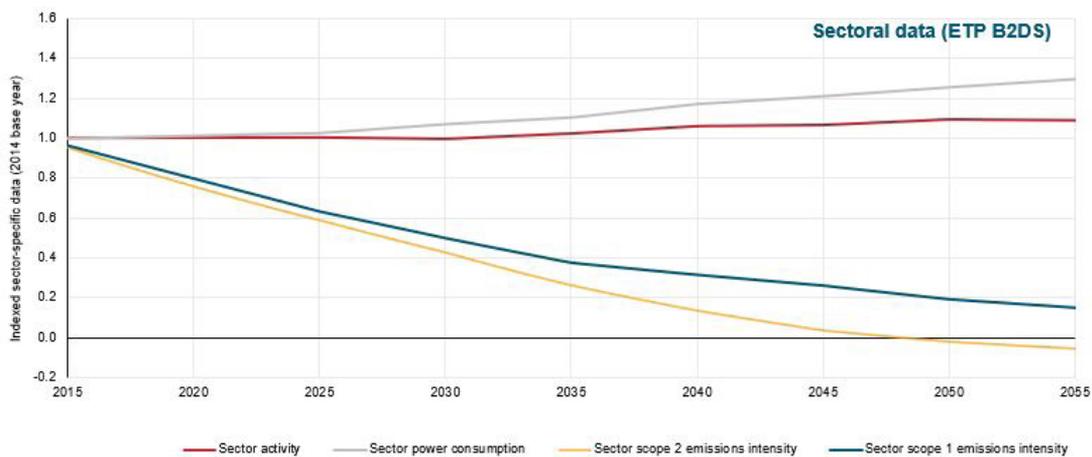


Climate Change-Related Indicators and Targets

Science Based Targets initiative (SBTi)

Tung Ho Steel uses 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.

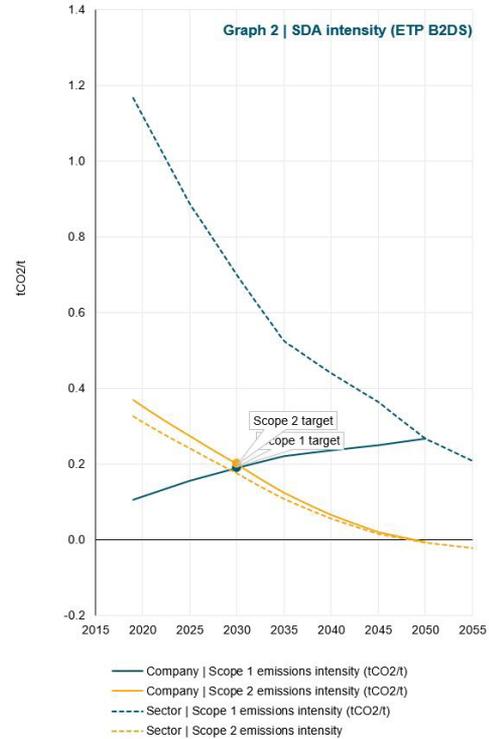
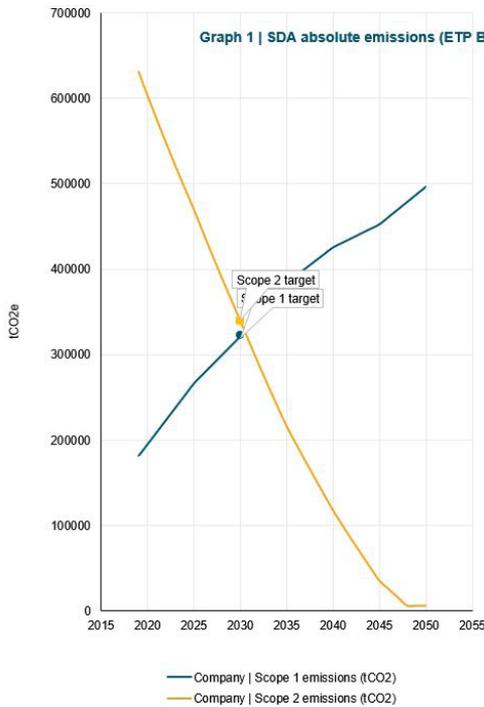
Tung Ho Steel's Science-Based Target of Climate Change (SBTi)



IEA ETP B2DS scenario

[Review all target modelling data](#)

	Base year (2019)	Target year (2030)	% Reduction
Company Scope 1 emissions (tCO2)	181,832.00	322,077.06	-77.1%
Company Scope 2 emissions (tCO2)	630,931.00	339,224.11	46.2%
Company Scope 1+2 emissions (tCO2)	812,763.00	661,301.17	18.6%
Company Scope 1 emissions intensity (tCO2/t)	0.107	0.190	-78.1%
Company Scope 2 emissions intensity (tCO2/t)	0.370	0.200	45.9%
Company Scope 1+2 emissions intensity (tCO2/t)	0.477	0.368	22.8%

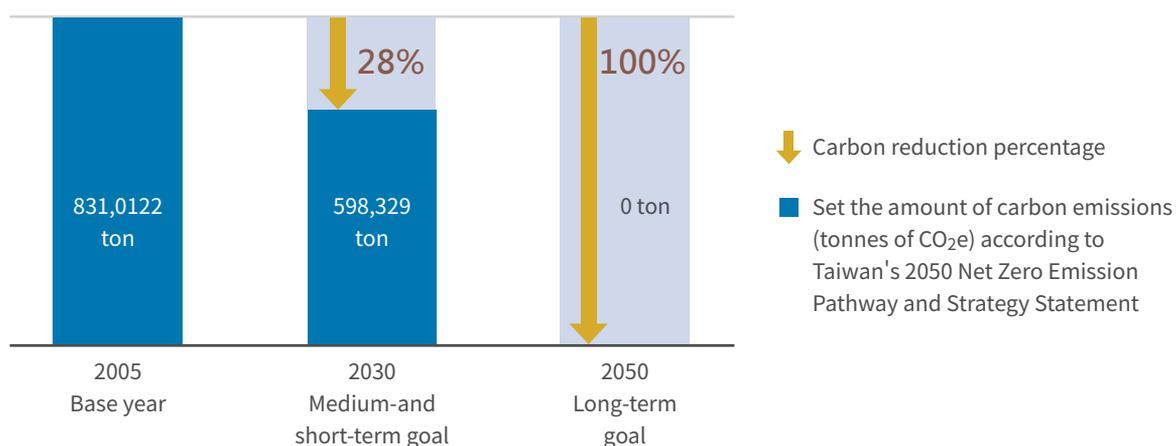


■ Description of GHG Emission Targets

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 28% by 2030. The long-term carbon reduction targets correspond to the national 2050 net zero pathway.

In 2021, due to the drastic increase of production, the emission of Scope 1 was 185,387 tonnes CO₂e, Scope 2 666,111 tonnes CO₂e, and the combined emissions of both Scope 1 and Scope 2 totaled 851,498 tonnes CO₂e, 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 2021 was relatively higher than 2005. 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 28% by 2030.

Description of GHG Emission Targets



Note:

- 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 28% of the carbon reduction of 2005.
- GHG emissions are the sum of those in Scope 1 and 2.

Description of Other Climate-Related Targets

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

Year	Percentage of renewable energy use	Status
2019 (Base Year)	0%	-
2021 (Reporting annual data)	0%	Currently working on the plans and taking inventory of feasible plans for installation of renewable energy. Make comprehensive evaluation of the trend of the government energy policy, the development trend of wind power/solar power technology and prioritize the implementation of each plan and the estimate of the time point for investment.
2030 (Medium-and short-term goal)	2.1%	To comply with the terms for major power users, 20 MW renewable energy (solar power) equipment is scheduled to be installed by the end of 2023, equivalent to 2.1% of the total power generation (compared with the base year 2019).
After 2031 (Long-term goal)	9.8%	Compared with the base year 2019, the newly installed solar power generation in 2030 will be equivalent to 2.1% of the total electricity demand. The new wind power generation in 2031 is equivalent to 5.3% of the total electricity needs. In the year 2032, the existing capacity of wind power generation will be equivalent to 2.4%, therefore, the power generation capacity after 2032 will be equivalent to 9.8% of the total power demand.

Tung Ho Steel's Task Force on Climate-related Financial Disclosures (TCFD) Report 2022 has been verified by BSI. According to BSI, the maturity model for Climate-related Financial Disclosures is Level 5+: Excellence grade.

■ Investment in Clean Energy in Response to Climate Change

Tung Kang Wind Power Corp

Tung Kang Wind Power Corp. has obtained the Electricity Enterprise License in 2016 and started to sell electricity to Taiwan Power Company, contributing approximate 28,000,000 kWh of green electricity every, reducing 14,252 tonnes of carbon emissions^{Note1}, equivalent to 1,437 hectares of afforestation ^{Note2}, and the income from the sale of electricity can amortize the costs of green electricity investment. In 2021, the total gross power generation amounted to 23,448,444 kWh, contributing to reduction of 11,771 tons of carbon emission.

Note:

1. Electricity emissions were calculated based on the electricity carbon emission coefficient of 0.502 kg announced by the Energy Bureau of MOEA on September 27, 2021.
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	28,000,000kWh
Total installed capacity	11,500 (kW)

Solar Power Generation

Tung Kang Wind Power Corp. is currently selling wind power to Taiwan Power Company, and even though it produces renewable energy (wind power), it cannot obtain renewable energy credits (REC). Therefore, it plans to add the solar PV energy generation equipment with the capacity of about 20MW and sell green power and the certificate to Tung Ho Steel to meet the large power user terms prescribed by MOEA. The renewable energy produced will be provided to all the Works of Tung Ho Steel, with an average of power generation of 25 million kWh every year, reducing carbon emissions by 12,550 tons. 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.

One good deed to save the Earth, Tung Ho Steel join hands with Discovery to save the earth

On Earth Day in 2021, Discovery proposed the “One Good Deed to Save the Earth, Supporting the Earth” and invited leaders from all sectors to respond and shoot short clips to arouse the public’s attention to environmental issues. Tung Ho Steel used the recycled scraps as the raw materials and reuse the building materials in an earth-friendly approach of “urban mining”. Tung Ho Steel participated in this action and tried to arouse the public’s attention to environmental issues by using the power of the media.





Taking the Lead in Issuing the TCFD Report in Iron and Steel Industry

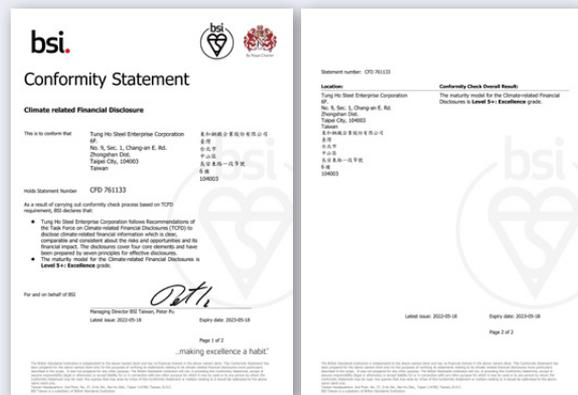
Tung Ho Steel pays close attention to the trend of global climate change and the direction of international response, incorporate climate change into the material topics and one of the critical major risks for corporate sustainable development, and continues to make analysis and control, being dedicated 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, namely "Governance", "Strategy", "Risk Management" and "Indicators and Targets", 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.

We also actively participate in relevant international initiatives and follow TCFD suggested or internationally recognized framework to make full disclosure and good practice of risk risks and opportunity so as to align with international standard on one hand and to have in-depth consideration of the Company's future carbon reduction objectives and policies on the other, to take specific actions and actively respond to the expectations of all stakeholders and ultimately ensure the sustainable management of the Company.

Tung Ho Steel's 2021 and 2022 Task Force on Climate-related Financial Disclosures (TCFD) Reports have been verified by BSI. According to BSI, the maturity model for Climate-related Financial Disclosures is Level 5: Excellence grade. The reports are also uploaded onto our official website for our stakeholders to refer to.



Conformity Statement of the 2021 TCFD Report



Conformity Statement of the 2022 TCFD Report



Active Development of Green Power Industry

To cope with the negative impact caused by climate change, various countries have successively put forward their declarations and actions of net zero emissions by 2050. Taiwan also released the Net Zero Emission Pathway and Strategy Statement with the application of the 2 governance foundations of “Technology R&D” and “Climate Legislation” to highly control the amount of GHG emissions. To make long-term net zero planning for the acceleration of energy transformation, MOEA started to implement the “Regulations for the Management of Setting up Renewable Energy Power Generation Equipment of Power Users above a Certain Contract Capacity” hereinafter referred to as “the terms for major power users”), clearly stipulating that those with power uses above 5,000 kW shall complete the installation of renewable energy generation equipment accounting for 10% of their power use. This policy will have great impact on petrochemicals, semiconductors, electronics, and iron and steel industries.

Tung Ho Steel has corresponded to the government’s renewable energy development policy and started the EIA review and the construction operations of 5 wind turbines as early as 2007 and has also made investment in Tung Kang Wind Power Corp., which obtained the Electricity Enterprise License in 2016 and started to sell electricity to Taiwan Power Company. The use of renewable energy has become a global trend, and the Company actively considers energy transformation and takes inventory of renewable energy installation plans that can be implemented in the whole company for the investment in the renewable energy development, including biogas power generation, solar power generation and so on, aiming at raising the proportion of renewable energy use to meet the terms for major power users and the policy of net zero transition.

Renewable energy development project	Process
 <p>Wind power generation</p>	<p>Tung Kang Wind Power Corp. obtained the Electricity Enterprise License in 2016 with the capacity of 11.5 MV and started to sell electricity to Taiwan Power Company.</p>
 <p>Biogas power generation</p>	<p>The Company invested in Tung Sugar Energy Service Co., Ltd., set up a biomass energy processing center for the generation of biogas power through anaerobic fermentation. The biogas power generation is expected to start from 2022 Q3, with an annual power generation capacity of 4,238 thousand kWh.</p>
 <p>Solar power generation</p>	<p>Currently, it is planned to make use of available land and roofs of factory areas for the installation of solar PV energy generation equipment with a capacity of approximately 20 MW. The Electricity Enterprise License is expected to be successively obtained from January, 2023, contributing to carbon reduction by 12,550 tons every year, with an average power generation of 25 million kWh. Every year, 25,000 Taiwan Renewable Energy Certificates (T-REC) can be obtained and the terms for major power users can be met. Renewable energy generated can be provided to all Works of Tung Ho Steel.</p>

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 pre-stressed 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

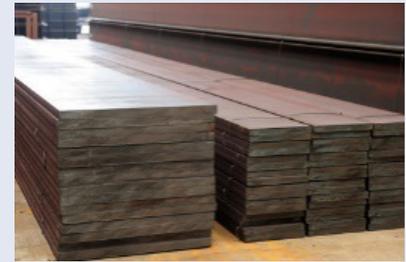


Plate-type steel products from billet through hot-rolling production processes have optimal steel strength and resilience, good weldability, and are easily processed into components of various complex shapes.

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 reduce the number of material shipments and simplify project purchase schedules. This ensures the quality of single-source materials, offering the best solution for one-stop purchases for all services.



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.

Our declared product quality philosophy

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

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 2021, there were 9 customer inspections, 1 sampling tests for beam customers and 8 inspections or product sampling tests for Rebar customers in Kaohsiung Works and 34 customer inspections in Taoyuan Works, and the results all met the customers’ requirements for quality.

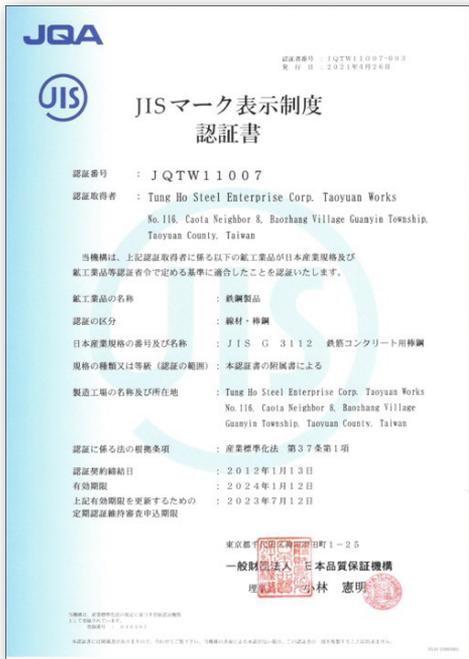
■ Verification of Management Systems of Each Factory

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

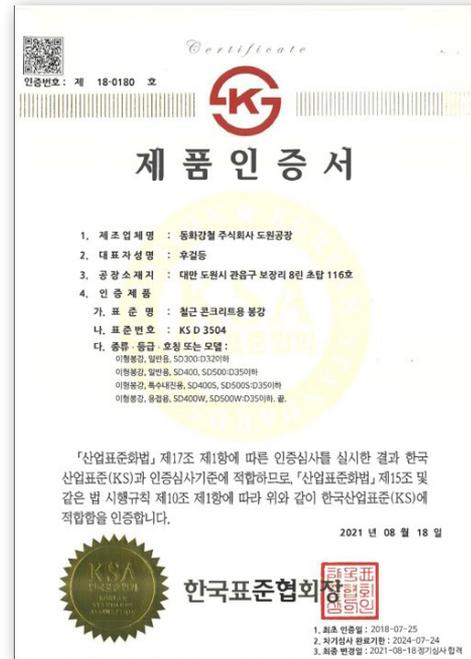
At the same time, for products offered by Tung Ho Steel, strict product verifications have been obtained from the Department of Rapid Transit Systems^{Note}, the Ministry of National Defense, nuclear power stations, the American Bureau of Shipping, Det Norske Veritas, and Germanischer Lloyd. In response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

Our Rebar products have passed 10 types of certification marks while our beam and steel plate products passed 19 types of certification marks in 2021. All the product information and labelling not only meet the regulatory requirements, they are also established from the customers’ perspective while the product purchase information and instruction for use are also provided. All of our products meet the requirements of safety impact evaluation and improvement and the product information and labelling. We implement the quality management system with the most stringent standards. All of these attest to our product quality, integrity, and our insistence that customers always come first.

Note: The biennial Rebar supplier certification of the Bureau of Rapid Transit System was completed in November 2020.



Completed the Japanese Ministry of International Trade and Industry JIS (Japan Industrial Standards) MARK plant certification (JIS G3112) in March, 2021



Completed KS mark (KS D 3504) Certification from Korean Standards Association (KSA) in August, 2021

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	●	●		

■ means 100% passed

Certification marks our major products passed

Category of certificate marks	Product Type / Certification mark	Rebar	Beam	Steel plate	Billet steel
Product Certification	MIT Smile Logo 	■	■	■	
	Product Safety Mark 	■	■	■	
	CNS Mark (CNS560-2018) 	■	■	■	

Certification marks our major products passed

■ means 100% passed

Category of certificate marks	Product Type / Certification mark	Rebar	Beam	Steel plate	Billet steel
Product Certification	Certificate of Green Recycled Product				■
	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		■	■	■
	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)	■		■		
Product Carbon Footprint	ISO / TS 14067	■	■	■	
Laboratory Accreditation	TAF Physics Laboratory	■	■	■	
	TAF Chemistry Laboratory	■	■	■	
Factory Production Control Certification	Lloyd's Register CPR		■		
Environmental Labels and Declarations	EPD Type III Environmental Product Declaration	■	■	■	

■ Management Hazardous Substance

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



First Domestic Steel Manufacturer Obtaining EPD for All Steel Products

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.



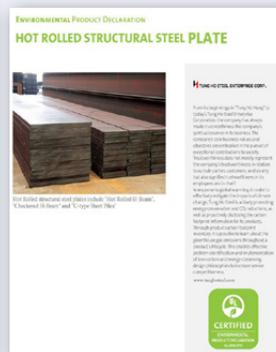
EPA conducts assessment of the environmental data of a product's entire life cycle (LCA), calculating value of the environmental impact of a product from the acquisition of raw materials, manufacturing, transportation, use and disposal, such as ozone depletion, acid rain, eutrophication, climate change, and potential toxicity risks. The results are then verified by an independent and impartial third party, serving as an important reference basis for consumers when purchasing environmentally-friendly products. Tung Ho Steel is very first domestic steel factory to obtain EPD certification (Environmental Product Declarations) for all steel products.

Rebar

Section steel

Steel plate

Section steel and channel steel



What is the benefits of obtaining EPD?

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

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 2021, we scored 96 points from our section steel customers and 90 points from our rebar customers.

