



ZENGHSING Corporate Sustainability Report 2021



About CSR Report

Zeng Hsing Industrial CO., Ltd (Zeng Hsing) focuses on the household sewing machine business and provides excellent quality products and services to meet our client's requirements. This report discloses sustainability strategies and implementation performance information in environment (E), society (S), and governance (G). The goal of CSR reports is to give stakeholders a better understanding of Zeng Hsing's efforts and commitments to continued improvements in the sustainable development in ESG.

CSR report scope and reporting period 【102-45、50】

Reporting period: January 1 to December 31, 2021

Report Scope: Zeng Hsing Group's Taiwan headquarters and important manufacturing centers.

Report guidelines and certification

The content and structure of this report are based on the Core Options of the GRI Standards of the Global Reporting Initiative (GRI). The GRI Standards Content Index is attached to this report for reference purposes. Zeng Hsing commissions TUV to verify the report, which was compiled in accordance with the GRI Standards Core Options with limited assurance, based on AA1000. The assurance statement is attached to this report.

Issue time 【102-48、102-49、102-51、102-52】

We are delighted that you are reading the 8th Corporate Social Responsibility report issued by Zeng Hsing. We will continue to issue this report every year in both Chinese and English versions. There are no significant changes from previous reporting periods in the list of material topics and topic Boundaries. To learn more about Zeng Hsing's efforts and achievements in corporate social responsibility, please visit our dedicated CSR website.

Previous issue: July 2021

Current version: July 2022

Next issue: July 2023

Report compilation units 【102-53】

If you have any comments or questions about this report, please contact us:

Contact person : Claire Chung

Address : No. 78, Yongcheng Rd., Taiping Dist., Taichung City 411, Taiwan (R.O.C.)

Telephone : 886-4-2278-5177 (EXT : 589)

E-mail : csr@zenghsing.com.tw

Web : www.zenghsing.com.tw

Location of operations 【102-4】



Message From CEO

In 2014, we successively introduced the ISO14064-1 greenhouse gas (GHG) inventory and internal verification system to Zeng Hsing's four factories. As a result, the company has been able to monitor the group's GHG emissions since 2018, as well as disclose data relevant to

Scopes 1 and 2 emissions in our Corporate Sustainability Report to keep stakeholders abreast of Zeng Hsing's carbon emission status. As GHG inventory is the first step to conserving energy and reducing carbon emissions, the source of emissions must first be located in order to identify where carbon emissions can be reduced. After completing such an inspection, we found that the main source of our emissions was the electricity consumption of Zeng Hsing Vietnam. In response, we introduced the ISO50001 energy management system in 2018 and set up an energy monitoring platform in 2019 so as to ensure our capability to monitor energy usage and enforce energy conservation and carbon reduction policies. Apart from Zeng Hsing Vietnam, the other three factories of Zeng Hsing also devised yearly energy-saving plans at the request of the Corporate Social Responsibility (CSR) Committee in an effort to reduce the company's carbon emissions. Furthermore, the four factories of Zeng Hsing will complete GHG inventory and third-party verification in accordance with ISO14064-1 before the stipulated deadline as per the request of Taiwan Stock Exchange Corporation (TWSE) to ensure the rationality and integrity of our emissions data.

The forming of the Volunteer Team has brought us many touching experiences, whether it's the joy of engaging with people during social welfare endeavors or the refreshing feel and tranquility of connecting with nature. The feeling of joy was derived from teaching sewing skills to older adults, seeing the smiles on children's faces, and feeling proud of the works we completed together, whereas the feeling of tranquility came from enjoying the visual feast of green forest trees while bathing in the phytoncide-packed forest during our mountain-cleaning activity. Every volunteering activity has inspired our volunteers to continue participating in and promoting volunteering services. In 2022, Zeng Hsing will also collaborate with professional sewing associations to promote volunteering services and sewing culture across the community and continue to extend helping hands for charitable causes.

The 2020 Corporate Governance Evaluation placed Zeng Hsing in the Tier 2 category (6%–20%) for the first time. In 2021, Zeng Hsing employees did not remain complacent and continued to maintain the implementation of four dimensions (Protecting Shareholder Rights and Interests and Treating Shareholders Equitably, Enhancing Board Composition and Operation, Increasing Information Transparency, and Putting Corporate Social Responsibility into Practice). As a result, we successfully kept our ranking in the Tier 2 category (6%–20%). The TWSE will adjust its evaluation items every year and constantly increase the level of difficulty, from which it is seen that the introduction of international standards can help corporate entities to preemptively improve corporate standards. For this reason, Zeng Hsing actively assesses the feasibility of relevant requirements and enforces new policies to ensure that the company is able to keep up with the new standards and continue to stay in the Top 5%.

CEO Charles Lin 2022/06/30

Message From General Manager








The post-pandemic era has created challenges that businesses have never before seen. Many companies have begun actively implementing ESG (environment, social, governance) and sustainability policies to prepare for the risks that are endangering their long-term value. Governments worldwide are also aligning their ESG regulations with global trends to tackle human rights problems. For example, European Union (EU) countries such as France and Germany have sequentially enforced sustainable supply chain policies, mandating that companies monitor their suppliers' human rights, labor policies, and environmental management practices, etc. As a major seller in European and American markets, Zeng Hsing has recently received requests from clients to comply with ESG requirements; therefore, we feel very strongly about the importance and need to fulfill corporate social responsibility (CSR).






Furthermore, countries are imposing more stringent carbon emission laws in face of climate change. For instance, both the Taiwanese and Vietnamese governments have required businesses to, as of 2022, conduct GHG inventory, obtain external verification statements, formulate reduction policies, and regularly report emission data, with these requirements also applying to our Taiwan headquarters and Zeng Hsing Vietnam. In addition, EU' s Carbon Border Adjustment Mechanism (CBAM) encompassing the iron and steel, petrochemical, cement, and paper-making industries is set to take effect in 2023, a measure that has already started to impact several European Union iron and steel product exporters in Taiwan. Therefore, in 2021, Zeng Hsing established the Task Force on Climate-Related Financial Disclosures (TCFD) to assess climate change risks and opportunities, set carbon reduction goals for the group, and introduce policies that encourage ideas for mitigating and coping climate change. In 2022, all of our employees in the group will join our carbon reduction initiatives and identify carbon hotspots in our day-to-day operations through cradle-to-grave assessments (from the time natural resources are extracted from the ground and processed through each subsequent stage of manufacturing, transportation, product use, and ultimately, disposal)

General manager Leo Liu 2022/06/30



Sustainability and results

	2022 Action Plan	2021 Action Plan	2021 Implementation Results
<p>Promoting the circular economy, carbon reduction, and environmental sustainability</p>   	<p>For the design stage, we will continue to develop green designs and conduct carbon footprint inventory on H-series machines. For the production stage, we will continue to achieve carbon reduction goals; and launch promote the circular economy and eco-friendly activities, such as repurposing old clothes, second-hand charity sales, and mountain-cleaning activities.</p>	<p>In terms of the production dimension, besides encouraging green design, green logistics, as well as energy conservation and carbon reduction in the factory, the Company also promotes a circular economy and mountain clean-up environmental activities.</p>	<ul style="list-style-type: none"> Completed 4 green design projects ZH Group : Achieved the carbon reduction goal of 15% ,due to factors such as coefficient change, replacement of air compressors, and production drop. Environmental activities : mountain clean-up and USR clothing repurposing event.
<p>Encouraging growth through care for employee well-being and occupational safety</p>   	<p>We will promote online courses to support employee learning even during the pandemic; continue to offer courses on human rights so that employees understand their individual rights; and launch health-promoting activities to ensure employees' physical and mental health.</p>	<p>Vigorously promote human rights, cultivate the employees' diverse skills and courses, and implement employee health promotion activities to endow them with diversity and physical/mental well-being.</p>	<ul style="list-style-type: none"> ZH Group : The average training hours is 8.8 hours per person. The reason for the decrease from the previous year is the cancellation of most physical courses due to the epidemic. Satisfaction with education and training: up to standard, above 4 points. ZH Group accumulated 250 hours of human rights education and training.
<p>Strengthening corporate governance, information disclosure, and the sustainability of operations</p> 	<p>We will maintain the implementation of existing procedures and regulations, and assess whether changes to Taiwan' s yearly corporate governance evaluation are applicable to Zeng Hsing' s</p>	<p>Implement corporate governance, reinforce the employees' legal compliance, strengthen information security risk management, and minimize the Company' s operational risk to ensure business sustainability.</p>	<ul style="list-style-type: none"> Completed 7 corporate governance optimization projects. Completed 140 hours of business ethics training and education. New suppliers have all signed the integrity statement. ZH Taiwan has accumulated a total of

	2022 Action Plan	2021 Action Plan	2021 Implementation Results
<p>systems, so that we may continuously improve and refine our system to take on the challenge of reaching the Top 5% Tier 1 ranking.</p>			<p>338 hours in legal education and training.</p> <ul style="list-style-type: none"> ● Report ESG implementation results to the board of directors.
<p>Striving for exceptional quality, reliable products, and high customer satisfaction</p> 	<p>We will continue to actively publish Zeng Hsing' s CSR performance to keep our clients and customers informed of the company' s CSR policy and implementation results.</p>	<p>Pursue customer satisfaction, focusing on the priority of meeting the customers' demands. At the same time, continue to shape a friendly manufacturer image, and foster sustainable economic growth with the customers.</p>	<ul style="list-style-type: none"> ● Published the English CSR report and distributed posters to overseas clients to promote the Company' s CSR performance and create a friendly manufacturer image. ● In 2021, the Company introduced restricted substance-related regulations to our suppliers to ensure legal compliance.
<p>Strengthening relationships with our supply chain partners to create co-prosperity</p> 	<p>We will continue to host ESG forums and workshops for suppliers, and invite suppliers to join our ESG initiatives, such as signing human rights commitments and partaking in our volunteering activities.</p>	<p>Bolster the suppliers' CSR know-how through the supplier CSR forum and counseling to jointly promote CSR and co-prosperity.</p>	<ul style="list-style-type: none"> ● ZH Group audited 29 suppliers (onsite and online), and all of them were qualified. ● Zeng Hsing held a supplier CSR forum, and a total of 21 manufacturers participated. ● 9 suppliers joined the ranks of signing the Human Rights Commitment.
<p>Promoting the craft of sewing, contributing to society, and giving back to the community</p>   	<p>We will continue to promote volunteering services, such as offering 50 course sessions across 14 elementary schools in rural areas, to impart our sewing expertise; and continue to support actions for improving the shortage of medical resources in rural communities.</p>	<p>Continue to give back to society in the form of sewing machines/cash donations and reach out to NPOs through the Zeng Hsing volunteer team to serve the public and strengthen social influence.</p>	<ul style="list-style-type: none"> ● Donated 22 sewing machines and NT\$1.48 million in cash. ● Conducted 12 public lessons, accumulating 1,257 hours of volunteer service. ● Adopted 3 rural community health education courses, SROI 1.86

Sustainability Highlights 2021



- **Green design :**
4 Green design projects have been completed.
- **Energy saving and carbon reduction :**
Each subsidiary conducts annual GHG inventory inspections in accordance with ISO14064-1 and disclose group emissions data.
- **Environmental Activities :**
Held mountain clean-up and USR clothing repurposing event
- **Other green result :**
Green logistics project saves 1,571 trees, refurbishes and sells used sewing machines to reduce carbon emissions by 19 tons, and has a 71% resource recovery rate.
- **Working environment testing :**
All subsidiaries complied with local standard.



- **Social Welfare :**
Charity donation in the past 11 years was 10.73 million and 1,169 sewing machines.
- **Volunteer team :**
Zeng Hsing has accumulated 1,257 hours of service and held 12 charity activities.
- **Human rights :**
Taiwan HQ held 267 hours of human rights training.
- **Supplier CSR evaluation :**
29 suppliers site visits were completed, and all of them were qualified.
- **Customer satisfaction :**
8.6 points (out of 10) °



- **Economic Performance :**
Production was more than 3 million.
- **Corporate Governance Evaluation :**
TOP 5% (Group of market value between NT\$5 billion and NT\$10 billion)
- **ESG Report :**
By 2021, 8 copies have been issued and a third-party verification statement has been obtained. Launched the English version of the report.
- **Anti-corruption education and training :**
Taiwan HQ accumulated 140 hours of training.
- **Regulatory compliance :**
No major violation occurred. A total of 338 hours of legal courses for employees in Taiwan.

Major Issues Key Performance

	Topic specific Standards	KPI	Subsidiaries	2020	2021	DMA Chapter
Economic	Economic performance ¹	Revenue Sales	ZH Group	7.0 billion (NT\$) 3.58 million(units)	7.7 billion (NT\$) 3.93 million(units)	1.3 Operation Overview and Financial Performance
	Corporate Governance ²	Corporate Governance Evaluation System	Taiwan	Corporate Governance Evaluation 6~20%	Corporate Governance Evaluation 6~20%	3.1 Corporate Governance
	Procurement practices ¹⁴	Supplier' s transactions amount percentage	Taiwan Vietnam Shinco China	95% Local Suppliers 61% Local Suppliers 97% Local Suppliers 88% Local Suppliers	92% Local Suppliers 61% Local Suppliers 77% Local Suppliers 87% Local Suppliers	4.5 Supply Chain Management
	Indirect economic impacts ¹⁶	Donation amount (million) since 2010 Donation machines (pcs) since 2010	Taiwan Taiwan	9.25 1,147	10.73 1,169	6.1 Social Welfare
Social Impact	Socioeconomic compliance ³	Major violations of fines or penalties (number of cases)	ZH Group	0	0	3.5 Regulatory Compliance
	Labor management relation ⁴	Employee complaints (number of cases)	ZH Group	None	1; All case reported by employees are processed and addressed immediately and confidentially	5.2 Employee Benefits and Rights
	Customer health and safety ⁵	Major violations of fines or penalties (number of cases)	ZH Group	None	None	4.4 Green Procurement
	Training and education ⁷	Average training hours(hrs)	ZH Group	14.2	8.8	5.3 Employee Training and Development
	Occupational health and safety ⁸	Absence rate; Injury rate; Lost day rate	Taiwan Vietnam Shinco China	0.42% ; 2.02 ; 1.71 0.88% ; 0.13 ; 1.69 0.03% ; 0.02 ; 0.12 1.03% ; 1.13 ; 112.45	0.23% ; 2.24 ; 1.76 1.37% ; 0.03 ; 0.12 0.40% ; 0.36 ; 1.07 0.19% ; 0.00 ; 0.00	5.4 Occupational Health and Safety Management
	Employment ⁹	Parental leave (Return & Retention rate)	Taiwan	100% ; 100%	100% ; 100%	5.2 Employee Benefits and Rights
	Child labor ¹²	Major violations of fines or penalties (number of cases)	ZH Group	None	None	6.1 Social Welfare
Environmental	Environmental compliance ⁶	Major violations of fines or penalties(cases)	ZH Group	0	0	3.5 Regulatory Compliance
	Emissions ¹⁰	Total GHG emissions (TON CO2e)	ZH Group	24,000 (ZH Group)	21,000 (ZH Group)	7.1 Energy Resource Consumption and GHG Inventory
	Energy ¹¹	Energy intensity (KJ/pcs)	ZH Group	36,042 (ZH Group)	34,675 (ZH Group)	7.1 Energy Resource Consumption and GHG Inventory
	Effluents and waste ¹³	Recycling rates & water pollution test (Recycling rates - general waste are not included in Vietnam and China)	ZH Group	70% (Not included ZH China) ; Certified	71% ; Certified	7.2 Waste Management

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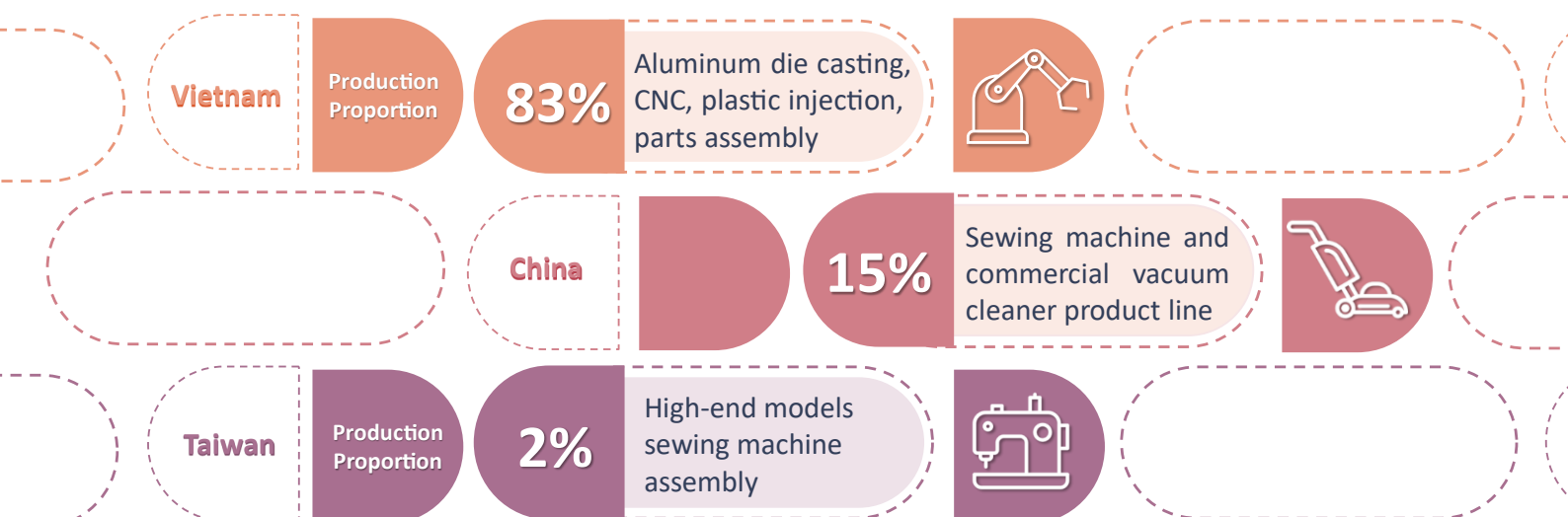
1 Organization Profile

1.1 About Zeng Hsing

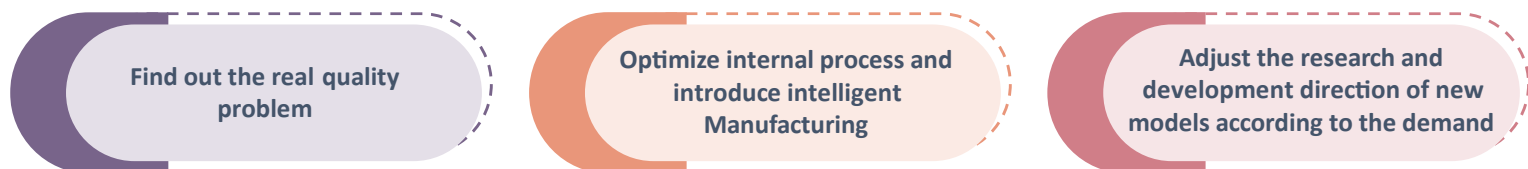
The hidden champion of the sewing machine industry

In 1968, Shinco Ind. Co. LTD was founded in Taichung County, mainly engaged in the machining business, which was the predecessor of Zeng Hsing. Since 1980, Zeng Hsing started cooperating with Riccar Japan to produce aluminum alloy sewing machines. Zeng Hsing transformed from OEM to ODM market. Zeng Hsing has been established for more than 54 years, with an annual sales volume of about 4 million units. And the global output of household sewing machines is about 10 million. In other words, one out of four household sewing machines in the world is made by Zeng Hsing, and the products are sold in more than 100 countries around the world.

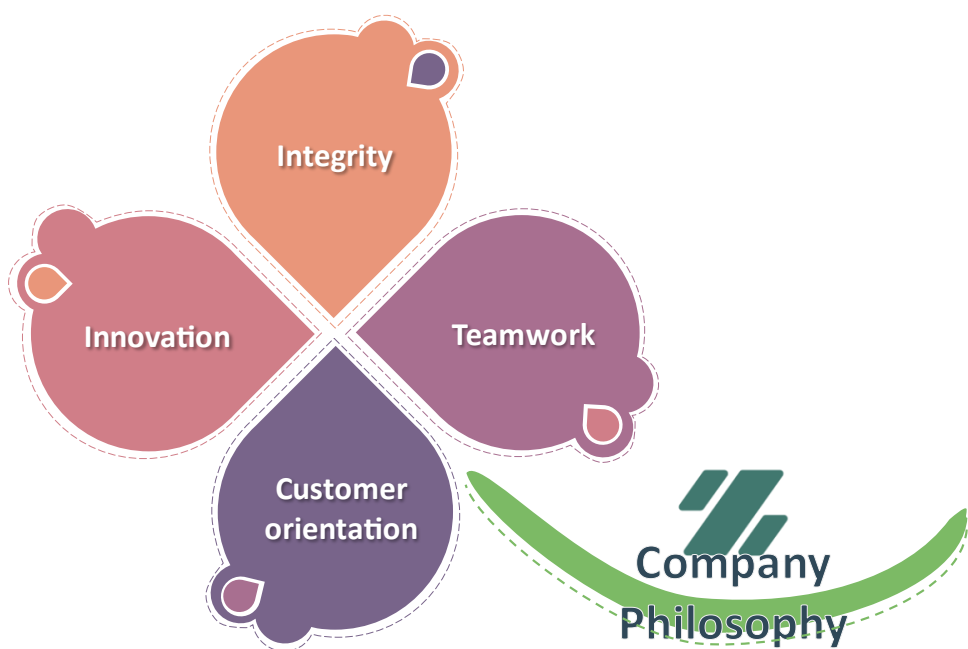
Zeng Hsing' s headquarters in Taichung. Taiwan headquarters includes administrative management indirect units such as business marketing, human resources, research and development, engineering technology, quality management, and financial management. Taiwan headquarters accounts for 2% of total production, responsible for assembling high-end models. Zeng Hsing' s main production base is in Vietnam. Vietnam' s 1st and 2nd factories account for 83% of total production. The Vietnam factory operates in a one-stop production mode, from aluminum die-casting, CNC machining, grinding, plastic injection, printing to assembly and packaging for shipment. Zhangjiagang Factory in China accounts for 15% of total production. In addition to the production of sewing machines, it also has a commercial vacuum cleaner production line. Shinco Technologies Vietnam is another factory that produces aluminum die-casting products. It supplies aluminum die-casting components not only to our factories but also to other automotive industries and has the IATF 16949-2016 automotive industry quality management system certificate.



To keep pace with the rapid changes arising from the global economic trend and COVID-19 pandemic, Zeng Hsing will focus on the following operations in the future: identifying the cause of quality problems, optimizing internal processes and smart manufacturing systems such as adopting digital manufacturing systems, integrating production information and introducing semi-automated production equipment, and enhancing operational efficiency and business competitiveness to meet customer demand and adjust our production capacity in a timely manner. We will place our R&D focus on pilot studies, adjust the direction of our machine development to current trends, sell a full range of services to satisfy customer demands, expand our ties with clients, and increase our competitive advantage and market share.



The company philosophy is designed to ensure that the skills and capabilities required for the development of the company are the key success factors. Our company philosophy is "Integrity" "Teamwork" "Innovation" and "Customer orientation". Facing up to a changing world, Zeng Hsing continues to enhance business development strategy and also workplace management, to achieve greater efficiency and productivity.





Integrity >>>

We have adopted a pragmatic approach to conducting ourselves; we treat people honestly and abide by our commitments. We communicate everything we know honestly based on facts, we do not conceal or hide information, we do not cut corners or act opportunistically, and we do not use company resources for the sake of personal gain. We refrain from selfish motives at work, admit to our faults readily, and take corrective actions immediately.



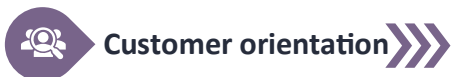
Innovation >>>

We are glad to embrace new things and attempt new methods; we will not impose limitations on ourselves and are willing to borrow others' experiences. We propose innovative approaches based on previous knowledge or experience. Constantly contemplating ways to improve and increase work efficiency. Able to engage in diverse thinking and boldly propose new ideas and techniques.



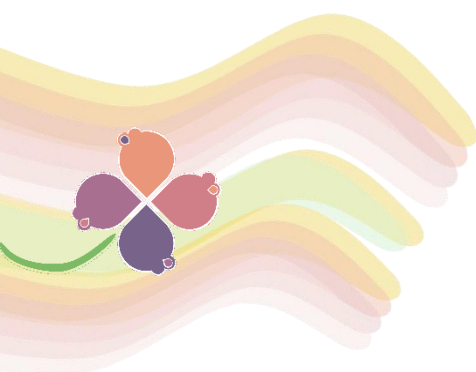
Teamwork >>>

We are eager to collaborate with others to accomplish a common task. During work execution, we are willing to encourage the participation of other team members, in turn demonstrating the spirit of teamwork. In a team, we can support one another, placing the group's interest above personal gain. We are willing to share our resources and experience to facilitate communication within the team and unleash the greatest performance. Create a friendly ambiance as well as excellent team morale and rapport.