Customer Privacy

Tung Ho Steel attaches great importance to the issues of customer information confidentiality and privacy. To effectively manage customer data and for security maintenance, we have set up the Regulations Governing Personal Information Data Security Maintenance and Management in 2015, and the legal affair unit implements education and training for business-related personnel. Moreover, a firewall, an e-file encryption system and an electronic personal data storage platform are established to control and check the access and records of relevant personnel to implement customer data security protection. In 2021, there were no complaints of infringement of customer privacy or loss of customer data

Rebar Processing Service

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

In view of the wide range of demands for the back-end processing of Rebar for domestic engineering industry, we have stepped into forming processing services and integrated the upstream and downstream operations of the iron and steel industry. Currently, we have set up three rebar processing plants, including the Guanyin Processing Plant in Taoyuan Works, the Taichung Harbor Logistic Office, and the Processing Plant in Kaohsiung Works. Our production capacity and shipments of rebar have reached more than one million tons per year, and the shipments accounted for more than 19% of the total domestic demands. Through processing, the total production volume has accounted more than 74% of the total shipment volume of the Company, taking the lead in the industry by the production scale and output.

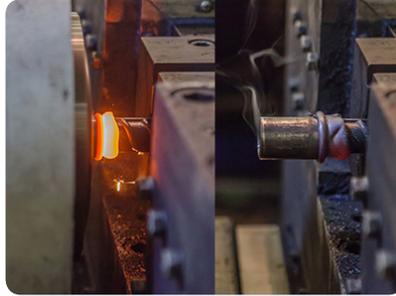


Cut to Length

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



Bending



Fiction Welding Coupler



Re-bar Wire Mesh



Earthquake Resistance Starts by Choosing SN Steel

The choice of steel has everything to do with the safety of buildings. To ensure the safety and property of every family, Tung Ho Steel has launched TV commercials since 2014 to remind consumers and instill the concept of earthquake resistance. In 2022, we released the latest 2022 warm short commercial with short and catchy slogans of “Persistence in Quality, Resistance to Quake” and “Resistance to Quake, Persistence in Quality” so that the concept of high-quality steel can be deeply rooted, and it is also to remind all that shock resistance is the primary criteria for a safe home, and that will result in a stable mind. Earthquake resistance starts by choosing SN Steel.

The promotion of the earthquake resistance concept is the social responsibility we have to bear as a steel company. Since 2012, Tung Ho Steel has absorbed the additional costs of SN steel materials and provided the consumers with the only SN steel material meeting the needs of seismic design at affordable price. It has been a decade, and in the future, we will continue to aim at improving the quality of domestic steel material to provide safe and shock-resistant as well as high-quality steel to consumers.

Tung Ho Steel has also been devoted to the promotion of the concept of earthquake resistance and has invested in commercials for the promotion of shock-resistant steel products for many years. It is hoped that through the commercials, the awareness of the importance of shock-resistant steel products can be aroused, setting a new example of innovation for traditional industries.



2022TV commercials





4

Environmental Protection

4-1 Green Procurement

4-2 Use of Energy Resources

Special Column: Whole-Plant Introduction of ISO 14064-1:2018 in

Special Column: Changed the Heating Furnace Fuel from Heavy Oil to Natural Gas at Miaoli Works

4-3 Pollution Prevention and Control Management

4-1 Green Procurement

Sustainable Management

Integrity Governance

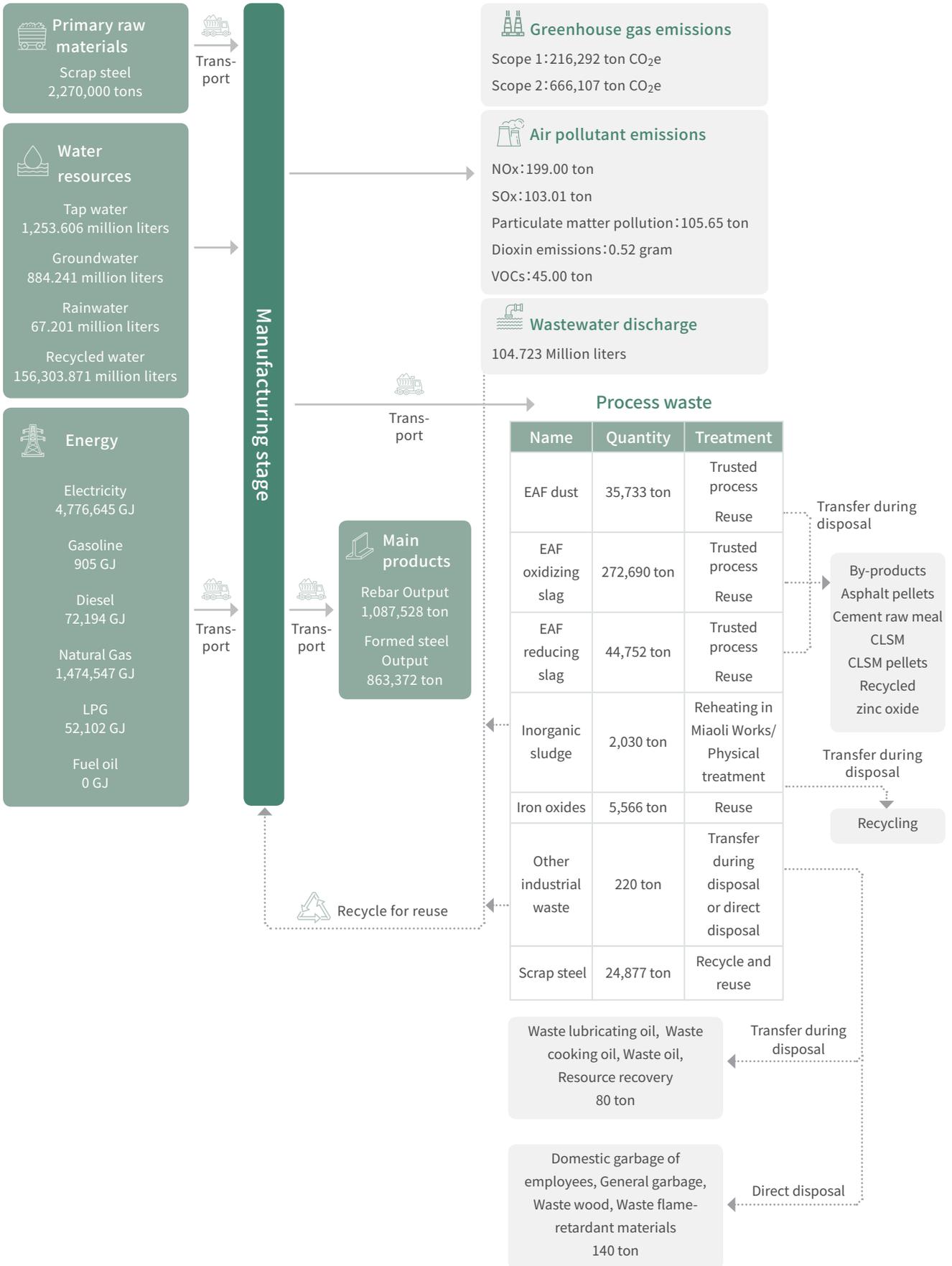
Economic Sustainability

Environmental Protection

A Friendly Workplace

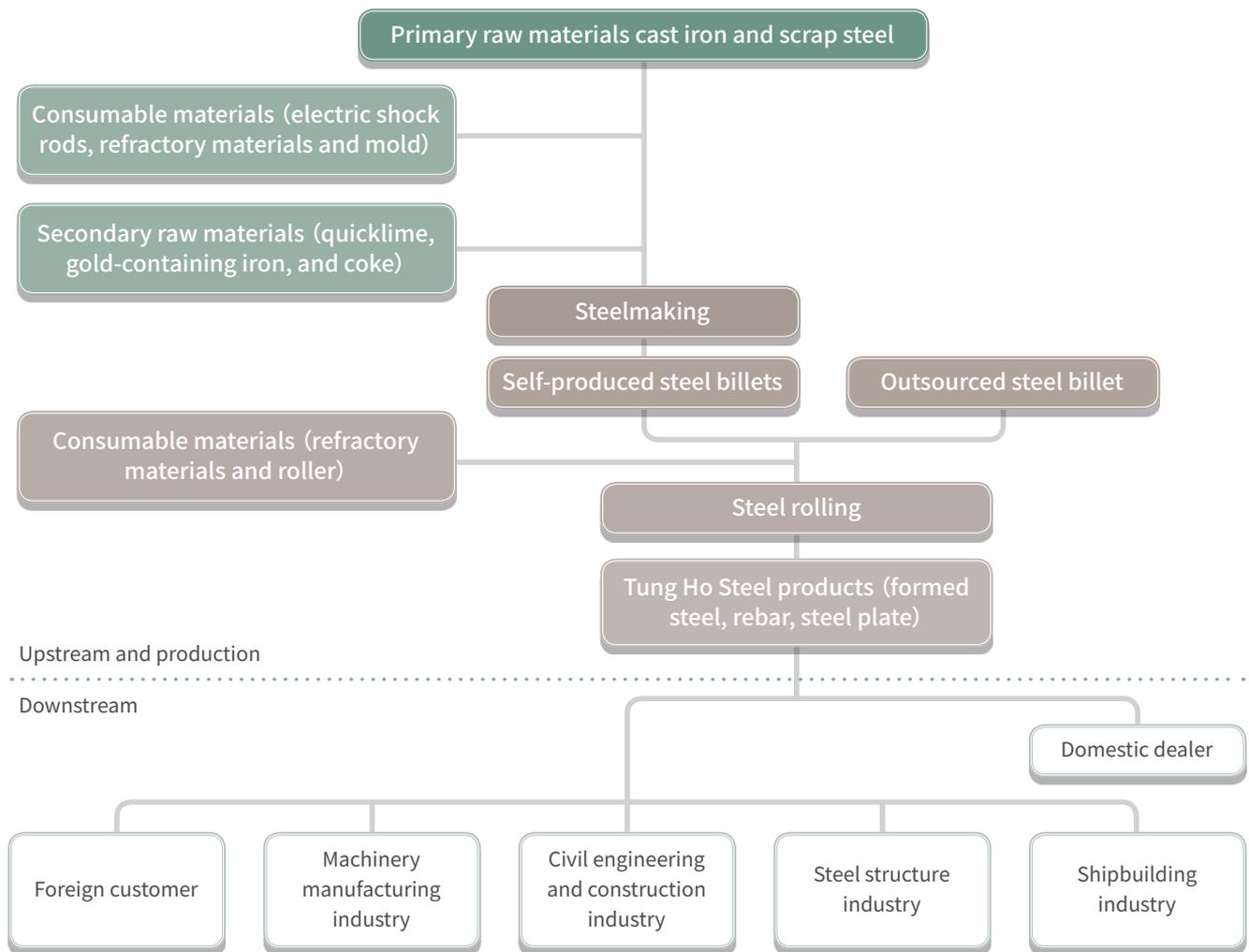
Social Prosperity

Appendixes



Introduction of Value Chain

The connection of upstream, midstream and downstream of the industry



Tung Ho Steel’s products are steel materials for building and construction. There are no products or packaging materials that can be directly recycled. Rather, when the building reaches its service life, these steel materials will be recycled through the scrap steel resource recycling system and will be sold back to the steelmaking works as the raw materials for electric furnace steelmaking. In terms of the ratio of heads and tails after the cutting of rolled steel or the return scrap in 2021, the rebar accounted for 2.07% while formed steel accounted for 5.07%.

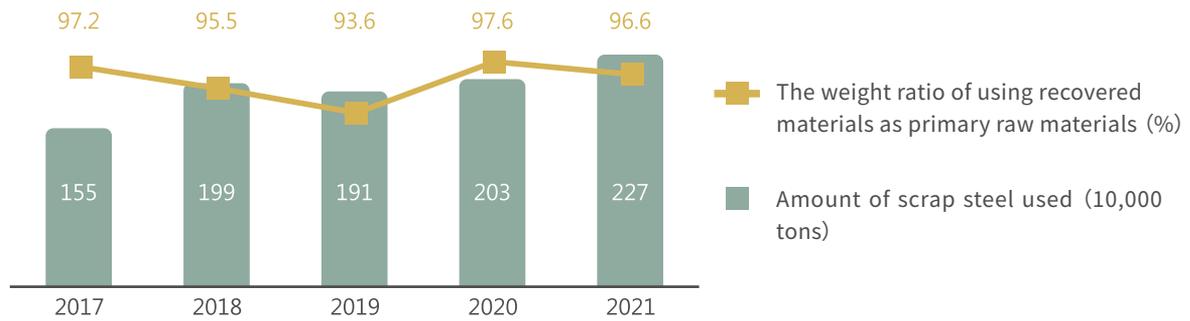
In Tung Ho Steel, more than 90% of the primary raw materials are scrap steel. Ore resources are non-renewable raw materials, but their characteristics are that they can be reused and remanufactured, making them the materials that are with the highest recycling rate. They also play an important role in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

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




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

Use of raw materials over the years



Note:

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

Supplier Management Policy

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

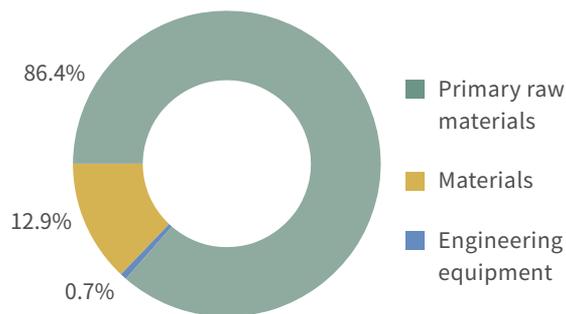
1. To urge suppliers to comply with laws and regulations to achieve sustainable development and create a win-win situation in the three major aspects, including economic, environmental and social aspects as the core of common development.
2. To protect the stakeholders' rights and interests and at the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

Our suppliers are important partners for the operation of Tung Ho Steel. Through close cooperation, we jointly pursue corporate sustainable management and growth. There were about 1,529 suppliers and contractors working with us in 2021.

Percentage of suppliers

Item	Primary raw materials	Materials	Engineering equipment	Total
Number of manufacturers	148	1,294	87	1,529
Transaction percentage	86.4%	12.9%	0.7%	100%

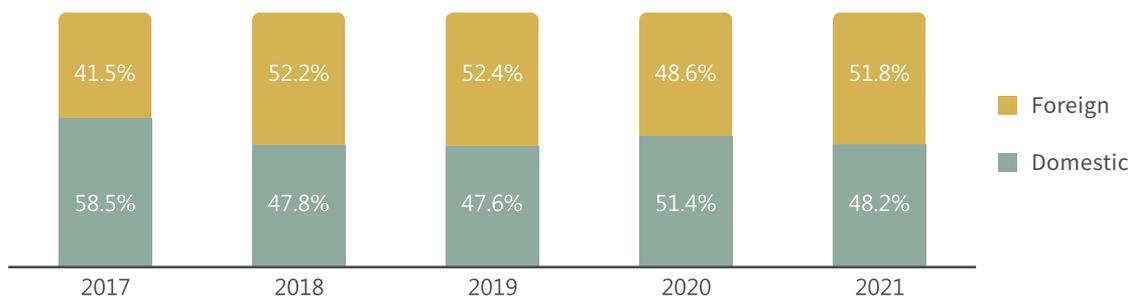
2021 Percentage of suppliers



In 2021, the prices of international steel raw materials kept rising due to the impact of COVID-19 epidemic and the high prices of iron ore in China. The finished and half-finished steel products have also gradually gone up due to the rising cost. When the prices of blast-furnace steel products go up, price comparison effect will generate with electric steel products, making the prices of scrap steel at home and abroad to rise greatly. Due to the shrinking output of scraps of scrap steel in domestic basic industries year by year, we should further strengthen the procurement of domestic scrap steel strategically to maintain the purchase ratio.

In terms of procurement strategy, priority is given to local manufactures in Taiwan. In addition to the consideration of material supply efficiency, it can also contribute to the stability of the economy in Taiwan. The primary raw materials of Tung Go Steel are mainly scrap steel, cast iron and iron alloy. In 2021, the percentage of local procurement accounted for 48.2%, which indirectly helped the establishment of the scrap steel recycling system in Taiwan, reducing the environmental impact while maximizing the reuse of resources.

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



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

Supplier Management

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

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

sustainable development. We will explore the causes of the defects and improvement plans with our suppliers, and the results of improvement will be tracked for the reconfirmation of deficiency improvement, aiming at growing with our suppliers and establishing a mutually beneficial, long-term and stable supply chain. In 2021, our domestic scrap steel providers all met the domestic scrap steel supplier evaluation standards. A total of 192 secondary materials suppliers for our Taoyuan Works and Miaoli Works accepted the supplier evaluation in 2021, and the passing rate reached 99%, showing that there were no suppliers that had significant or potential impact on the environment or society.

We guide secondary material suppliers to take into account regulations concerning product quality, energy saving and environmental protection. For example, whether the selected suppliers pass the ISO 9001 quality management system 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.

In 2020, Tung Ho Steel has incorporated sustainable development 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. In 2021, a total of 358 suppliers signed the Supplier Social Responsibility Commitment, accounting for 86.4% of the procurement volume, and the proportion of domestic steel scrap manufacturers signing this commitment reached 100%. In February, 2022, the Trading Dept. and the Plant Material Section used a questionnaire to investigate the suppliers' status of GHG inventory and verification.

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 2021, there were no suppliers with significant or potential negative impact. Tung Ho Steel works with its suppliers to jointly step toward sustainable management and fulfill sustainable development to reach co-existence, win-win situation and co-prosperity.

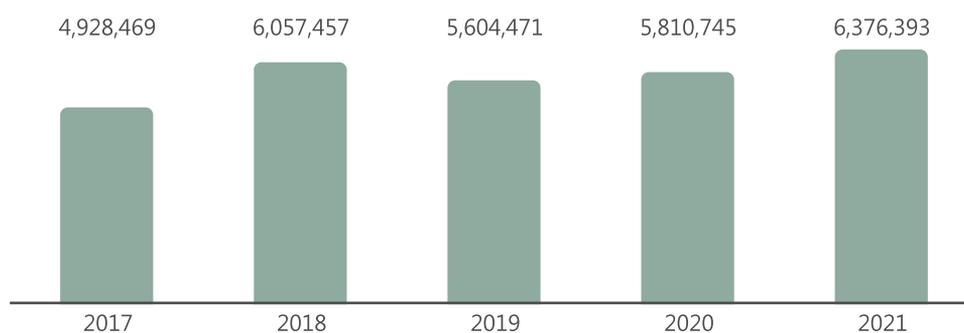
4-2 Use of Energy Resources

I Broadening sources and reducing consumption

The main energy use of the Company includes purchased electricity, natural gas, liquefied petroleum gas (LPG), diesel and gasoline. In addition, the ISO 50001 Energy Management System has been introduced to grasp the changes in energy use in all plants. The total energy use in 2021 amounted to 6,376,393 GJ (10⁹ joules), an increase of 9.7% compared with 2020, mainly due to the increased output capacity in all plants, but the energy intensity all declined ^{Note}.

Note: The decrease in energy intensity in Taoyuan Works and Kaohsiung Works was due to the increased production capacity. The energy intensity in Miaoli Works dropped mainly because of the increased output and that the heating furnace fuel was changed from heavy oil to natural gas.

Total energy consumption company-wide (GJ)



Energy consumption and energy intensity of all facilities over the years

Facility	Item	2016	2017	2018	2019	2020	YoY
Taoyuan Works	Energy consumption	2,025,042	2,566,670	2,709,081	2,683,886	2,747,336	↑ 2.36%
	Energy intensity	2.54	2.55	2.49	2.45	2.38	↓ 3.12%
Miaoli Works	Energy consumption	2,458,415	3,005,604	2,543,909	2,678,836	3,029,609	↑ 13.09%
	Energy intensity	3.65	3.50	3.56	3.34	3.18	↓ 4.67%
Kaohsiung Works	Energy consumption	443,544	483,804	350,067	446,587	598,018	↑ 33.91%
	Energy intensity	2.52	2.57	2.54	2.35	2.29	↓ 2.37%
Head Office	Energy consumption	1,468	1,379	1,414	1,436	1,430	↓ 0.42%

Note:

1. Energy use has been converted into GJ (1 GJ=10⁹ joules), and the conversion coefficient of the unit is based on Bureau of Energy's Energy Efficiency Manual.
2. The energy intensity of Taoyuan Works and Miaoli Works is GJ / tons of steel billet production while that of Kaohsiung Works is GJ / tons of whole plant output.
3. Standards, methodology, assumptions and/or other calculation tools used: The energy consumption amount all came from estimates in the receipts or the monthly natural gas consumption statement and material sheet &AS400/ checklist of changes in material inventories by material part number, and there were no estimated values.
4. Source of conversion factor used: Except for the calorific value of natural gas that was provided by the service provider, others were calculated based on the table of GHG emission coefficient management v. 6.0.4 released by Environmental Protection Administration.
5. The Head Office is a non-production unit, and energy intensity was not evaluated.