Customer orientation >>>

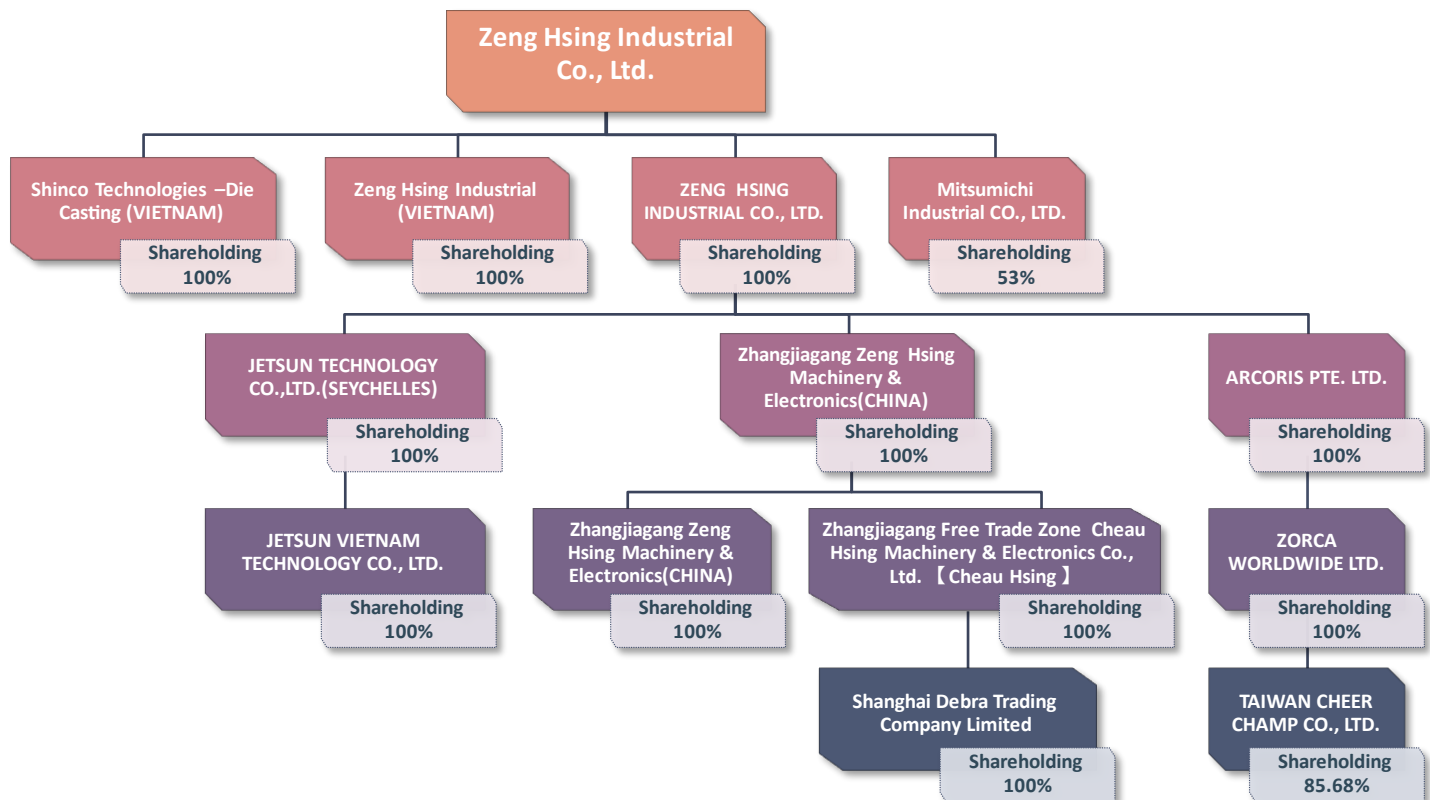
We can think from the internal/external customers' perspective to implement win-win solutions. Faced with internal/external customers, we can maintain a professional, helpful, and positive attitude. When a problem occurs, we will proactively communicate with our internal/external customers to reach a resolution, thereby earning their trust and satisfaction. We value customer satisfaction and maintain good partnerships with our internal/external customers.



Zeng Hsing basic information 【102-1、102-3、102-7】

Topic	Details
Company Name	Zeng Hsing Industrial Co., Ltd.
Stock Symbol	1558
Industry Category	Manufacture of Machinery
Head Office	No.78, Yongcheng Rd., Taiping Dist., Taichung City 411, Taiwan (R.O.C.)
CEO	Charles Lin
GM	Leo Liu
Main Business	Household sewing machines and commercial vacuum cleaners.
Listed Date	2014/12/23
Paid-up Capital	NT\$ 605,356,310 元
Employees (ZH Group)	3,142 (as of 2021/12/31)
Operating Revenue	NTD 7,719,932,000

Subsidiary 【102-5】



【102-10】 There are no significant changes to the organization' s size, structure, ownership, or supply chain, except

1. **Changes in equity structure in 2021 :** To accelerate the expansion of sales channels and talents in Asia. In 2021, it will increase its investment in Taiwan CHEER CHAMP, and its shareholding is increased from 68.53% to 85.68% in November 2021. It is expected to increase the distribution channel and revenue of Zeng Hsing Group.
2. **Changes in management rights in 2021:** On November 29, 2021, the board of directors resolved to approve Leo Liu, general manager of Zeng Hsing Industrial Co., Ltd. (ZH Vietnam), to take over as the general manager of Zeng Hsing Group, which will take effect on December 1, 2021.
3. **Changes in the supply chain structure :** In 2020, COVID-19 will not only affect the development of the global economy, but also cause a shortage of global containers, and freight costs will hit a record high. To reduce the cost of aluminum raw materials, Shinco changed the global supply chain to local procurement. (See 4.5 Supply chain management)



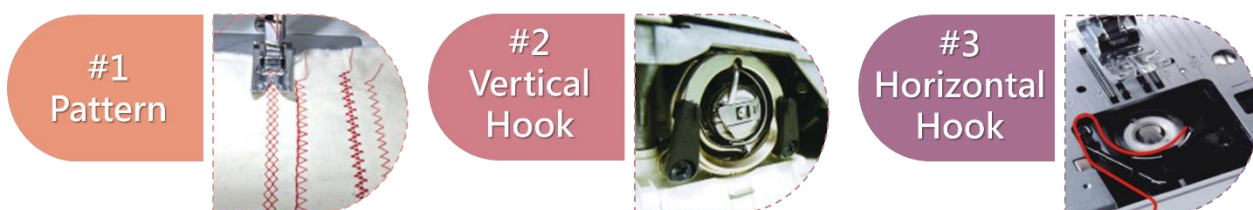
1.2 Our Products [102-2]

Zeng Hsing has accumulated many years of sewing machine development experience from OEM to ODM, relies on the continuous growth and improvement of research and development technology, focusing on the research of new products. The development and production of a complete series of products from mechanical, electrical, computerized, overlock and embroidery are all in response to the needs of the market and consumers.

Sewing Machines Product Line

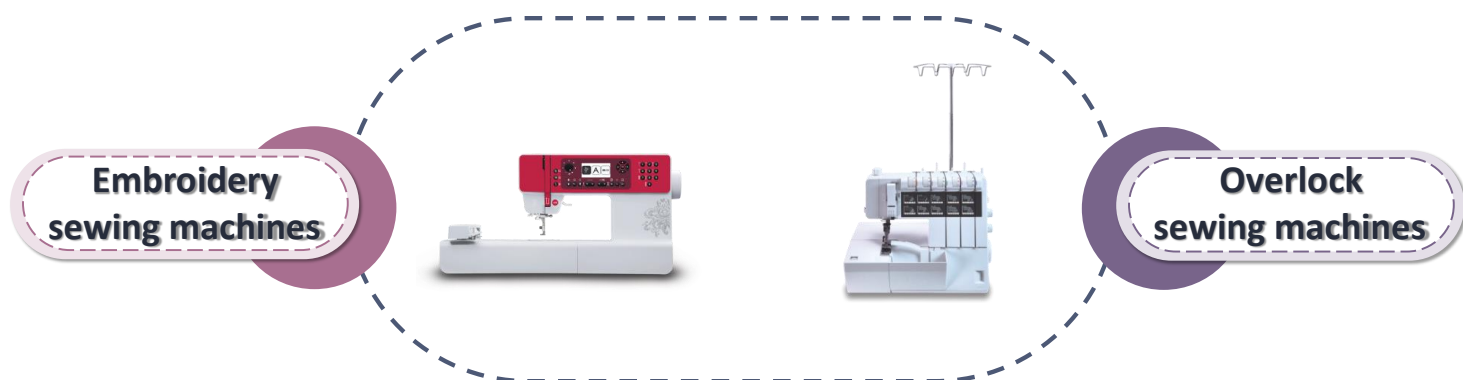


Mechanical sewing machine functions are enough for beginners to do some simple projects and clothes repairs. Mechanical sewing machines use knobs and dials to change the setting, and it has limited choice stitch patterns you can choose. There are two models of mechanical sewing machines, Vertical and Horizontal Hook. Mechanical Vertical hook sewing machines are traditional design, mostly metal parts are relatively noisy, and the placement of the hook is relatively complicated, but the advantage is that the price is relatively low. The Horizontal Hook model is a new product under the advancement of technology, with low noise and simple installation, but the price is higher than the Vertical Hook model. Although Mechanical sewing machines are fewer patterns and functions, it is more durable than computerized sewing machine.





Computerized sewing machines with LCD screens have many automatic functions that can help sewers save time. Such as tension adjustment, bobbin winder, thread cutter, patterns, etc. Computerized sewing machines are all Horizontal HOOK models therefore the way to place the bottom thread is relatively easy, and customers can observe whether the bottom thread is sufficient while sewing.



Embroidery machines are high-end models which usually for the sewing experts or fashion designers. It includes multiple embroidery patterns that can be applied to clothes, bags and hats. Besides, designers can design their embroidery patterns, transfer them to the embroidery machine via USB or mobile APP.

Overlock machine more complexity than the sewing machine. It is a professional machine and is often used for making edging, hemming and seaming. The biggest difference from the sewing machine is threading. Generally, the sewing machine only needs 1 thread but the Overlock machine needs 3~5 threads. Its function is to fix cloth edges so that the fabric is not easy to produce fringes.

Vacuum Cleaner Product Line

Zeng Hsing started manufacturing vacuum cleaners in 1985. Now we have Commercial Upright Vacuum Cleaner & Backpack Vacuum Cleaner. Both are sturdy, durable, long-lasting, and have high cleaning performance. In addition, Zeng Hsing also regularly conducts research and analysis to improve product design capabilities and meet consumer needs.



The commercial upright vacuum cleaners are designed for large areas of carpets, ideal for cleaning large houses or large carpets in the office. Using a high-quality metal roller brush, which is driven by a motor and a belt to rotate at a high speed for deep cleaning of the carpet. Also, the upright design allows it to stand on its own for easy storage.



Backpack vacuum cleaners are the most commonly used for commercial environments. The ergonomic design allows user to carry them on their shoulders. They can move around to clean every corner without bending over. Reduce cleaning space constraints and cleaning time. In addition, the full range of backpack vacuum cleaners is equipped with HEPA filters, which can effectively filter bacteria and allergens adsorbed on carpets and floors to achieve a thorough cleaning.

2021 Technology and product development

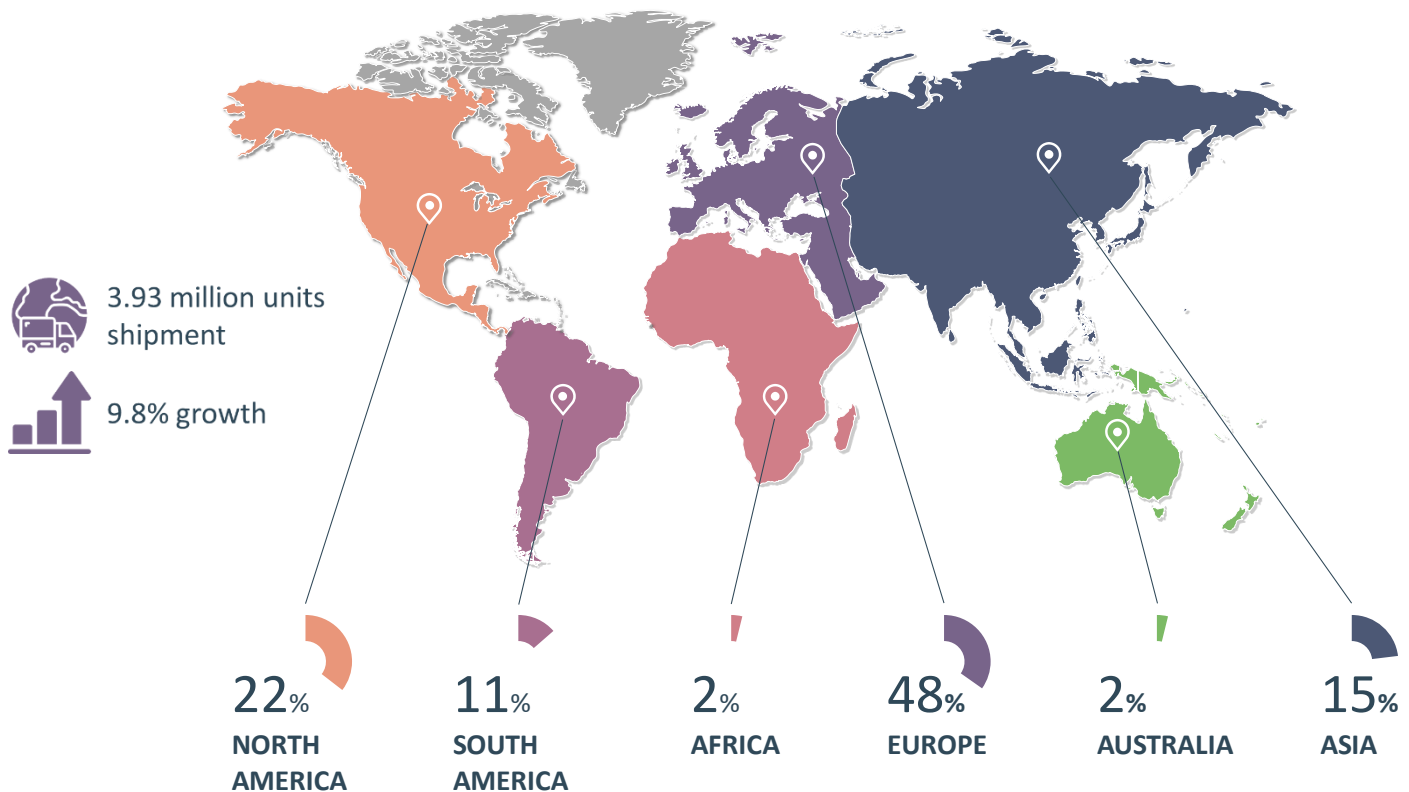
ZH model	Development model category	Feature
Q60LST	Mechanical Horizontal Hook	The appearance is designed with a curved shape and a metallic texture. It is also equipped with a high-speed motor, which has both aesthetic and functional. It is one of the customer' s family series.
K75W	Mechanical Vertical Hook	The new appearance design allows you to observe the selected stitch patterns through a small transparent window. Compared with the traditional rotary button, the special appearance design has a slightly more design sense. The main sales target are European customers.
M26D	Mechanical Vertical Hook	Some parts such as the handwheel are directly color plastic injection molding, making the appearance visually smoother.
H71G	Computerized Horizontal Hook	New appearance design and added auto cutter function.
H77D	Computerized Horizontal Hook	Adjust some specifications and functions to meet Japanese customers' needs, and it is one of the customer' s family series.
H72FS1	Computerized Horizontal Hook	The appearance is designed with a curved shape and a metallic texture. It is also equipped with a high-speed motor, which has both aesthetic and functional. It is one of the customer' s family series.
LB42C	Overlock machine	According to customer requirements, add a family series of overlock machines to meet the needs of customers' complete product line.
LB42D	Overlock machine	Appearance new color design, added fabric collect box and accessory drawer.

Zeng Hsing develops new models every year according to customer needs, from appearance design to function, torque, and penetration. Enable customers to continuously introduce new products. In 2021, we developed many family series models according to customer needs and help them complete their product lines to meets different consumer needs. For example, develop a high-speed semi-professional sewing machine (above 1,500RPM) with a high value, which has a novel shape and high-effieiceny sewing fuction. In addition, to design make the product line hace a consistent appearance deepens the brand image, allowing consumers to recognize the brand family series models at a glance.

The exterior appearance of traditional overlock sewing machines usually features the colors of black and white. We redesigned our overlock sewing machine by decorating the left and right sides with bright colors to liven the machine' s appearance and allow consumers to feel a proximity to the product that is generally absent from industrial/commercial sewing machines. Additionally, two new functional designs were incorporated: a box for collecting fabric scraps during overlock sewing to keep the table tidy, and a small drawer for storing sewing accessories such as needles, tweezers, and scissors, etc.

Sales market share [102-6]

Customer loyalty and retention are important, so besides developing new markets and new customers, we are also trying hard to increase customer satisfaction to improve loyalty. Today we market our products in over 100 countries.



The COVID-19 pandemic in 2021 has caused a massive surge in global demand for cargo containers, leading to a shortage of supply in the market. Such container shortage indirectly affected Zeng Hsing' s global sale of sewing machines, particularly in North America and Europe. Fortunately, the recent increase in vaccination rate and milder COVID-19 symptoms have prompted more countries to adjust their pandemic prevention policies, treat COVID-19 as a flu-like endemic illness, and loosen COVID-19 restrictions. For this reason, people are finally free to go outdoors and resume their pre-pandemic lifestyle. Given this situation, changes in the trend of home sewing remain to be seen.

1.3 Operating and financial information [201-1]

The resurgence of COVID-19 pandemic in 2021 has exerted an unfavorable impact on overall operations; for instance, the supply chain interruption caused by the shortage of containers due to port congestion, and the suspension of business operations in Vietnam following the coronavirus outbreak. Nevertheless, with the concerted efforts and cooperation of our distinguished partners—clients and suppliers—as well as employees of Zeng Hsing, we were able to remain steadfast in such a turbulent environment and turn crises into opportunities. Specifically, we adjusted our orders/delivery operations immediately at the request of our clients to reduce the risk of shortage; our business administrators in Taiwan handled paperwork on container ordering/loading online to effectively mitigate the pressure from labor shortages in Vietnam; some of our business-related documents were digitized to facilitate work-from-home measures; our procurement unit and suppliers dynamically adjusted the sea/land/air shipment of our goods and the raw material inventories of three of our factories to prevent out-of-stock crisis; Zeng Hsing China and our Taiwan Headquarter mobilized their production capacity to resolve the lockdown crisis in Vietnam.

The sales volume of household sewing machines reached 3.92 million units, which increased 9.8% compared to previous year. However, although the annual sales and revenue both hit new highs, the profit was eroded due to factors such as the sharp rise in raw material costs and shipping costs, and the transfer of production capacity from Vietnam to China and Taiwan. The full-year EPS fell to 8.5NTD.

In 2022, container shortages due to port congestion persisted, while the pandemic continued to linger. Nonetheless, we remained committed to formulating relevant policies to ensure steady operations and pursue innovation and growth. For example, we introduced a flexible manufacturing system to regulate production capacity and shorten the production cycle. With respect to marketing, we not only continued to offer manufacturing services and expand the scope of our services to include overseas sales channels but also established a customer service team to provide total solutions. In the area of research and development, we invested in the development of new-generation products to satisfy customer demand for intermediate and advanced products. By developing policies related to production, marketing, human resource, development, and finance, we hope that Zeng Hsing will be able to strive toward sustainability continuously and steadfastly.

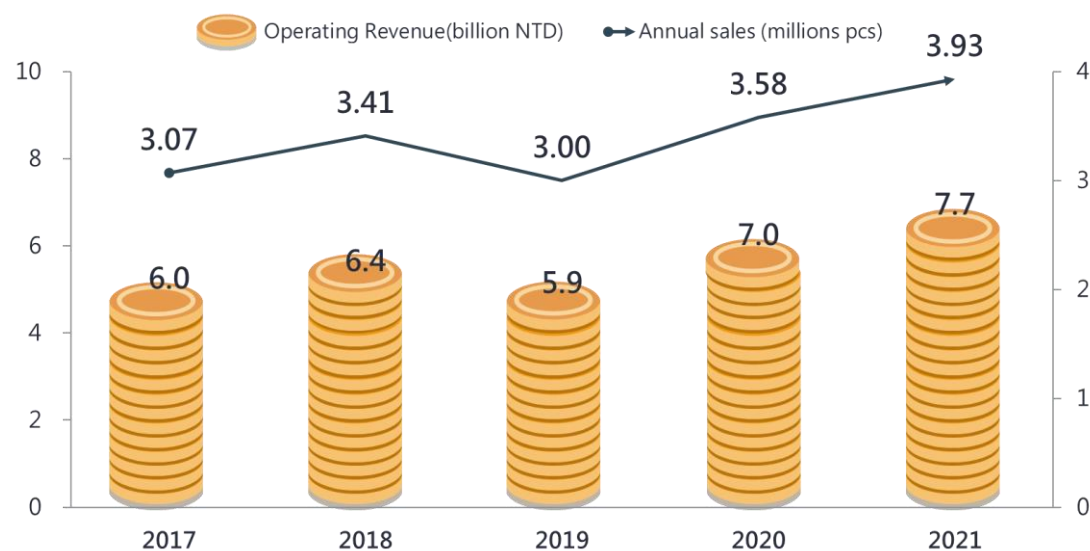
Operational Data

Date/Year	2019	2020	2021
Operating Revenue	5,936	6,966	7,720
Operating costs	5,085	5,776	7,007
Employee payroll and benefits/welfare	891	1,065	1,182
Tax expenditure	217	285	149
Retained earnings	2,983	3,280	3,239
Dividends expenditure	533	575	515

Unit : Millions (NTD)

* Company to distribute profits to shareholders in the form of dividends and are distributed by the resolution of the board of directors in the following year.

* Employee salary and benefits include salary expenses, labor and health insurance, retirement expenses, directors' remuneration, and other employee welfare expenses.



Operating Revenue (billion NTD) and Annual sales

DMA-Economic Performance

Reporting requirements		Disclosure Requirements
103-1	An explanation of why the topic material	The company has a responsibility to ensure that the company is well managed, to ensure profit maximization.
	Boundary	ZH Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
103-3	Evaluation Mechanisms	ZH Group : To ensure company operation effectively, Corporate Management Committee held a monthly meeting to check the production and sales status.
	Performance	ZH Group : 2021 Operating revenue=7.7billion NTD 2021 Annual Sales =3.93million Pcs

1.4 Membership of associations

Zeng Hsing attends the sewing machine industry association to exchange information with competitors. The purpose is to better understand the sewing industry environment and hope to accelerate the improvement and development of the industry.

ZH group membership of association 【102-13】

Category	NO.	Uni	Job title	Participant
Sewing machine industry	1	Taichung Sewing Machine Guild	Supervisor	Director of ZH Group
	2	Taiwan Sewing Machine Industry Association	Managing Director	Director of ZH Group
	3	Taipei Sewing Machine Association	Member	CEO of ZH Group
	4	China Sewing Machinery Association-household sewing machine	Vice President	GM of ZH China
Business association	5	The Entrepreneur Club	Member	CEO of ZH Group
	6	Taichung professional management association	Member	CEO of ZH Group
	7	Taiwan Business Association in Vietnam (BTBVN)	Member	CEO of ZH Group GM of ZH Vietnam GM of Shinco

2 Stakeholders communication

Stakeholder identification and communication are the basis of corporate social responsibility. In order to understand stakeholders concern level of Zeng Hsing' s economic, human rights, social impact, product responsibility, and environmental aspects, Zeng Hsing solicited more stakeholders' opinions by questionnaire, customer mail, shareholder' s meeting, and staff welfare committee.

2.1 Stakeholders interactive

【102-40、43、44】 Zeng Hsing CSR office convenes meetings with relevant units and identifies key stakeholders with reference to the same-industry experiences and stakeholder definitions in the GRI Standard guidelines. **The 6 main types** of Zeng Hsing stakeholders are customers, investors/banks, employees, local community, government agencies, and suppliers.

A total of 225 online questionnaire responses were collected in 2021. After analysis, there are 16 major issues of high priority and high impact were compiled.

Type		Numbers
Questionnaires- Level of impact on company	Executives of the rank of manager or above	30
	External experts/consultants	9
	Subtotal	39
Questionnaires- Level of concern from stakeholders	Banks& Shareholders	30
	Government agencies	6
	Customers	17
	Suppliers	36
	Local communities	10
	Employee	82
	Other	5
Subtotal		186
Total		225

Issues of Concern to Stakeholders and Communication Channels

Having a bad reputation of environmental, social, human rights, product responsibility, labor practice, and decent work can create serious negative effects on the overall profitability and success of a company. Therefore, Zeng Hsing is concerned about the opinions of stakeholders.

Internal stakeholders

The company announces employee benefits, working conditions, and company policies through departmental meetings or weekly meetings. Moreover, the company also has a welfare

committee to secure employees' benefits. In 2016, Zeng Hsing Taiwan formulated an employee grievance policy, to protect the rights of employees. The purpose of the grievance policy is to provide a mechanism for employees to raise a grievance arising from their employment. The Policy will also ensure that such grievances are dealt with promptly, fairly, and in accordance with other related policies of the Organization.

External stakeholders

Through supplier conferences, suppliers can understand Zeng Hsing product relevant quality policy. Customers can communicate with Zeng Hsing through mail or phone. Other **external stakeholders** can follow the latest news of Zeng Hsing from the website, interviews, or reports by social media. In addition, Zeng Hsing also has the following communication channels such as phone and e-mail.

Communication channels	Name	Phone number	Email
Switchboard Operation		04-2278-5177 #9	
Spokesman	Jerome Chuang	04-2278-5177 #182	spokesman@zenghsing.com.tw
Deputy Spokesman	Sam Chou	04-2278-5177 #885	sam_chou@zenghsing.com.tw
Customer service	Rita Hsueh	04-2278-5177 #133	sales@zenghsing.com.tw
CSR Office	Claire Chung	04-2278-5177 #589	csr@zenghsing.com.tw
Procurement	Kelly Wan	04-2278-5177 #255	kelly_wan@zenghsing.com.tw

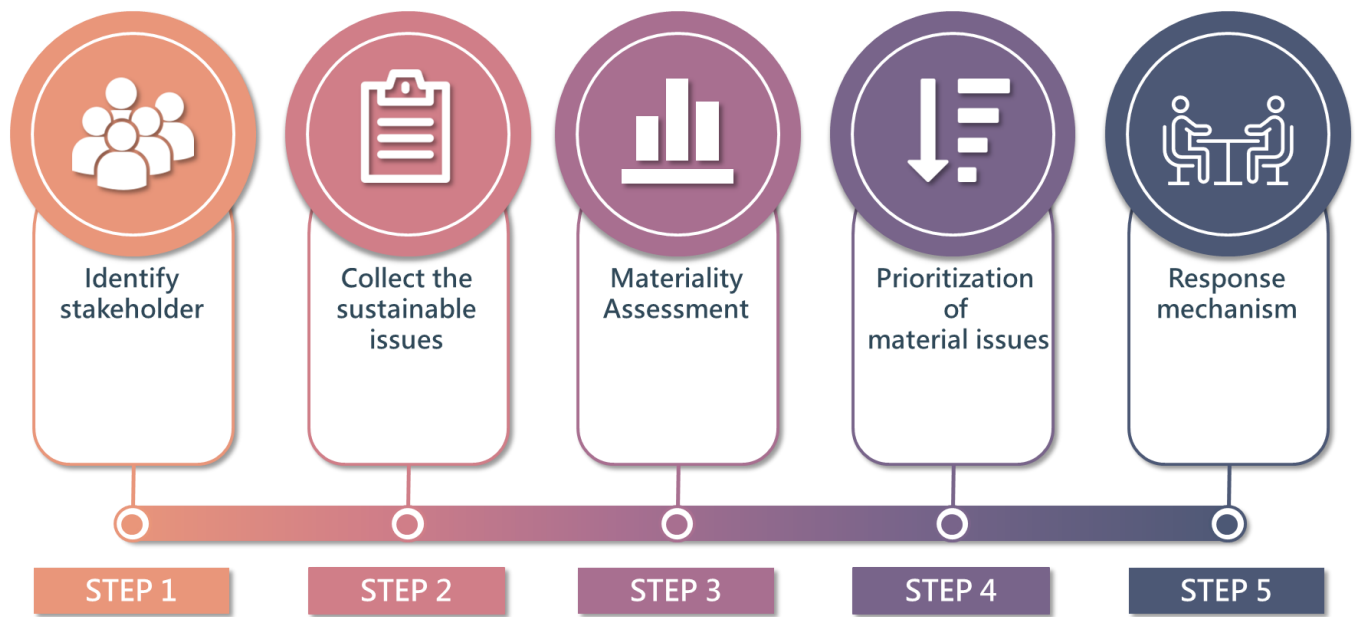
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2021 Zeng Hsing compliance with laws and regulations in the environment, and social area. However, in August 2021, we received a labor condition complaint related to the restoration of the right to work. The case was mediated with the employees in accordance with the law in October of the same year. The two parties reached a consensus and settled the case.

Stakeholder concern issues and communication channels

Stakeholder	Issues	Communication	2021 Communication
Customers	Marketing and labeling 、 Human rights 、 Customer privacy 、 Green design 、 Environmental management	<ol style="list-style-type: none"> 1. Visits customer company (non-scheduled) 2. Customer service mailbox (non-scheduled) 。 3. Customer satisfaction surveys (Customers who have transactions in 2021) 4. Email 、 phone (frequently 、 non-scheduled) 5. Participation in exhibitions. (non-scheduled) 。 6. Customer representatives visiting Zeng Hsing factory (non-scheduled) 	<p>The response rate of the satisfaction questionnaire was 79%.</p> <p>The average satisfaction score was 8.6 points.</p>
Shareholders/ Banks	Corporate governance, Company operation status, Anti-corruption Tax policy Compliance with laws and regulations	<ol style="list-style-type: none"> 1. Institutional investor visits (monthly) 2. Annual shareholder meeting (annually) 3. Zeng Hsing website, financial report (annually) 4. Investor services mailbox 5. Spokesman and Dedicated personnel replies 6. online communication platform (non-scheduled) 7. Bank visits (non-scheduled) 	<p>Held 2 Investor conferences and 1 shareholder meeting.</p> <p>Issue corporate sustainability reports in both Chinese and English every year.</p>
Employee	Human rights, Occupational health and safety, training and education, Salary and benefits	<ol style="list-style-type: none"> 1. Zeng Hsing website 2. The Employee Welfare Committee 3. Labor Union 	<p>There were 4 meetings of the Safety and Health Committee, 12 on-site services by physicians, 4 labor-management meetings, and no relevant complaints were received on the complaint hotline.</p>
Local communities	Environment management, Human rights	<ol style="list-style-type: none"> 1. Zeng Hsing website & Email 2. Participation in Charity activities 	<p>5 local public welfare activities were held.</p>
Government agencies	Tax policy, Human rights, Compliance with laws and regulations	<ol style="list-style-type: none"> 1. Official letters 2. Participation in government meetings 	<p>Participated in 2 publicity/forums held by government agencies, and Taiwan Human Resources received 1 labor complaint.</p>
Suppliers	Supply chain management, Supplier environmental management	<ol style="list-style-type: none"> 1. Supplier conference 2. Onsite Audit 	<p>Held 1 ESG online forum and 7 coaching/educational training sessions.</p>

2.2 Stakeholders identification and materiality assessment



Issues : Economy (7 aspect) · Environment (9 aspect) · Social (19 aspect)

Level of concern : very high, high, neutral, low, very low

Level of impact : very high, high, neutral, low, very low

We established the systematic major analysis to identify the concern of stakeholders, and it becomes a basic framework to achieve effective communication between the stakeholders and CSR report. Zeng Hsing has divided the major analysis process into five major processes 【102-46】 :

Step 1 : Identify stakeholder 【102-42】

According to Zeng Hsing CSR Management Measures, stakeholders need to be re-identified every three years. If there are major operational changes, the CSR committee will re-identify them in the current year. The identification method refers to the five principles of the AA1000 (AA1000 Stakeholder Engagement Standard) Stakeholder Engagement Standard (dependency, responsibility, influence, multiple views, tension). The evaluation standard is from 1 to 5 points, with 5 being the highest score.



In the 2021 CSR Committee regular meeting, CSRO specially invited the consultants of National Cheng Kung University Industrial Sustainable Development Center to guide all members, referring to the AA1000 stakeholder participation standard, from 13 objects (refer to the stakeholder groups identified by the industry) In this, six major types of stakeholders of Zeng Hsing are identified, including customers, investors/banks, employees, local community, government agencies, and suppliers. In 2019, there were seven major stakeholders, but in this

identification of stakeholders, insurance companies were excluded based on the average score. According to analysis, the main reason that insurance companies have been listed as interested parties is that the Vietnamese subsidiary has suffered due to the riots caused by the anti-Chinese protests. However, after years of policies such as maintaining employee relations and localizing supervisors, the risk is relatively reduced, making The degree of dependence and liability with insurance companies has relatively decreased. There are no major operational changes this year, and in accordance with the CSR management method, stakeholders are re-identified every three years to ensure compliance with the current situation, so the six major stakeholders are maintained.

Step 2 : Collect the sustainable issues

Based on GRI Standards 35 aspect, we established the Zeng Hsing CSR report framework. The issues are collected from internal and external sources including CSR regulations/standards and international initiatives. The corporate governance part is due to cooperation with the preparation and reporting of corporate social responsibility reports for listed companies on the Stock Exchange, so we add this topic to the questionnaire. The CSR Office issues a questionnaire on operational impact and stakeholder concern every year to different stakeholders to fill in, in order to understand their concerns and impact on the 35 aspects of consideration.

Step 3 : Materiality assessment

Defines the interaction and criticality of the major stakeholders with Zeng Hsing and decides the survey targets. According to the questionnaire results, 16 issues are analyzed and discussed in 2021.

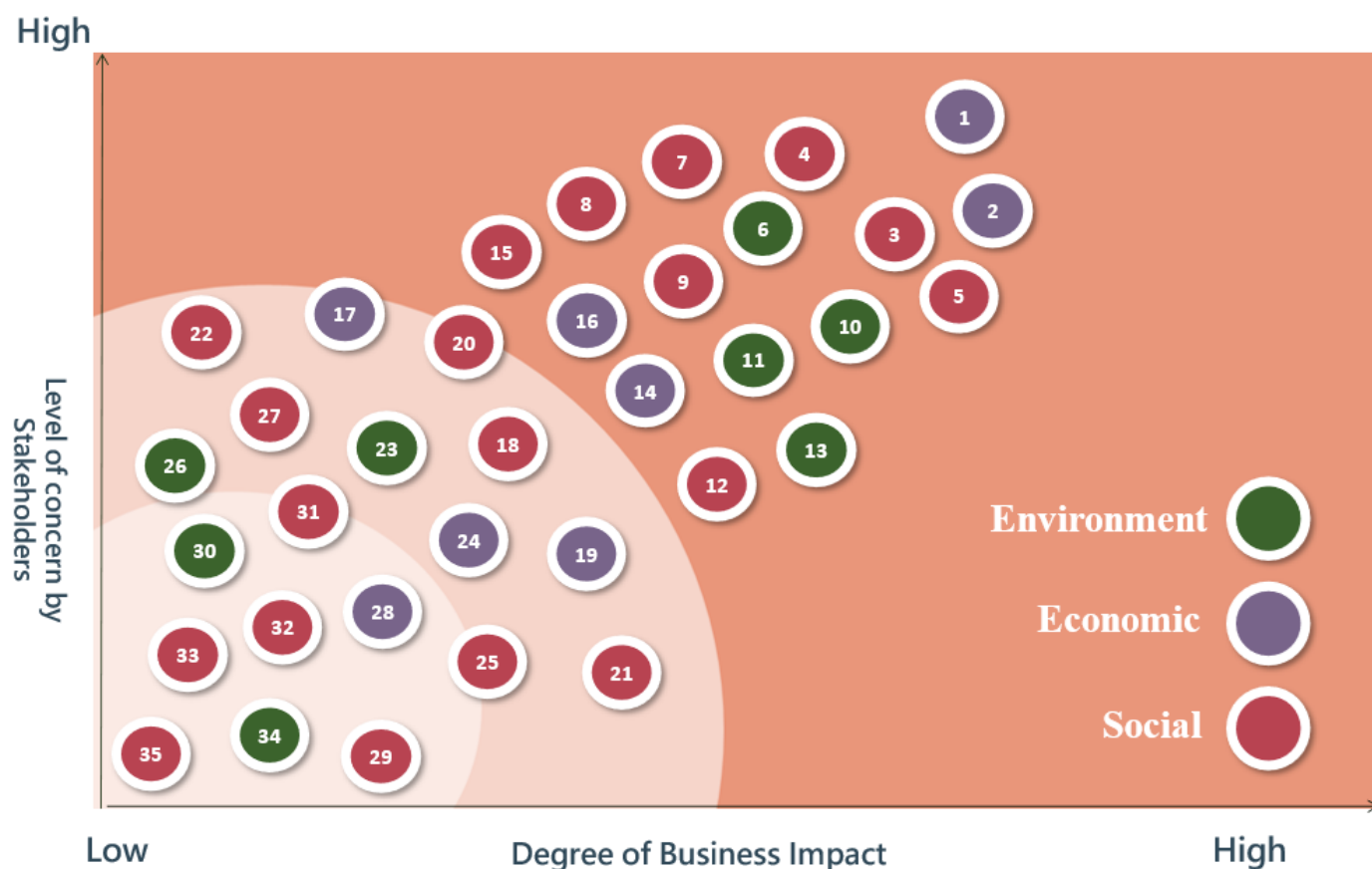
Step 4 : Prioritization of material issues

According to the materiality assessment, Zeng Hsing CSR Office discussed with senior managers to decide the boundaries and scope of issues. These issues are disclosed as top priorities for Zeng Hsing's CSR report.

Step 5 : Response mechanism

Zeng Hsing development strategy included all of the material issues, with the PDCA method to control and continuous improvement of ESG, to strengthen the communication with stakeholders.



✳ Result of materiality analysis



Issues			Issues			Issues		
1	Economic Performance	13	Waste	25	Human Rights Assessment			
2	Corporate governance	14	Procurement Practices	26	Supplier Environmental Assessment			
3	Socioeconomic Compliance	15	Local Communities	27	Diversity and Equal Opportunity-			
4	Labor Management Relations	16	Indirect Economic Impacts	28	Anti-competitive Behavior			
5	Customer Health and Safety	17	Anti-corruption	29	Supplier Social Assessment			
6	Environmental Compliance	18	Forced or Compulsory Labor	30	Water and Effluents			
7	Training and Education	19	Market Presence	31	Freedom of Association and Collective Bargaining-			
8	Occupational Health and Safety	20	Customer Privacy	32	Security Practices			
9	Employment	21	Marketing and Labeling	33	Rights of Indigenous Peoples			
10	Emissions	22	Nondiscrimination	34	Biodiversity			
11	Energy	23	Materials	35	Public Policy			
12	Child Labor	24	Tax					

✳ Material topic and boundary 【102-47】

▲ = Material ● = Material and disclosures in this report

Aspect	Order	Material topic	Within organization				Outside organization			DMA Related Chapter
			ZH Taiwan	ZH Vietnam	ZH China	Shinco	Supplier	Local community	Customers	
Economic 	1	Economic Performance	●	●	●	●			▲	1.3 Operating & Financial Info
	2	Corporate governance	●	●	●	●			▲	3.1 Corporate Governance
	14	Procurement Practices	●	●	●	●			▲	4.5 Supply Chain Management
	16	Indirect Economic Impacts	●	●						6.1 Social Welfare
Environment 	6	Environmental Compliance	●	●	●	●	▲	▲		3.5 Regulatory Compliance
	10	Emission	●	●	●	●	▲	▲		7.1 Energy Resource Consumption and GHG Inventory
	11	Energy	●	●	●	●				7.1 Energy Resource Consumption and GHG Inventory
	13	Waste	●	●	●	●		▲		7.2 Waste Management

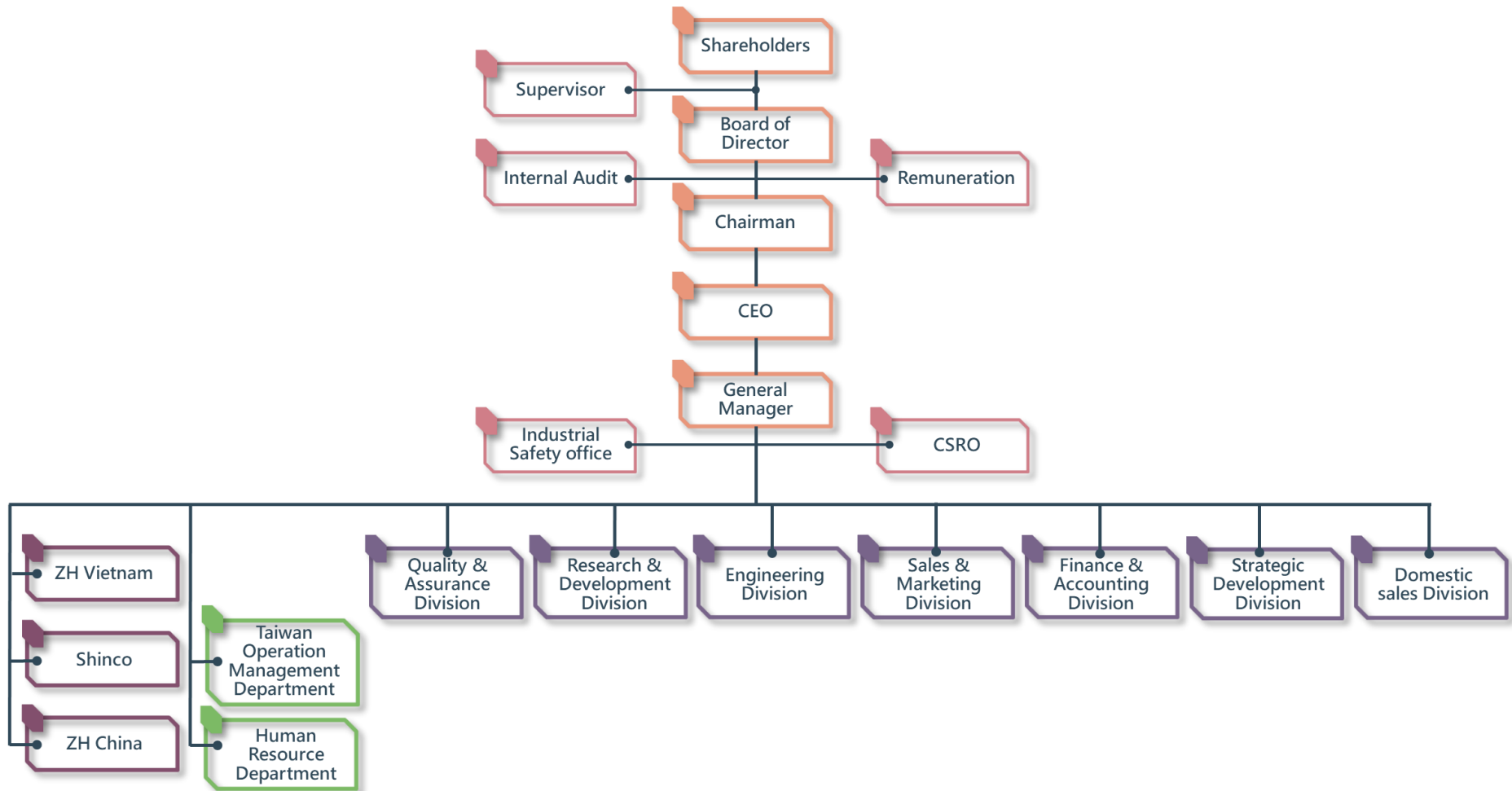
Aspect	Order	Material topic	Within organization				Outside organization			DMA Related Chapter
			ZH Taiwan	ZH Vietnam	ZH China	Shinco	Supplier	Local community	Customers	
Social 	3	Socioeconomic Compliance	●	●	●	●		▲		3.5 Regulatory Compliance
	4	Labor Management Relations	●	●	●	●				5.2 Employee Benefits and Rights
	5	Customer Health and Safety	●	●	●	●	▲		▲	4.4 Green Procurement
	7	Training and Education	●	●	●	●	▲			5.3 Employee Training and Development
	8	Occupational Health and Safety	●	●	●	●	▲	▲		5.4 Occupational Health and Safety Management
	9	Employment	●	●						5.2 Employee Benefits and Rights
	12	Child Labor	●	●	●	●				3.5 Regulatory Compliance
	15	Local Community	●	●						6.1 Social Welfare

3 Corporate Governance

3.1 Corporate Governance

Organization structure [102-18]

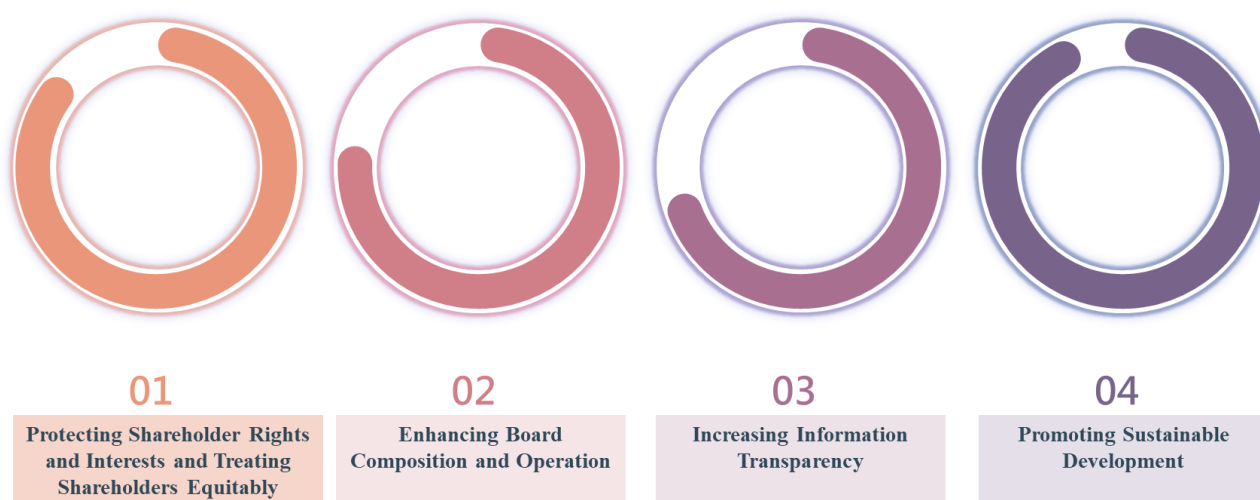
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* Ranked Top 6%~20% in the 2021 Corporate Governance Evaluation System

Zeng Hsing participated in the 2021 Corporate Governance Evaluation System co-commissioned by the Taiwan Stock Exchange Corporation (TWSE) and Taipei Exchange Securities Market Foundation (TPEX) and administered by the Securities and Futures Institute (SFI). We were among the 1,639 publicly traded companies reviewed—a group that included 913 TWSE-listed and 726 TPEX-listed companies. An internal review was conducted by the company between October of 2021 and January 2022, followed by an external review conducted by the SFI with an explanation by the company of the discrepancies between the two reviews. The result was that Zeng Hsing ranked in the top 6%–20% of all participating companies (see notes below 1). In addition, in the Group of market value between NT\$5 billion and NT\$10 billion · Zeng Hsing move up to level Top 5% .

Scoring criteria: The final score was calculated as the sum of the individual scores for all four constructs (maximum 100 points available) with applicable bonus points added (for item categories AA and A+) and penalty points subtracted. The score for each construct was calculated as follows:



2021 Corporate Governance Evaluation Scores and Non-Score Ratio

(The solid is the scoring ratio, and the hollow is the non-scoring ratio)

By reviewing the corporate governance framework, Zeng Hsing has effectively improved its internal control protocols and mechanisms. Therefore, Zeng Hsing actively participates in evaluation every year, further enabling the Company to achieve sustainable operations. In 2021, Zeng Hsing significantly improved to the second level of 6%~20%, creating a record high. In 2021, we continued to work hard. In addition to maintaining the implementation of the existing system, the Finance and Accounting Division has listed the improvement of corporate governance evaluation as one of the CSR goals. In 2021, 7 important plans have been formulated. For instance, the link between director performance and remuneration, diversity policy, dividend policy disclosure, etc. From the score in the corporate governance evaluation in 2021, it can be found that in addition to the implementation of corporate social responsibility, there are still many areas for improvement in other dimensions. Zeng Hsing will continue to improve and advance to a high level.

¹According to the Corporate Governance Review Manual, companies are divided into two groups, TWSE-listed and TPEX-listed. Each group is then listed in one of seven categories: top 5%, top 6%–20%, top 21%–35%, top 36%–50%, top 51%–65%, top 66%–80%, and 81%–100%. Following audits by the Corporate Governance Review Committee and Corporate Governance Consulting Committee, the final results will be published on the Corporate Governance Center's website for investors to reference.