Greenhouse Gas Inventory

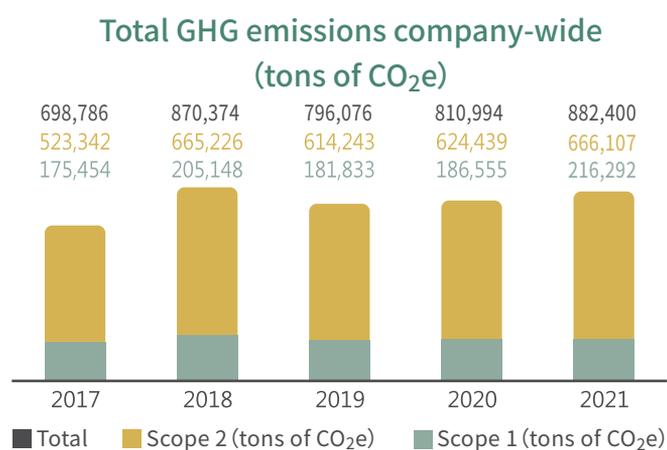
To cope with global warming and effectively mitigate the impact brought by climate change, Tung Ho Steel has been actively promoting energy conservation and carbon reduction. The ISO 14064-1 management and verification system of an organizations' GHG inventory system is implemented, and the GHG emissions 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 in 2021 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.

Due to the increase in the production capacity of all facilities, the GHG emissions (Scope 1 and Scope 2) totaled 882,400 tons of CO₂e^{Note}, an increase of 8.8% compared with 2020, but the emission intensity has dropped. The GHG emissions of Scope 3 amounted to 1,581,192 tons of CO₂e.

Note:

1. For the comparability of data, the total GHG emissions in 2020 were calculated in both Scope 1 and Scope 2, excluding Scope 3.
2. The base years for the GHG emission in each facility (total emissions from Scope 1 and Scope 2): Taoyuan Works, 2012 (394,785 tons of CO₂e), Miaoli Works, 2010 (489,725 tons of CO₂e) and Kaohsiung Works, 2013 (56,170 tons of CO₂e).



GHG emissions (Scope 1 and Scope 2) and intensity

Unit: tons of CO₂e

Facility	Scope 1 (tons of CO ₂ e)	Scope 2 (tons of CO ₂ e)	Total GHG emissions (tons of CO ₂ e)	Comparison with 2020 emissions	Greenhouse emission intensity ^{Note4}	Comparison with 2020 emission intensity
Taoyuan Works	71,757	357,122	428,879	↑ 2.31%	0.371	↓ 3.17%
Miaoli Works	117,306	292,438	409,744	↑ 14.31%	0.431	↓ 3.64%
Kaohsiung Works	27,195	16,317	43,512	↑ 31.54%	0.167	↓ 4.09%
Head Office	35	230	265	↓ 6.1%	—	—
Total	216,292	666,107	882,400	↑ 8.8%	-	-

GHG emissions (Scope 3)

Unit: tons of CO₂e

Facility	Category 3	Category 4	Category 5	Category 6	Total emissions
Taoyuan Works	179,941	405,119	85,902	0	670,962
Miaoli Works	182,261	312,004	34,423	0	528,688
Kaohsiung Works	35,412	298,119	20,357	0	353,888
Head Office	76	211	27,311	0	27,654
Total	397,690	1,015,453	167,994	0	1,581,192

Scope 1 Emissions of 7 major Greenhouse Gases

Unit: tons of CO₂e

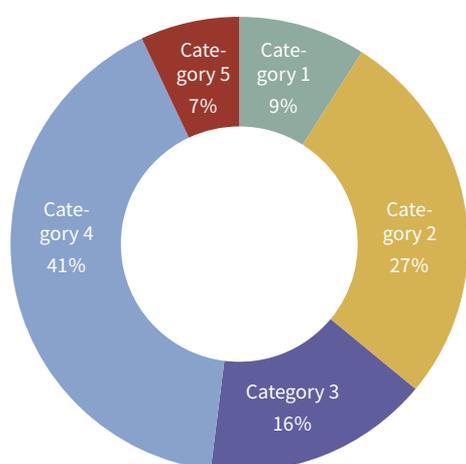
Facility	CO ₂	CH ₄	N ₂ O	HHFC _s	PPFCs	SF ₆	NF ₃	Total emissions
Taoyuan Works	71,492	9	38	218	0	0	0	71,757
Miaoli Works	117,011	108	61	4	0	122	0	117,306
Kaohsiung Works	27,096	48	18	33	0	0	0	27,195
Head Office	32	0	1	1	0	0	0	35
Total	215,631	165	118	256	0	122	0	216,292

Note:

- The GHG inventory of our three works and the Head Office was conducted in accordance with ISO 14064-1 procedures and also passed the external verification by a third party. The GHG emission coefficient referred to the table of GHG emission coefficient management v. 6.0.4 released by Environmental Protection Administration, and the power coefficient was calculated with 0.502 kgCO₂e / kWh in Scope 2.
- In the 2020 Report, the source of the Global Warming Potential (GWP) used in the table was the "IPCC Fourth Assessment Report (2007)" version. In this 2021 Report, the source of the Global Warming Potential (GWP) used is the "IPCC Fifth Assessment Report (2013)" version.
- Types of greenhouse gases include nitrous oxide (N₂O), methane (CH₄), carbon dioxide (CO₂), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF₆), nitrogen trifluoride (NF₃) and so on.
- The GHG emission intensity of Taoyuan Works and Miaoli Works is CO₂e / tons of steel billet production while that of Kaohsiung Works is CO₂e / tons of section steel production. There was no evaluation of GHG emission intensity of the Head Office.
- Kaohsiung Works only has the steel rolling process, and there is no steelmaking process.
- The method used to consolidate the amount of GHG emissions: operational control approach.
- Standards, methodology, assumptions and/or other calculation tools used: The energy consumption amount all came from estimates in the receipts or the monthly natural gas consumption statement and material sheet &AS400/ checklist of changes in material inventories by material part number, and there were no estimated values. The source of the coefficients cited is mainly from the coefficients suggested in the latest version of GHG emission coefficient released by Environmental Protection Administration and referred to the data of uncertain emission coefficients. For the uncertainty evaluation of activity data, technical specifications for the verification and inspection of the instrument measurement are used as the basis for evaluation.
- Category 3 includes upstream transportation and distribution, downstream transportation and distribution, employee commuting, business travel and visitor transportation.
- 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.
- Category 5 includes use of goods, downstream leased assets, end-of-life treatment of sold products, and investment

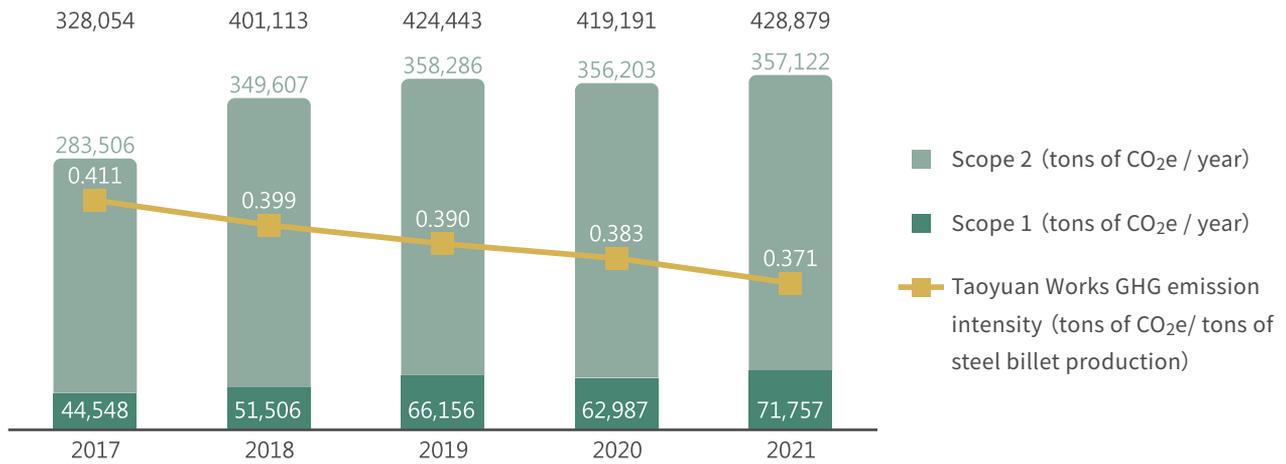
2021 Company-wide Proportion of GHG by Category

Unit: tons of CO₂e



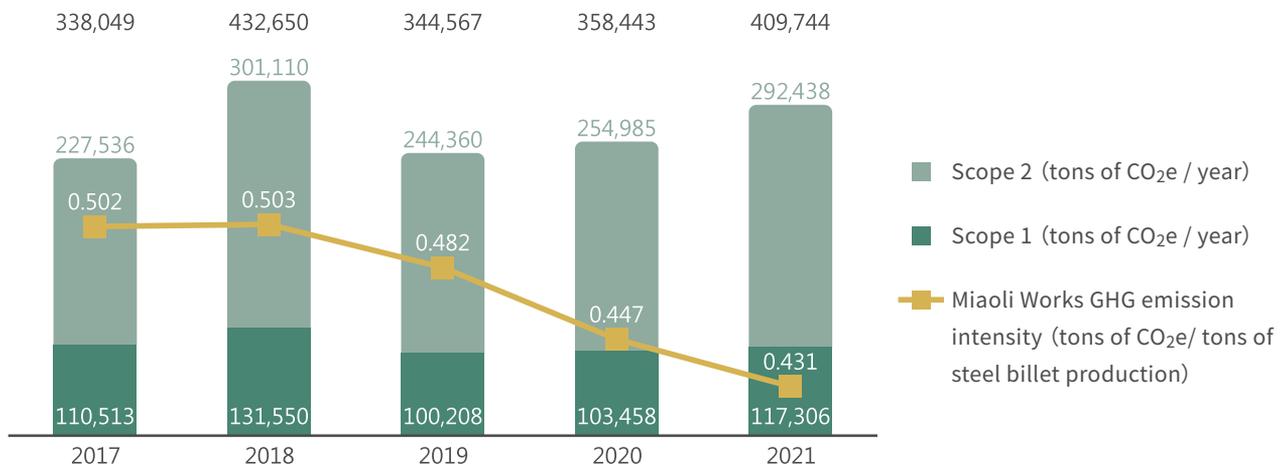
Scope	Category	Description	Emission
Scope 1	Category 1	Direct GHG emissions	216,292
Scope 2	Category 2	Energy input	666,107
Scope 3	Category 3	Transportation	397,690
	Category 4	Products purchased by the reporting company	1,015,453
	Category 5	Use of sold products from the company	167,994
	Category 6	Others	-

GHG emission in Taoyuan Works



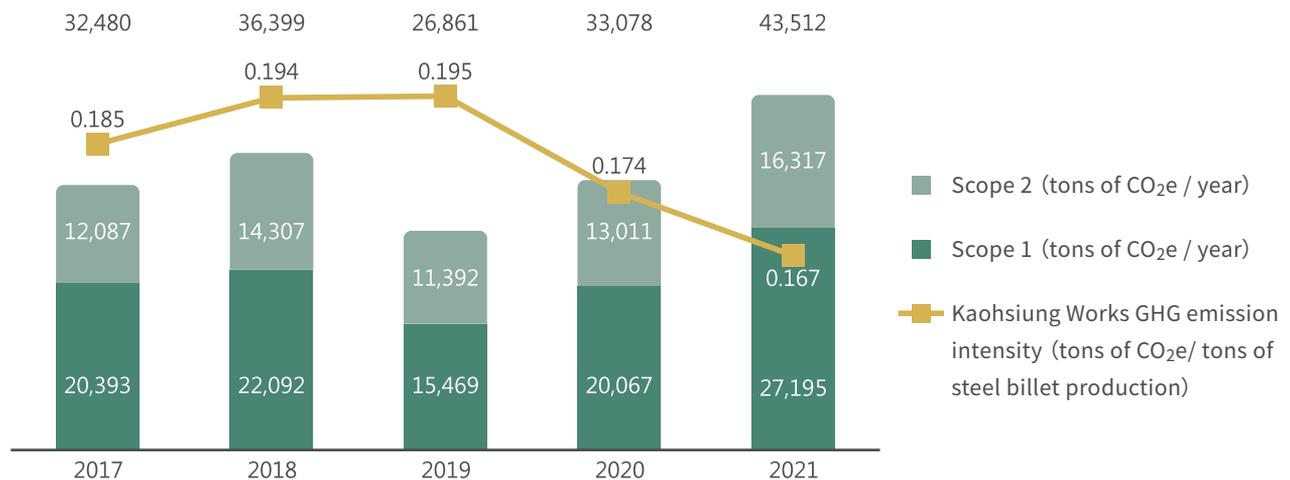
Note: The Global Warming Potential (GWP) used in the table for Reports before 2020 was the "IPCC Fourth Assessment Report (2007)" version. In this 2021 Report, the source of the Global Warming Potential (GWP) used is the "IPCC Fifth Assessment Report (2013) version."

GHG emission in Miaoli Works



Note: The Global Warming Potential (GWP) used in the table for Reports before 2020 was the "IPCC Fourth Assessment Report (2007)" version. In this 2021 Report, the source of the Global Warming Potential (GWP) used is the "IPCC Fifth Assessment Report (2013) version."

GHG emission in Kaohsiung Works



Note: The Global Warming Potential (GWP) used in the table for Reports before 2020 was the "IPCC Fourth Assessment Report (2007)" version. In this 2021 Report, the source of the Global Warming Potential (GWP) used is the "IPCC Fifth Assessment Report (2013) version."

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. We have been a member for more than a decade without interruption.



Green Process

Scrap Steel Remelting Process in the Electric Furnace

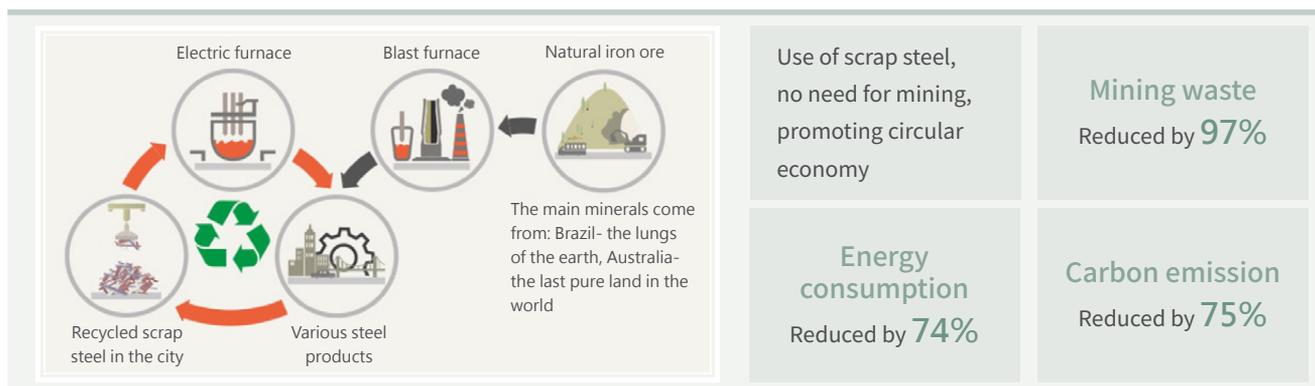
Compared with other industries, iron and steel industry is more energy-consuming. As a member in the iron and steel industry, Tung Ho Steel hopes to fulfill its responsibility to mitigate global warming through changes in the process.

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



Q&A: What is an electric furnace?

Comparison of new electric furnace process with blast furnace process



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

■ One-stop Operation of Steelmaking and Rolling

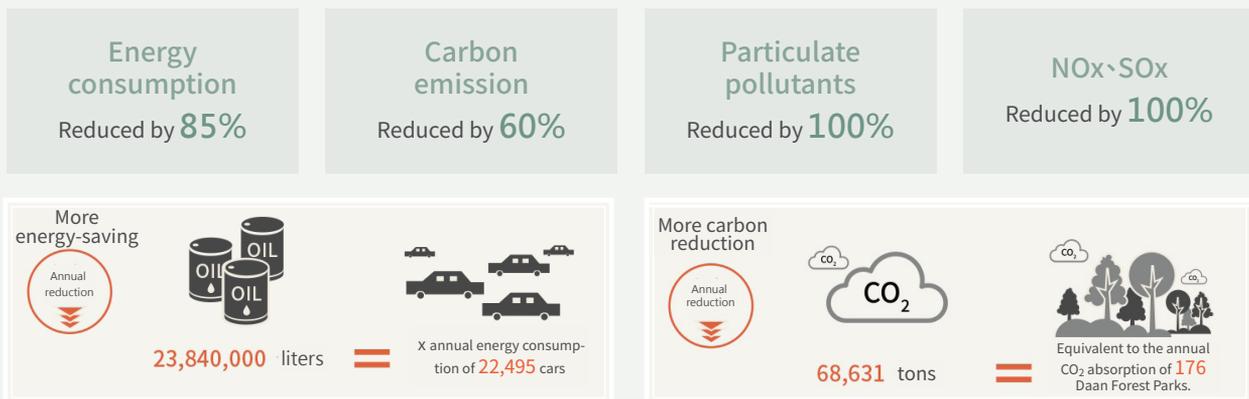
Tung Ho Steel's Taoyuan Works introduces the most advanced and direct rolling process with the brand-new design of energy conservation and carbon reduction as well as the environmental protection design and through the modern configuration to integrate smelting and rolling operation, the red-hot steel 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 CO₂ reduced every year reached 68,631 tons, equivalent to the absorption of CO₂ of 176 Taan Forest Parks).

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.



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

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 CO₂ absorption of Daan Forest Park is 389 tons.

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

Other Energy-saving and Carbon Reduction Measures

To cooperate with the development of the national GHG reduction strategy while taking into account the sustainable energy development goals of resource efficiency, energy conservation and environmental protection, Tung Ho Steel has promoted ISO 50001 energy management system, ISO 14064-1 GHG inventory, PAS 2050 product carbon footprint, and ISO 14067 product carbon footprint certification. At the same time, we also invest capital expenditures and related manpower and material resources through the resource requirement of various energy saving programs, aiming at grasping production costs and making effective and appropriate use of energy. In 2021, the total energy saving and carbon reduction effects in all facilities amounted to approximately 49,226 tons of CO₂e.

Energy conservation and carbon reduction

Facility	Energy conservation and carbon reduction measures	Energy savings estimates (GJ)	Carbon reduction estimates (tons of CO ₂ e)
Taoyuan Works	Changed to operation of 3 units of oxygen production equipment during peak hours	3,676	513
	Cooperated with Taipower's implementation of reduced electricity program in summer- reduction of 6 hours a day	286,974	40,017
	Increased the chemical energy consumption of the electric furnace and reduce the unit consumption of electricity by 3.6 kWh/t	45,667	6,368
	Reduced the electricity of the Rolling Mill 2 used for heating the hot steel billets	1,205	168
Miaoli Works	Fixed the power transmission equipment of the electric arc furnace (EAF) to improve the power transmission efficiency	9,067.2	1,264.4
	Energy-saving solutions to reduce the downtime of machinery and equipment	4,236.9	590.8
	Eliminated the Deep Water Well No. 2 with poor efficiency and excavated a new well. Frequency converter was also installed in the pump motor to save energy	1,057.1	147.4
	About 107 street lamps in Miaoli Works were changed from 400W mercury lamps to 80W LED lamps	494.9	69.0
	Replaced the lamps on 2F~4F of the Administration Building with LED ones	82.5	11.5
Kaohsiung Works	Rebar cutting line air compressor update and improvement project (saving electricity by 52,837 kWh)	190.2	26.50
	The 17 1000W high-pressure sodium lighting lamps in the cooling bed of the section steel mill were replaced by the 250W high-efficiency LED lamps (saving electricity by 73,440 kWh)	264.4	36.90
	The old 6.4KW water-cooled air conditioner in the computer room was changed to 4.2KW new air-cooled inverter air conditioner (saving electricity by 24,309 kWh).	87.5	12.20
	Replaced 80W bulbs of the T8 fixture in the office lighting in the whole factory area by LED bulb lights (saving electricity by 2,702 kWh).	9.7	1.4
Total		353,011.9	49,225.6

Note:

1. Electricity emissions were calculated based on the electricity carbon emission coefficient of 0.502 kg CO₂ equivalent announced by the Energy Bureau of MOEA on September 27, 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.
6. 2 energy conservation and carbon reduction measures in Kaohsiung Works belonged to cross-year projects.

Earth Hour Taiwan

In response to the “Earth Hour” campaign initiated by the World Wildlife Fund (WWF), the Head Office and all the Works of Tung Ho Steel turned off the lights one hour earlier on March 24, 2022. By doing so, we would like to call on everyone, regardless of age, gender, and background, to do something in the face of global climate change for we all have the ability and responsibility to make a difference.