18th Director and Supervisor Information 【102-22】

Title	Name	Gender	Education and Experience	Other positions held or outside of the company
Chairman	Chih-Cheng Lin	M	<ul style="list-style-type: none"> • EMBA, National Chung Hsing University • General Manager of the Company 	<ul style="list-style-type: none"> • Chairman of Zeng Hsing Machinery & Electronics Co., Ltd. • Chairman of Zhangjiagang Zeng Hsing Trading Co., Ltd. • Director of Zeng Hsing Industrial Co., Ltd. • Chairman of Zeng Hsing Industrial Co., Ltd. (VN) • Chairman and President of Shinco Technologies Limited (VN) • Chairman of Mitsumichi Industrial Co. Ltd. • Chairman of Zhangjiagang Free Trade Zone Cheau Hsing Machinery & Electronics Co., Ltd. • Director of ZORCA WORLDWIDE Ltd.(BVI)
Director	Ruei-Yi Hong	M	<ul style="list-style-type: none"> • Dept. of Electrical Engineering, National United University • Supervisor of the Company 	<ul style="list-style-type: none"> • Director of Jie Hong, Ltd.
	Su-Chen Liao	M	<ul style="list-style-type: none"> • Dept. of Electrical Engineering • National Chin-Yi University of Technology • Supervisor of the Company 	<ul style="list-style-type: none"> • General Manager of Long Huan Enterprise, Ltd. • Chairman of Shenghong Investment Co., Ltd.
	Bai-Song Zhang	M	<ul style="list-style-type: none"> • EMBA, Feng Chia University • Career Development Manager at the Company • New Business Development Manager of the Company • Chief Project Manager of the Company 	<ul style="list-style-type: none"> • Director of TAIWAN CHEER CHAMP Co., Ltd.
	Meng-Zong Ho	M	<ul style="list-style-type: none"> • Dept. of Interior Design, Ming-Der Senior High School • President of Shanghai Antu International Trade Co. • President, Magiclife International Co., Ltd. • Supervisor of the Company 	<ul style="list-style-type: none"> • Director and President, Magic outdoor International Co., Ltd.
	Chung-Ting Tsai	M	<ul style="list-style-type: none"> • Master of Business Administration, California State University, San Bernardino • Manager of Marketing Planning Center of Zeng Hsing Industrial Co., Ltd 	<ul style="list-style-type: none"> • Director of TSAN-HSIN industrial Co., Ltd • Deputy General Manager of Marketing department of Zeng Hsing Industrial Co.,Ltd
	Feng-Chin Lee	M	<ul style="list-style-type: none"> • Own Lead Primary School • Supervisor of the Company 	<ul style="list-style-type: none"> • Director of Yingfeng Aluminum Industry Co., Ltd. • Chairman of Quancheng Machinery Co., Ltd.

Title	Name	Gender	Education and Experience	Other positions held or outside of the company
Independent Director	Zhi Sheng Wu	M	<ul style="list-style-type: none"> • Bachelor of Information Management, Tamkang University • Master of Management Science, National Chiao Tung University • Vice-President of HSBC Hong Kong 	<ul style="list-style-type: none"> • Vice Chairman of Turvo International Co., Ltd. • Director of Zhu Ling Investment • Director of Matec Southeast Asia (Thailand) Co., Ltd. • Member of Remuneration Committee/Member of Audit Committee
	Ming-Liang Tang	M	<ul style="list-style-type: none"> • Bachelor of Accountancy, National Cheng Kung University • Master of Accountancy, National Cheng Kung University • Manager at Ernst & Young LLP • CFO of Dongguan Rongtai Plastic Materials Co., Ltd. Partner at Sunpower CPAs & Co. 	<ul style="list-style-type: none"> • Partner at Sunpower CPAs & Co. • Member of the Salary and Remuneration Committee, Lung Pien Vacuum Industry Co., Ltd. • Member of the Salary and Remuneration Committee, Zeng Hsing Industrial Co., Ltd. • Member of the Audit Committee/Remuneration Committee, Lagis Enterprise Co., Ltd.
	Jun-Ming Hsu	M	<ul style="list-style-type: none"> • Ph.D. in Finance, Syracuse University • Associate Professor and Director of Corporate Lectures, Department of Business Administration, Tunghai University • Dean, Department of Finance, Tunghai University 	<ul style="list-style-type: none"> • Professor, Department of Finance, National Chung Hsing University • Independent Director of CALIN TECHNOLOGY CO., LTD. /Member of Remuneration Committee/Member of Audit Committee • Independent Director of Zeng Hsing Industrial Co., Ltd./Member of Remuneration Committee/Member of Audit Committee • Independent Director of SHINE TREND International Co., Ltd./Member of Remuneration Committee/Member of Audit Committee

Note : 18th Director tenure 2021/07/20~2024/07/19. Last update : 2021/12/31

Directors (including independent directors) and supervisors are nominated by the Board of Directors and elected at the Shareholders' Meeting. The 18th Board of Directors consists of seven directors and three independent directors aged between 48 and 81, each with rich experience in academia and the industry. At least one board meeting is convened every quarter. In 2021, 8 board meetings were convened. 【102-24】

(2021) Attendance Records for the 17th Board of Directors meetings

Title	Chairman	Director				Independent Director			Supervisor		
Name	Chih-Cheng Lin	Ruei-Yi Hong	Su-Chen Liao	Chong-Guang Tsai	Feng-Chin Lee	Chih-Sheng Wu	Ming-Liang Tarng	Jun-Ming Hsu	Bai-Song Zhang	Hui-Yu Huang	Meng-Chung Ho
Attended	3	3	3	3	2	3	3	3	3	3	3
Absent/attended by a proxy	0	0	0	0	1	0	0	0	0	0	0
Attendance rate	100%	100%	100%	100%	67%	100%	100%	100%	100%	100%	100%

(2021) Attendance Records for the 18th Board of Directors meetings

Title	Chairman	Director						Independent Director		
Name	Chih-Cheng Lin	Ruei-Yi Hong	Su-Chen Liao	Chung-Ting Tsai	Feng-Chi Lee	Meng-Chune Ho	Po-Sung Chang	Chih-Sheng Wu	Ming-Liang Tarnng	Jun-Ming Hsu
Attended	5	5	5	5	5	5	5	5	5	5
Absent/attended by a proxy	0	0	0	0	0	0	0	0	0	0
Attendance rate	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

The 18th Director' s Continuing Education in 2021(Course hours)

Name of the course	Chairman	Director						Independent Director		
	Chih-Cheng Lin	Ruei-Yi Hong	Su-Chen Liao	Chung-Ting Tsai	Feng-Chi Lee	Meng-Chune Ho	Po-Sung Chang	Chih-Sheng Wu	Ming-Liang Tarnng	Jun-Ming Hsu
2021.08.03 Corporate Governance Seminar								3		
2021.08.31 2021 Exchange Buying Sustainable Upgrade Online Forum				2	2					
2021.09.01 2021 Exchange Buying Sustainable Upgrade Online Forum				2	2					
2021.10.27 Corporate Governance online Seminar				3						
2021.11.03 2021 Insider Trading Prevention Seminar				3						
2021.11.05 Taiwan M&A Trends and Investment Holding Company Development	3	3	3	3	3	3	3		3	3
Total hours	3	3	3	13	7	3	3	3	3	3

【102-25】 Pursuant to the *Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies* and other applicable regulations prescribed by the competent authority, Zeng Hsing has established the following internal control guidelines to increase its operational transparency, strengthen its corporate governance, and protect the rights of its investors and stakeholders: *Principles of Corporate Governance, Principles of Ethical Corporate Management, Guidelines and Standard Operating Procedures for Ethical Corporate Management, Rules of Procedure for Board of Directors Meetings, Rules of Procedure for Shareholders Meetings, Rules Governing Financial and Business Matters Between Zeng Hsing and its Affiliated Enterprises*, and *Articles of Incorporation*.

The Board of Directors is responsible for determining the direction of the Company, monitoring operational outcomes, preventing conflicts of interest, identifying and mitigating risks, and ensuring that the Company is in compliance with various laws and regulations. The Company' s *Rules of Procedure for Board of Directors Meetings, Principles of Ethical Corporate Management*, and *Code of Ethical Conduct* all have explicit stipulations on the **avoidance of conflicts of interest**. Directors or their representatives who have a conflict of interest in regard to any motion that may be detrimental to the Company' s interest may still be

present at the meeting to express their opinions and address stakeholders' concerns, but they are forbidden from participating in discussion or voting, and they shall not authorize another director to vote on their behalf.

Zeng Hsing had 10 directors (3 of whom were independent directors), and an audit committee established to replace the power of the supervisor on July 20. Their remuneration was recommended by the Remuneration Committee and approved by the Board of Directors. In order to streamline communication with stakeholders, Zeng Hsing has a spokesperson, a corporate website, and an investor mailbox in place to address shareholders' concerns and inquiries. The names of the Company's major shareholders are published in the annual reports. In addition, information on equity transfer is reported to the competent authority by the 15th day of the succeeding month to ensure complete transparency to our stakeholders.

✳ Directors' , Supervisors' , and Managers' Remuneration [102-35 ~ 36]

Remuneration Committee Charter: To ensure a sound system for the compensation of directors, supervisors, and managerial officers of the Company. Zeng Hsing has adopted this Remuneration Charter pursuant to Article 14-6 of the *Securities and Exchange Act* and 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*. Remuneration Committee Meetings were convened in 2021. The committee consists of three members appointed by the Board of Directors, all of them also serve as independent directors of the Company. The third member of the committee is an associate professor at a university who has extensive knowledge and experience in human resources management. Mr. Jun-Ming Hsu currently serves as the convener and chairperson of the committee.

Remuneration Committee Members' educational and work background

Name	Education	Qualification
Jun-Ming Hsu	<ul style="list-style-type: none"> Syracuse U.(Ph.D.)-Finance 	<ul style="list-style-type: none"> Professor, Department of Finance, National Chung Hsing University Independent Director of SHINE TREND International Co., Ltd./Member of Remuneration Committee/Member of Audit Committee
Ming-Liang Trang	<ul style="list-style-type: none"> Bachelor of Accountancy, National Cheng Kung University Master of Accountancy, National Cheng Kung University 	<ul style="list-style-type: none"> Partner at Sunpower CPAs & Co. Member of the Salary and Remuneration Committee, Lung Pien Vacuum Industry Co., Ltd. Member of the Audit Committee/ Remuneration Committee, Lagis Enterprise Co., Ltd.
Chih-Sheng Wu	<ul style="list-style-type: none"> Master of Management Science, National Chiao Tung University 	<ul style="list-style-type: none"> Vice-President of HSBC Hong Kong Vice Chairman of Turvo International Co., Ltd. Director of Zhu Ling Investment Director of Matec Southeast Asia (Thailand) Co., Ltd.

The analysis of the proportion of the total remuneration paid to the company's directors, supervisors, general managers, and deputy general managers by the company and all companies with consolidated statements in the last two years to the after-tax profit of individual or individual financial reports is as follows:

The total remuneration of directors and supervisors in 2021 will increase compared with 2020, which is due to the increase in the remuneration of independent directors in 2021 and the addition of one employee adjunct director; the total remuneration of the general manager and deputy general manager will increase compared with 2020, due to Reflecting the rise in the price index and the increase in wages.

**Remuneration for
directors, supervisors, general managers and deputy general managers**

Criteria Title	Zeng Hsing				Consolidated Financial Statements			
	2020		2021		2020		2021	
	Total amount	Percentage of remunerations of supervisors to net income after tax	Total amount	Percentage of remunerations of supervisors to net income after tax	Total amount	Percentage of remunerations of supervisors to net income after tax	Total amount	Percentage of remunerations of supervisors to net income after tax
Director's remuneration	11,514	1.38%	13,524	2.58%	11,765	1.41%	13,804	2.63%
Supervisor's remuneration	1,723	0.21%	983	0.19%	1,723	0.21%	983	0.19%
Remuneration for general manager and deputy general manager	29,254	3.51%	30,883	5.88%	32,044	3.85%	33,051	6.29%
Income from operations of going concerns-after tax	832,980	-	525,148	-	832,980	-	525,148	-

The policy, criteria and composition of compensation payments, the procedures for setting compensation, and the correlation with operating performance and future risks :

1. Policy, criteria and composition of remuneration :

In accordance with Article 35 of the Company's Articles of Incorporation, the remuneration of the directors for the performance of their duties shall be determined by the Board of Directors with reference to the normal standards of the industry in accordance with the degree of participation and value of a contribution of individual directors. In addition, in accordance with Article 35 of the Company's Articles of Incorporation, no more than 4% of the Company's profit for the year shall be set aside as directors' remuneration. The Company periodically evaluates the remuneration of directors in accordance with the "Regulations Governing the Performance of the Board of Directors" , "Regulations Governing the Remuneration of Directors and Managers" and "Regulations Governing the Performance of Directors and Managers" , and the related performance evaluation and reasonableness of remuneration are reviewed by the Remuneration Committee and the Board of Directors.

The remuneration of the Company's managers is determined in accordance with the "Regulations Governing the Remuneration of Directors and Managers" and the "Regulations Governing the Evaluation of the Performance of Directors and Managers", in order to appreciate and reward the managers' efforts in their work. The bonuses are also based on the Company's annual operating performance, financial position, operational position and individual performance. In addition, if the Company makes a profit in the year, 2-6% of the profit shall be allocated to employee compensation in accordance with Article 35 of the Company's Articles of Incorporation. The results of the performance evaluation conducted by the Company in accordance with the "Regulations Governing the Evaluation of the Performance of Directors and Managers" shall be used as a reference for managerial bonuses.

- i) Departmental performance: The annual KPI items of each department are evaluated based on the Company's strategic objectives.
- ii) Personal performance: The results are based on a comprehensive personal performance appraisal combined with departmental KPI indicators. The Company's compensation package is determined by the Remuneration Committee's organizational structure, including cash remuneration, stock options, dividends, pension benefits or resignation benefits, various allowances and other measures with substantial incentives. The scope of the remuneration is consistent with the guidelines for directors' and managers' remuneration in the annual reports of the companies.

2. Procedures for determining the remuneration :

In order to regularly evaluate the remuneration of directors and managers, the evaluation results are based on the "Performance Evaluation Method of the Board of Directors" and the "Annual Performance Evaluation Management Method" applicable to managers and employees. In addition, the compensation of the chairman and the general manager is set in relation to the company's operating performance indicators and reported to the Remuneration Committee and the board of directors. In order to fully demonstrate the achievement of the operating performance indicators, the performance criteria for the chairman of the board of directors are set in relation to the operating performance indicators and the scope of evaluation includes the following indicators: net income before tax, customer satisfaction and corporate governance evaluation. The performance criteria for the general manager include the following performance targets: operational safety management, supervision of the execution of financial plans, revenue management, promotion of the autonomy of maintenance capabilities, enhancement of internal controls, and implementation of quality assurance and management.

The performance self-assessment results of the board of directors, directors and members of various functional committees in 2021 all met the standards. In addition, while the Company's operation was affected by COVID-19 in 2021, it still worked hard to prevent the pandemic and deployed ahead of time, and implemented cost-cutting measures to maintain the profit performance in the past. According to the results of the Company's 2021 annual manager performance evaluation, all managers' performance has reached the predetermined target requirements, and the Company's annual operating indicators evaluation results have also reached the standard.

The performance evaluation and the reasonableness of the remuneration of the directors and managers of the Company are evaluated and reported by the compensation committee and the board of directors regularly every year, with reference to the individual's performance achievement rate and contribution to the Company, the overall operational performance of the Company, the future risks and development trends of the industry, and the timely review of the remuneration system from time to time in light of the actual operating conditions and relevant laws and regulations. The actual amounts of remuneration for directors and managers for fiscal 2021 are reviewed by the Remuneration Committee and reported to the Board of Directors.



3.2 ESG Implementation Framework

【102-19、20、21】To continue strengthening its corporate social responsibility efforts, Zeng Hsing launched its official Corporate Social Responsibility Office (CSRO) in April 2018 along with a CSR Committee and a set of CSR policies.

The chairperson of the Company serves as advisor to the CSR Committee, and the general manager serves as the chair of the committee. Each functional organization appoints the department head to serve as a committee member responsible for overseeing the implementation of CSR policy and one executive director and one secretary in charge of collecting and providing data for their respective divisions, to help the Company achieve its CSR objectives according to plan.

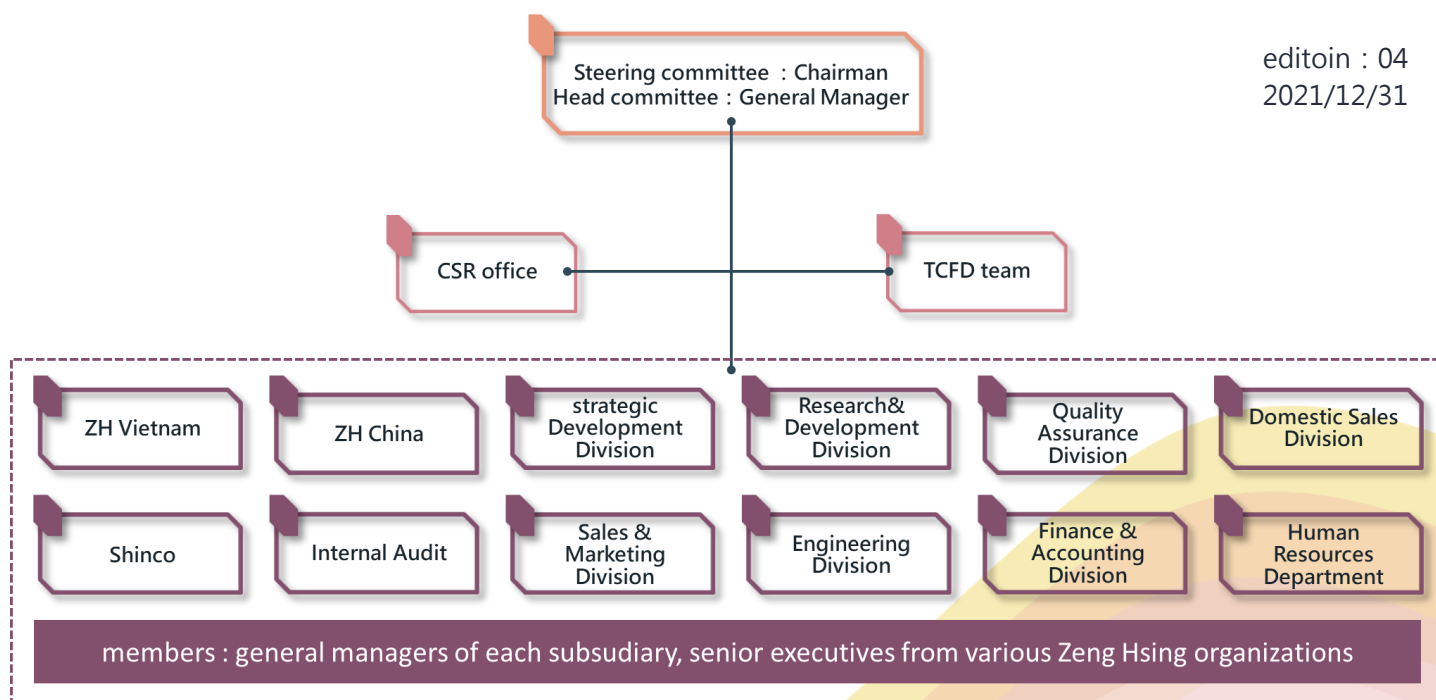
The CSRO collects and analyzes data on sustainable development trends and issues involving risk from around the world. For example, CSRO studies the WEF report to understand various future global risks and opportunities to formulate related policies in advance to reduce operational risks. The CSRO also conducts annual surveys of stakeholders' needs and identifies the relevant risks and opportunities for the Company. Based on the results, the CSRO then works alongside the CSR Committee to draw up strategies and action plans to mitigate their impacts on the Company's operations. All CSR objectives and implementation outcomes are disclosed in our annual CSR report.

At the end of each year, the CSRO calls an Annual CSRO Consensus Meeting to review the latest CSR trends and set new goals for the coming year. The meeting also provides an opportunity for various divisions of the Company to consolidate their resources and coordinate their CSR efforts, which helps ensure that projects are carried out in accordance with the predefined timeline and that outcomes are up to par. A CSR target review meeting is convened in the second quarter of each year. Each division's CSR achievements are presented to and reviewed by all members of the CSR Committee and are then made available to all Zeng Hsing employees through the CSR section of the Company's intranet.

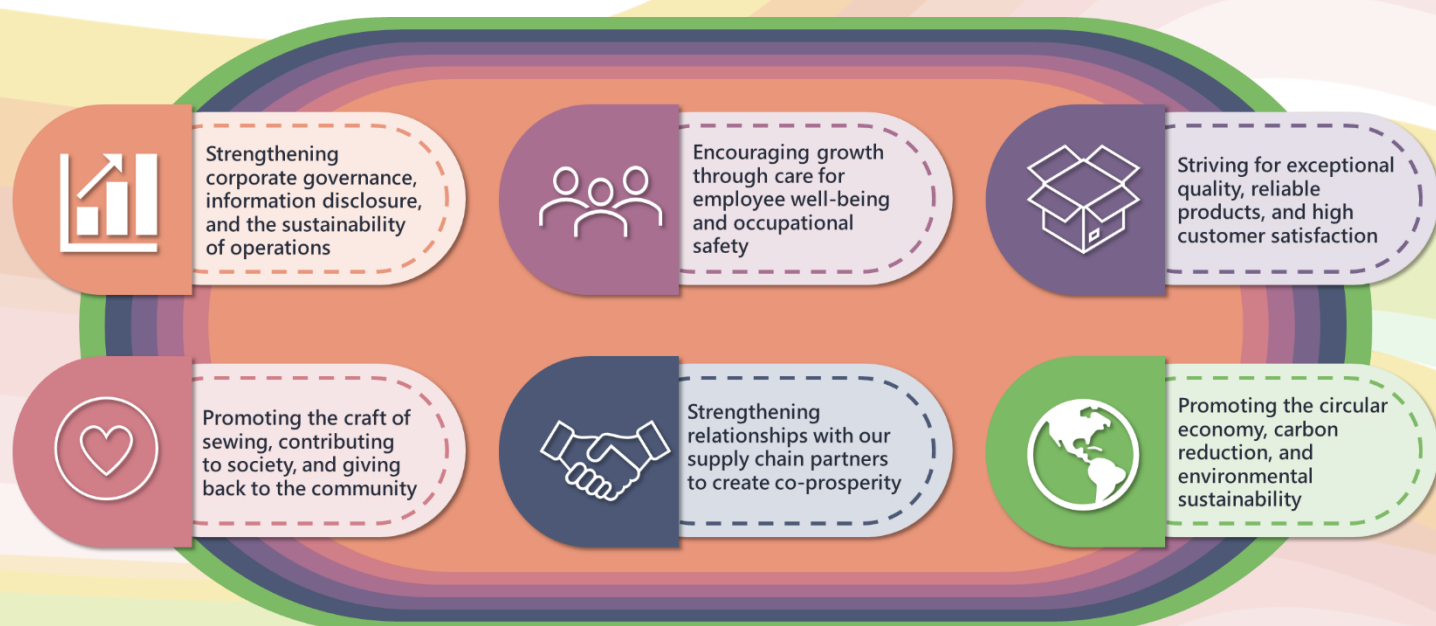
2021 CSR goals : 48 out of 53 targets were achieved and 5 were not achieved. The achievement rate was 94%. The department that did not achieve the target has completed the review and improvement. The reason why the 5 targets were not achieved was mainly due to the impact of the epidemic and the inability to complete relevant physical operations as planned, such as large-scale fire drills and sewing machine courses. In order to avoid clusters and reduce contact, the courses can only be postponed or canceled. It causes employee training hours drop sharply and cannot reach the target of the average number of training hours. Although Zeng Hsing has actively promoted online courses, some courses that need to be implemented still require on-site practical operation in order to achieve the expected learning effect. In order to ensure that the relevant goals for 2022 will not be greatly impacted by the epidemic, CSRO invites the cooperation of relevant units to regularly review the status of the achievement of the goals, and then calibrate the goals according to the actual situation.

2022 CSR goals: In August 2021, after consultation with the chairperson and advisor of the CSR Committee, the CSRO established six priority CSR policy areas as the Company's central CSR guidelines, after which the CSRO entered into a discussion with the executive director, secretary general, and heads of each functional organizations to set CSR targets for each division. In October of the same year, the annual CSR Consensus Meeting was convened, during which 77 CSR targets involving 14 business divisions were formulated for the year 2022 following a two-hour discussion by members of the CSR Committee. These targets mostly pertain to environmental protection and employee welfare.

Corporate Social Responsibility Committee



CSR Policy



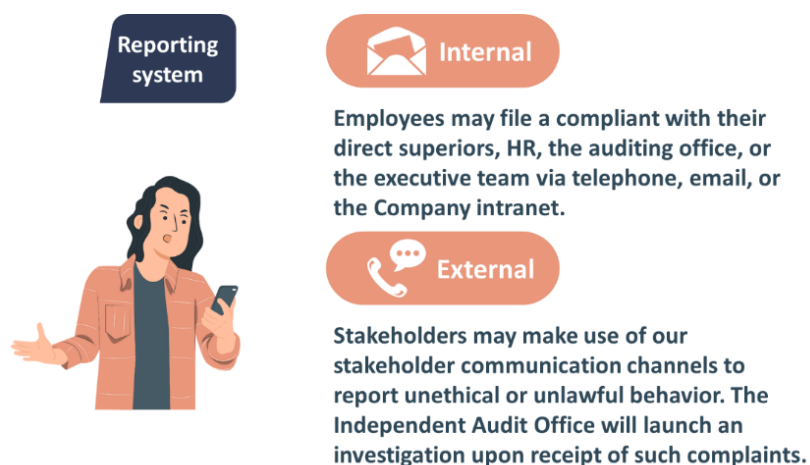
3.3 Enforcing Ethical Management

The integrity management culture and sound development of listed companies are the basic requirements of the company. The business philosophy of Zeng Hsing itself includes integrity and puts it in the first place. With integrity as the core, Zeng Hsing is committed to promoting the company's philosophy. From top to bottom, Manager lead and then publicize to employees and suppliers. Work with suppliers and customers to create good industrial development and implement the business philosophy.