Whole-Plant Introduction of ISO 14064-1:2018 in

Tung Ho Steel pays close attention to the trend of global climate change and the direction of international response. To effectively manage the GHG inventory management operation so that the GHG reports are more credible and guaranteed, the Head Office and our three Works all introduced the ISO 14064 system, and the GHG Promotion Teams are set up in all Works to be in charge of the manpower, technology, finance, and facilities resources required for the promotion of GHG inventory to ensure our compliance with relevant requirements. The introduction of ISO14064-1:2018 version was completed in June, 2022. To understand the value chain emission activities, the inventory scope of the Company's indirect GHG emissions included Category 2-6, with a total of 15 sub-categories to establish complete GHG emission data for the preparation of setting the target of carbon reduction.

Climate change has become a topic of global concern. To enable a consistent basis for GHG inventory and verification, the International Organization for Standardization (ISO) officially announced the ISO 14064 series standards in 2006. The introduction of ISO 14064 can help companies find opportunities to save energy and improve energy use and understand the interaction of different departments so as to reduce the adverse impact of the organization on the environment to the minimum. Tung Ho Steel cooperated with the “GHG Inventory and Registry Management Principles” and “GHG Early Action and Offset Program Principles” announced by Environmental Protection Administration and started the GHG inventory operation (retrospective inventory to 2003) and participated in the Voluntary Emissions Reduction Project and actively discloses GHG management information for our stakeholders' reference.

In December, 2018, ISO released the ISO 14064-1:2018 version. The focus of the revision is that the ISO 14064-1:2006 version summarized GHG emissions based on the concept of the organization's operational boundaries while ISO 14064-1:2018 version uses the reporting boundary concept to summarize GHG emissions to make the concept of GHG quantification a more detailed one. The new version of GHG inventory categories is divided into 6 major ones, and except for the direct GHG emissions and removals, the other 5 categories all belong to indirect GHG emissions, including imported energy, transportation, products purchased by the reporting company, use of sold products from the company, and other sources. Each category can also be divided into subcategories. For example, transportation included upstream transportation, employee commuting, visitor transportation, business travel and so on. The Head Office and three Works of the Company have completed the introduction of ISO 14064-1:2018 version and also finished the inventory of the 15-subcategories of indirect GHG emissions. Please refer to [Chapter 4.2 Energy Resource Use for details](#).

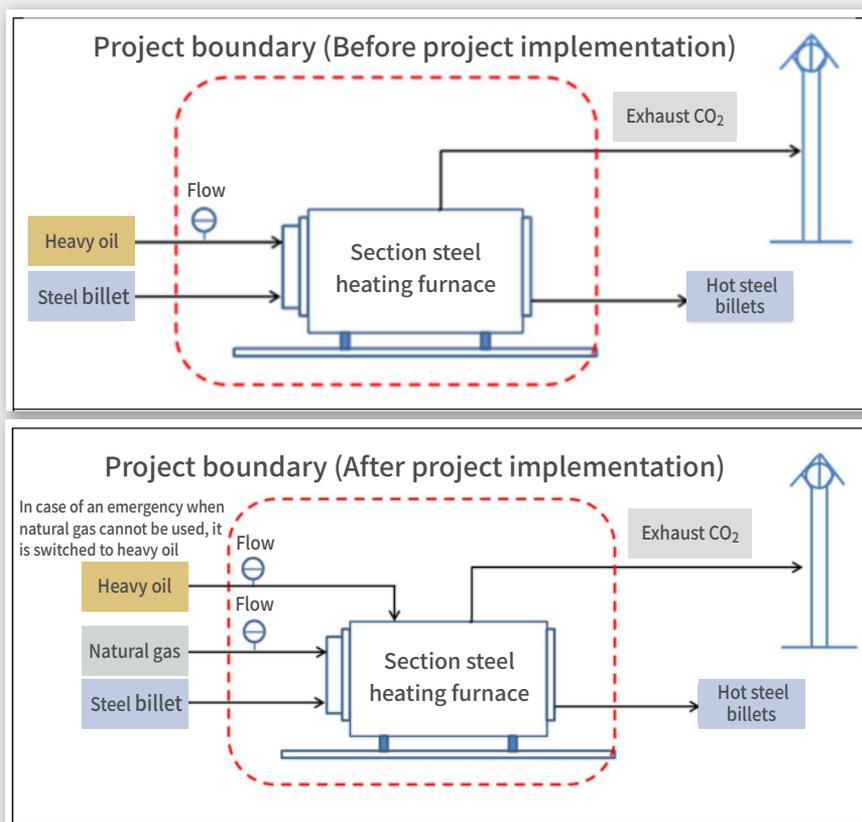




Changed the Heating Furnace Fuel from Heavy Oil to Natural Gas at Miaoli Works

Tung Ho Steel spares no efforts in environmental protection and has successfully promoted various environmental management verification (ISO 14001, ISO 50001, etc.) and participated in the guidance on industrial GHG emissions organized by the Industrial Development Bureau, MOEA. Our Miaoli Works has cooperated with the Taiwan Steel & Iron Industries Association since 2005 to sign and participate in the Voluntary Emissions Reduction Project, and during the participating period, to respond to energy conservation and carbon reduction, the proportion of clean energy use also increased. In 2015, the feasibility of using natural gas as the fuel for the heating furnace in Miaoli Works was evaluated based on the fact that natural gas is clean energy that is encouraged in Taiwan, it can also be linked with the sustainable development polity of the Company. The project of changing the heavy oil used for the heating furnace into natural gas in our Miaoli Works was completed on April 12, 2019, and it is estimated that the annual carbon emissions can be reduced by 14,460 tons /CO₂e every year.

According to the current laws and regulations, there is no mandatory requirement to use low-carbon fuel (such as natural gas) for the heating equipment like the heating furnace. To reduce GHG emissions, Tong Ho Steel voluntary implements the reduction project and replaces the heavy oil used in the heating furnace for section steel into natural gas so as to reduce the GHG emissions and reduce the environmental pollution. The transport of natural gas is done through designated pipeline to reduce the generation of exhaust from transportation, and the system operation can be more stable. Furthermore, the environmental problems such as the exhaust, waste generation, and dust can also be reduced.



This project is for the renovation of the heating furnace burner and the additional installation of gas pipeline equipment to replace fuel oil with natural gas so as to lower the GHG emissions from fuel combustion. Only when emergencies happen due to force majeure that makes it impossible to make use of natural gas normally, the fuel will be switched to heavy oil for emergency response.

Water Resources



Water Resources Management

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

Taoyuan Works

Taoyuan Works is an integrated steel mill of electric arc furnace steelmaking, a moderate water-consuming industry. Water is needed for cooling operations from electric furnaces, continuous casting, and rolling production. The main source of water in the overall mill is from tap water (98.34%), 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^{Note 1} 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 2021 reached 1,220.642 million m³, and the total water consumption of Taoyuan Works in 2020 was 0.994 million m³, accounting for 0.0814% 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 0.875m³/ton, also lower than the promised value of 1.15m³/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 m³. 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 2020 that the daily water consumption shall be 3,800 m³. The actual daily water consumption was 2,726 m³, lower than 71.7% of the approval amount.

Miaoli Works

The sources of water for Miaoli Plant include underground well water, tap water and rainwater recovery, among which underground well water serves as the main source. Water right of a total of four underground wells was approved by the local competent authority, and the water right of Well No. 4 has been approved to extend (from May 1st 2020 to April 30th 2025). Tap water is from Liyutan Reservoir in Sanyi Township, and the application for the use amount is also approved by TWC. In 2021, the total water intake of underground well water was 884,241 m³ (the daily intake of underground well water was lower than the approved amount of 4,797 tons/day), and that of tap water was 169,058 m³ while the amount of rainwater recovery was 50,411 m³. The total water intake of Miaoli Works in 2021 was 1,103,710 m³.

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 2021, the water recovery rates of all works were all above 91%. Among them, water recovery rate of Taoyuan Works was even as high as 99.28%, significantly reduced the consumption of tap water and other water resources. The total water intake in 2021 amounted to 2,205.048 million liters, an increase of 2.29% compared with 2020. Due to the increase in production, water intake of Miaoli Works and Kaohsiung Works increased by 8.06% and 17.94% respectively while that of Taoyuan Works reduced by 4.36%.

Water recovery and intensity of all facilities

Unit: million liters

Facility	Tap water (million liters)	Rainwater (million liters)	Underground well water (million liters)	Total water intake (million liters)	YoY of total water intake (%)	Water intensity (million liters/ tons of steel billet production or whole plant output)	YoY of water intensity (%)	Water recovery rate in the whole facility (%)	YoY of water recovery rate (%)
Taoyuan Works	994.931 (Shihmen Reservoir)	16.790	-	1,011.721	↓ 4.36%	0.000875	↓ 9.48%	99.28%	↑ 0.05%
Miaoli Works	169.058 (Liyutan Reservoir)	50.411	884.241	1,103.710	↑ 8.06%	0.001160	↓ 8.91%	91.34%	↓ 0.24%

Water recovery and intensity of all facilities

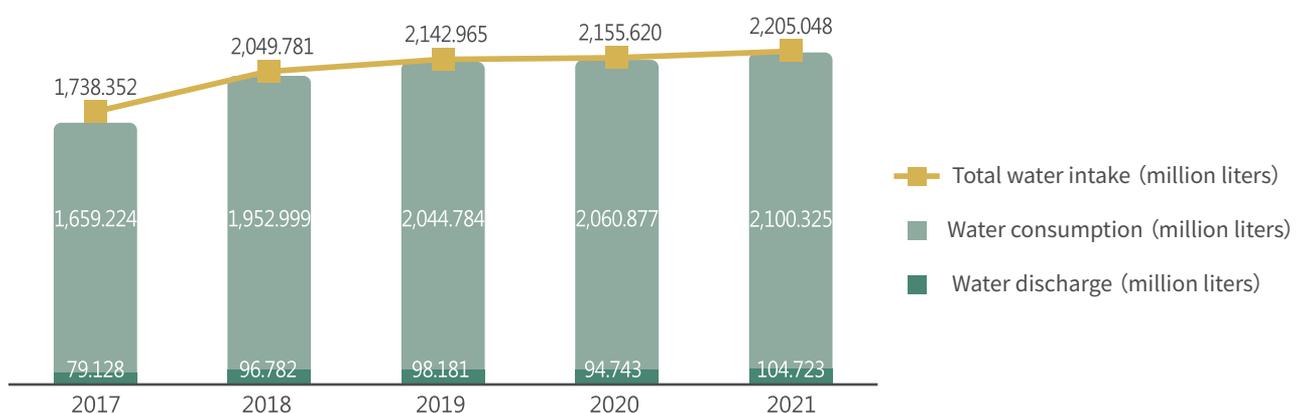
Unit: million liters

Facility	Tap water (million liters)	Rainwater (million liters)	Underground well water (million liters)	Total water intake (million liters)	YoY of total water intake (%)	Water intensity (million liters/ tons of steel billet production or whole plant output)	YoY of water intensity (%)	Water recovery rate in the whole facility (%)	YoY of water recovery rate (%)
Kaohsiung Works (Fengshan Reservoir)	87.550	-	-	87.550	↑ 17.94%	0.000336	↓ 14.01%	98.03%	↑ 0.15%
Head Office (Feicui Reservoir)	2.067	-	-	2.067	↓ 4.22%	-	-	-	-

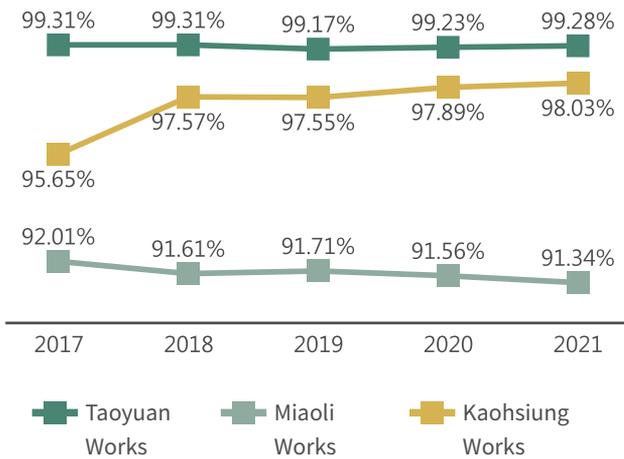
Note:

- 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.
- Kaohsiung Works only has the steel rolling process, and there is no steelmaking process.
- The Head Office is a non-production unit, and water intensity was not evaluated.
- 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.
- 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) .
- The water intake of Taoyuan Works decreased due to the water rationing measures taken in Taoyuan Area in 2021. The non-essential water consumption was reduced, the temperature of water supply pool was increased, and the frequency of cooling tower was changed to frequency variable one to reduce the moisture escape.
- The increase in water intake in Taoyuan Works, Miaoli Works and Kaohsiung Works was mainly because of the increase in production.
- The water intensity in Taoyuan Works, Miaoli Works and Kaohsiung Works all reduced mainly due to the increased production and water rationing.
- Water consumption in the Head Office is evenly shared by each floor of the industrial building, and therefore, the reason for the increase of water consumption cannot be correctly determined.

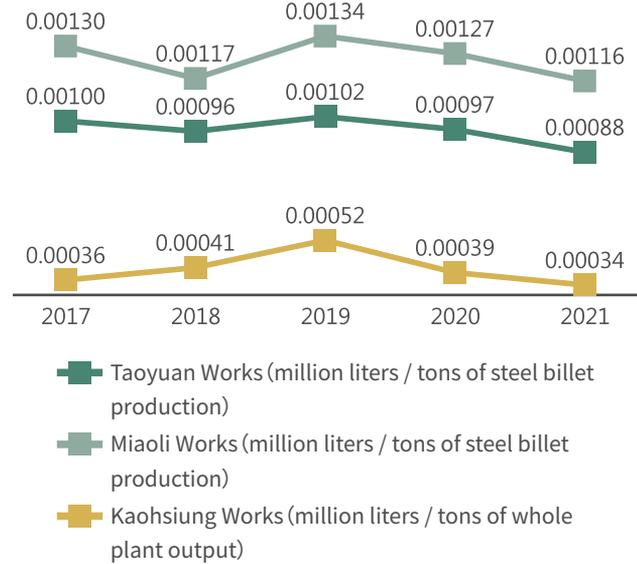
Company-wide water consumption over the years



Water recovery rate in three works (%)



Water intensity in three works



Water Saving Measures

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

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



Miaoli Works' ISO 14046:
2014 Certificate

4-3 Pollution Prevention and Control Management

Emission Control

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

Air Pollution Control

The Company complies with the ISO 14001 environmental management system and continues improvement of its production operation, products and services to reduce the impact on the natural environment. Tung Ho Steel continues to monitor and is devoted to air pollution prevention and control. By adopting the best available control technology (BACT), the emission of particulate pollutants is effectively reduced. All facilities abide by the air pollutant emission standards, and the average monitoring values of emissions in 2021 were in line with local air pollutant emissions standards.

Air pollutant emissions standards in all facilities

Facility		NOx (ppm)	SOx (ppm)	Particulate pollutants (mg / Nm ³)	Dioxin (ngI-TEQ / Nm ³)
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:

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

The steel rolling production lines in Miaoli Works and Kaohsiung Works mainly use natural gas to heat the steel billets, and advanced combustion equipment is adopted to reduce pollutant emissions. Natural gas is used to replace low-sulfur fuel in part of the process to greatly reduce the emissions of CO₂ (carbon dioxide), NO_x (nitrogen oxide), and SO_x (sulfur oxide). The production process in Taoyuan Works adopts the direct rolling method without a heating furnace, which is more environmentally friendly compared with the traditional use of fuel oil for heating.

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

Air pollutant emissions of Taoyuan Works over the years

Year	NOx emissions (ton)	SOx emissions (ton)	Particulate pollutants emissions (ton)	Dioxin emissions (gram)	VOCs emissions (ton)
2017	63.46	27.93	35.95	0.14	17.55
2018	96.51	35.20	51.60	0.63	22.13
2019	98.11	38.14	30.24	0.44	23.97
2020	93.58	38.31	20.05	0.45	24.08
2021	94.21	40.47	19.93	0.48	25.44

Note:

1. The emissions of volatile organic compounds (VOCs) were calculated from the factory coefficient; those of sulfur oxides (SOx) were calculated in accordance with the coefficients announced by EPA; emissions of nitrogen oxides (NOx), particulate pollutants and dioxin were all calculated from detected values.
2. Due to the increase in production capacity in Taoyuan Works in 2021, the emissions also increased; there were no fines or penalties for air pollution due to steelmaking and steel rolling, and all the detected values of air pollutants met the emission standards.

Air pollutant emissions of Miaoli Works over the years

Year	NOx emissions (ton)	SOx emissions (ton)	Particulate pollutants emissions (ton)	Dioxin emissions (gram)	VOCs emissions (ton)
2017	67.22	108.92	57.41	0.40	13.47
2018	96.36	158.74	70.75	1.47	17.20
2019	86.33	79.67	67.54	0.35	14.30
2020	77.23	56.07	79.24	0.13	16.05
2021	81.07	62.54	84.64	0.04	19.04

Note:

1. Due to the production increase in Miaoli Works in 2021, the emissions also increased.
2. 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.
3. There were no fines or penalties for air pollution in Miaoli Works in 2021.

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)
2017	17.83	0.54	2.17	-	0.70
2018	21.62	0.36	0.57	-	0.90
2019	16.91	0.13	0.49	-	0.67
2020	19.91	0.00	0.73	-	0.99
2021	23.72	0.00	1.08	-	0.52

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 dropped due to the decrease in the use of off-line paint and mineral spirits.
4. In 2021, the use of natural gas increased due to the increase in production in Kaohsiung Works, leading to the increased use of nitrogen oxides and particulate pollutants. There were no fines or penalties for air pollution in 2021.

■ Control and Management of Ozone-Depleting Substances

Some equipment in all facilities use R-12 and R-22 refrigerants. In the future, the air-conditioning system will be integrated to strengthen the maintenance of air-conditioning equipment, the high-temperature operation area of the crane will adopt the high-efficiency units developed by China Steel, and eco-friendly refrigerants will be used in the plant while refrigerants will be recycled for reuse to control ozone-depleting substances. However, the consumption of R-22 refrigerant in Taoyuan Works in 2021 was 0.2043 tons/year (equivalent to 0.011 CFC-11) while that in Miaoli Works was 0.000129 tons/year (equivalent to 0.0000069 CFC-11). Eco-friendly refrigerants are used and refrigerants are recycled for reuse in Kaohsiung Works, so there was no supplementing consumption of R-11 and R-22 refrigerants.

■ Water Pollution Control

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



Taoyuan Works and Miaoli Works are both equipped with rainwater collection systems. Waste (sewage) water in the main production plants is recycled for reuse after being treated in appropriate wastewater treatment facilities, and part of the recovered water is used for irrigation of green land and for the use of dust suppression. In 2020, Taoyuan Works applied for changes in water measures and canceled wastewater discharge. The concentration of daily discharge water and the discharge volume both meet the discharge standards in Miaoli Works, and wastewater is discharged to Xihu River through the water meter (maximum discharge volume of 950 tons per day). The runoff wastewater (rainwater) from Kaohsiung Works is discharged into Yamshuigang Stream, and the wastewater from the manufacturing process is included into the Kaohsiung Linhai Linyuan & Dafa Industrial Parks Combined Wastewater Treatment Plant and discharged into the adjacent waters (Taiwan Strait), with the daily maximum discharge volume of 525 tons. The discharge volume of all works is monitored by flow meters for accurate values, and the quality of discharged water is regularly sampled and inspected. All the testing values are compliant with prescriptions to ensure that there is no significant impact on the environment load of the surrounding water bodies, and there are no requirements for special habitats.

In 2021, the total amount of wastewater discharged from the three Works of Tong Ho Steel amounted to 104.723 million liters, a 10.5% increase compared with 2020, mainly due to the increase in production and water intake, and the discharge of wastewater also increased accordingly.

The wastewater discharge volume in the three works over the years is as follows.

Wastewater discharge volume and discharge standards in Taoyuan Works

Year	Wastewater discharge (million liters)	Biochemical	Chemical	Suspended solids (S.S) Discharge standards mg/L	Suspended solids (S.S) Average discharge mg/L	Wastewater discharge (million liters)
		oxygen demand (COD) Discharge standards mg/L	oxygen demand (COD) Average discharge mg/L			
2017	0.970	100.00	25.95	30.00	4.50	0.970
2018	0.079	100.00	27.63	30.00	4.48	0.079
2019	0.306	100.00	11.81	30.00	6.25	0.306
2020	0.000	100.00	-	30.00	-	0.000
2021	0.000	100.00	-	30.00	-	0.000

Note: Taoyuan Works complies with Table 5 Water quality items and limits of discharge from the primary metal industry, metal finishing industry, electroplating industry, PCB manufacturing industry of Effluent Standards. In 2021, wastewater discharge was canceled, and the annual overflow was 0 ton.

Wastewater discharge volume and discharge standards in Miaoli Works



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

Wastewater discharge volume and discharge standards in Kaohsiung Works



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

Waste Treatment and Recycling

Waste Management

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

Before outsourcing the removal and treatment of waste in the plant, it is necessary to confirm that the entrusted treatment company has the required qualifications and capabilities, and the permit for removal and treatment operations issued by the competent authority. In addition, the generation of waste, storage, removal and disposal of industrial waste should be declared online before the entrustment contract is signed. The declared information

should be kept for three years. In addition to designating people to control the waste generation, the management of waste storage, removal, treatment and reuse of the entrustee will also be inspected and records are also kept for future reference.

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. 90% of the reductive slag recycled is handed over to recycling agency of cement plants approved by the environmental agency to be used as raw cement, and 10% is sent to Taiwan Steel Resources Co., Ltd. for non-structural engineering use after stabilization.

Process of collecting and monitoring data of waste



Collection and monitoring of waste

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

Note:

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

The total weight of waste amounted to 354,646 tons in 2021, and the total waste recycling ratio was 99.91%. Waste in all facilities is all recycled. To refer to the development experience in advanced countries, Tung Ho Steel commissioned National Taipei University of Technology to conduct research on the Application of Oxidizing Slag and Water Sludge Cake to the Controlled-Low-Strength-Materials (CLSM) and significant results have achieved. There will be more extensive application of oxidizing slag in the future. In addition to the massive use to CLSM, we also work with Hao Sheng Industrial Co., Ltd. and apply it to road construction to cooperate with Taoyuan City Government, which include asphalt pavement and the base layer for subgrade. The quality and effects as well as the usage are all great. Hao Sheng Industrial Co., Ltd. was also awarded the 2019 Public Construction Golden Quality Award. It is hoped that the development of applying oxidizing slag to ultra-high-strength concrete can be further advanced to turn waste into gold.

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

Waste treatment

Unit: ton/year

	On-site			Offsite		
	Hazardous industrial waste					
Category/Facility	Taoyuan Works	Miaoli Works	Kaohsiung Works	Taoyuan Works	Miaoli Works	Kaohsiung Works
EAF dust or sludge	0.00	0.00	0.00	21,171.41	14,561.71	0.00
Subtotal	0.00	0.00	0.00	21,171.41	14,561.71	0.00
	Non-hazardous industrial waste					
EAF slag	0.00	0.00	0.00	154,775.97	117,913.98	0.00
LF slag	0.00	0.00	0.00	22,843.57	21,908.78	0.00
Inorganic sludge	0.00	1,256.25	0.00	567.71	0.00	206.28
Other industrial waste	0.00	0.00	0.00	0.00	0.00	23.66
General waste	0.00	0.00	0.00	0.00	0.00	57.90
Waste wood	0.00	0.00	0.00	0.00	0.00	4.56
Waste oil	0.00	0.00	0.00	0.00	0.00	21.18
Waste lubricating oil	0.00	0.00	0.00	47.31	0.00	2.54
Waste cooking oil	0.00	0.00	0.00	0.00	0.00	0.00
Employees' domestic waste	0.00	0.00	0.00	53.65	0.00	0.00
Recycling	0.00	0.00	0.00	0.00	0.00	9.46
Scrap steel	2,527.40	0.00	0.00	0.00	0.00	22,349.42
Iron oxide	0.00	0.00	0.00	0.00	0.00	5,565.62
Subtotal	2,527.40	1,256.25	0.00	178,288.21	139,822.76	28,240.62

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 2021, Tung Ho Steel did not transport, import or export substances considered hazardous waste in Annexes I, II, III, and VIII to the Basel Convention.
3. The on-site recycling of scraps in Taoyuan Works in 2020 was 3,933.55 tons originally. However, due to the recalculation of the statistics in Taoyuan Works, the figure is revised to 691.3 tons.

Description of various waste categories for treatment and treatment methods

Category	Waste diverted from disposal		Waste directed to disposal			Description of treatment methods
	Recycling	Other recycling operations	Incineration (including energy recovery)	Incineration (excluding energy recovery)	Other disposal operations	
EAF dust or sludge	■					EAF dust includes recyclable metal (such as zinc, lead, iron and so on). Currently this item of waste is handed over to Taiwan Steel Union Co., Ltd and Katec Creative Resources Corp. for recycling.
EAF slag	■					It is handed over to the reuse plant as the CLSM material for trench backfill, raw materials for asphalt concrete pellet, and aggregate gradation for pavement engineering.
LF slag	■					It is handed over to the reuse plant and used as raw materials for cement.
Inorganic sludge	■	■				Miaoli Works self-reuse it by remelting, and physical treatment (heat treatment) is adopted in other works.
Other industrial waste	■	■	■			Incineration, physical treatment, resource recovery.
General waste			■			
Waste wood		■				Physical treatment.
Waste oil	■	■				Physical treatment (other recycling operations for Taoyuan Works and Kaohsiung Works, and off-site recycling for Miaoli Works)
Waste lubricating oil	■					Only Miaoli Works uses off-site recycling
Waste cooking oil				■		
Employees' domestic waste Recycling	■					
Scrap steel Iron oxide	■					Reuse

■ Reuse of By-product

As the relevant technologies for the treatment and reuse of EAF slag are accelerating, the treatment technology of the by-product of EAF slag has matured. However, relevant laws and regulations concerning recycling have not been completed but management is strict. The doubts about the slag ballast that the public used to hold have been greatly eased in 2021.

The reuse method of oxidizing slag focuses on asphalt pavement, the base layer for subgrade, and CLSM. Among them, Tung Ho Steel worked with Hao Sheng Industrial Co., Ltd. and applied it to the road pavement and subgrade projects of the Taoyuan City Government, and the high-quality results and waste removal gradually show. Applying oxidizing slag to local government road projects can effectively remove the waste, and it also has positive help in the construction quality and service life of the roads. To facilitate the promotion of EAF slag use, it is planned that the construction specifications is to be revised and that Taiwan Steel & Iron Industries Association compiles technical manuals to have complete integration of oxidizing slag reuse technology in Taiwan to serve as reference for engineering units. The manual of applying oxidizing slag to asphalt concrete pavement and the trial use manual of applying EAF slag to the aggregate gradation subgrade have passed the review by the Industrial Development Bureau. The manual of applying EAF slag to CLSM has also been completed and promulgated for implementation. As for the reuse of reducing slag, it is introduced in the manufacturing process of cement raw meal, and through the cooperation with companies of Ruentex Materials and Taiwan Cement Corporation, the purpose of total removal of reducing slag is achieved. In addition, the reducing slag stabilization equipment of Taiwan Steel Resources Co., Ltd, has officially started operation, and the technology and development as well as the application manual will mature gradually. It is believed that it will make positive contribution to the complete recycling of the LF slag in Taiwan.

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	269,255	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	46,587	0%	100%	Cement raw meal.
EAF dust	Dust collected in the electric furnace process	35,865	0%	100%	Sent to Taiwan Steel Union Co., Ltd. for zinc oxide recovery .
Inorganic sludge	Generated from wastewater treatment	818	64%	0%	The annual output is based on the data of Miaoli Works. Miaoli Works recover iron oxide with electric furnace while other works dispose it as waste.

Note: The annual output of EAF oxidizing slag in 2020 was 242,842 tons originally. However, due to the recalculation of the output statistics in Taoyuan Works, the annual output is revised to 245,286 tons.

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 sustainable development, we have made investment to handle environmental protection related work. Among the environmental protection expenditures in 2021, the depreciation of capital expenditures was approximately NTD 81,596 thousand, and the current expenditures was approximately NTD 586,346 thousand, with the total being amounted to NTD 667,942 thousand.

Environmental protection expenditures

Unit: NTD 1,000

Item / Facility	Taoyuan Works	Miaoli Works	Kaohsiung Works	Subtotal
Environmental capital expenditures (depreciation)	46,253	35,085	258	81,596
Current expenditures for environmental protection	285,887	288,095	12,364	586,346
Subtotal of environmental protection expenditures by works	332,140	323,180	12,622	667,942

Environmental Compliance-Cases, Responses and Handling

The Company did not receive any major liquid or gas leakage penalties in 2021. Improvement measures for environmental violations have been completed. Detailed information of environmental compliance and improvement and preventive measures are listed as follows.

Overview of environmental compliance

Facility	Description	Improvement and preventive measures
Taoyuan Works	November 26,2021 Due to the power outage in the electric furnace room, the monitoring equipment was shut down and the daily timing automatic calibration of the opacity could not be performed, violating Article 23 Paragraph 2 of the Air Pollution Control Act and was fined NT\$ 100,000.	When a power outage causes the disability of the monitoring computer, relevant units have to be notified and pictures should be taken to record the correction situation on the day of the incident to prevent it from happening again.

Note: There were no penalty incidents in Miaoli Works and Kaohsiung Works.



5

A Friendly Workplace

5-1 Manpower Structure with Equality

Special Column: Moving Toward a Friendly Workplace and Culture of Gender Equality

5-2 Labor-Management Relations

Special Column: Provision of Paid Vaccination Leave

5-3 Career Development and Training

5-4 Occupational Health and Safety

5-1 Manpower Structure with Equality

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

To prevent and handle sexual harassment of other incidents damaging the rights of all staff or other employees in the workplace, 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 2021, 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 69, accounting for 4% of the total employees, and the total number of training hours was 65.5.

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

According to Ministry of Labor’s human rights requirement item in the Foreigners’ Life Care Service Plan, local competent authority would assign personnel to conduct labor inspection of the dormitory living facilities and life management of the factory in accordance with the human rights requirement. During the reporting period, 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.



Reward giving-3-year memorial watch



Seminar and birthday party for foreign workers

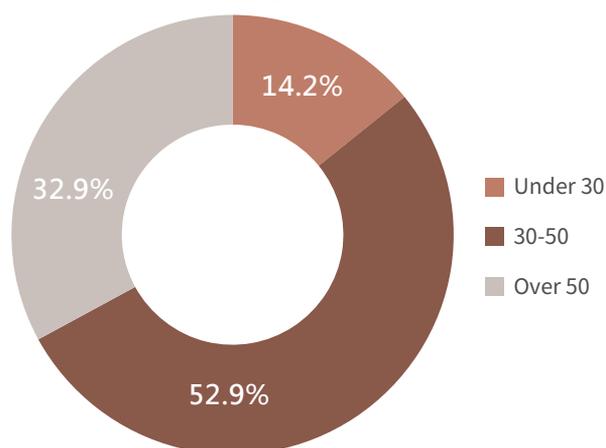


Monthly seminars for foreign workers

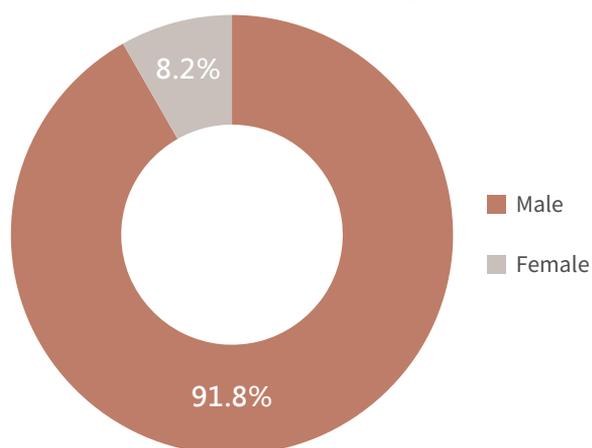
Distribution of Employees

As of the end of 2021, the total number of employees in Tung Ho Steel was 1,777, including 1,557 full-time employees (1,411 males and 146 females) and 220 temporary employees ^{Note 1}. Senior management ^{Note 2} are 100% Taiwanese nationals, and all employees are full-time employees without part-time employees. However, due to the characteristics of the iron and steel industry, there are more male employees, and the gap between the number of male and female employees is large. In 2021, there were no major changes in the number of employees in the Company’s important operating bases in Taiwan.

Employee age distribution



Employee distribution by gender



Type of employment and gender distribution of Taiwanese employees

Unit: person

Item/Gender	Type of contract	Male						Female						Total
		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	
Head Office		6	67	53	1	7	1	8	33	25	-	-	-	201
Taoyuan Works	Full-time	91	318	102	5	54	30	3	18	14	-	-	-	635
Miaoli Works		46	228	232	18	56	1	4	11	10	-	-	-	606
Kao-hsiung Works		30	134	104	37	10	0	3	5	12	-	-	-	335
Subtotal		173	747	491	61	127	32	18	67	61	-	-	-	1,777
Total		1,411			220			146			-			

Note:

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

■ Distribution of Employees with Disability and Indigenous Employees

As of the end of 2021, the Company hired 58 indigenous employees (accounting for 3.3%) and 25 employees with disabilities (accounting for 1.4%), higher than the 1% standard of the government's employment quota prescribed in the People with Disabilities Rights Protection Act.

Age distribution of employees with disabilities and indigenous employees

Unit: person

Age	Employees with disabilities		Indigenous employees	
	Male	Female	Male	Female
Under 30	2	0	12	0
30-50	12	1	34	0
Over 50	10	0	12	0
Total	24	1	58	0

■ Turnover of Employees

■ Employment Rate and Turnover Rate

For the needs of operation and development, the Company recruits new employees on an irregular basis. In 2021, the employment rate was 6.81% and the turnover rate was 4.73%, which was an decrease of 1.25% compared with 2020.

Employment rate and turnover rate over the years

Year	2017		2018		2019		2020		2021												
	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 (%)											
New employees	Under 30	31	25.00	5	29.41	72	41.14	8	42.11	74	35.24	7	33.33	53	22.94	4	18.18	66	28.21	2	11.11
	30-50	47	5.05	6	8.82	63	6.92	5	7.14	62	6.94	4	5.56	64	7.20	3	4.69	47	5.38	3	4.48
	Over 50	4	0.99	0	0.00	0	0.00	1	1.96	0	0.00	0	0.00	3	0.61	0	0.00	0	0.00	3	4.92
	Total New employees	93		149		147		127		121											
	Total employees	1,596		1,660		1,716		1,758		1,777											
	Employment rate (%)	5.83%		8.98%		8.57%		7.22%		6.81%											

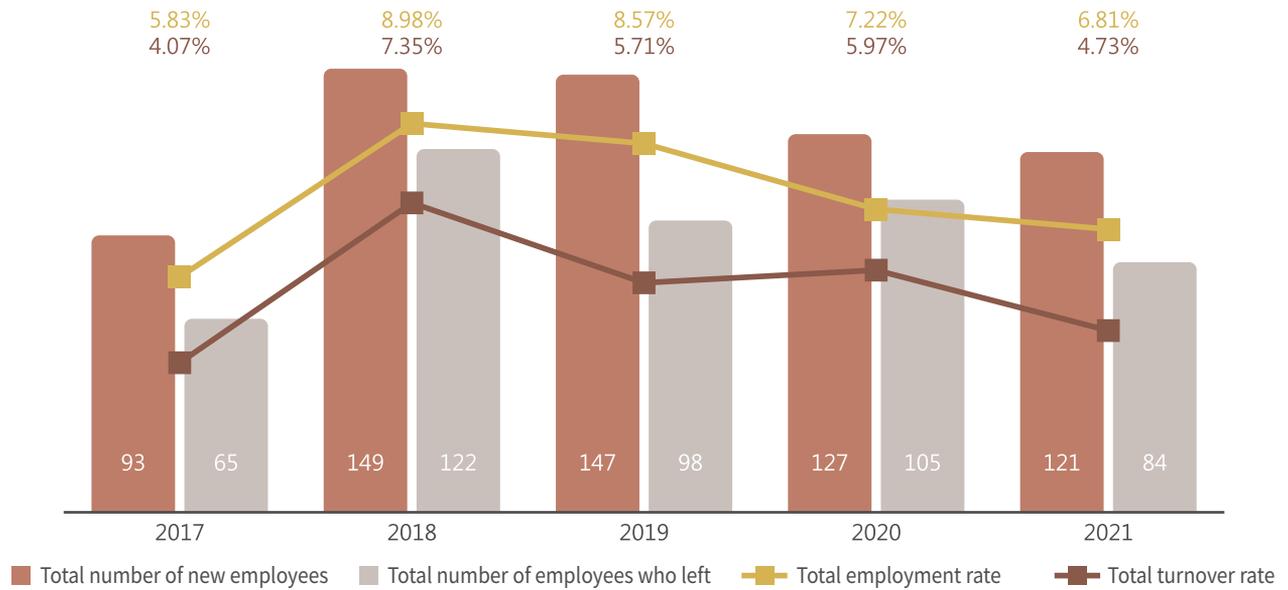
Employment rate and turnover rate over the years

Year	2017				2018				2019				2020				2021				
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	9	7.26	2	11.76	34	19.43	1	5.26	19	9.05	1	4.76	25	10.82	1	4.55	23	9.83	2	11.11
	30-50	40	4.30	3	4.41	53	5.82	3	4.29	50	5.60	2	2.78	43	4.84	6	9.38	36	4.12	0	0.00
	Over 50	10	2.46	1	1.96	26	5.99	5	9.80	24	5.16	2	3.70	28	5.68	2	3.39	19	3.63	4	6.56
	Total number of employees who left	65				122				98				105				84			
	Total employees	1,596				1,660				1,716				1,758				1,777			
	Total turnover rate	4.07%				7.35%				5.71%				5.97%				4.73%			

Note:

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

Number and rate of employment and turnover over the years



New employees and employees who left by age





Moving Toward a Friendly Workplace and Culture of Gender Equality

Tung Ho Steel has long been devoted to creating a harmonious, friendly and healthy working environment, and expects to break the stereotype that males dominate the iron and steel industry. There used to be few female employees working on-site, but now we can see female position holders in mechanical drafting, rolling repair, and crane operation, adding some soft elements in the masculine factories.



In 2021, one employee surnamed Lu was hired as a crane operator in Kaohsiung Works. Lu majored in the Department of Occupational Safety and Health and had obtained the license of stationary crane and Class C Refrigeration and Air Conditioning Technician. She likes field operation and enjoys operating the crane and is able to carry out hoisting operation every day. There are also various machines to learn, and the work is really fulfilling. Lu's family are all very supportive. Lu hopes to learn to identify the sizes of the finished steel bar and whether the angles are qualified. Lu also hopes to be as familiar with the operation setting, troubleshooting, and improvement of machines as other senior associates are. For other heavy machines in the plant, Lu always does her best to grab the chance to learn how to use them.

Another employee surnamed Wu in Taoyuan Works graduated from the Department of Electrical Engineering, and therefore is very familiar with machinery related work. Her first job in 2013 was to conduct the steel rolling repair at Tung Ho Steel. Her specialty is mechanical drawing, and she makes mechanical drawing of steel rolling machinery. She gets along with other colleagues well despite being a female employee. In the recent two years, she has been transferred to the Facility Department to be in charge of mechanical drawing of steelmaking and steel rolling machinery, and she also handles carbon footprint and GHG inventory. She has on-site work experience. Under careful guidance from her colleagues, she successfully took over the related work and keeps learning. Her colleagues and supervisors all believe that she can make it.



Our associate surnamed Yu in Tung Kang Steel Structure Corporation is responsible for the site quality, safety and health and other paperwork. She did not major in related subject, but she works hard and often contacts business of the construction site and volunteers to learn on-site and inspect quality. She also made use of the time after work for studying and has obtained the certificate of industrial safety and quality management. She has completed the engineering management and drawing recognition of foundation laying work, onsite installation and traffic flow coordination, Column lifting, feeding/counting/installation/electric welding of the construction site. Despite the high-pressure working environment, she still completes all the assigned work and performs as well as her male associates on site.

We attach great importance to the professional ability, adaptability, and acuity of our employees. Gender is not a consideration for talent selection. We hope to break the gender barrier in the workplace and show that Tung Ho Steel is dedicated to the creation of a diverse, open, and equal working environment, and female employees can also have great development and advancement in the Company.

5-2 Labor-Management Relations

I Compensation Structure

The main compensation items of our full-time employees include fixed salary, various allowances, bonuses, year-end bonuses and employee compensation. The salary of employees of the same seniority and same job category does not differ due to difference in gender. The difference in the salary ratio of each position is because of the difference in seniority and job category, resulting in different job bonus ratios. As of the end of 2021, 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	1.339	1.084	1.188	1.309
Female	1	1	1	1

Note:

1. The figures in the table above were calculated based on the compensation of employees in the operating bases (including Head Office, Taoyuan Works, Miaoli Works, Taichung Harbor Logistic Office, and Kaohsiung Works) in 2021.
2. Due to the fact that female employees are mostly in administrative positions while male employees are mostly in on-site positions, the ratio of job allowances and work bonuses are different. Therefore, the salaries of male employees are higher than those of female employees.
3. High-level management refers to management positions including the president, executive vice president, vice president, assistant manager and factory director.