To enforce ethical management within the Company, the Strategic Development Office has been tasked with promoting ethical management. Its responsibilities include providing leadership and guidance on the implementation of ethics strategy, irregular auditing, and reports to the Board of Directors. The Strategic Development Office reported the state of ethical management to the Board of Directors on December 23, 2021.

Furthermore, in order to expend the coverage of employee ethics training. In 2021, the Strategic Development department of the headquarters promoted integrity-related training. The courses are mainly online courses, and the courses is updated every year and is jointly planned by HR and Strategic Development department office. In October 2021, the company conducted training for indirect employees. The training focuses on online, and a total of 249 people attended the courses for total of 67.5 hours. In addition to cooperate with the principles of ethical management, employees at the Taiwan headquarters have signed a letter of commitment to implement the principles; For suppliers, in order to convey the determination of Zeng Hsing to maintain a high level of professional ethics and to enable suppliers to adopt business conduct that is consistent with Zeng Hsing's professional ethics standards, in 2021 Taiwan sourcing promoted suppliers' integrity and business ethics through the ethic poster. A total of 92 suppliers from Taiwan headquartered were distributed, and the distribution rate was 100% after deducting the suppliers who had not traded in the current year, achieving the goal of promoting a sustainable supply chain.

Zeng Hsing set up internal and external communications channels for reporting such behavior. In 2021, neither the supervisor's mailbox nor the CSR mailbox received any complaints related to unethical behavior. **In July 2021, due to the establishment of an audit committee to replace the supervisor system in accordance with the laws and regulations, there will be no supervisor's complaint mailbox from 2022.**



* Fighting corruption 【205-1、3】

In order to effectively manage anti-corruption, Zeng Hsing formulated its *Workplace Management Rules*, *Code of Ethical Conduct*, *Principles of Ethical Corporate Management*, and *Guidelines and Standard Operating Procedures for Ethical Corporate Management* to ensure that the Company's directors, managers, and employees act in accordance with ethical standards. Any acts of corruption, bribery, or extortion are strictly prohibited and are grounds for immediate dismissal. **No employees were dismissed as a consequence of corruption, bribery, or extortion in 2021.** The Company has implemented the following measures to further enhance our anti-corruption and ethical management efforts:



Zeng Hsing has a CSR hotline in place to receive complaints about unethical behavior, which are then forwarded to the Audit Office for processing in accordance with applicable regulations.

The Audit Office conducted a group-wide risk assessment for fraud at every business location. The Audit Office paid an onsite visit to locations with a higher level of risk. In December 2021, the Audit Office performed an onsite inspection at the Taiwan cheer champ, and no material internal control risks were identified.

3.4 Risk Management

✿ Corporate Consensus Meeting 【102-11・15】

In 2021, with the acceleration of vaccination progress and the increase of vaccine coverage in major economies, the global economic recovery is obvious. However, during the recovery process, factors such as inflation, shipping logistics, semiconductors, and energy shortages have caused differences in global economic growth. Looking forward to 2022, as the epidemic recurs, we will face the impact. Such as accelerate digital transformation, global supply chain re-layout, rising inflation, and new variants of the virus. The challenges mentioned above may affect the strength of global economic expansion, and the economy will face a new wave of challenges in the post-epidemic period.

In 2021, although Zeng Hsing was affected by the suspension of responsibility in Vietnam, some models have transferred to China and Taiwan headquarters for production. At the end of the year, Vietnam's responsible output has risen to 85%. The group's annual shipments still hit a new high of 3.93 million units compared with last year. Looking forward to 2022, the global economy may continue to be affected by factors such as tight overall supply chains, high raw materials prices, and shortage of shipping containers. Under various unfavorable conditions, Zeng Hsing still needs to study and judge the global economic situation in advance and pay attention to it, in order to deal with the chain impact brought about by repeated attacks of epidemic.

Zeng Hsing executives met with external consultants at the Corporate Consensus Meeting in October 2021 to discuss internal and external risks and opportunities that the Company might face. Based on the risk analysis results, a strategic roadmap and a set of operational goals were formulated. The Strategic Development Office was then responsible for following up on the progress of each division in achieving these goals and making quarterly adjustments to the roadmap based on actual performance. The ultimate goal is to improve Company management while lowering its exposure to risk by continuously monitoring and adjusting its goals.

In 2021, the risks identified were predominantly appreciation of NTD, raw materials price increase, lack of intermediate and advanced product lines, shortage of successors and talents, and quality problems. Based on the risk identification results, the Global Strategic Development Division monitors exchange rates and raw material trends every month, and forwards its findings to members of the Corporate Management Committee for their reference; the Sales & Marketing Division continues to strengthen intermediate/advanced product line strategies; and the Human Resources Department actively launches training programs on six core competencies (production and marketing, quality, industrial engineer in manufacturing, cost, IT, and management talents). In addition, we adopted strategies for improving our business processes, promoting pilot studies, and organizing talent development programs, in order to prepare the group for future strategic expansion.

✿ Group-wide auditing plan

The Audit Office under Zeng Hsing's Board of Directors is responsible for establishing an annual group-wide auditing plan in accordance with administrative orders issued by the competent authority. The auditing plan (which details the items to be audited, as well as the date and duration of the audit) is drafted based on the rate of occurrence of compliance deficiencies in the past, the shareholding percentage of each subsidiary in the Group, internal control risks for each of the nine business transaction cycles, and the level of risk identified by each functional organization within the Company. When the audit is completed, a report is drawn up, and the Audit Office will follow up on compliance deficiencies identified during the

audit to ensure that improvements are implemented and that group-level operational risks are under control.

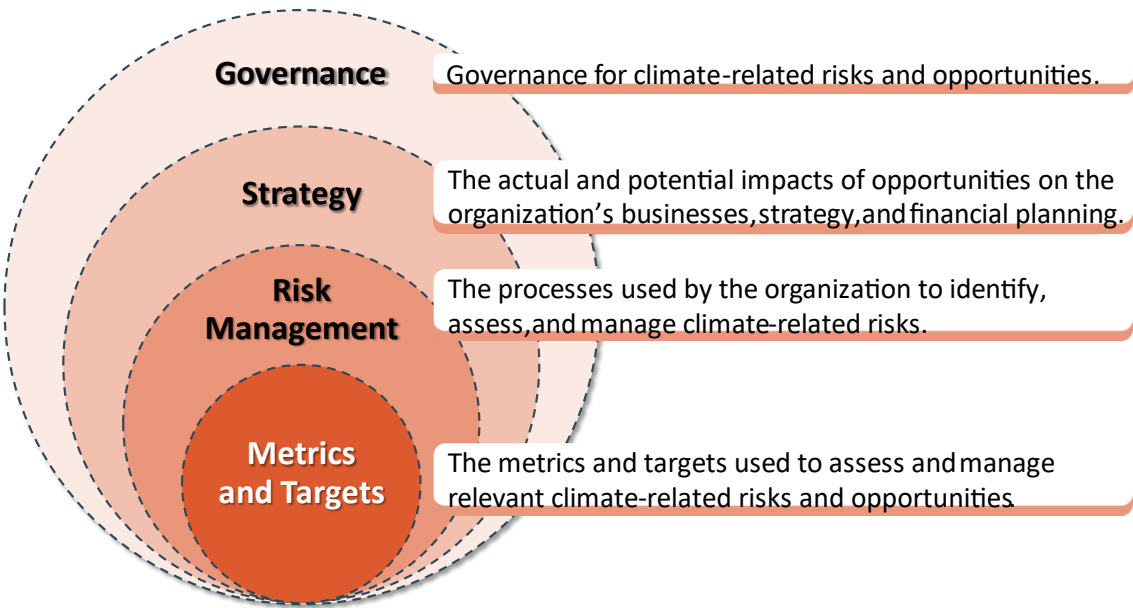
✳ **Response to climate change risk**

Pursuant to ISO 14001 and OHSAS 18001/TOSHMS certification requirements, Zeng Hsing has formulated the Environmental Management System Manual and Occupational Safety and Health Manual in order to identify, address, mitigate, and control environmental and operational risks, enforce occupational safety and health, make good on our commitment to a safe workplace, and ensure complete compliance with government regulations.

The Company is deeply concerned about climate change actions and energy policies, in addition to quality and environmental risks. According to the World Economic Forum 2022 Global Risk Report, three of the top five risks perceived by survey respondents were environmental issues, with Climate Action Failure leaping to the first place and surpassing Extreme Climate. The report also indicated that up to 200 million people may be affected by climate change in 2050. Many countries have started proactively introducing laws and regulations to tackle climate change and promote carbon reduction policies. For example, both the Taiwanese and Vietnamese governments have begun enforcing GHG inventory, internal verification, third-party verification, and carbon reduction requirements on business and corporate entities.

At the most recent United Nations Climate Change Conference (COP26), governments of various countries have pledged to phase out and gradually end coal power and fossil fuel subsidies. Similarly, the Task Force on Climate Related Financial Disclosure (TCFD) reported that climate change will lead to policy and legal changes related to the environment, such as reducing subsidies for energy/pollutant-intensive sectors and charging carbon and fuel taxes, among other transition risks. On the other hand, it is the responsibility of companies to evaluate the impact of relevant laws and regulations on the company finances and develop corresponding strategies in advance. Accordingly, Zeng Hsing has used the latest climate standards and the TCFD framework as a basis to establish procedures for identifying the company’ s climate risks and opportunities.

ZH Task Force on Climate-related Financial Disclosures (TCFD)



Zeng Hsing adopted the TCFD framework to establish rules and regulations based on the aspects of governance, strategy, risk opportunity evaluation, goals and targets. We have established a TCFD Group under the CSR Committee, which convenes a meeting at least once every year, and presents a report to the CSR Committee every six months on the annual implementation results and next year's implementation plans that is then forwarded to the Board of Directors by the CSR Office (CSRO).

The TCFD Group is tasked with holding meetings every year to identify risks and opportunities; evaluating the possible opportunities and risks presented by climate change; incorporating climate change factors in business strategy planning and decision-making processes; developing climate change risk management procedures and mechanisms and integrating them into the overall risk management policy; and actively promoting climate change mitigation and adaptation solutions, such as environmental protection, energy conservation, carbon reduction, and GHG emission reduction action.

Identification of Risks and Opportunities

2021/12/23 After the TCFD team discussion, the risk opportunity matrix (as shown in the figure below) was produced. There are 3 opportunities in total, 1 transitional risk, 2 physical risk. Actions need to be taken to formulate relevant management policies.

Climate Risks and Opportunity Matrix

Opportunities	R01 Carbon Taxes/Carbon Fee R03 GHG emissions restriction R04 Mandatory declaration C02 Use more efficient production and distribution processes C06 Use Low-carbon energy C09 Participation in carbon trading market		C01 Use more efficient transportation methods R16 Extreme temperature changes R20 Average temperature change
	R02 Fuel tax/Energy tax R06 Renewable energy Regulations R15 tropical cyclone R17 Rainfall pattern and distribution changes R18 Extreme rainfall R19 Sea level rise R21 Average rainfall change	R07 Uncertainty about new regulation	C11 Develop and/or increase low-carbon goods and services C14 Shifts in consumer preferences
	R05 Product efficiency regulations and standards R09 Low-carbon products and services R12 Customer behavior change R13 Uncertainty in market C03 Recycling and reuse C04 Switch to more efficient building C05 Reduce water consumption C07 Adopt incentive policies C12 Develop new products and services C13 Diversification of business activities C15 Enter new markets C16 Energy alternative/Diversification	R14 Bad reputation C08 Use new technology C10 transition to decentralized energy	R08 Voluntary agreement R10 New technology investment R11 Low Carbon Technology Transformation
		Financial Impact	

Note :

1. Coding description : R=RISK · C=Chance, the number is for convenient inquiry, regardless of possibility/financial impact degree/ranking.
2. Priority possibility and financial impact are divided to 3 levels.



Opportunity

C01 Use more efficient transportation methods

Choose more efficient transportation method: the green design of reducing packaging materials can not only reduce paper materials, but also improve transportation efficiency and reduce carbon emissions.

C11 Develop and/or increase low-carbon goods and services : Zeng Hsing actively researches the green design of sewing machines every year, such as reducing energy consumption and reducing material weight.

C14 Shifts in consumer preferences :

Zeng Hsing actively researches the green design of sewing machines every year, such as reducing energy consumption and reducing material weight.



Risks

R07 Uncertainty about new regulation :

May increase the cost of carbon tax and carbon trading.

R16 Extreme temperature changes :

May exacerbate climate catastrophe and bring downtime losses.

R20 Average temperature change :

May exacerbate climate catastrophe and bring downtime losses.



Target

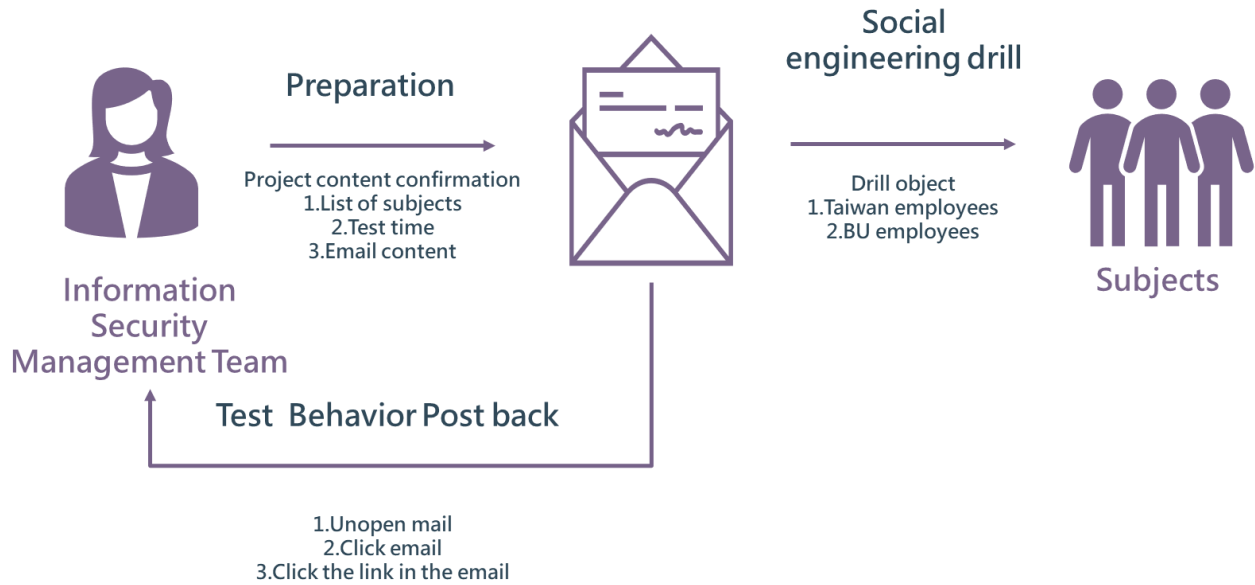
Since 2014, Zeng Hsing introduced the ISO 14064-1 in four subsidiaries. Zeng Hsing conduct annual inventory and internal verification to ensure effective analysis and management of greenhouse gas emissions. When introducing the greenhouse gas inventory, it was found that the ZH Vietnam is the main source of carbon emissions for Zeng Hsing. Therefore, the energy management system ISO5001 was introduced in 2017(obtained third-party certification in 2018), and the energy consumption status is regularly tracked and managed in order to optimize energy efficiency.

Every year, the CSR committee requires four subsidiaries in Zeng Hsing to set environment-related targets(such as emissions intensity, carbon reduction, waste reduction, water use intensity, etc.), control relevant data, avoid waste of energy and resources, and hope to contribute to the environment.

In addition, the Taiwan headquarters installed solar panels in the newly built factory building, with an output of 100,000 kwh of electricity per year. The total selling electricity for an annual income of about NTD\$ 400,000.

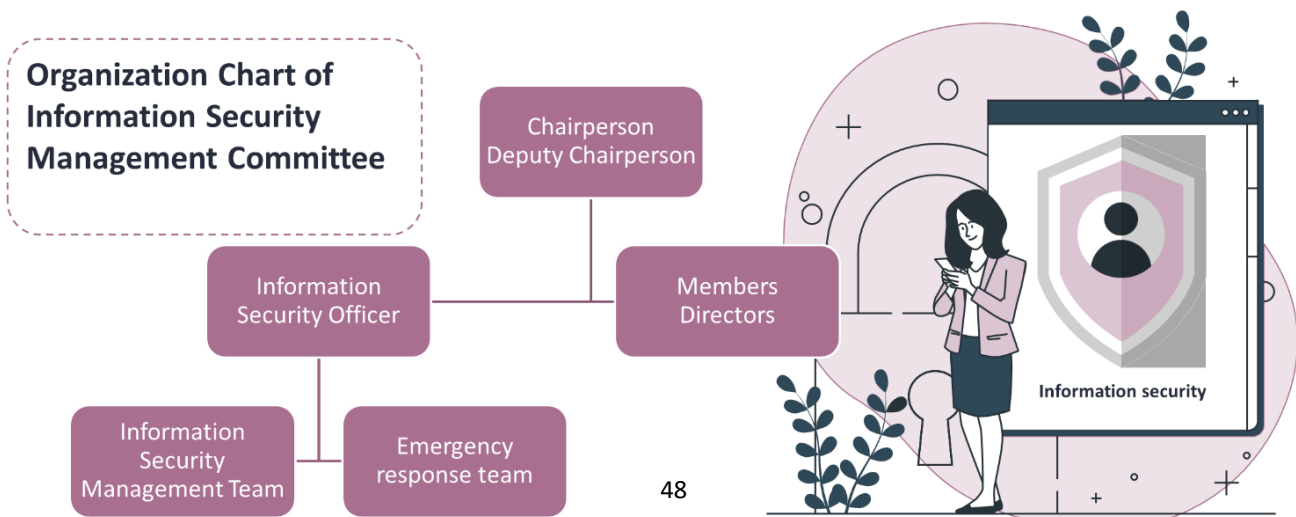
ZH Vietnam is also evaluating the feasibility of building solar panels and it expected to complete the installation in 2023. In addition, please refer to chapter 7.3 Efficient Energy Use in Products and Services for green design related content.

✿ Information Security



To reduce the group's information security risks, the IT Department is responsible for carrying out cybersecurity drills, which include email social engineering drills to measure employees' email-opening rate, click rate, and attachment-opening rate. Through these drills, we can determine the possibility of information security risks due to employees, and in turn reinforce their awareness on information security risks.

In 2019, Zeng Hsing established the Information Security Committee. An Information Security Officer is responsible for promoting, coordinating, supervising, and reviewing information communication security management matters and for convening information security meetings regularly every year to discuss the group's information risks and management with committee members (who are supervisors of various departments and divisions). Every year, the Information Security Task Force regularly promotes the importance of information security by hosting online courses for all employees and also periodically sending employees the latest information security information and news reports. To date, Zeng Hsing has evaluated the feasibility of adopting the ISO27001:2013 Information Security Management System, which is expected to include the Taiwan Headquarters and overseas subsidiaries and aims to use the group's integrated and systematic management to ensure the group's information security.

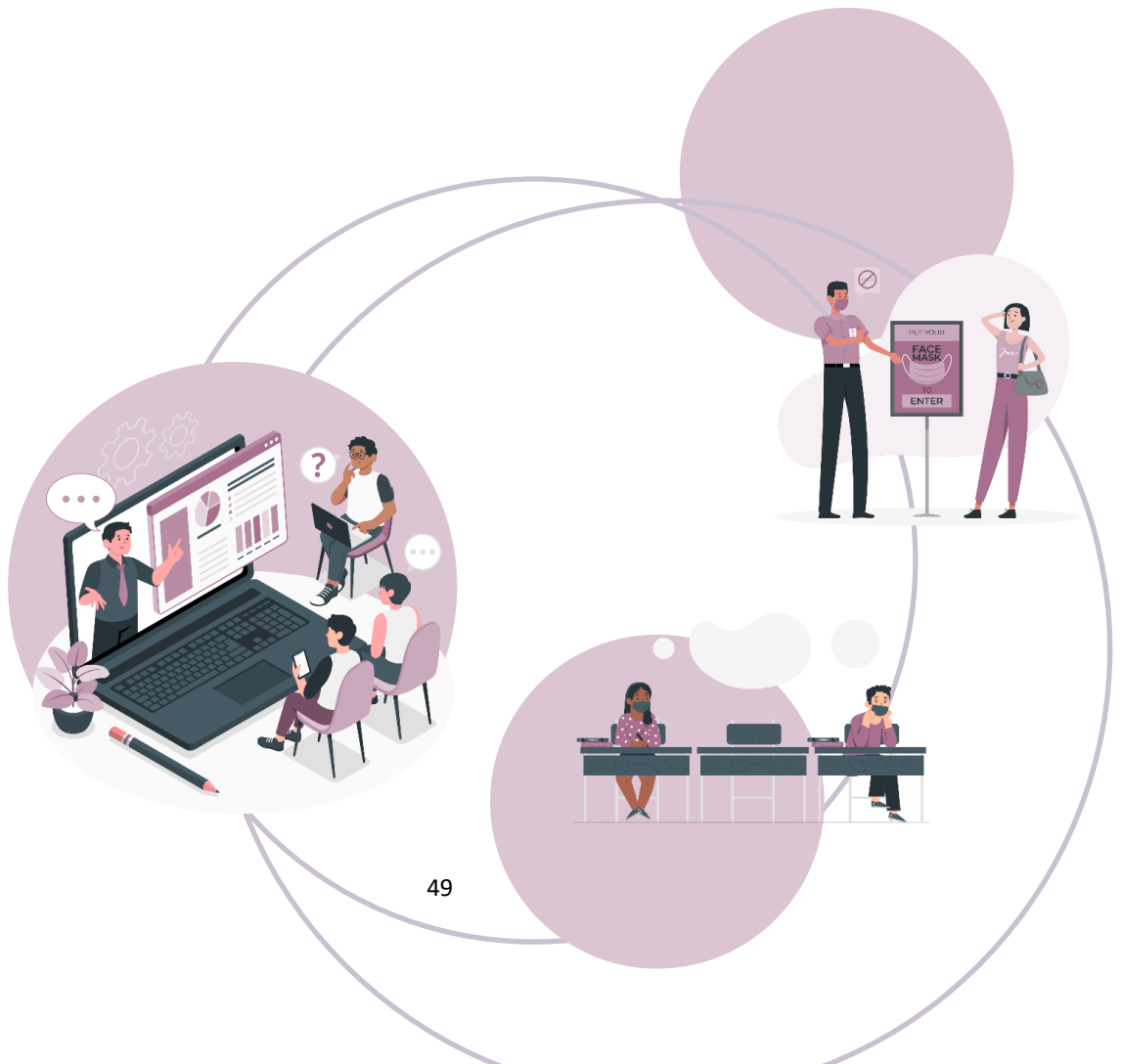


✿ COVID-19 Risk Control

Since 2020, the coronavirus has become a global pandemic, and due to the impact of local outbreak in May 2021. Zeng Hsing has formally established a risk management committee. The general manager serves as the commander-in-chief, and the committee members are the directors of the Taiwan headquarters and the top executives of overseas subsidiaries. At the same time, a duty notification mechanism is established to complete the risk management operation method. The Risk Management Committee holds regular meetings to understand the domestic and overseas epidemic situation and the countermeasures in the factory. They have to confirm whether the relevant operation process is smooth to avoid affecting the operation of the group.

The HR department is responsible for collecting relevant government epidemic information for Taiwan and subsidiaries. Taking Taiwan as an example, Zeng Hsing implement of personnel access control and reduce visits across counties and cities. All employees enter the factory to measure their body temperature and wear masks as required. Employees are required to remove their masks while eating, which increasing the risk of infection, therefore, only production employees can eat in cafeteria area, and office workers would have lunch on their own seats. When guests and suppliers enter the factory, they must follow the self-management operation of suppliers and contractors, fill out the health declaration form and abide by the floor control rules.

During the severe epidemic in May 2021, Zeng Hsing Taiwan headquarters began to work from home for two and a half months. During the period, the information management department assisted employees in setting up related computer systems for working from home to ensure that the overall operation was running properly.



3.5 Regulatory Compliance

* Compliance with certification standards

In order to ensure compliance with government regulations and meet customer needs, Zeng Hsing has received ISO 9001, ISO 14001, and OHSAS 18001/TOSHMS certifications. The compliance teams at the Taiwan Headquarters, Zeng Hsing China, Zeng Hsing Vietnam, and Shinco Technologies each formulate their annual audit plans and perform an onsite audit of every department within the Company to ensure that internal processes are in compliance with the aforementioned standards. In addition to internal audits, the Company regularly commissions third-party auditors to perform external audits of environmental protection and occupational safety and health to ensure that all aspects of the Company’ s internal processes are in compliance with the law.

* Regulatory compliance audits

Zeng Hsing is committed to complying with the Company Act, Securities, and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, and other local business regulations applicable to publicly traded companies as prerequisites for ethical corporate management.

To verify that each division has established an effective system for consulting, coordination, and communication in matters related to regulatory compliance, and to see to the timely updating of internal guidelines and standard operating procedures in response to regulatory changes, the Audit Office performed 4 regulatory audits in 2021 to ascertain that every division was in compliance with corporate guidelines.

These mandated audits are performed on an annual basis pursuant to the Regulations Governing Establishment of Internal Control Systems by Public Companies. To mitigate risk, the Audit Office performs one audits at all our subsidiaries each year.



DMA : Socioeconomic & Environmental Compliance 【307-1、419-1】

Report requirements		Disclosure requirements
103-1	An explanation of why the topic material	Regulatory compliance is of the utmost importance to the Zeng Hsing Group. Lack of effective management in this regard may lead to regulatory fines in the future.
	Boundary	Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
103-2	Purpose of the management approach	Following local environmental, manufacturing, and social regulations to mitigate operational risk and safeguard the Company's image.
	2022 Goals	<ol style="list-style-type: none"> 1. Holding regulatory compliance workshops to ensure that employees are aware of the law and minimize the risk of regulatory violations. 2. Zero violations of occupational safety/health and product marketing/labeling regulations
	Resource	Zeng Hsing has included regulatory compliance issues in the annual strategic project management
103-3	Evaluation Mechanisms	<p>ZH Group :</p> <p>Zeng Hsing Taiwan headquarter conducted one legal compliance audit, result showed that monthly employee salary calculation form and the monthly salary report have not been sent to the employee welfare committee for reference, which is inconsistent with the regulations. The abnormalities have been improved.</p> <p>In 2021, China and Vietnam also carried out an operation audit on compliance with laws and regulations according to the audit plan. The audit found that the number of dispatched workers of ZH China exceeded the total number of legal labor requirements, and the time of employees' production inspections was not included in the working hours. The abnormalities have been improved.</p> <p>There are no findings in Vietnam.</p> <p>Compliance with laws and regulations will continue to be strengthened in the future.</p>
	Performance	<p>ZH Group :</p> <ol style="list-style-type: none"> 1. Regulatory compliance audits: The Audit Office performed 1 audit each at all our subsidiaries. All compliance deficiencies were addressed. 2. Zero Violations: No material fines or punishments pertaining to violations of occupational health/safety regulations or voluntary product and service guidelines were issued to Zeng Hsing in 2021. Furthermore, none of Zeng Hsing's business locations received material fines or punishments pertaining to human rights, environmental protection, or labor law violations.² We will continue to work towards our goal of zero regulatory violations. 3. In order to reduce the risk of violations, Taiwan headquarters launched courses on human rights and laws/regulations. In 2021, 8 courses (total of 338 hours of study) were launched, including introduction to contract practice and laws, prevention of employment discrimination, publicity of epidemic prevention labor laws, etc.

²According to Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities, a "material punishment" is a fine for a single violation that amounts to NT\$ 1 million or more.

✱ DMA : Protection of minor employees 【408-1】

Underage Employee Protection Measures Within Zeng Hsing		Policy on Minor Employees at Suppliers' Plants
Taiwan	<p>The <i>Labor Standards Act</i> of Taiwan defines a child worker as "a worker over 15 years old but less than 16 years old." According to the Act, no child worker and no worker under the age of 18 shall be permitted to do work that is potentially dangerous or hazardous in nature.</p> <p>Zeng Hsing did not have any child workers on its payroll in 2021.</p> <p>In 2021, Zeng Hsing employed 1 teenage interns under the age of 18 and the work content does not involve dangerous or harmful work.</p>	<p>To ensure that our suppliers do their part to fulfill corporate social responsibility, the Taiwan Headquarters' supplier evaluation sheet contains sections pertaining to environmental protection and human rights.</p> <p>No regulatory fines pertaining to environmental protection violations or the hiring of underage employees were levied in 2021 among 5 existing suppliers.</p>
ZH Vietnam	<p>The <i>Labor Code</i> of Vietnam defines a child worker as a worker under 15 years of age and a teenage worker as a worker aged 15–18.</p> <p>Zeng Hsing Vietnam has drawn up a <i>Child and Teenage Labor Protection White Paper</i>, which prohibits the hiring of any child labor and stipulates that teenage employees shall not work in hazardous environments.</p> <p>In 2021, Zeng Hsing Vietnam employed 33 teenage interns under the age of 18. Pursuant to the Labor Code of Vietnam, the subsidiary obtained the consent of these employees' legal guardians before hiring.</p>	<p>Zeng Hsing Vietnam' s procurement department conducted on-site inspections at the plants of 13 suppliers. No evidence of child labor was found or reported.</p>
Shinco	<p>The HR department at Shinco Technologies confirms that all employees are at least 18 years of age to prevent the unintentional hiring of workers not of legal age.</p>	<p>To ensure that our suppliers do their part to fulfill corporate social responsibility, the supplier evaluation sheet contains sections pertaining to environmental protection and human rights.</p> <p>No regulatory fines pertaining to environmental protection violations or the hiring of underage employees were levied in 2021 among 6 existing suppliers</p>
ZH China	<p>The <i>Labor Law</i> of the People's Republic of China defines an underage worker as a worker aged 16–18. To prevent the unintentional hiring of child laborers, Zeng Hsing China' s <i>Employee Management Guidelines</i> stipulate that no workers under 16 shall be hired.</p> <p>In addition, its SA 8000 management system also has drawn up a set of guidelines to protect underage employees.</p>	<p>To ensure that our suppliers do their part to fulfill corporate social responsibility, the supplier evaluation sheet contains sections pertaining to environmental protection and human rights.</p> <p>No regulatory fines pertaining to environmental protection violations, or the hiring of underage employees were levied in 2021 among 5 existing suppliers</p>

Note : No fines or punishments related to child labor were issued to Zeng Hsing Group in 2021.

4 Sustainable Products and Services

To ensure that the quality of our products and services meets customer needs and government regulations, all employees are required to follow Zeng Hsing's **Quality Management Manual**, which was formulated in accordance with the **ISO Quality Management System standard**. The Company has developed and enforced several other quality control guidelines to maintain and continue to improve the quality of our products. Through efficient teamwork, we have been able to achieve our operational objectives in quality control and improve our manufacturing processes to meet customer needs. The scope of our total quality control system covers the entire production process, including product realization planning, quotes, order acceptance, product development and design, materials procurement, manufacturing, monitoring of after-sales service, and comprehensive product quality assurance of measuring instruments.

Customer satisfaction

Every step of the production process (including product conception, research and development, trial production, manufacturing, delivery, and after-sales service) shall be performed in a way that increases customer satisfaction and provides our customers with the best price, quality, and efficiency.

Quality first

Everyone in the Company from top to bottom shares responsibility for providing quality products and services. We implement the PDCA management cycle and strictly enforce the "Three No's"—no defective product shall be accepted, no defective product shall be produced, and no defective product shall be shipped. We strive for the highest quality possible for our customers across all stages of the production process.



Continuous improvement

Being good is not good enough. At Zeng Hsing, we are always striving to be better and better. We use the PDCA cycle to constantly monitor and improve our processes in response to internal and external feedback.

Sustainable operations

We want to fulfill our corporate mission by always putting our customers first. Therefore, we constantly make adjustments to our processes to improve product quality, customer satisfaction, employee welfare, and company profitability.

4.1 Corporate Certifications

【102-12】 In order to reduce the risk of occurrence and reduce the impact of risk, Zeng Hsing actively promotes various international system verification. Zeng Hsing has received the following quality management and environmental safety and health certifications: ISO 9001 (Quality Management Systems), ISO 14001 (Environmental Management Systems), OHSAS 18001 (Occupational Health and Safety Assessment Series), and TOSHMS (Taiwan Occupational Safety and Health Management System).

Subsidiary	ISO system	Certificate validity
ZH Taiwan	AEO	2024.10.01
	ISO 9001 : 2015	2025.05.19
	ISO 14001 : 2015	2025.05.19
	ISO 45001 : 2018	2025.06.14
	TOSHMS CNS 45001 : 2018	
	ISO14067 : 2018	2022.03.17
ZH China	ISO 9001 : 2015	2024.02.10
	ISO 14001 : 2015	2024.03.22
ZH Vietnam	ISO 9001 : 2015	2023.10.02
	ISO 14001 : 2015	2025.04.10
	ISO 45001 : 2018	2024.06.06
	SA 8000 : 2014	2024.10.11
	ISO 50001 : 2018	2024.06.14
Shinco	ISO 9001 : 2015	2024.05.10
	IATF 16949 : 2016	2024.05.10

In addition to quality and environmental-related systems, Zeng Hsing attaches great importance to sustainable environment-related issues. In 2019, the CSRO consulted with external experts to verify the feasibility of a carbon footprint inventory, with the CSRO, R&D, IT, Sales and Marketing, and Manufacturing and Logistics department subsequently forming a project team. And conducted cradle-to-grave assessments of its products to determine carbon emissions. In March 2020, Zeng Hsing officially obtained the certification statement of ISO14067:2018 mechanical (K series) household sewing machines issued by BSI.

Inherently committed to upholding the principles of standard management and regulatory compliance, Zeng Hsing has been rated by the Ministry of Finance Taichung Customs Office as a **Superior-Class Bonded Factory** for 11 consecutive years. To enhance our competitiveness and accelerate the international customs clearance process, the Company actively applied for the Authorized Economic Operator (AEO) certification and spent three years restructuring its Taiwan Headquarters, following which we upgraded our systems, including goods production management and corporate risk control mechanisms, to ensure that our products can be safely delivered. In October 2021, we successfully obtained the AEO certificate, keeping us aligned with the global trend of safe and efficient trading and satisfying customer needs and custom safety requirements.

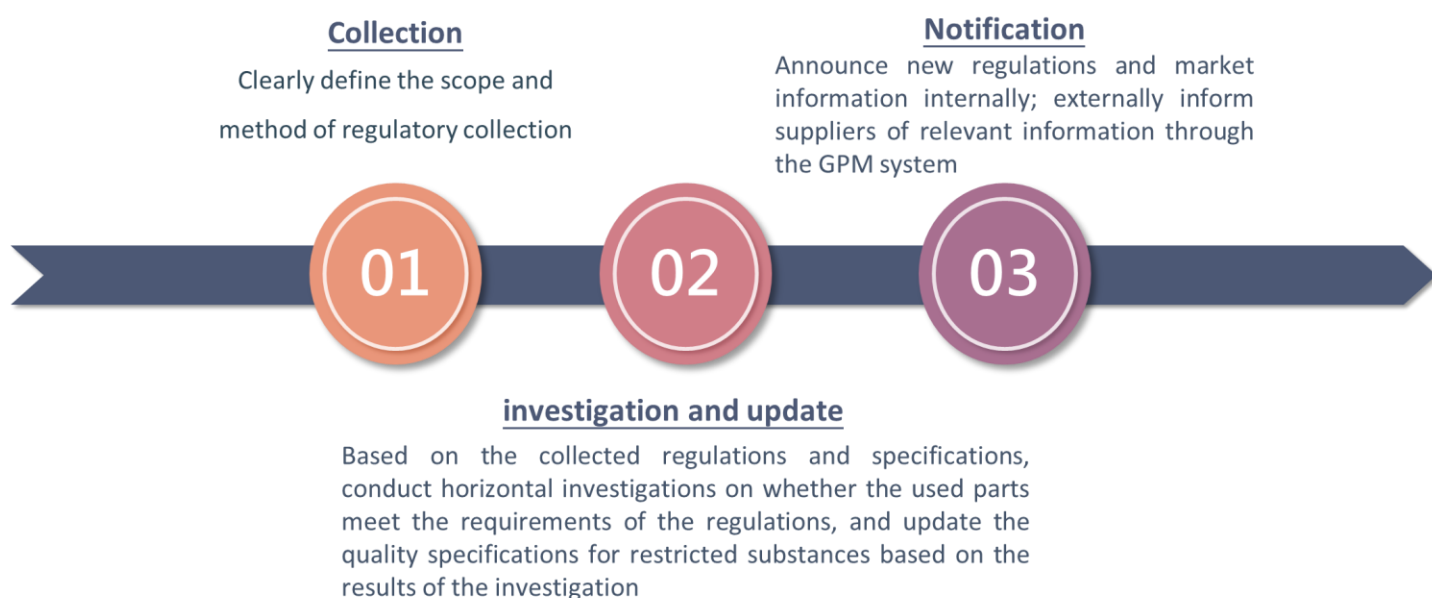


4.2 Marketing of Products and Services

In order to protect the safety and health of users and reduce the potential risks of products to the environment. We also formulate related rules such as the design management rule and product restricted substances management rule, to ensure from design to manufacturing meet the requirements of customers in various countries. **Zeng Hsing follows international regulations (RoHS, CE, etc.) and seeks environmental certifications (GS, UL, etc.)** to ensure that our products comply with various national safety standards.

Because of the different regulations in the countries where our customers are based, we work closely with our clients to manufacture products that meet their specific needs, and we disclose product and service information on the user manual, the packaging, and the product itself. We have a wide range of sewing products, from mechanical sewing machines to overlocks, each of which is UL or TUV certified. We want our customers to be assured of the quality of our sewing machines, so we make sure that every aspect of our products is in compliance with national safety requirements.

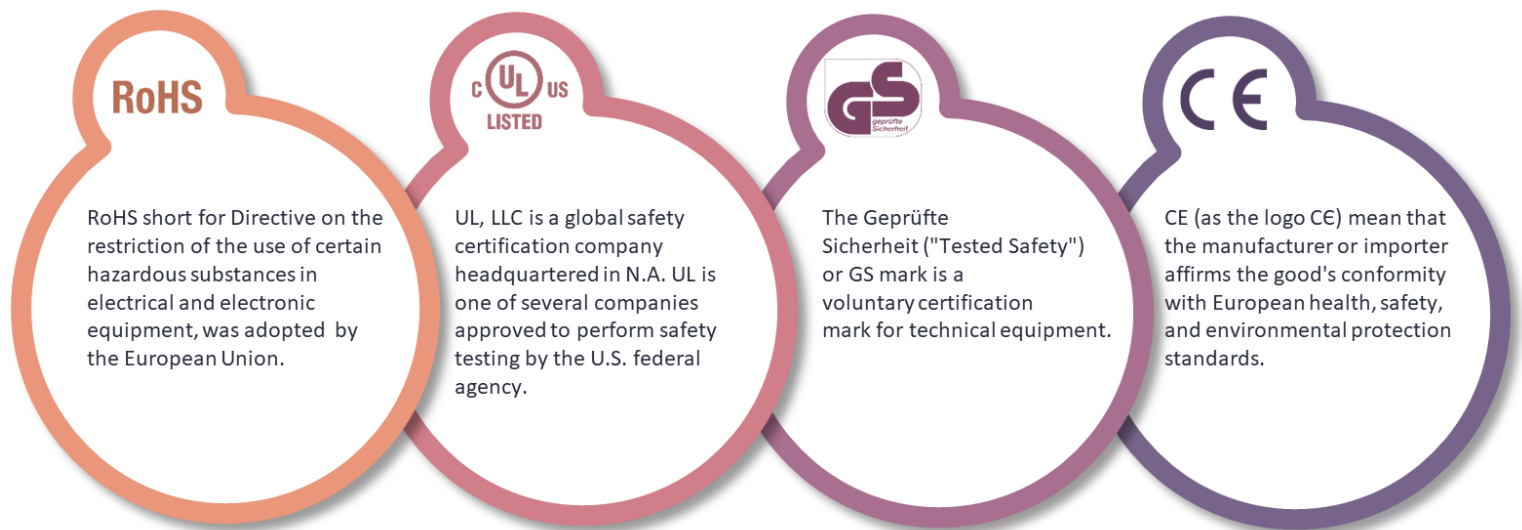
In 2021, in order to ensure that the requirements of international regulations are effectively grasped, Zeng Hsing will revise and adjust the internal management of regulations on restricted substances, Which are divided in three stages: collection, investigation, update, and notification:



Furthermore, the R&D and Quality Assurance departments periodically organize workshops on product safety regulations and restricted substances to communicate the latest regulations to all employees and help them understand the importance of regulatory compliance.

No violations of marketing regulations, product and service information and labeling were reported in 2021. However, Zeng Hsing received a client complaint about excessive levels of DEHP (di(2-Ethylhexyl)phthalate) in the foot pedal pad of our sewing machines, which is 0.1% above the statutory limit allowed. Subsequently, we immediately launched an investigation by sending our pedal pads to TUV for third-party inspection; however, no excess levels were detected in all

triplicate-testing results. As we speculated that the cause was related to production process contamination, we promptly requested that ZH Vietnam conduct a production line check, through which it was discovered that non-conforming table mats were used by the production assembly lines, resulting in the contamination of products during the manufacturing process. ZH Vietnam has since replaced the non-conforming table mats and launched a series of



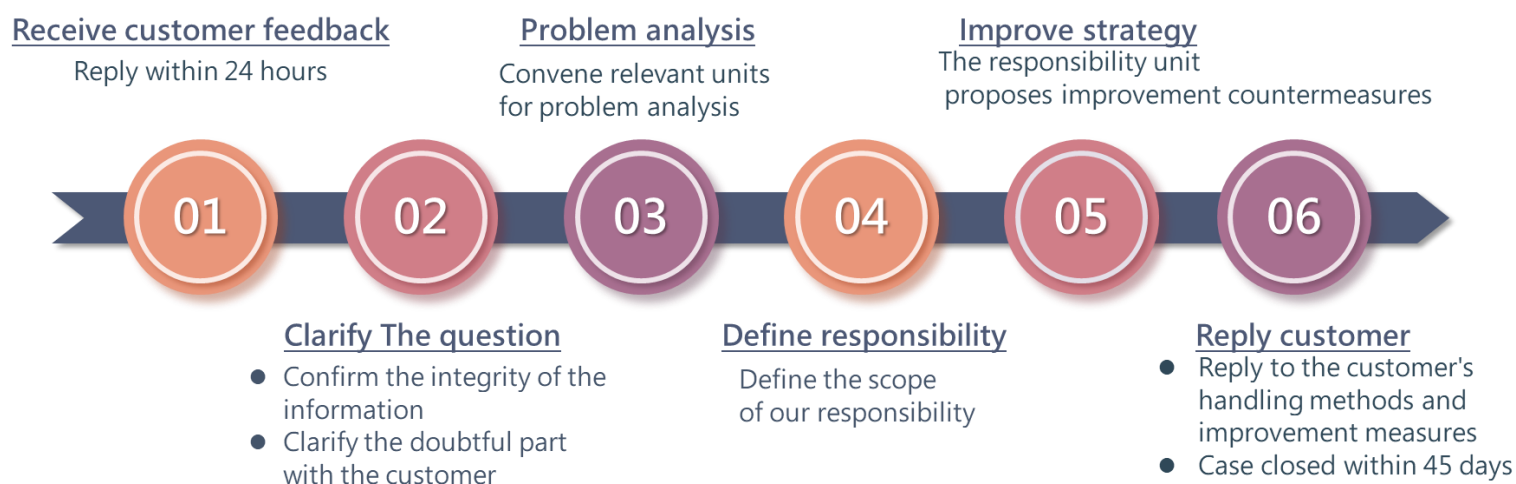
improvement actions, including the purchasing of a gas chromatography–mass spectrometer to regularly check parts and production materials. These improvements strengthened the control of restricted substances and protect against the reoccurrence of similar problems.

4.3 Customer Satisfaction

In order to define the content of customer service and the implementation method of satisfaction surveys more clearly. In 2021, Zeng Hsing adjusted the " Customer Feedback Management Measures "and" Customer Satisfaction Management Measures ".

✳ Customer Feedback Management Measures

If our products fall short of expectations, or if our customers are dissatisfied with our services, they will inevitably feel disappointed and have doubts about Zeng Hsing. To ensure that our customers are satisfied with our products and services, we formulated our Measures for Processing and Managing Customer Complaints in accordance with our Quality Control Manual to process customer complaints in an appropriate manner, preserve the Company' s image, and build lasting loyalty. If a complaint is received, employees are instructed to put themselves in the customer' s shoes and provide timely support to resolve any issues and keep the customer satisfied. The customer complaint handling process is as follows:



A long-lasting customer relationship must be built on trust, especially with regard to privacy protection and information security. Both as a matter of integrity and for practical purposes, we pay particular attention to safeguarding our customers' privacy and personal data. We require all personnel who come into regular contact with customer information to sign a non-disclosure agreement to prevent leaks of sensitive information or trade secrets. **No personal information leaks or other privacy-related issues were reported in 2021.**

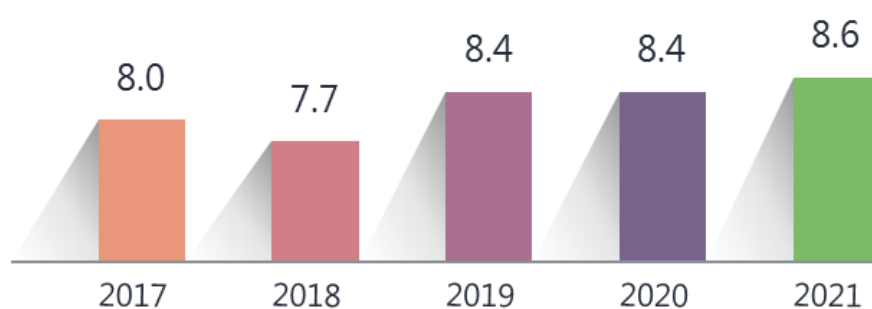
* Customer Satisfaction Management Measures

Zeng Hsing has always put the customer first by listening to customers' actual needs in terms of product materials, exterior design, functionality, and other specifications. We want every aspect of our products to be up to customer standards. To further improve customer satisfaction, we formulated our Customer Satisfaction Management Measures. It requires that customer needs and customer satisfaction surveys be conducted on a regular basis and are in line with customer expectations.

In accordance with these guidelines, we began sending out an online satisfaction survey to customers who file complaints, to be delivered electronically after a case is closed. The survey was developed for customers who have placed an order within the previous year. It uses a five-point Likert scale (available score options: 2, 4, 6, 8, and 10; higher scores indicate greater satisfaction). The customer service department is responsible for analyzing the results from the previous quarter and producing a quarterly customer satisfaction report. If necessary, a meeting is convened by the R&D, manufacturing, and procurement departments, where long-term improvements are implemented to prevent similar problems from occurring in the future.

In 2021, Zeng Hsing completed the construction of the customer service platform, which allows customers' needs to be determined in real-time and increases the timeliness of handling customer requests, thereby generating win-win outcomes. When a service item is rated poorly by a customer, we issue a correction and prevention report to keep track of the improvement progress and conduct an interview with the customer either by telephone or video call to confirm concerns and inform the customer of our specific improvement directions. We will continuously improve our services to meet the needs of customers and improve customer satisfaction.