As prescribed in Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies, employees' salary-related information required to be disclosed as of the end of 2021 is as follows.

Disclosure of information of employee compensation

Unit: NTD 1,000

	2019	2020	2021
The number of full-time employees who are not in a managerial position	1,605	1,659	1,685
The gross salary of full-time employees who are not in a managerial position	1,445,885	1,639,759	1,988,884
The average of the salaries of the full-time employees who are not in a managerial position	901	988	1,180
The medium of the salaries of the full-time employees who are not in a managerial position	852	938	1,139

Note:

1. "Full-time employees" refer to those whose working hours reach the normal working hours stipulated by the Company or legal working hours. Those who do not follow the normal working hours and work more than 35 hours a week averagely are classified as full-time employees. Those who work under such hours belong to part-time employees (may be the part-time worker, hourly-paid employees and students in the industry-university collaboration projects).
2. "Gross salary" refers to the employees' salary income of the current year. It adopts the concept of accrual basis and include regular wage (base pay and monthly fixed allowances and bonuses), overtime pay and non-regular wage (non-monthly bonuses). In addition, employee compensation (cash or stock) allocated to employees as prescribed in the Articles of Incorporation should be included in gross salary. However, the valuation amount of share-based payment (such as employee stock options, transfer of treasury shares to employees) is not included.

3. "Not in a managerial position" refers to general employees excluding managers. The term "managers" applies to (1) president and equivalent level; (2) vice president and equivalent level; (3) assistant manager and equivalent level; (4) the head of the financial department; (5) the head of the accounting department; (6) other persons who have the right to manage the company's affairs and sign.
4. In 2021, the employee salaries increased due to the growth in the operating conditions compared with 2020, and the relevant bonuses (year-end bonus, surplus bonus) and the employee compensation distribution are higher.
5. The number of full-time employees who are not in a managerial position increased by 1.56% compared with the previous year; the average of the salaries increased by 19.43% compared with the previous year; the medium of the salaries increased by 21.42% compared with the previous year.

■ Remuneration of New Employees

The major operating bases are in Taiwan, and the salary payment range of formal employees is determined based on the positions, as well as individual employee's education, experience, skills, work performance, and development potential. New employees will not be treated differently due to gender, age, place of birth, race, marital status, religion, appearance, physical disability, start sign and blood type, and performance appraisal will be conducted regularly as a reference for salary adjustment. The monthly regular salary (fixed salary and work bonus) of all new entry-level personnel was a multiple of local (Taiwan) statutory basic salary (NTD 24,000) in 2021, as shown in the following table.

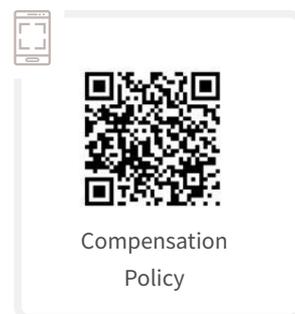
New entry-level employees in different categories	Administrative staff	Technician	Engineering staff
Multiple	1.38 times	1.57~1.99 times	1.67~1.96 times

Note:

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

■ Compensation Policy

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.



Employee Benefits

Labor-Management Communication

The Company does not hinder the right to freedom of association^{Note} 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 2021, more than 99% of employees in the Company joined the trade union. On December 17, 2020, under the witness of Miaoli County Government and officials of Ministry of Labor, Miaoli Works and the enterprise union have finally signed the collective agreement. Collective agreements have not yet been signed in other works.

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



Representative Conference in
Kaohsiung Works

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

Employee Benefits

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

List of the benefits of full-time employees



Amiable benefits

Educational grants for employees' children, cash gifts on three festivals, birthday cash gift, grants for weddings and funerals, club subsidies, retirement subsidies, etc.



Company facilities

Staff canteens and dormitories are in the plant area, taking care of the employees by providing meals and accommodation for those from other cities or have problems commuting.



Perfect insurance system

We provide employees with best care and protection. Employees not only enjoy labor insurance and national health insurance as required by law, they are also covered by group insurance (including foreign employees), including life insurance, accident insurance, business accident insurance and business travel insurance to ensure the employees' safety at work and in life.



Club activities

We subsidize employees to establish clubs. The club established include the Mountain Climbing Club, Softball Club, Golf Club, Badminton Club, Hiking Club, Table Tennis Club and so on, and the club activities are held on an irregular basis. We encourage our employees to participate in more health activities, such as walking, fitness exercises, aerobic exercises and so on.



Employee bonuses

Employee compensation: Surplus will be allocated to share with employees if there is surplus in the business year.

Employee stock options: When there is issuance of common stock for cash, part of the new shares will be reserved and purchased by employees.



Taking care of employees' health

We regularly provide health checks for our employees, establish integrated occupational medical and health services, provide healthcare information and organize health education on an irregular basis to promote the physical and mental health of the employees.

Sustainable Management

Integrity Governance

Economic Sustainability

Environmental Protection

A Friendly Workplace

Social Prosperity

Appendixes

■ Parental Leave without Pay

In 2021, a total of 3 employees applied for parental leave without pay (2 males and 1 females). A total of 3 employees (3 male and 0 females) were due to be reinstated, and the actual number of reinstated employees was 1 (1 male and 0 females), and the reinstatement rate reached 33%. The retention rate was 100% in 2021.

Item/Year	2017			2018			2019			2020			2021		
	Male	Female	Total												
The number of employees eligible for application for parental leave without pay (A)	135	5	140	127	6	133	120	13	133	109	14	123	96	15	111
The number of people who actually applied for parental leave without pay of the current year (B)	4	2	6	1	1	2	1	3	4	2	3	5	2	1	3
The number of employees who should be reinstated after parental leave without pay of the current year (C)	2	2	4	3	2	5	1	3	4	1	3	4	3	0	3
The number of employees who were actually reinstated after parental leave without pay of the current year (D)	2	1	3	3	1	4	1	3	4	1	3	4	1	0	1

Item/Year	2017			2018			2019			2020			2021		
	Male	Female	Total												
The number of people who were actually reinstated after parental leave without pay in the previous year (E)	1	1	2	2	1	3	3	1	4	1	3	4	1	3	4
number of employees who were actually reinstated in the previous year and has been reinstated for 12 months (F)	1	0	1	1	0	1	3	1	4	1	3	4	1	3	4
The reinstatement rate of the current year %(D/C)	100	50	75	100	50	80	100	100	100	100	100	100	33	0	33
The retention rate of the current year %(F/E)	100	0	50	50	0	33.33	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 2021 was calculated based on the number of employees who had taken paternity leave and maternity leave from January 1, 2018 to December 31, 2021.

■ Retirement System

The Company has set up the pension plan for the employees in accordance with the Labor Standard Act and Labor Pension Act and has approved the establishment of the Supervisory Committee of Labor Retirement Reserve. Actuarial calculation of the labor pensions of the old system is made year by year (from 2015 to 2017 the allocation rate was 7%, and starting from 2018, the allocation rate was adjusted to 10%)^{Note}, and a meeting is convened regularly to protect the employees' rights and interests. As of the end of 2021, 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 2021, employees applicable to the pension system accounted for 87.6%. Temporary employees are specific fixed-term contract personnel, and do not apply to the pension system.

Note: Please refer to P34 of the Individual Financial Statement for Q4/2021 and P42 of the Consolidated Financial Statement for Q4/2021 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.

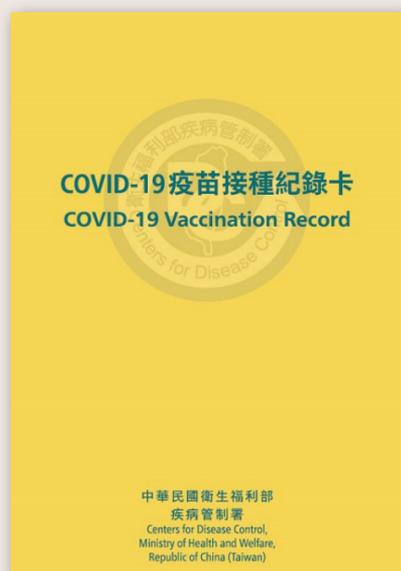


Provision of Paid Vaccination Leave

After the Severe Pneumonia with Novel Pathogens (COVID-19) appeared in December, 2019, the Ministry of Health and Welfare immediately announced it as Category 5 communicable disease. Due to the rapid spread of the epidemic to places around the world, a large number of people were infected and died. Many countries have actively invested in the research and development of vaccines, and several of them have been urgently authorized for use by various countries. Currently, it is generally believed that the vaccination against COVID-19 is the most effective way to prevent infection, severe conditions, and death in addition to public health measures.

Taiwan obtained the first batch of vaccines in March, 2021 and the vaccination program started. To encourage the public to get vaccinated to expand the epidemic prevention effect, the government made an announcement that within 24 hours after getting vaccinated, unpaid vaccination leave can be applied. To support the government's vaccination policy and to encourage our associates to actively get vaccinated, the Company provides a half-day paid vaccination leave by showing the vaccination record card, and this vaccination leave will not affect the surplus bonus and annual performance appraisal. The protective power of a vaccine will gradually go down over time, and there are constantly new variants of the virus. Therefore, we continue to encourage our employees to get three doses to make the immune response last longer for better protection. As of May 31, 2022, the total hours for employees to apply for paid vaccination leave was 10,524 hours, and the vaccination rate of each Works is as follows.

Facility	First dose (%)	Second dose (%)	Third dose (%)
Head Office	98.2%	96.4%	92.3%
Taoyuan Works	97.4%	92.9%	77.3%
Miaoli Works	96.3%	93.3%	80.5%
Kaohsiung Works	96.8%	95.1%	82.7%



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		2017		2018		2019		2020		2021	
Category		Number of people	Ratio								
High-level management	Male	16	100%	16	100%	15	100%	14	100%	15	100%
	Female	3	100%	3	100%	2	100%	2	100%	2	100%
Division head	Male	26	100%	28	100%	34	100%	32	100%	30	100%
	Female	3	100%	3	100%	3	100%	3	100%	3	100%
Section chief	Male	68	100%	72	100%	75	100%	78	100%	84	100%
	Female	6	85.7%	6	100%	6	100%	6	100%	7	100%
Other personnel	Male	1,230	91.1%	1,243	88.5%	1,182	81.8%	1,214	81.5%	1,227	81.8%
	Female	119	96.8%	117	91.4%	130	95.6%	128	95.5%	127	94.1%
Total	Male	1,340	91.8%	1,359	89.4%	1,306	83.2%	1,338	83.0%	1,356	83.2%
	Female	131	96.3%	129	92.1%	141	95.9%	139	95.9%	139	94.6%

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 2021, 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 104 people participated in the course, with a total of 208 training hours.

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

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

Employee career education and training system

Training course	Course	Description of training course
 Training for new recruits	Orientation training for new recruits	Provide courses for new recruits to understand the company organization, the management system and the working environment, safety and health, integrity management, anti-corruption, sexual harassment prevention and so on to help them shorten the adaptation period and give full play to what they are good at as soon as possible.
 Management training	Training Within Industry for Supervisors (TWI)	The courses include work interpersonal relationship training, work methods and work improvement to enhance their management capabilities and to cultivate the tacit agreement in the group.
	HQMTP Training	Standardize the management process, including handling problems, improvement of work, and communication skills. Through case study, role play and other learning methods, trainees can understand the procedures of handling things, which can improve the overall management efficiency and leadership skills.
	Internal lecturers training program	Through the internal lecturers training program, valuable management and technical experience of the Company can be passed on, and employees can also cultivate their second expertise.

Employee career education and training system

Training course	Course	Description of training course
 Management training	Management meeting for middle and senior management	The operation and management meetings are held every quarter to discuss the development strategies, current financial conditions, and the trends in the iron and steel industry in the world. Every year, the Company expands the operation and management meeting through visiting related industries, physical activities, keynote speeches and others to build consensus.
	Tung Ho Steel Growth Camp	Project discussion is carried out. Members of each team can have a better understanding of the operations of the Company by joining in activities. The cohesion among them can be enhanced by assisting with the preparation related affairs for the expansion of operation and management meetings.
 Professional functions training	Professional training	Different contents of professional training are designed for different functions, such as personnel, accounting, procurement, information, sales, engineering, and machinery. The training is based on internal training and supplemented by external training to help the employees improve their work capabilities.
	Safety and health training	Necessary safety and health education training is given to new recruits and in-service employees to enhance their awareness of work safety and health and emergency response capabilities to ensure work safety.
	License training	In addition to training for the license necessary for work, we also encourage our associates to obtain various professional licenses and certification to improve and expand their professional functions.
 General education course	Human rights and sustainable development-related training	Training of integrity management, anti-corruption, and sexual harassment prevention measures to enhance their concepts of human rights and sustainable development.
	General education courses like languages and courses in humanities and arts	Improve the employees' language abilities and cultivate their life through extensive learning.



Expansion of operation and management meeting



Zero disaster education and training

Statistics of the education and training hours over the years

Position		High-level management		Division head		Section chief		Other personnel		Total	
Year	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
2017	Male	352	22	592	23	2,193	32	31,680	27	34,817	27
	Female	32	11	181	60	286	41	2,053	17	2,552	19
	Total (person) hours	384	20	773	27	2,479	33	33,733	26	37,369	26
2018	Male	544	34	919	33	2,735	38	28,095	20	32,293	21
	Female	51	17	63	21	194	32	1,817	14	2,124	15
	Total (person) hours	595	31	982	32	2,929	38	29,912	20	34,417	21
2019	Male	288	19	918	27	2,139	29	30,202	25	33,547	25
	Female	44	22	113	38	110	18	2,883	21	3,150	21
	Total (person) hours	332	20	1,031	28	2,249	28	33,085	24	36,697	24
2020	Male	330	24	630	19	2,091	26	30,537	24	33,587	24
	Female	62	31	31	10	181	30	2,814	21	3,088	21
	Total (person) hours	392	25	661	18	2,272	27	33,351	24	36,675	24
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

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

■ Education and Training of Human Rights for Security Personnel

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

The guards are all full-time employees of the Company, and there are no external security personnel. All the new security personnel in all facilities receive the orientation education and training (including human rights 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 “Human Rights & Safety and Health Education Training for Security Personnel” in 2021.

5-4 Occupational Health and Safety

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

■ Environment, Health and Safety (EHS) Policy

Safety and health policy

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

Environmental policy

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

The Company's three works implement safety and health management work step by step in accordance with the PDCA of the occupational safety and health management system and have converted the ISO 45001 verification in 2020. The scope of implementation and applicable objects of this system cover all the operating sites and all the workers in the works. Those for the contractors/ subcontractors are stipulated in the contracts. In May, 2021, our Taipei Offices obtained the ISO/ CNS 45001: 2018 Occupational Safety and Health Management System verification login.

Our occupational safety and health management system applies to all the operations covered in ISO 45001: 2018. 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. With this system, the safety and health of all personnel can be ensured to achieve comprehensive safety and health management, aiming at creating a zero-disaster working environment.

Verificaiton certification of Occupational Safety and Health Managemet System



Head Office until May, 2024	Taoyuan Works until Aug, 2022	Miaoli Works until Aug, 2023	Kaohsiung Works until April, 2023
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Verificaiton certification of TOSHMS



Head Office until May, 2024	Taoyuan Works until Aug, 2022	Miaoli Works until Aug, 2023	Kaohsiung Works until April, 2023
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Occupational Safety System and Performance

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

Occupational Safety and Health Committee

The Occupational Safety and Health Committee is composed of the head of the works, unit supervisors, occupational safety and health management personnel, occupational health nurses, and representatives assigned by the enterprise unions, with the factory director serving as the chairman and the director of the Labor Safety Center as the management representative. The Committee is convened once a month to discuss issues related to potential risks of safety and health in the works,



deliberate and track safety and health meeting affairs, and make decisions and give instructions concerning safety and health related issues in the Company. The Committee is convened once a quarter in the Head Office.

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

Worker representatives participating in the Occupational Safety and Health Committee are all elected by the enterprise unions, accounting for 39.4% of the committee members averagely, and our contractors/ subcontractors are also invited to participate. In terms of health and safety issues, in addition to the communication and coordination with workers for solutions in Committee meetings, education and training for new employees, monthly industrial safety inspection, safety observation, safety talks, annual health checkups, and health management are also organized regularly, and the release of ISO 45001 Occupational Health and Safety Management Standards is closely paid attention to for active responds. Activities such as industrial safety promotion meetings and propaganda of occupational preventions of the Labor Inspection Office are organized on an irregular basis. Health and safety related issues have been included in the collective agreement signed between Miaoli Works and the enterprise union.

■ Contractor Management

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

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

Category of staff	Number of people	Proportion
Employees	1,777	93%
Non-employee workers whose work and/or workplace is under the control of the organization	143	7%
Total	1,920	100%

■ Performance of Industrial Safety

The goal of occupational accident management in all plants aims at zero-disaster as an indicator for enhancing various safety activities in the works. Zero-disaster related activities are supported by providing incentives and commending units with outstanding results. Cause analysis is conducted for each occupational accident in the Occupational Safety and Health Committee meeting, and improvement measures are also presented. In 2021, there are a total of 18 injury accidents in the three works, an increase of 1 case compared with 2020.

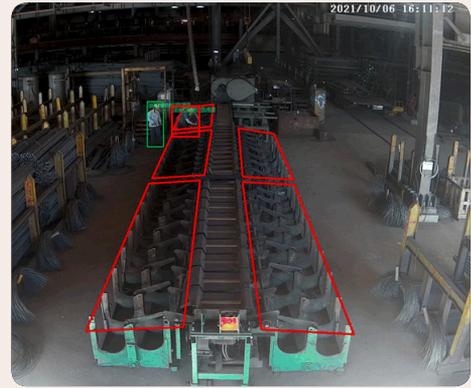
The cases of injuries increased due to unsafe behavior and unsafe environment, and the injured personnel were all males. No injuries occurred to female employees. In view of this, the relevant improvement measures taken are as follows. (1) Re-implement the hazard identification and risk assessment of the workplace where accidents occurred. (2) Required all units to continue the implementation of education and successful cases publicity in view of the harm caused by unsafe behavior and environment. (3) Implement the safety observation (interview) and keep the record on the safe green card. (4) Put up signs in dangerous working areas, such as the “Relevant Staff Only” and “No entry during equipment operation”. The Company will require continuous improvement in accordance with the Occupational Safety and Health Management System for the implementation of promotion of safety and health management.

In view of the unsafe behavior and unsafe environment that cause harm, Taoyuan Works has introduced hazard prediction methods into the courses for shift leaders and chiefs, including hazard prediction meetings and the daily 5-minute toolbox meeting. The AI Team of the Information Technology Division has started to apply AI image automatic detection, surround view monitoring system, and AI automatic protection device to stop operation when detecting the entry of personnel, and warning notification or PA

loudspeaker dispersion is immediately made to control or manage unsafe behavior or environment for improved on-site safety and health management based on the areas with hazardous equipment proposed by our three works.

In addition to the discussion of the analysis and corrective measures of the occupational accidents in the previous month reviewed by the president, the Audit Office and the Labor Safety Centers in all factories will also conduct joint cross-plant inspection every quarter and report to the president the deficiencies and corrective measures. For major occupational accidents that require hospitalization, the section chief and the division head should conduct monthly and factory director and deputy director should conduct autonomous management every two months and report to the president for review.

There was a fatal disaster of non-employee worker in Miaoli Works in 2021. This happened because the contractor’s employee was conducted the hanging of objects and did not keep a safe distance from the hanging object which was decoupled and fell down and crushed the operator. Therefore, in addition to revising the relevant operating standards to replace old slings, sling clips with anti-dropping devices are used, education and training are carried out, and contractor construction inspections are strengthened to implement the promotion of safety and health management work.



There is a safety detection area for steel bar processing and packaging in Taoyuan Works. The area marked in red is the working area. There are also green boxes or red boxes marked on the employees for the corresponding areas they work in. When there are employees working in the working area, the console will be locked and cannot be operated to avoid injuries in the working area due to mis-operation.

Types and times of occupational accidents company-wide over the years

Type / Year	2017	2018	2019	2020	2021
Tumble / fall	1	1	0	2	8
Collision	3	0	1	1	0
Falling objects, collapse	0	2	1	2	0
Mechanical injury	2	2	6	5	6
High-temperature and low-temperature contact	1	1	1	4	2
Others	1	2	1	3	2
Total	8	8	10	17	18

Note:

1. Tumble/falling includes tumble, rolling off and fall; collision includes collisions and being hit; falling objects and collapse includes falling of objects, collapse of objects and collapse; mechanical injury includes being pinched, rolled, cut and bruised.
2. Traffic accidents happened when commuting to or from work are not included in the industrial safety performance.

Industrial safety performance of the Head Office over the years

Type / Year	2017	2018	2019	2020	2021
Annual working hours	322,373	336,883	362,173	359,156	324,459
Number of deaths caused by occupational injuries	0	0	0	0	0
Rate of fatalities as a result of work-related injury	0	0	0	0	0
Number of severe occupational injuries (excluding deaths)	0	0	0	0	0
Severe Occupational Injuries (SOI) Ratio (Excluding deaths)	0	0	0	0	0
Number of recordable work-related injuries	1	0	0	0	0
Rate of recordable work-related injuries (FR)	0.62	0	0	0	0
Number of false alarms	-	-	-	2	0
Occurrence of false alarm	-	-	-	1.11	0

Industrial safety performance of Taoyuan Works over the years

Type / Year	2017	2018	2019	2020	2021
Annual working hours	1,102,480	1,092,720	1,143,816	1,246,768	1,249,056
Number of deaths caused by occupational injuries	0	0	0	1	0
Rate of fatalities as a result of work-related injury	0	0	0	0.16	0
Number of severe occupational injuries (excluding deaths)	0	0	1	0	0
Severe Occupational Injuries (SOI) Ratio (Excluding deaths)	0	0	0.17	0	0
Number of recordable work-related injuries	3	3	4	8	10
Rate of recordable work-related injuries (FR)	0.54	0.55	0.70	1.28	1.60
Number of false alarms	-	-	-	0	11
Occurrence of false alarm	-	-	-	0	1.76

Industrial safety performance of Miaolil Works over the years

Type / Year	2017	2018	2019	2020	2021
Annual working hours	1,279,889	1,334,353	1,335,350	1,357,983	1,368,178
Number of deaths caused by occupational injuries	0	0	1	0	0
Rate of fatalities as a result of work-related injury	0	0	0.15	0	0
Number of severe occupational injuries (excluding deaths)	0	0	0	0	0
Severe Occupational Injuries (SOI) Ratio (Excluding deaths)	0	0	0	0	0
Number of recordable work-related injuries	2	3	1	5	5
Rate of recordable work-related injuries (FR)	0.31	0.45	0.15	0.74	0.73
Number of false alarms	-	-	-	0	0
Occurrence of false alarm	-	-	-	0	0

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Industrial safety performance of Kaohsiung Works over the years

Type / Year	2017	2018	2019	2020	2021
Annual working hours	486,082	552,203	583,209	614,712	719,203
Number of deaths caused by occupational injuries	0	0	0	0	0
Rate of fatalities as a result of work-related injury	0	0	0	0	0
Number of severe occupational injuries (excluding deaths)	0	0	1	1	0
Severe Occupational Injuries (SOI) Ratio (Excluding deaths)	0	0	0.34	0.33	0
Number of recordable work-related injuries	2	2	4	4	3
Rate of recordable work-related injuries (FR)	0.82	0.72	1.37	1.30	0.83
Number of false alarms	-	-	-	2	1
Occurrence of false alarm	-	-	-	0.65	0.28

Note:

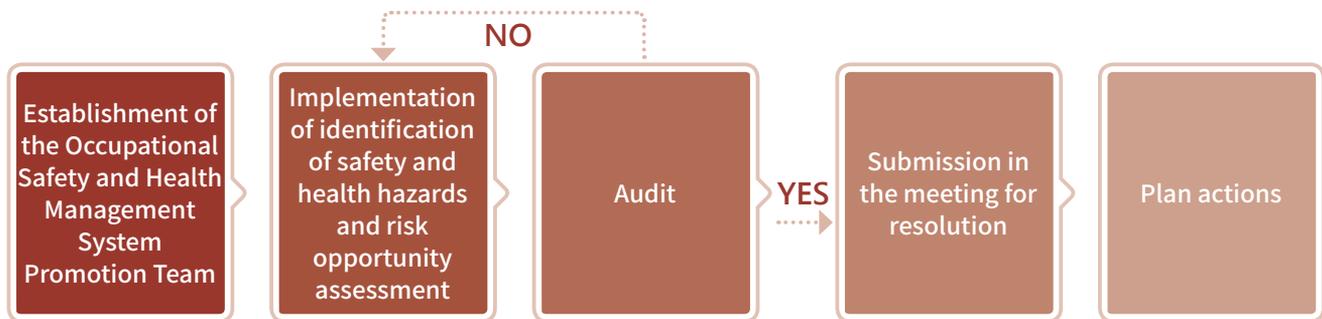
- Traffic accidents happened when commuting to or from work are not included in the industrial safety performance.
- No occupational accidents occurred to non-employee workers between 2017 and 2020. In 2021, one fatal work injury occurred to a non-employee worker in Miaoli Works.
- For the occupational accidents that occurred to non-employee worker in Miaoli Works, the rate of fatalities as a result of work-related injury = 4.88, and the rate of recordable work-related injuries = 4.88.
- Rate of fatalities as a result of work-related injury = (Number of deaths caused by occupational injuries/annual working hours)* 200,000
- 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).
- Severe Occupational Injuries (SOI) Ratio = (Number of severe occupational injuries (excluding deaths)/annual working hours)* 200,000
- Rate of recordable work-related injuries (FR) = (Number of recordable work-related injuries/annual working hours)* 200,000
- False alarms that occurred between 2017 and 2020 were not counted.

Reducing Risk of Occupational Accidents

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

that have happened, hazard identification and assessment has to be done again, the operating standards have to be revised, and the education and training of hazard awareness and identification should be implemented to conduct risk classification management and control to ensure the effectiveness of the management system. All the personnel performing hazard identification and hazard assessment are provided with education and training to ensure the quality of identification.

Identification of safety and health hazards/ opportunity assessment flowchart



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

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

The expenses invested in on-the-job training of safety and health in all works in 2021 amounted to more than NTD 1.12 million, with a cumulative of 17,635 man-hours of training, a 7% increase compared with 2020.

Safety and health education training courses



For the Company to effectively reduce occupational accidents, in addition to the existing safety and health training courses, we also participate in the promotion of relevant labor safety and health projects of the competent authorities of the local regions. We establish a good communication platform to integrate the resources in the public and private sectors through the cooperative relationship between the government and the employer groups to reach the goal of reducing occupational accidents.

In 2021, the vice president of manufacturing led 25 relevant management at all levels to participate 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. 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

Monitoring of Work Environment

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

Work environment monitoring in all facilities

Facility	Monitoring points	Monitoring items	Monitoring results and follow-up improvement measures
Taoyuan Works	108	Six items, including noise, Wet Bulb Globe Temperature (WBGT), carbon dioxide, manganese compounds, illuminance monitoring and dust.	Among them only noise exceeded the standards slightly. The employees are urged to put on protective gear. Other items are all lower than the legal standard values.
Miaoli Works	84		
Kaohsiung Works	70	Six items, including noise, Wet Bulb Globe Temperature (WBGT), carbon dioxide, sulfuric acid, methyl ethyl ketone, and dust.	
Head Office	62	Carbon dioxide, and noise	

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

Emergency and Disaster Prevention Drills

To improve the on-site emergency response capabilities in all the works to avoid or reduce injuries of personnel, property loss and environmental impact, various emergency response drills are conducted according to the on-site operation risks. In 2021, a total of 19 sessions of emergency response and disaster prevention drills were held.



Firefighting drill



Emergency drill of liquid oxygen tank



Radiation protection education and training

■ Control and Prevention of Abnormalities

Notification Procedures of Accidents and Emergency Response

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

■ Health Promotion

■ Health Examination

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

The manufacturing process of traditional industries would inevitably generate health hazards like high temperature, noise, and dust. The works control the hazards of the working environment and the employees' health through Measures for Implementing Exposure Monitoring in the Workplace and the special health examination, and the employees' relevant knowledge of emergency treatment of burns and scalds is also promoted. If an abnormal case is found, the Labor Safety Center will conduct case management, and the physician of occupational medicine will provide one-on-one consultation to comprehensively evaluate the factors of the employees' work nature, lifestyles, family history and others to provide suggestions for improvement for the employees and the Company. Furthermore, through hazard education and training, the wearing of protective equipment and inspection are

promoted, significantly reducing the personnel's exposure to danger and health hazards, reducing the probability of occupational diseases to the minimum. There has not been any case of occupational disease among our employees over the past 5 years, and there has been no occurrence of occupational disease among workers (whose work and workplace are under the control of the organization).

In all the works, the on-site physician will arrange health consultations for our employees, and the relevant records are kept in the Labor Health Service Implementation Record Sheet. In addition, personnel whose health management is of level 2 or higher in the special health examination will be arranged with health lecturers and individual doctor consultations. When there are still personnel exposing to work hazard on site, hazard control and relevant management measures should be immediately conducted. In 2021, a total of 1,587 people received general health examination while 1,760 received special health examination, and the costs of the health examination totaled approximately NTD 2.47 million.



■ 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\$1.7 million.

Establishment of Employee Health Services with Integrated Occupational Medicine

Item of health service	Cycle (method) of implementation
Monitoring of working environment	Every 6 months
Labor physical/health examination and result analysis	New recruits: physical examination before employment On-the-job: Once a year
Health check and health management of work-related abnormalities	Once a year
Matching the labor for fitness for work, and occupationally injured workers' retuning to work	Handled based on individual workers
Prevention of occupational injury and disease, case management and record keeping	Handled based on individual workers
Prevention of diseases caused by abnormal workload	Annual questionnaire survey, combined health check report and health interview
Ergonomics hazard prevention	Annual questionnaire survey and health interview
Prevention of illegal infringement in the workplace	Handled annually. Incident notification will be handled individually.
Maternal health protection in the workplace	Implemented annually. Pregnant employees will be managed on a case-by-case basis.
Implementation of high-temperature work protection	Promote heat injury related knowledge, and provide ice cubes, ice pillows, electrolyzed water and foaming ingots for use.
First-aid personnel and equipment management	<ol style="list-style-type: none"> 1. Provide qualified first-aid personnel and adequate first-aid supplies in accordance with regulations 2. A total of 15 AEDs have been installed in the works. 3. The infirmary is equipped with medical supplies, beds and so on to provide basic nursing care.
Health education guidance and health promotion	<ol style="list-style-type: none"> 1. Arrange interviews with the occupational physician based on the worker's individual needs, and relevant records are managed. 2. Organize health lectures (prevention of cardiovascular diseases, and prevention of special work hazards). 3. Post information of medical and health education (emergency treatment for burns and scalds) and organize group health education on an irregular basis.
Implementation of dengue fever breeding source inspection and prevention	Implement dengue breeding source inspection and prevention records in accordance with the regulations of the competent authority to maintain a clean and healthy environment in the works and reduce the changes of getting dengue fever.
Propaganda of other epidemics or infectious diseases	<ol style="list-style-type: none"> 1. The occupational physician provides relevant protection information of influenza, enterovirus, and foreign infectious diseases such as measles, cholera, Zika virus, Ebola virus, and severe special infectious pneumonia (COVID-19) for the workers to refer to. 2. Cooperated with Public Health Bureau of Miaoli County for the influenza vaccination.

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

To cope with the changes of the COVID-19 epidemic in 2021, anti-epidemic operation meetings were held at our Works, and the meeting minutes were emailed to all the employees. In addition, the establishment of emergency response plans for foreign workers, the planning of small anti-epidemic areas in different departments, the emergency response plans when the employees are listed or diagnosed with COVID-19, publicity the types, protection, and side effect of the COVID-19 vaccines, and conducted factory disinfection. In January, 2021, the epidemic became more severe and spread to the community, all the Works immediately started the diversion of employees and implemented the emergency epidemic survey of "Travel History of COVID-19 Confirmed Cases" in accordance with the information of local cases and travel history of confirmed cases announced by CDC and the county and city governments. The rapid screening reagents were also provided in the Works for the employees with cold symptoms to conduct a self-screening.

In 2021, a total of 568 people participated in health interviews, including 287 people for consultation, 176 people for fitness for work evaluation, 57 people for return to work evaluation, 11 people for maternal health protection, and 37 people for work overload.

Employee health protection and health promotion





6

Social Prosperity

6-1 Community Participation

6-2 Social Participation

Special Columnn: Glittering dawn illuminates children with Kanner's syndrome

6-1 Community Participation

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

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

Overall, the production activities, products and services of the Company do not have significant impact on the protected zone or areas with important biodiversity significance. In 2021, Tung Ho Steel did not receive any petition for affecting the ecological zone.



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

Social participation of the three works

Facility	Content of social participation
Taoyuan Works	<ul style="list-style-type: none"> ■ Actively conduct environmental monitoring regularly to understand the environmental impacts caused by production activity. ■ Regularly assist with the mowing of weeds on the neighboring roads to play the role of a good neighbor. ■ Actively visit the neighboring communities on an irregular basis, participate in community charity activities, and sponsor neighboring schools and club activities. ■ 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.

Social participation of the three works

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Facility	Content of social participation
Miaoli Works	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> ■ 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.



Vietnamese Language Learning Camp of Xiaogang High School



Roadside weed mowing

6-2 Social Participation

Tung Ho Steel not only is dedicated to the provision of high-quality products and services to our customers, but also participates in social welfare activities actively to fulfill its corporate responsibility. The Company participates in diverse public welfare activities, including educational sponsorship, academic awards, arts and humanities, major disaster relief and project donations. In 2021, the total donation of Tung Ho Steel totaled more than NTD 13.30 million.

For Taiwan, economic construction, the most fundamental architecture, has become more and more solid. The establishment of Hou Jindui Distinguished Honor Award and the Tung Ho Steel Foundation have gradually built up the “superstructure” for academic development and culture & arts. This further demonstrates Tung Ho Steel’s spirit of dedication and contributions, and what is more, the strong commitment to grow together with this land.

HO CHIN TUI FOUNDATION

Ho Chin Tui Foundation was established in 1975, and has been committed to rewarding young students excellent in conduct and learning as well as diligent students from disadvantaged families. Due to the changes in the social environment later on, it was rare for students to discontinue their studies for poverty. Therefore, Ho Chin Tui Award was set up in 1991 to provide rewards to outstanding scholars who have been making longterm 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 2021, there have been a cumulative of 168 winners of this award.



Ho Chin Tui Award ceremony 2021

Tung Ho Steel Foundation

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

To actively promote the creative achievements of artists in the Artist Residency Program, the Tung Ho Steel Foundation worked with the Yunlin Factory of Tung Kang Steel Structure Corporation in 2021 and set up two sets of artworks, “The Sonance of Iron Furnace” and “Sun Wheel” in the factory to share the beauty of steel art. To popularize the education of iron and steel materials, the Foundation purchased 400 copies of 《The Anne Times》 published by the Ministry of Education, targeting at the middle and primary schoolchildren aged between 11 and 17 and distributed the copies to local primary and middle schools, Taipei Museum of Contemporary Art, and New Taipei City Arts Center. It is hoped that the schoolchildren can explore and understand the importance of steel materials in our daily life and the environment through experiencing and learning activities, and also to explore the possibility of combining steel materials with culture. The theme of the 7th issue of 《The Anne Times》 is “Recycling”. When steel becomes an

indispensable material in life, the more the demand, the more the waste, and the greater the damage to the earth. Tung Ho Steel uses the scraps as the raw materials for production and reuse the scraps to maintain the resources on earth for eco-friendliness. It is hoped that by introducing the theme of Recycling, the necessity of steel recycling can be promoted.

Tung Ho Steel Foundation 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 in May, 2022, and the residency process as well as the special article reviews will be gathered and published to promote Tung Ho International Artist Residency Program, providing shared cultural resources, research basis, and documentation for the combination of steel and culture.

The 7th Tung Ho Steel International Artist Residency Program

Jun T. Lai, a senior female Taiwanese artist, has more than four decades of creation experience in her career as an artist. Her works were exhibited many times in Spring Fine Arts Gallery back in the '80s, and she is also known as a pioneer of abstract and extreme art in Taiwan. In recent years, she has moved to Taitung for creation. The local marine scenery and humanities have become her endless source of inspiration. Her public art works can be seen everywhere in Taiwan, and her works are widely collected by art galleries and art institutions at home and abroad. Jun T. Lai was also invited to participate in the 10th Summer Sculpture Exhibition in London, UK, for her abundant creative experience. She was also the first artist from Taiwan to be invited in the exhibition.

Taiwanese artist, Liang-Cheng Chiow, went to Japan to study sculpture in Okinawa Prefectural University of Arts. Before the journey of art creation, he used to be a well-known designer in the field of art. In recent years, he has drawn attention with his creation of ceramic sculptures. His works show his special philosophy of time and space, and the connection between his works creates a complex perception full of philosophical thinking.

The two artists have their own unique context in art and creation methods, and both of them will present their works in a profound way. It is believed that their abundant creative energy will bring a new vision and perception to the Artist Residency Program this year.



Artist- Jun T. Lai



Artist- Liang-Cheng Chiow

Tung Ho Steel International Artist Residency Program

- Jun T. Lai specializes in the dialogue between “people, nature, and artworks”. She challenged to create with scrap steel for the first time, and will continue her spirit of freedom and unlimitedness, creating works full of charm and energy.



Work of Jun. T. Lai – “Dancing Deer”

- Liang-Cheng Chiow specializes in pottery sculptures, and the characteristics of his creation are his profound experience and delicate perception of life, and the attention to the alienated relationship between human and land. In recent years, he has started to create large-scale 3D sculptures to show his special life philosophy of time and space.



Work of Liang-Cheng Chiow “Boundless Time”



Glittering dawn illuminates children with Kanner's syndrome

What used to be known as “autism” is now called Kanner's Syndrome. There are more than 16,000 people with Kanner's Syndrome in Taiwan, and most of them suffer from emotional interaction and communication barriers and fixed action patterns. They are often misunderstood, discriminated and isolated in groups, especially when they leave school. For the parents having children with Kanner's Syndrome, they commonly face the dilemma that they cannot let go and can never stop worrying about their children's future. What worries them most is their children's adult life when they grow up.

Taiwan Mennonite New Dawn Educate Center has taken care of people with disabilities. Recently, it has established the Shalom Project to take care of children with Kanner's Syndrome. The core is “educational care, self-reliance and benefiting people” from the highly intensive care in the initial stage of the institution to the low-density community rearing support in the mid-term and eventually to achieve the goal of self-reliance and employment.

The land purchase for establishing Shalom has been completed, and now it is in the fundraising stage. After the completion of construction, it can accommodate 64 adults with Kanner's Syndrome and 8 temporary nursery service (a total of 72 beds). Tung Ho Steel has long paid attention to social welfare and the disadvantaged groups. We have sponsored NT\$ 5 million in this Shalom project and hope to help attract others to join us to help this construction project of the center be completed as soon as possible.