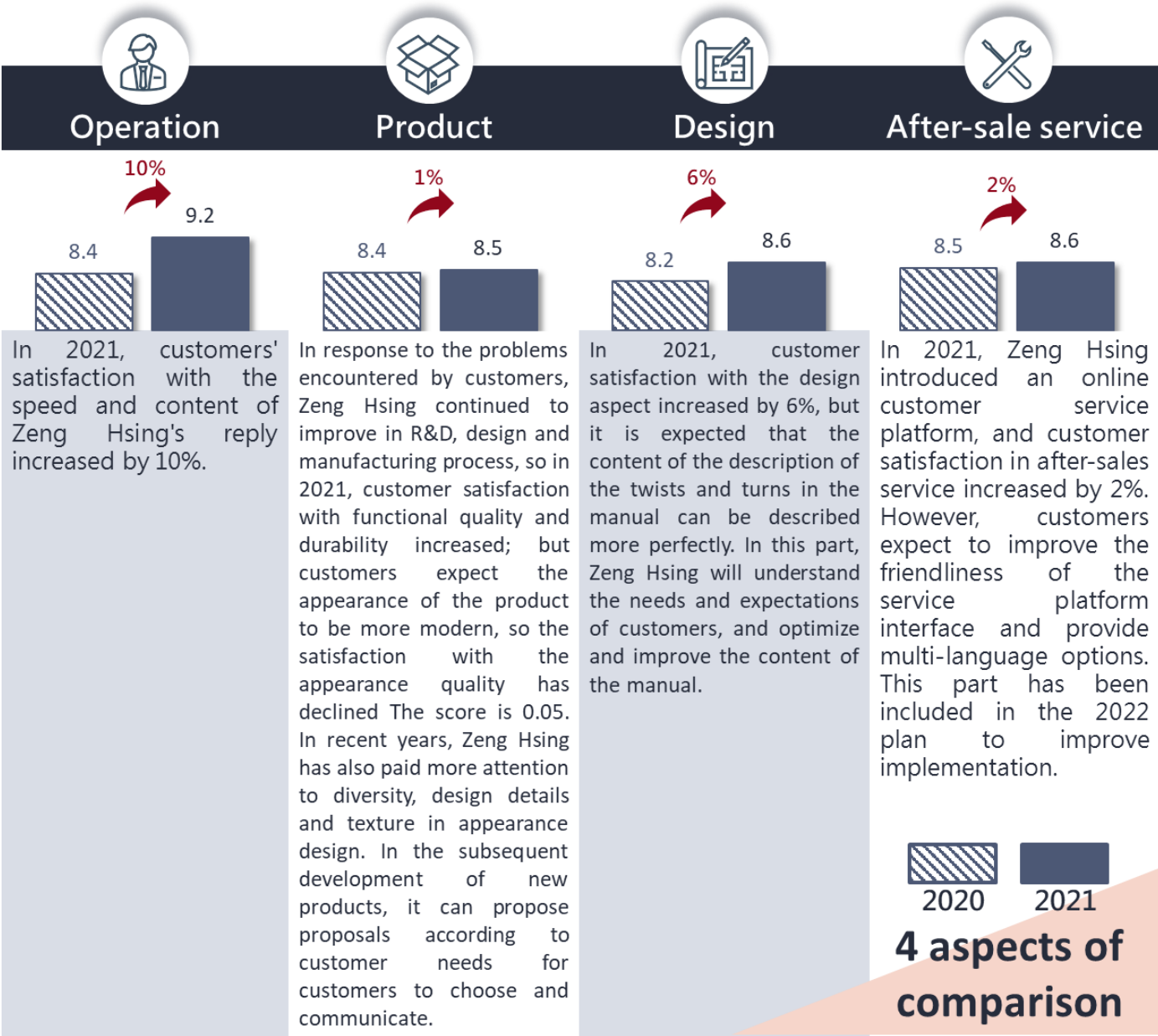
28 questionnaires were distributed in 2021 and 22 (79%) were recovered. The average customer satisfaction score for the year was 8.64, which was higher than our target (8 points). The customer satisfaction scores in the past five years are as follows



Average customers satisfaction score

1. Notes : The quality assurance and customer service department adjust the questionnaire questions according to product characteristics every year, so it is not suitable for comparison with previous scores.
2. Correction instructions: In the 2020 report, the average satisfaction score in 2020 was incorrectly planted as 8.7 points for overall satisfaction, which is not the average satisfaction score, so it is corrected to 8.4 points in this report

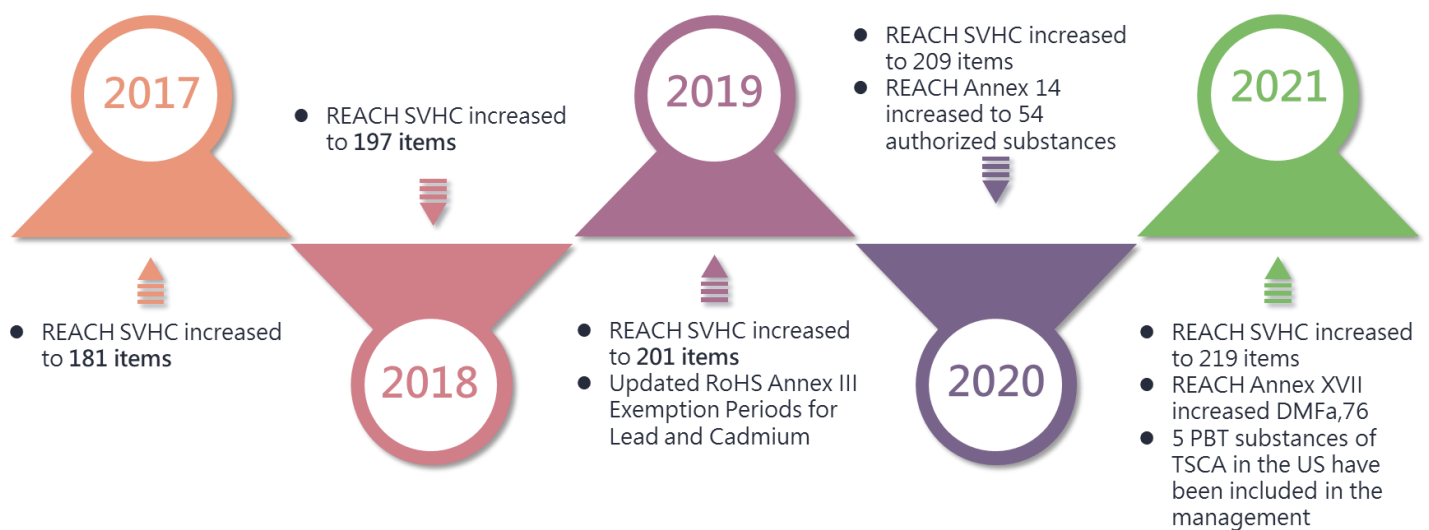
The questionnaire comprised four sections: Operations, Product, Design, and After-Sales Service. The scores for 2020 and 2021 are as follows:



4.4 Green Procurement

In response to increasingly fierce competition and restrictions in the European market, Zeng Hsing implements strict supply chain controls to ensure that every stage of the production process—from materials and parts procurement to manufacturing, and all the way to final assembly and delivery to the customer—complies with international environmental protection regulations as well as our customers' green product review standards.

Based on regulations in jurisdictions where our products are sold, we formulated the **Restricted Substance Management Standard for Zeng Hsing and Its Suppliers** to restrict the use of hazardous substances in the manufacturing process and lessen our impact on the environment. The standard was formulated to meet not only local regulations but also customer needs. **【416-2】 Zeng Hsing did not receive any reports of health and safety violations pertaining to our products in 2021.**



According to the green procurement management standard, Zeng Hsing disseminates green procurement of restricted substances in supplier meeting every year. In 2021, due to the pandemic, we only disseminate green procurement by mail.



- Following environmental protection regulations.
- Participating in environmental awareness training.
- All employees must contribute to safeguarding the environment and preventing pollution.
- Promoting a green supply chain to likeminded suppliers and distributors.

DMA- Customer Health and Safety

	Reporting requirements	Disclosure requirements
103-1	An explanation why the topic material	Europe is a major market for Zeng Hsing. Therefore, whether the Company and its supply chain can adjust operations to meet European environmental regulations (including RoHS, REACH, and other green regulations promulgated by the EU Parliament and Council) directly influences its competitiveness in the EU market.
	Boundary	Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
103-2	Purpose of the management approach	Satisfying regulatory requirements in jurisdictions where our customers are located in order to achieve sustainable operations, increase product competitiveness and create additional value.
	2022 Goals	Customers satisfaction
	Resource	<p>ZH Group :</p> <p>Since the adoption of our <i>Green Procurement Policy</i> in 2004, x-ray fluorescence (XRF) spectrometers have been installed at all Zeng Hsing subsidiaries to screen incoming materials. In 2014, we began introducing the Green Product Management (GPM) Portal to each of our subsidiaries, investing a total of NT\$ 11.3 million in software and hardware updates and a dedicated staff of 53 employees.</p> <p>2006: Adopted the <i>Green Procurement Manual</i>³ as the restricted substance management standard for our components suppliers.</p> <p>2014: Introduced the Green Product Management (GPM) Portal⁴ for reviewing product information provided by our upstream suppliers so that we can provide downstream customers with accurate information regarding our products eco-friendliness.</p> <p>2019: Invested NT\$ 6.04 million in RoHS/Phthalate/SCCP/PAHs compliance tests for incoming components, whole-machine restricted substance tests, GPM system maintenance, procurement gas chromatography–mass spectrometry, and set up restricted substance lab.</p> <p>2021 : Strengthen completeness of GPM system full substance database</p>
103-3	Evaluation Mechanisms	<p>ZH Group</p> <p>Performs regular PDCA reviews of the effectiveness of its restricted substance management procedures in accordance with ISO 9001.</p> <p>Since 2017, suppliers will be randomly checked every four months to confirm whether Zeng Hsing internal and suppliers have implemented the control of restricted substances.</p>
	Performance	<p>Taiwan Headquarters</p> <ol style="list-style-type: none"> Qualified parts : QA performs a total of 5 parts sampling tests in 2021. It includes ROHS, Phthalate, PAHs and SCCP, and all items have passed the test results. Customer satisfaction: 8.6 points for 2021 satisfaction Education and training : QA organizes internal education and training on restricted substances from time to time. A total of 37 sessions were held from 2018 to 2021, with a total of 232 participants.

³ Green Procurement Manual: a collection of hazardous substances regulations compiled by Zeng Hsing as a reference for its suppliers.

⁴ Green Product Management Portal: a tool for searching and managing restricted substances, powered by a database of materials and components that comply with restricted substance regulations.

4.5 Supply Chain Management

Suppliers are important partners in both the operation and growth of Zeng Hsing. We actively cooperate with suppliers and fulfill our supply chain management responsibilities. Zeng Hsing Group has formulated supplier-related management measures based on the quality manual and the company's procurement system requirements. To efficiently manage procurement operations and suppliers, and help stabilize product quality and reduce operational risks to ensure the sustainable development of the supply chain.

✳ Procurement and supplier management 【102-9、204-1】

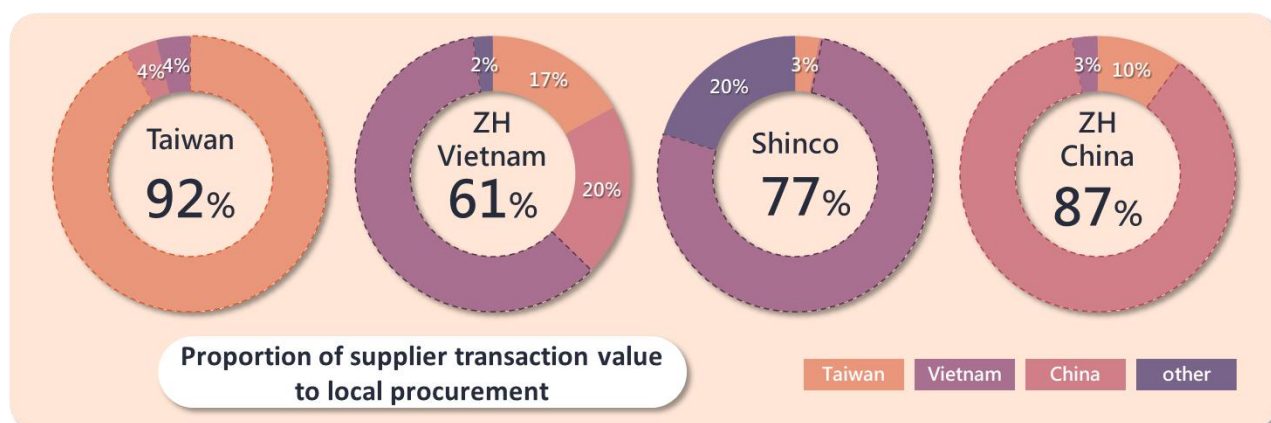
Zeng Hsing's group-wide procurement policy requires each subsidiary to formulate a set of procurement and supplier management guidelines based on local regulations and needs. The guidelines must include stipulations on the procurement processes for raw materials, hardware, components, equipment, and other supplies.

New supplier screenings: Before establishing a relationship with a new supplier, the procurement department of each subsidiary must perform a review based on the aforementioned guidelines to ensure the supplier's manufacturing, quality control, and production management capabilities are up to par.

Existing supplier review: Periodic audits are performed by subsidiaries to assess suppliers' product quality, timeliness of delivery, service attitude, and compliance with our environmental protection and human rights policies. ZH Vietnam also conducts supplier social responsibility surveys regularly to evaluate their suppliers' performance in safeguarding human rights, providing for employee welfare, and maintaining a safe work environment. We want to make sure that our suppliers are doing their part to fulfill their corporate social responsibility.

✳ Local Sourcing

As of 2021, Zeng Hsing has 387 materials suppliers and is currently working with 6 waste disposal service providers. In addition to product/service quality, timeliness of delivery, and their ability to continue to serve our needs, we consider the stability of the local economy when we choose which providers to work with. Therefore, more than 60% of the procurement budget of each subsidiary was spent locally in 2021. The Taiwan Headquarters led with 92% locally sourced procurement, followed by ZH China: 87%, ZH Vietnam: 61%, and Shinco: 77%.



Supplier Profile

Material Suppliers		Waste Disposal Suppliers
Number	387	6
Transaction volume (%)	99.96%	0.04%
Potential environmental risks	Risk of emissions over legal limits	Risk of violating environmental protection regulations
Potential labor welfare risks	The risk of insufficient pension allocation	Risk of working overtime
Potential human rights risks	Risk of incomplete (or lack of) human rights complaint procedures	Risk of incomplete (or lack of) human rights complaint procedures
Potential societal risks	Risk of excessive noise impacting the community	Risk of bad odors impacting the community

Remarks : Waste disposal suppliers scope = general waste.

DMA- Procurement Practices

Reporting requirements		Disclosure requirements
103-1	An explanation why the topic material	Through close cooperation with local suppliers, Zeng Hsing has been able to reduce its carbon footprint by decreasing the amount of transportation needed while still bringing prosperity to the local economy
	Boundary	Group
	Specific limitation	This disclosure pertains to the entire Zeng Hsing Group.
103-2	Purpose of the management approach	To comply with local regulations and boost the local economy
103-3	Evaluation Mechanisms	Reports of supplier violations are reviewed at the weekly executive meeting and improvement plans are subsequently drafted.
	Performance	ZH Group : The proportion of the amount of transactions on local suppliers Taiwan HQ 92% ZH Vietnam 61% Shinco 77% ZH China 87%

✳ Supplier ESG Audit

Zeng Hsing' s main production base is in Vietnam. Therefore, in compliance with international ESG trends and customer demands, Zeng Hsing implemented the SA8000 standards and obtained third-party accreditation. The system contains stringent regulations on supplier CSR, new suppliers require to complete a ESG self-evaluation before contracting, SA8000 management representatives also to draw up on-site audit plans and carry out on-site audits every year.

Because Taiwan HQ, ZH China, and Shinco have relatively smaller scales of operations compared to Vietnam Factory 1 and 2, a comprehensive supplier CSR evaluation process has yet to be set up in these locations. Therefore, the CSRO successively requested these three plants to establish a comprehensive supplier CSR evaluation process starting in 2014, recommending the implementation of simple self-evaluations and on-site audits.

Taiwan HQ started conducting on-site audits in 2019, for which at least five suppliers are audited annually depending on need. Additionally, ZH China and Shinco began conducting on-site audits in 2020 and also require that at least five suppliers are audited annually to determine their CSR implementation statuses. On-site audits focus on the environment, product responsibility, human rights, and labor practices, and inspections include whether suppliers have violated local labor or human rights laws and whether approved vendors are contracted to dispose of harmful waste.

In 2021, due to the pandemic, some suppliers switched to online audits and self-assessments. Zeng Hsing' s four factories collectively audited 29 suppliers, with all 27 suppliers passing the audit and no significant non-compliances found. The audit results discovered slight policy inadequacies concerning workplace safety and staff benefits for several suppliers, who were asked to propose an improvement plan within a specified period.

On-site Audit Results

	ZH Vietnam	Taiwan	Shinco	ZH China
Number of evaluated suppliers	13	5	6	5
Number of qualified	13	5	6	5
Number of Unqualified	0	0	0	0
Pass rate	100%	100%	100%	100%

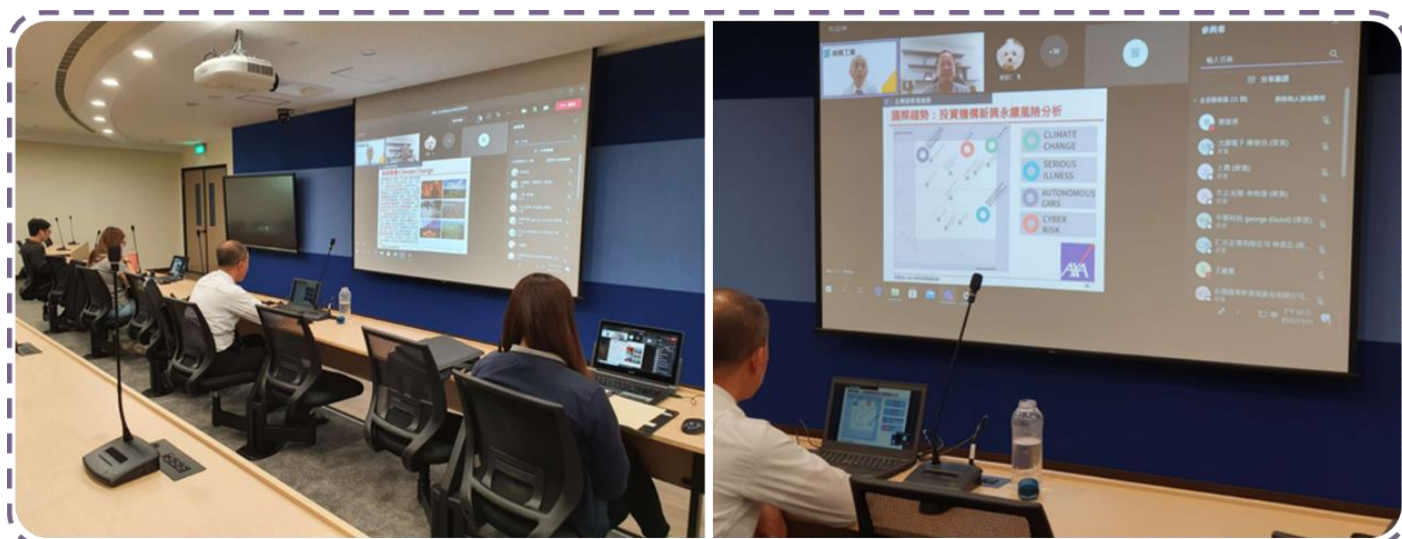
✳ Supplier CSR Commitment

In recent years, CSR-related issues have gradually received attention. In addition to requiring suppliers to sign the "Integrity and Confidentiality Agreement and "Restricted Substance Management Agreement" . Since 2021, Taiwan headquarters has also started to promote the signing of the supplier's "Human Rights and Environmental Sustainability Clause Commitment", which includes labor rights and environmental protection, such as not using conflict minerals, banning child labor, eliminating forced labor, not violating environmental protection laws and regulations, etc. By the end of 2021, 9 suppliers have joined the ranks of the

signing. In the future, Zeng Hsing will continue to promote the supplier's CSR commitment and expect more suppliers to join the signing, create a green supply chain, and jointly move towards sustainable management.

✳Supplier ESG Forum

Our fundamental belief is that suppliers are long-term partners. With the goal of living in symbiosis and sharing a prosperous prospect with our suppliers, we encourage suppliers to strengthen their ESG management practices. To build a strong sustainable supply chain, our Taiwan Headquarters held a Supplier ESG Forum for the first time in 2021. We invited consultants from C.C. Sustain ESG Solution Co., Ltd. to share ESG and carbon management practices. We hoped to take this opportunity to help suppliers gain a preliminary understanding of corporate social responsibility. Due to COVID-19, the forum was held online for 21 suppliers, through which it received an average satisfaction rating of 4.7 points out of 5. Moving forward, Zeng Hsing will continue to share our ESG knowledge through supplier forums every year, in order to help suppliers to improve their ESG practices and sustainability.



5 Inclusive workplaces

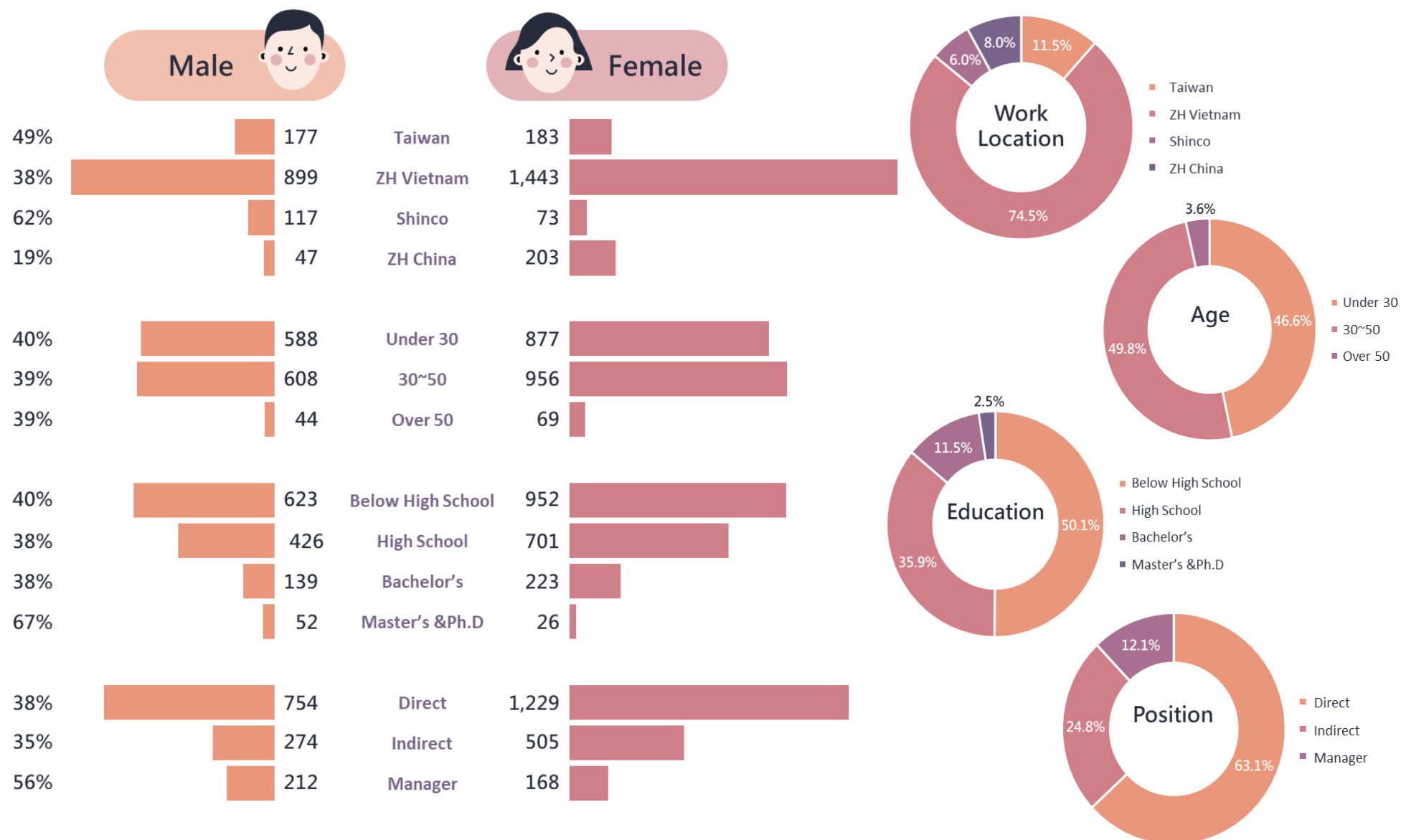
5.1 Global Workforce structure as of 2021 [102-8]

Zeng Hsing Group's employment in 2021 includes permanent and temporary, all of which are full-time employees. The total number of employees excluding dispatch workers in 2021 is 3,142, 39% of whom are male and 62% female. Including dispatch workers, the maximum annual employment number is 4,120, and the minimum is 3,360. Zeng Hsing is in the manufacturing industry, and employees are mainly responsible for product manufacturing and assembly. 75% of our employees are based in Vietnam. In 2021, as the suspension of work in Vietnam due to the epidemic, part of the production was transferred back to Taiwan. Therefore, Taiwan headquarters hired dispatched personnel and encourage re-employment employees to return to the workplace. Compared with 2020, the average age has increased and 50% of employees are between 30 and 50 years old. In 2021, Taiwan headquarters employed a total of 108 permanent personnel and 146 dispatched personnel. Except for the intern project, overseas subsidiaries did not employ permanent personnel.

Categories		Male		Female		Total Number	Group %
		Number	Group %	Number	Group %		
Subsidiary	ZH Taiwan	177	49%	183	51%	360	11%
	ZH Vietnam	899	38%	1,443	62%	2,342	75%
	Shinco	117	62%	73	38%	190	6%
	ZH China	47	19%	203	81%	250	8%
	Total	1,240	39%	1,902	61%	3,142	100%
Age	18~29	588	40%	877	60%	1,465	47%
	30~50	608	39%	956	61%	1,564	50%
	50+	44	39%	69	61%	113	3%
	Total	1,240	39%	1,902	61%	3,142	100%
Education	Below High School	623	40%	952	60%	1,575	50%
	High School	426	38%	701	62%	1,127	36%
	Bachelor's	139	38%	223	62%	362	12%
	Master's & Ph.D	52	67%	26	33%	78	2%
	Total	1,240	39%	1,902	61%	3,142	100%
Job Category	Direct	754	38%	1,229	62%	1,983	63%
	Indirect	274	35%	505	65%	779	25%
	Manager	212	56%	168	44%	380	12%
	Total	1,240	39%	1,902	61%	3,142	100%

- Note :
1. The table did not include dispatched worker. The Taiwan Headquarters hired 146 dispatched workers.
 2. Manager refers to section manager and above.
 3. Data were extracted from the company's online Human Resource Management (HRM) system. All figures are actual number, not estimates.