7 Appendixes

Appendix I: GRI Reporting Principles Standards Comparison Table

「*」indicated the material topics

General disclosures

Type/ Topic	Corresponding chapters	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
				Type	Description	
1. Organizational profile						
Core	102-1	Name of the organization	About this Report 2-1 Company Profile	<u>2</u> <u>51</u>		■
Core	102-2	Activities, brands, products and services	2-1 Company Profile Socioeconomic Compliance, Improvement and Prevention 3-1 Operating Status Introduction of Main Products	<u>51</u> <u>64</u> <u>69</u> <u>92</u>		■
Core	102-3	Location of the organization's headquarters	2-1 Company Profile	<u>51</u>		■
Core	102-4	Number of countries operating	2-1 Company Profile	<u>51</u>		■
Core	102-5	Nature of ownership and legal form	2-1 Company Profile	<u>51</u>		■
Core	102-6	Markets served	3-1 Operating Status	<u>69</u>		■
Core	102-7	Scale of the reporting organization	2-1 Company Profile 3-1 Operating Status	<u>51</u> <u>69</u>		■
Core	102-8	Information on employees and other workers	Distribution of Employees	<u>130</u>		■
Core	102-9	Supply chain	Introduction of Value Chain	<u>101</u>		■
Core	102-10	Significant changes to the organization and its supply chain	Major Capital Expenditure and Benefits Investment in Clean Energy in Response to Climate Change	<u>73</u> <u>89</u>		■
Core	102-11	Precautionary Principle or approach	Internal control 3-2 Risk Management	<u>63</u> <u>74</u>		■
Core	102-12	External initiatives	About this Report 1-5 Sustainability Performance 3-3 Management of and Strategies for Climate Change Risks and Opportunities Quality Management First Domestic Steel Manufacturer Obtaining EPD for All Steel Products	<u>2</u> <u>45</u> <u>78</u> <u>93</u> <u>96</u>		■
Core	102-13	Memberships of associations	Exchanges and Cooperation	<u>52</u>		■
2. Strategy						
Core	102-14	Statement from senior decision maker	Message from the Chairman	<u>5</u>		■

Type/ Topic	Corresponding chapters	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
				Type	Description	
Comprehensive	102-15	Key impacts, risks, and opportunities	3-1 Operating Status Technology and R&D	<u>69</u> <u>73</u>		■
3. Ethics and integrity						
Core	102-16	Values, principles, standards and norms of behavior	1-1 ESG Operation and Performance 2-1 Company Profile	<u>5</u> <u>81</u>		■
Comprehensive	102-17	Mechanisms for advice and concerns about ethics	1-2 Communication with Stakeholders	<u>11</u>		■
4. Ethics and integrity						
Core	102-18	Governance structure	Governance Structure	<u>53</u>		■
Comprehensive	102-19	Delegating authority	1-1 ESG Operation and Performance	<u>8</u>		■
Comprehensive	102-20	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance and Nominating Committee	<u>59</u>		■
Comprehensive	102-22	Composition of the highest governance body and its committees	The Composition and Operation of Board of Directors Functional Committees	<u>55</u> <u>58</u>		■
Comprehensive	102-23	Chair of the highest governance body	Governance Structure	<u>53</u>		■
Comprehensive	102-24	Nominating and selecting the highest governance body	The Composition and Operation of Board of Directors	<u>55</u>		■
Comprehensive	102-25	Conflicts of interest	2-3 Integrity Management	<u>61</u>		■
Comprehensive	102-26	Role of highest governance body in setting purpose, values, and strategy	1-1 ESG Operation and Performance	<u>8</u>		■
Comprehensive	102-27	Collective knowledge of highest governance body	The Composition and Operation of Board of Directors	<u>55</u>		■
Comprehensive	102-28	Evaluating the highest governance body's performance	Performance Evaluation of Board of Directors and Corporate Governance Evaluation	<u>62</u>		■
Comprehensive	102-31	Review of economic, environmental, and social topics	The Composition and Operation of Board of Directors	<u>55</u>		■
Comprehensive	102-32	Highest governance body's role in sustainability reporting	About this Report 1-1 ESG Operation and Performance	<u>2</u> <u>8</u>		■
Comprehensive	102-34	Nature and total number of critical concerns	1-1 ESG Operation and Performance Corporate Governance and Nominating Committee	<u>8</u> <u>59</u>		■
Comprehensive	102-36	Process for determining remuneration	Functional Committees Compensation Policy	<u>58</u> <u>137</u>		■

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	Type/ Topic	Corresponding chapters	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance	
					Type	Description		
Sustainable Management	5. Stakeholder engagement							
	Core	102-40	List of stakeholder groups	1-2 Communication with Stakeholders	<u>11</u>		■	
Integrity Governance	Core	102-41	Collective bargaining agreements	Employee Benefits	<u>138</u>	Unable to obtain suppliers' information	In the Company, only Miaoli Works signed the collective agreement	■
Economic Sustainability	Core	102-42	Identifying and selecting stakeholders	1-2 Communication with Stakeholders	<u>11</u>		■	
Environmental Protection	Core	102-43	Approach to stakeholder engagement	1-2 Communication with Stakeholders Customer Satisfaction	<u>11</u> <u>97</u>		■	
	Core	102-44	Key topics and concerns raised	1-2 Communication with Stakeholders	<u>11</u>		■	
A Friendly Workplace	6. Reporting							
	Core	102-45	Entities included in the consolidated financial statements	Invested Businesses	<u>52</u>		■	
Social Prosperity	Core	102-46	Defining report content and topic boundaries	About this Report 1-3 Analysis of Material Topics 1-4 Response to Material Topics	<u>2</u> <u>19</u> <u>21</u>		■	
	Core	102-47	List of material topics	1-4 Response to Material Topics	<u>21</u>		■	
Appendixes	Core	102-48	Restatements of information	-		The restatement of some data in this Report is detailed in	■	
	Core	102-49	Changes in reporting	1-3 Analysis of Material Topics	<u>19</u>		■	
	Core	102-50	Reporting period	About this Report	<u>2</u>		■	
	Core	102-51	Date of most recent report	About this Report	<u>2</u>		■	
	Core	102-52	Reporting cycle	About this Report	<u>2</u>		■	
	Core	102-53	Contact point for questions regarding the report	About this Report	<u>2</u>		■	
	Core	102-54	Claims of reporting in accordance with the GRI Standards	About this Report	<u>2</u>		■	
	Core	102-55	GRI Content Index	About this Report Appendix I: GRI Reporting Principles Standards Comparison Table	<u>2</u> <u>166</u>		■	
	Core	102-56	External assurance	About this Report Appendix II: BSI Verification Statement	<u>2</u> <u>179</u>		■	

Topic-specific

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
				Type	Description	
200 Economic Disclosure						
*GRI 201: Economic Performance 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>24</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>24</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>24</u>		■
*GRI 201: Economic Performance 2016 Topic-specific disclosure	201-1	Direct economic value generated and distributed	Financial Performance	<u>70</u>		■
	201-2	Financial implications and other risks and opportunities due to climate change	3-3 Management of and Strategies for Climate Change Risks and Opportunities	<u>78</u>		■
	201-3	Defined benefit plan obligations and other retirement plans	Employee Benefits	<u>138</u>		■
	201-4	Financial assistance received from government	Financial Performance	<u>70</u>		■
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Compensation Structure	<u>136</u>		■
	202-2	Proportion of senior management hired from the local community	Distribution of Employees	<u>130</u>		■
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	6-2 Social Participation	<u>161</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>64</u>		■
	205-3	Confirmed incidents of corruption and actions taken	Socioeconomic Compliance, Improvement and Prevention	<u>64</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>64</u>		■
GRI 207: Tax 2019	207-4	Country-by-Country Report	Financial Performance	<u>70</u>		■

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	Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
	300 Environmental Disclosures						
Sustainable Management							
Integrity Governance	*GRI 301: Materials 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>33</u>		■
		103-2	The management approach and its components	1-4 Response to Material Topics	<u>33</u>		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>33</u>		■
Economic Sustainability							
Environmental Protection	*GRI 301: Materials 2016 Topic-specific disclosure	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>		■
		301-3	Reclaimed products and their packaging materials	Introduction of Value Chain	<u>101</u>		■
A-Friendly Workplace							
Social Prosperity	*GRI 302: Energy 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>34</u>		■
		103-2	The management approach and its components	1-4 Response to Material Topics	<u>34</u>		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>34</u>		■
	*GRI 302: Energy 2016 Topic-specific disclosure	302-1	Energy consumption within the organization	Broadening sources and reducing consumption	<u>104</u>		■
		302-3	Energy intensity	Broadening sources and reducing consumption	<u>104</u>		■
		302-4	Reduction of energy consumption	Green Process	<u>109</u>		■
Appendixes							
		103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>36</u>		■
	*GRI 303: Water and Effluents 2018 Management approach Disclosure	103-2	The management approach and its components	1-4 Response to Material Topics	<u>36</u>		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>36</u>		■
		303-1	Interactions with water as a shared resource	Water Resources	<u>115</u>		■
		303-2	Management of water discharge-related impacts	Emission Control	<u>119</u>		■
	*GRI 303: Water and Effluents 2018 Topic-specific disclosure	303-3	Water withdrawal	Water Resources	<u>115</u>		■
		303-4	Water discharge	Emission Control	<u>119</u>		■
		303-5	Water consumption	Water Resources	<u>115</u>		■
	GRI 304: Biodiversity 2016	304-3	Habitats protected or restored	6-1 Community Participation	<u>160</u>		■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
				Type	Description	
GRI 304: Biodiversity 2016	304-4	UCN Red List species and national conservation list species with habitats in areas affected by operations	6-1 Community Participation	<u>160</u>		■
*GRI 305: Emissions 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>34</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>34</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>34</u>		■
*GRI 305: Emissions 2016 Topic-specific disclosure	305-1	Direct (Scope 1) GHG emissions	GHG Inventory	<u>105</u>		■
	305-2	Energy indirect (Scope 2) GHG emissions	GHG Inventory	<u>105</u>		■
	305-3	Other indirect (Scope 3) GHG emissions	GHG Inventory	<u>105</u>		■
	305-4	GHG emissions intensity	GHG Inventory	<u>105</u>		■
	305-5	Reduction of GHG emissions	Green Process	<u>109</u>		■
	305-6	Emissions of ozone-depleting substances (ODS)	Emission Control	<u>119</u>		■
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Emission Control	<u>119</u>		■
*GRI 306: Waste 2020 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>33</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>33</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>33</u>		■
	306-1	Waste generation and significant waste-related impacts	Introduction of Value Chain Waste Treatment and Recycling	<u>101</u> <u>123</u>		■
	306-2	Management of significant waste-related impacts	Waste Treatment and Recycling	<u>123</u>		■
*GRI 306: Waste 2020 Topic-specific disclosure	306-3	Waste generated	Waste Treatment and Recycling	<u>123</u>		■
	306-4	Waste diverted from disposal	Waste Treatment and Recycling	<u>123</u>		■
	306-5	Waste directed to disposal	Waste Treatment and Recycling	<u>123</u>		■
*GRI 307: Environmental Compliance 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>27</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>27</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>27</u>		■

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	Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
Sustainable Management	*GRI 307: Environmental Compliance 2016 Topic-specific disclosure	307-1	Non-compliance with environmental laws and regulations	Environmental Compliance	<u>128</u>		■
Integrity Governance							
Economic Sustainability	*GRI 308: Supplier Environmental Evaluation 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>43</u>		■
		103-2	The management approach and its components	1-4 Response to Material Topics	<u>43</u>		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>43</u>		■
Environmental Protection	*GRI 308: Supplier Environmental Evaluation 2016 Topic-specific disclosure	308-1	Operations assessed for risks related New suppliers that were screened using environmental criteria	Supplier Management	<u>103</u>		
A Friendly Workplace						308-2	Negative environmental impacts in the supply chain and actions taken
Social Prosperity	400 Social Disclosures						
Appendixes	GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Turnover of Employees	<u>132</u>		■
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Benefits	<u>138</u>		■
		401-3	Parental leave	Employee Benefits	<u>138</u>		■
Management Relations 2016 Management approach Disclosure	*GRI 402: Labor/ Management Relations 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>41</u>		■
		103-2	The management approach and its components	1-4 Response to Material Topics	<u>41</u>		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>41</u>		■
	*GRI 402: Labor/ Management Relations 2016 Topic-specific disclosure	402-1	Minimum notice periods regarding operational changes	Employee Benefits	<u>138</u>		■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
				Type	Description	
*GRI 403: Occupational Health and Safety 2018 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>39</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>39</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>39</u>		■
	403-1	Occupational health and safety management system	5-4 Occupational Health and Safety	<u>146</u>		■
	403-2	Hazard identification, risk assessment, and incident investigation	Reducing Risk of Occupational Accidents	<u>152</u>		■
	403-3	Occupational health services	Health Promotion	<u>155</u>		■
	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational Safety System and Performance	<u>147</u>		■
	403-5	Worker training on occupational health and safety	Reducing Risk of Occupational Accidents	<u>152</u>		■
	403-6	Promotion of worker health	Health Promotion	<u>155</u>		■
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Safety System and Performance	<u>147</u>		■
*GRI 403: Occupational Health and Safety 2018 Topic-specific disclosure	403-8	Workers covered by an occupational health and safety management system	Occupational Safety System and Performance	<u>147</u>		■
	403-9	Work-related injuries	Occupational Safety System and Performance	<u>147</u>		■
	403-10	Work-related ill health	Health Promotion	<u>155</u>		■
*GRI 404: Training and Education 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>42</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>42</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>42</u>		■
*GRI 404: Training and Education 2016 Topic-specific disclosure	404-1	Average hours of training per year per employee	Talent Cultivation	<u>142</u>		■
	404-2	Programs for upgrading employee skills and transition assistance programs	Talent Cultivation	<u>142</u>		■

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	Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
Sustainable Management	*GRI 404: Training and Education 2016 Topic-specific disclosure	404-3 Percentage of employees receiving regular performance and career development reviews	Performance Appraisal	<u>142</u>			■
Integrity Governance	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>55</u> <u>130</u>			■
		405-2 Ratio of basic salary and remuneration of women to men	Compensation Structure	<u>136</u>			■
Economic Sustainability	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>64</u> <u>130</u>			■
Environmental Protection	GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Socioeconomic Compliance, Improvement and Prevention Employee Benefits	<u>64</u> <u>138</u>		Unable to obtain suppliers' information	■
A-Friendly Workplace	GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	Socioeconomic Compliance, Improvement and Prevention	<u>64</u>		Unable to obtain suppliers' information	■
Social Prosperity	GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Socioeconomic Compliance, Improvement and Prevention	<u>64</u>		Unable to obtain suppliers' information	■
Appendixes	GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Talent Cultivation	<u>142</u>			■
	GRI 411: Rights of Indigenous People 2016	411-1 Incidents of violations involving rights of indigenous people	Socioeconomic Compliance, Improvement and Prevention	<u>64</u>			■
	GRI 412: Human Rights Assessment 2016	412-2 Employee training on human rights policies or procedures	5-1 Manpower Structure with Equality	<u>130</u>			■
	GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	6-1 Community Participation 6-2 Social Participation	<u>160</u> <u>161</u>			■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
				Type	Description	
*GRI 414: Supplier Social Assessment 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>43</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>43</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>43</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>		■
GRI 415: Public Policy 2016	415-1	Political contributions	Socioeconomic Compliance, Improvement and Prevention	<u>64</u>		■
*GRI 416: Customer Health and Safety 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>38</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>38</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>38</u>		■
*GRI 416: Customer Health and Safety 2016 Topic-specific disclosure	416-1	Assessment of the health and safety impacts of product and service categories	Quality Management	<u>93</u>		■
	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 Quality Management	<u>64</u> <u>93</u>		
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Introduction of Main Products	<u>92</u>		■
			Quality Management	<u>93</u>		
	417-2	Incidents of non-compliance concerning product and service information and labeling	Socioeconomic Compliance, Improvement and Prevention	<u>64</u>		■
	417-3	Incidents of non-compliance concerning marketing communications	Socioeconomic Compliance, Improvement and Prevention	<u>64</u>		■

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	Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
					Type	Description	
Sustainable Management	GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy	97		■
Integrity Governance	*GRI 419: Socioeconomic Compliance 2016	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	27		■
Economic Sustainability	Management approach Disclosure	103-2	The management approach and its components	1-4 Response to Material Topics	27		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	27		■
Environmental Protection	*GRI 419: Socioeconomic Compliance 2016 Topic-specific disclosure	419-1	Non-compliance with laws and regulations in the social and economic area	Socioeconomic Compliance, Improvement and Prevention	64		■
A Friendly Workplace	Custom topics						
Social Prosperity	*GRI 103: Responsible Consumption and Production 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	33		■
		103-2	The management approach and its components	1-4 Response to Material Topics	33		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	33		■
Appendixes	*GRI 103: Corporate Governance 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	26		■
		103-2	The management approach and its components	1-4 Response to Material Topics	26		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	26		■
	*GRI 103: Cleantech Opportunity 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	30		■
		103-2	The management approach and its components	1-4 Response to Material Topics	30		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	30		■
	*GRI 103: Carbon Management 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	34		■
		103-2	The management approach and its components	1-4 Response to Material Topics	34		■
		103-3	Evaluation of the management approach	1-4 Response to Material Topics	34		■

Type/ Topic	GRI Standards Disclosures Items	Corresponding chapters	Page	Information not disclosed and the reason(s)		External assurance
				Type	Description	
*GRI 103: Green Action (Action Against the Climate) 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>34</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>34</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>34</u>		■
*GRI 103: Climate-related Financial Impacts 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>34</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>34</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>34</u>		■
*GRI 103: Information Security 2016 Management approach Disclosure	103-1	Explanation of the material topic and its Boundary	1-4 Response to Material Topics	<u>31</u>		■
	103-2	The management approach and its components	1-4 Response to Material Topics	<u>31</u>		■
	103-3	Evaluation of the management approach	1-4 Response to Material Topics	<u>31</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	-	■

	Disclosures Items	Corresponding chapters/ Description	Page	External assurance	
Sustainable Management	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	-	■
Integrity Governance	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	-	■
Economic Sustainability	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	-	■
Environmental Protection	MM10	Number and percentage of operations with closure plans	Does not have closure plans	-	■
A Friendly Workplace	MM11	Programs and progress relating to materials stewardship	1-4 Response to Material Topics	<u>33</u>	■

FSC mandates ESG-related data disclosure

	Disclosures Items	Corresponding chapters/ Description	Page	External assurance
Social Prosperity	The number of the company's full-time employees who are not in a managerial position, the average and medium of the salaries of the full-time employees who are not in a managerial position, and the difference of the three figures from the previous year	Compensation Structure	<u>136</u>	■
Appendixes	The company's governance around climate-related risks and opportunities, actual and potential climate-related impacts, how to identify, assess and manage climate-related risks, and metrics and targets used to assess and manage relevant climate-related issues.	3-3 Management of and Strategies for Climate Change Risks and Opportunities	<u>78</u>	■



INDEPENDENT ASSURANCE OPINION STATEMENT

Tung Ho Steel Enterprise Corporation 2021 Sustainability Report

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

This independent assurance opinion statement has been prepared for the stakeholders of Tung Ho Steel only for the purposes of assuring its statements relating to its 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 Enterprise Corporation 2021 Sustainability Report.
2. The evaluation of the nature and extent of the Tung Ho Steel's adherence to AA1000 AccountAbility Principles (2018) in this report as conducted in accordance with type 1 of AA1000AS v3 sustainability assurance engagement and therefore, the information/data disclosed in the report is not verified through the verification process.

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

Opinion Statement

We conclude that the Tung Ho Steel Enterprise Corporation 2021 Sustainability Report provides a fair view of the Tung Ho Steel sustainability programmes and performances during 2021. 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: Core option were fairly stated.

Methodology

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

- a review of issues raised by external parties that could be relevant to Tung Ho Steel's policies to provide a check on the appropriateness of statements made in the report.
- discussion with managers on approach to stakeholder engagement. However, we had no direct contact with external stakeholders.
- 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: Core option (For each material topic covered by a topic-specific GRI Standard, comply with all reporting requirements for at least one topic-specific disclosure). Based on our review, we confirm that 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



Statement No: SRA-TW-2021022
2022-05-18

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Appendix III: 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>79</u>
	b) Describe the role of management level in the assessment and management of climate-related risks and opportunities.	Climate Change-Related Governance	<u>79</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>81</u>
	b) Describe the organization's management process for climate-related risks.	Climate Change-Related Risks and Opportunity Management	<u>81</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>81</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>86</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>86</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>86</u>

Note: For detailed information concerning climate-related financial disclosures, please refer to [Tung Ho Steel 2022 TCFD Report](#).

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Appendix IV: Sustainability Accounting Standards Board (SASB) Comparison Table

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 9.75%. 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 compared with the previous year.
	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	Please refer to 2022 TCFD Report for the Scope 1 reduction plan. Currently, we do not consider replacing natural gas with hydrogen, and the reduction plan is to replace the heavy oil with natural gas in Kaohsiung and Miaoli Works, and it is estimated to reduce emissions.
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 6,376,393 GJ Percentage grid electricity 74.9% Percentage renewable 0%
	EM-IS-130a.2	Total fuel consumed, Percentage coal (%)/ Percentage natural gas (%)/ Percentage renewable (%)	Quantitative	Total fuel consumed 1,599,748 GJ Percentage coal 0 GJ Percentage natural gas 92.2% 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 2,205.048 thousand cubic meters Total water recycled 252,433.418 thousand cubic meters Total recycled 11,448% The water pressure in the region where the Company is located belongs to low-risk to medium-risk.

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Topic	Code	Accounting Metric	Type	Content of report
Waste Management	EM-IS-150a.1	Amount of waste generated, Percentage hazardous (%), Percentage recycled (%)	Quantitative	Amount of waste generated 385,868 tons Percentage hazardous 10% Percentage recycled 89.7%
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 Performance of Industrial Safety 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	Supplier environmental and social management is assessed and selected by the procurement personnel of Tung Ho Steel in accordance with the Supplier Management Operating Standards.
Activity Metrics	EM-IS-000.A	Raw steel production, percentage from basic oxygen furnace processes and electric arc furnace processes	Quantitative	Steel billets production: 2,108,099 tons
	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	<ul style="list-style-type: none"> ■ Coking coal of Taoyuan Works (including coke, coke powder and so on) totals 13,400 tons/year. ■ Coking coal of Miaoli Works (including coke, recarburizer, anhydrous coke material) totals 13,391 tons/year. ■ There is no steelmaking process in Kaohsiung Works, so there is no usage of coal materials. ■ The Company's total coking coal output is 26,790.8 tons/year.

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