The proportion of employees of each plant in 2021



✳ Recruitment

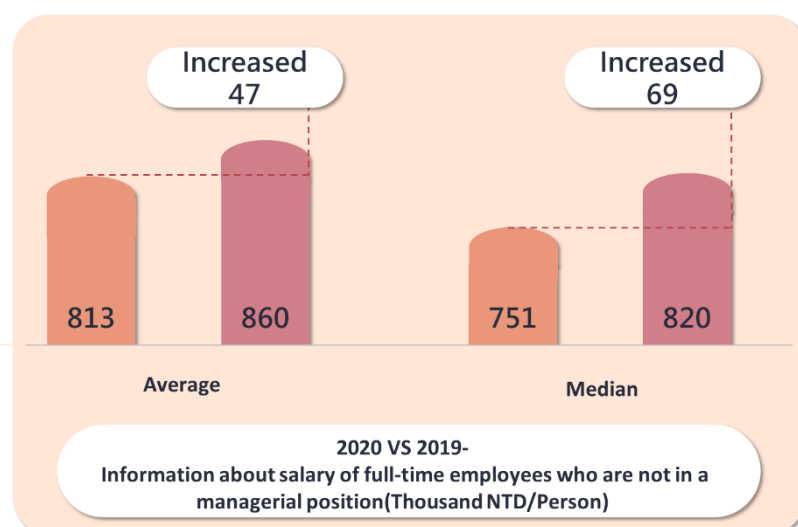
Every subsidiary of the **Zeng Hsing Group** has a set of hiring guidelines in place to ensure that recruitment protocols are followed. At the end of each year, each department is required to formulate a staffing and hiring plan for the following year in accordance with current operational needs. These plans serve as the basis for budgetary decisions. Once the plans are drafted, the HR Department begins the recruitment and selection process **in accordance with local regulations. The process must be conducted in a fair, just, and transparent manner without discrimination of any kind, whether based on applicants' ethnicity, gender, cultural background, religion, age, party affiliation or disabilities, etc.** The HR Department is in charge of new employee onboarding and orientation, which includes an introduction to the company, its rules and regulations, employee welfare policies, occupational safety and health, employee responsibility, and workplace human rights. Supervisors are required to conduct a performance review of new hires to determine whether they are suitable for their positions by the end of their trial period.

【405-1】Building an inclusive, friendly workplace is Zeng Hsing's long-term commitment. In 2021, 1.6% of our employees were retirees who returned to the workforce, and 0.3% of employees were foreign spouses. According to Article 38 of the People with Disabilities Rights Protection Act, enterprises shall employ people with disabilities with the capability to work and the number of employees with disabilities shall be no less than one percent of the total number of employees. As of December 2021, Taiwan Headquarters has hired 10 employees with disabilities, which is 3.3 times more than the statutory requirement.

✳Talent retention

Recruiting new employees brings vitality, fresh ideas, and expanded perspectives to a company, yet retaining outstanding employees is equally important. In order to retain competitive talent, Zeng Hsing is committed to fostering a friendly work environment, promoting a good work-life balance, and offering opportunities for career advancement and continuous learning.

Reviews and audits carried out by external accountants show that the average annual salary of full-time non-management employees at the Taiwan Headquarters was NT\$ 860,000 in 2020 according to the Salary Information of Full-time Non-Managerial Employees filing requirements set forth by the Taiwan Stock Exchange Corporation (TWSE), an increase of NT\$ 47,000 over 2019, putting us in the top 5 highest paying companies in the same industry and well above our competitors, according to TWSE data.



✳ Employee Attrition Management Measure

To regulate matters related to resignations, extended leaves without pay, layoffs, and retirements, **the Zeng Hsing Group** and its subsidiaries formulated the **Employee Attrition Management Measure** in accordance with internal control policies and local labor laws. The guidelines deal with resignation procedures, notice periods, job handovers, non-disclosure agreements, HR follow-up processes, attrition analyses, etc. When an employee requests resignation, the supervisor of the employer and human resources department will also conduct a resignation interview to understand the reason for the resignation of the employee and avoid disputes and disputes between the labor and management during the resignation process.

5.2 Employee Benefits and Rights

The Zeng Hsing Group's employee benefits plans are determined through discussion and negotiation between HR/management, the labor union, and the employee welfare committee in accordance with local regulations. Each subsidiary may have different benefits options, but the fundamental provisions, including work regulations, work hours, breaks and holidays, the pension system, occupational safety and health, labor/health insurance, and training requirements, are all processed in accordance with the law.

Furthermore, each location may include additional benefits based on employees' needs. These may include domestic or international travel reimbursements, Family Day events, holiday bonuses, emergency relief funds, and subsidies for employee clubs and competitions.

Basic right

✳ Human Right

Taiwan Headquarters: According to the internal Employment Training Management Guidelines, all new employees must undergo orientation within one month of reporting for duty. Orientation includes an introduction to the Company, an overview of its operations and regulations, and a friendly workplace workshop (including anti-discrimination). Headquarters hired 123 new employees in 2021, **100% of whom received training on human rights policies and procedures, amounting to 246 hours of human rights training in total.** In recent years, the increasing volume of seasonal orders has resulted in the hiring of a greater number of temporary workers. Due to location and time constraints, not all of them are able to undergo formal human rights training. Therefore, the Company provides certain temporary workers with the New Employee Handbook to help them learn more about the Company's history, organization, regulations, and manufacturing processes, as well as their rights and responsibilities. In addition to the implementation of education and training for existing personnel in Taiwan headquarters, a total of four courses implemented in 2021. The four courses are understanding labor human rights, prevention of employment discrimination, the new system of occupational accident insurance, and working hours of the Labor Standards Act. The total number of annual human rights courses is 716 people, with a total of 267 hours.

Zeng Hsing Vietnam: The HR Department organized SA8000 training on an annual basis for employees hired that year to ensure compliance with standards. **100% of new employees have received human rights training, for a total of 5,142 hours (est.) of training.**

There is currently no human rights training offered at Shinco and ZH China.

✳ Labor agreements 【102-41】

In accordance with local regulations, employees of the Zeng Hsing Group have the freedom to form or join labor unions as a means of safeguarding their rights and fostering the employer-employee relationship. Within the company, labor unions are responsible for representing employees in labor disputes and promoting occupational safety and health, work environment improvements, and employee welfare, as well as organizing recreational activities for union members. A general assembly is convened once a year, and a union council meeting is convened four times a year (once every quarter). Union participation rates stand at 100% for all

of our foreign subsidiaries and 100% at the Taiwan Headquarters (not including management representatives and periodic contracts). All subsidiaries have signed applicable collective bargaining agreements or communicated and negotiated with the management through labor unions in accordance with local laws and regulations.

The Taiwan headquarters holds labor-management meetings on a regular basis to promote the exchange of opinions, communication and consultation between the two sides, so as to build group consensus and reduce disputes. In 2021, four labor-management meetings had held in accordance with the law.

✳ Minimum notice period regarding operational changes 【402-1】

A stable workforce with strong organizational loyalty is a crucial factor in sustainable operations. Therefore, we make it a point to give employees early notice when job rotations are planned and to provide clear career advancement paths for key personnel. In order to increase organizational loyalty and work efficiency, HR and other relevant departments are required to plan ahead for any personnel changes and notify the affected employees within a reasonable notice period. Each subsidiary may set different notice periods, which can be as short as 10 days or as long as 45 depending on employee seniority and local labor laws. Both the employer and employees shall abide by the notice period rule. Zeng Hsing Corporation received no employee complaints in this regard in 2021. The collective agreements for our Vietnamese and mainland Chinese subsidiaries also include similar stipulations.

DMA- labor management relations

	Report requirements	Disclosure requirements
103-1	An explanation why the topic is material	Employees are the core of the company's pursuit of sustainable development. In order to attract outstanding talents to stay and gather employee recognition and centripetal force, we are committed to establishing a friendly work environment and creating a happy corporate image.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	A harmonious employer-employee relationship: In order to minimize anxiety due to job rotation, the Company notifies employees ahead of the notice period stipulated by local regulations so that the process can go as smoothly as possible and the risk of interrupted operations can be mitigated.
	2022 Goals	ZH Group: Legal compliance
103-3	Evaluation mechanisms	Taiwan & Shinco As part of our CSRO review, we conduct an annual selective review of resignation/job rotation cases to verify that they have been processed in accordance with the law. ZH Vietnam & ZH China Furthermore, we follow SA 8000 standards in carrying out the PDCA four-step management cycle.
	Performance	ZH Group : In 2021, none of our subsidiaries received complaints related to personnel changes.

✿ Pension system

The Zeng Hsing Group and each of its subsidiaries have established a pension system in accordance with local regulations to ensure that employees can enjoy a financially secure post-retirement life. For ZH China, employees are entitled to social insurance and employer pension contributions pursuant to local regulations. For Zeng Hsing Vietnam and Shinco, employees are entitled to social, medical, and unemployment insurance pursuant to local regulations. For the Taiwan Headquarters, the Company contributes the appropriate amount to employees' pension funds pursuant to the Labor Standards Act (the old system) or the Labor Pension Act (the new system), whichever may apply.

✿ Unpaid Parental leave 【401-3】

Subsidiaries in China and Vietnam are required to process maternity leave in accordance with local regulations. Employees at the Taiwan Headquarters may apply for parental (childcare) leave in addition to maternity leave: In 2021, since no male employees have applied for parental leave, 100% of them were female, and 100% of them returned to work at the completion of the leave period. See the following table for details.

Employees on unpaid parental leave	Male	Female	Total
A. Employees applied for parental leave	0	7	7
B. Employees expected to return to work after parental leave in 2021	0	4	4
C. Employees expected to return to work in 2021 after parental leave and returned as scheduled or in advance	0	4	4
D. Actual number of employees returned to work in 2020	0	6	6
E. Employees returned to work in 2020 and are still in service in 2021	0	6	6
Return rate (C/B)	-	100%	100%
Retention rate (E/D)	-	100%	100%

Employee Benefits and Rights 【401-2】

Taiwan headquarters



✿ Company Culture building activity

To encourage company employees to participate in company events and foster team cohesiveness, Taiwan HQ launched the Company Culture building activity since 2020, inviting all staff members in Taiwan HQ to participate. Staff members are awarded points for participating in a company event, such as sewing competitions, volunteer activities, self-learning, and development programs, and departmental 6S competitions, and the points are tallied at the end of the year to be used for the redemption of convenience store vouchers.

✿ Parental Benefits

In response to the government's issue of declining birthrates, Zeng Hsing fulfilled its social corporate responsibilities, Zeng Hsing provide maternity/paternity

allowance and increased parental benefits in measures since 2022, each newborn baby can receive NT\$20,000 to encourage employees to give birth and reduce their financial burden.

✿ Employee Ownership Trust

In order to help employees accumulate wealth, Zeng Hsing plans retirement funds in advance and gathers solidarity. Since 2018, the employee ownership trust plan has been launched. Full-time employees of the Taiwan headquarters can apply as long as they have worked for 6 months. When employees allocate a fixed amount from their monthly salary to purchase stocks, the company also allocates the same amount of rewards to the trust account. The overall employee engagement rate is 96% as of December 2021.

✿ Set up electric vehicle power charging piles

Net-zero emissions are already a world issue and the government is also actively promoting the policy of electrification of vehicles. Therefore, when Zeng Hsing rebuilt our Taiwan headquarters, it took charge of pile equipment into consideration. At the end of 2020, the company launched a survey on the needs of employees for electric vehicle charges and completed the installation of 8 charging piles in 2021, allowing employees to use them for free. In addition to facilitating employees to charge, Zeng Hsing also hopes to use this to encourage employees to replace their motorcycles. Switch to electric vehicles to reduce carbon emissions.

✿ 7-11 Vending machine

In 2021, Zeng Hsing Taiwan installed a 7-11 vending machine in the staff cafeteria on the 4th floor, which is convenient for employees to refresh during work breaks or overtime. If employees have desired products, they can also ask the Welfare Committee at any time. After receiving the demand, the Welfare Committee will regularly propose product changes to the manufacturer.



✿ Sports club

In addition to work, Zeng Hsing encourages employees to participate in club activities. The welfare committee subsidizes each club with an annual subsidy of 60,000\$ NTD and hires professional coaches to teach employees useful sports tips. In 2021, a total of 6 clubs were subsidized, including fitness club and badminton club, basketball club, aerobic dance club, boxing aerobic club and yoga club.

Zeng Hsing Vietnam



✿ Company trip

Zeng Hsing appreciated the Taiwanese and mainland cadres who had left their hometowns and worked hard overseas. Therefore, Zeng Hsing organizes company trips from time to time, so that overseas cadres can enjoy company trips with their family and reduce work pressure.

DMA-Employment

	Report requirements	Disclosure requirements
103-1	An explanation why the topic material	Employees are the key to sustainability in a company' s operations. Zeng Hsing is committed to maintaining a friendly work environment to attract and retain outstanding talent, foster loyalty to the organization, and create a wholesome corporate image.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	The company offers above average compensation, a clear career advancement path, and a generous benefits package to retain and cultivate potential talent within the company while attracting prospective employees to the Zeng Hsing family.
	2022 Goals	ZH Taiwan : <ol style="list-style-type: none"> Employee benefits - Opinion survey of new recruits, employee satisfaction survey, formulation of maternity allowance system, integration, and introduction of EAP (employee assistance program) Human Rights Course – Human rights knowledge training
103-3	Evaluation Mechanisms	ZH Group Employee benefits –HR/management, the labor union, and the employee welfare committee of each subsidiary convene periodically to review employee benefits to ensure that employees receive the best care possible. An annual CSRO meeting is convened to track the progress and status of CSR objectives.
	Performance	ZH Group <ol style="list-style-type: none"> Employee benefits –No complaints about employees' dissatisfaction with the salary and welfare policies ZH Taiwan <ol style="list-style-type: none"> Human right course – 267 hours of human right courses Opinion survey of new recruits – 24 new recruits in 2021 excluding temporary workers, with an average satisfaction rate of 4.66(out of 5)

Comprehensive Employee Benefits



Bonuses

Conduct market salary surveys every year and offer fair and competitive salaries

- Full attendance bonus
- Annual bonus
- Holiday bonus
- Birthday bonus
- Employee bonus



Great facility

Provides an innovative and comfortable work environment and recreational facilities to ensure work-life balance.

- Gym
- Health center
- Nursing room
- Staff canteen
- Free parking
- Electric vehicle charging pile **NEW**
- Sky garden
- 7-11 vending machine **NEW**



Insurance

Employees covered by statutorily required insurance policies, as well as additional coverages to ensure that every employee is comprehensively protected.

- Labor insurance
- Group accident insurance
- Labor pension
- Personnel safety insurance
- Regular resident physician
- Health Promotion Lecture



Welfare

Offers a wide range of benefits, encourages employees to save for retirement, and formulates employee stock ownership plans.

- Employee stock ownership trust
- Employee health examinations
- Employee education grants
- Maternity allowance **NEW**
- Employee travel grants
- Wedding/funeral gifts
- Discounts at partner stores
- Employee clubs
- Family Day
- Department meal grants
- Meal allowances



Training & career development

In place to improve employees' knowledge, create diverse development opportunities, and help employees develop a clear career path.

- Orientation and new hire training
- Annual training plans
- Planned job rotation at foreign subsidiaries
- Industry-academia collaboration projects



Holidays/leaves

Our leave policy completely meets the needs of employees and enables employees to work and take care of their family simultaneously.

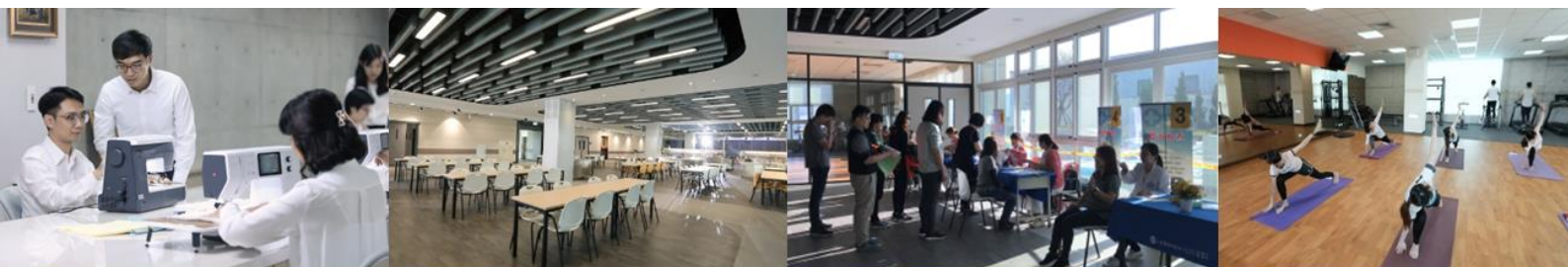
- Maternity/paternity leave
- Family leave
- Parental leave
- Menstrual leave
- Better than statutory special leave
- public welfare leave



Benefits for expatriates

Encourage employees to challenge themselves and plan their career, and offer a full range of benefits and a safe work environment for employees who are stationed overseas.

- Provide dormitory
- Staff leisure and living place
- Airport shuttle service
- Home leave
- Flight tickets allowance
- Currency exchange service



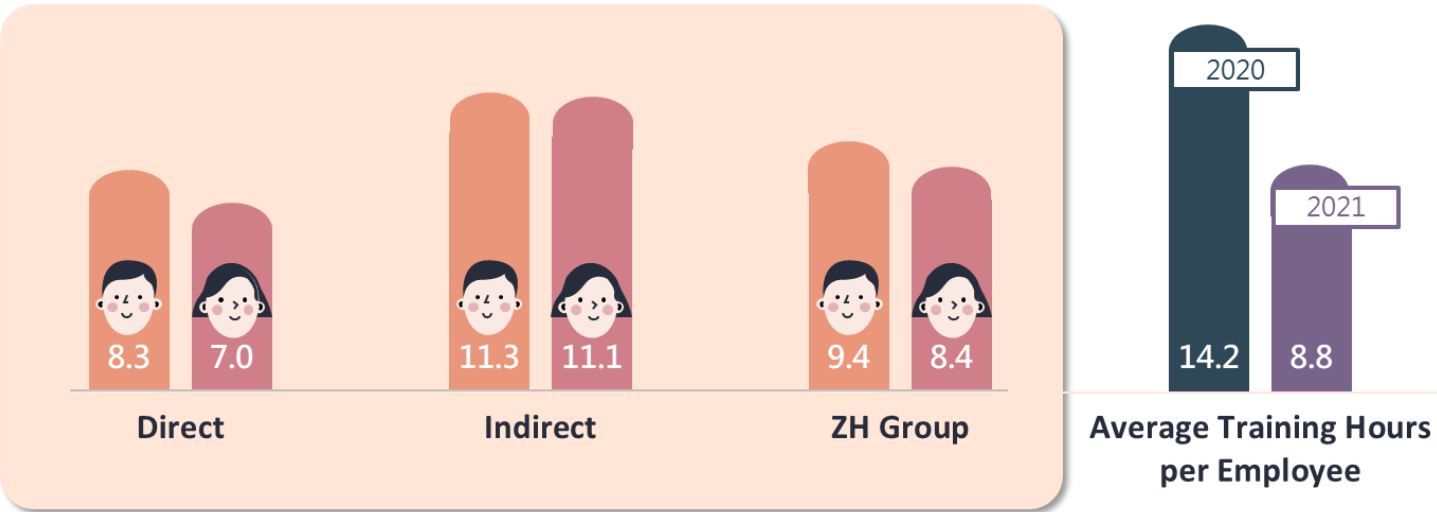
5.3 Employee training and development

【404-1】The Zeng Hsing Group and its subsidiaries provide a wide range of learning opportunities to help employees cultivate the professional knowledge and skills necessary for furthering their careers. As shown in the figure below, no significant differences exist between the average training hours received by our male and female employees, which were 9.4 and 8.4 hours respectively. This is evidence that Zeng Hsing cares about all of its employees regardless of gender. However, the average training hours in 2021 decreased by 5.4 hours compared to 2020, mainly due to the impact of the epidemic. In order to reduce the risk of cluster infections, the physical course was reduced and canceled. Zeng Hsing increased the rate of online courses to keep employee training.

Although the average training hours of employees were reduced due to the epidemic, Zeng Hsing still invested in education and training funds to build digital teaching materials. The total cost of education and training in 2021 was 2.17 million NTD, an increase of 280,000NTD compared to 2020.

With a view to enhancing the comprehensiveness of training and career development opportunities to help employees achieve professional growth, our CSR Committee has required all subsidiaries to set training goals for 2021 and beyond in terms of training hours and review them on a semiannual basis. Please refer to the management policy for details.

The average hour of training per employee in 2021



DMA-Training and education

Reporting requirements		Disclosure requirements
103-1	An explanation why the topic material	<p>Training: To familiarize employees with necessary knowledge and skills so that product and service quality will meet clients' standards.</p> <p>Development: To provide a clear career advancement path for talented employees who can help the Company grow.</p>
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	Effective management of training and development: To prioritize training that is specific to employees' professional needs and that corresponds with the Company's business operations while encouraging employees to realize their full potential and helping the Company reach new heights.
	2022 Goals	ZH Group: Average training hours, training satisfaction surveys, human rights workshops
103-3	Evaluation Mechanisms	ZH Group: Each subsidiary may adopt one or more methods to evaluate training effectiveness, including post-training online assessments, written tests, oral exams, etc. Employees' training outcomes are recorded either digitally or on paper.
	Performance	<p>ZH Taiwan, ZH China : Average training hours could be improved</p> <p>ZH Vietnam, Shinco : Average training hours met the target</p> <p>ZH Vietnam, Shinco : Training satisfaction surveys met the target</p> <p>ZH Taiwan : 267 hours of Human rights workshop</p>

Employees' learning and development are important to us. To develop a more structured



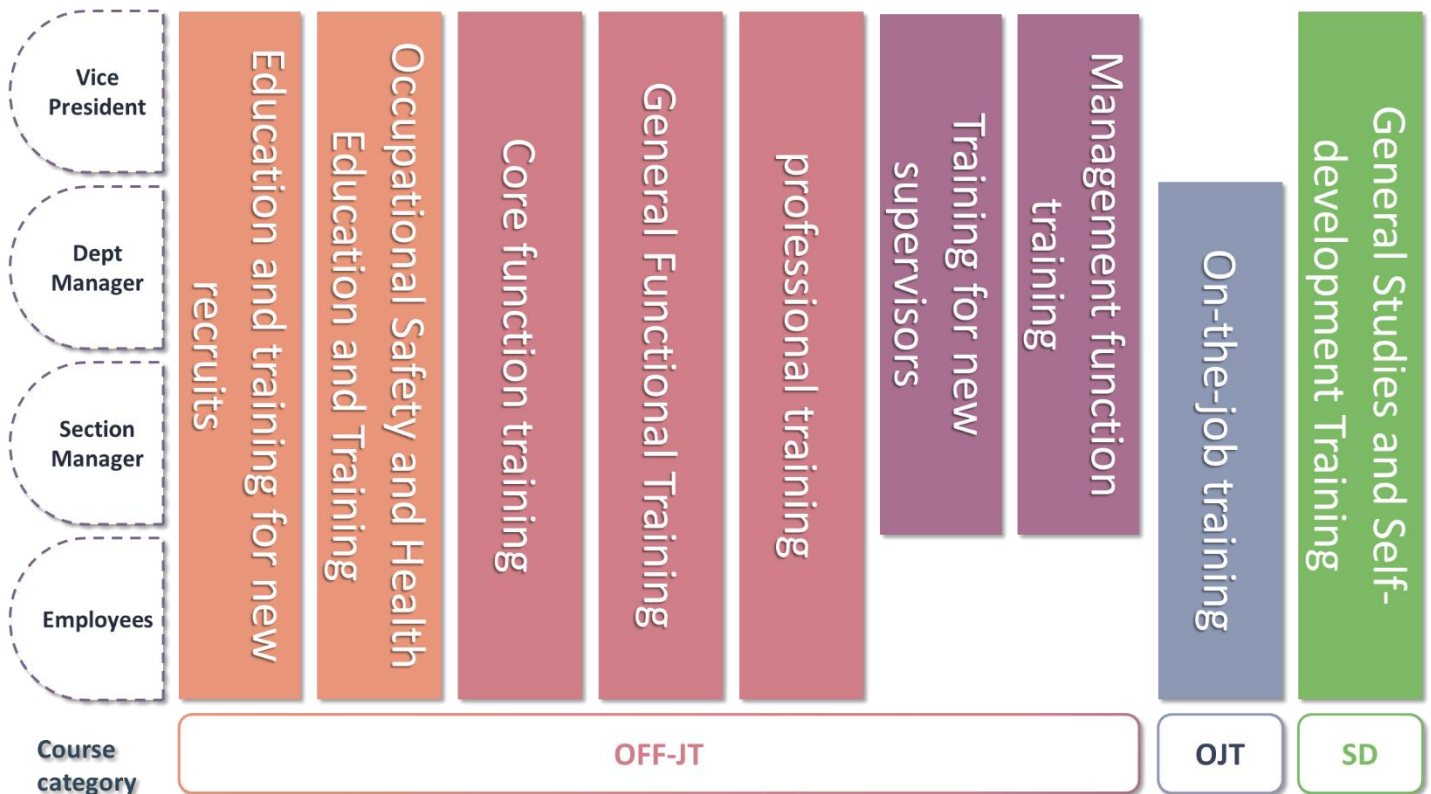
ZH Group : TTQS Management system

training system, our Taiwan Headquarters adopted the Talent Quality-management System (TTQS) in 2011, which ensures the quality of training by following the Plan (P), Design (D), Do (D), Review (R), and Outcome (O) process. In 2020, Taiwan Headquarters won the TTQS Bronze Medal Award. In 2021, an application for NT\$128,000 training subsidy was approved. This subsidy was applied through the "Enterprise Human Resource Improvement Program" organized by the Workforce Development Agency of the Ministry of Labor. Going forward, Zeng Hsing will continue to improve its training quality and develop more learning channels, and further aims to win the Gold Medal Award in 2022.



ZH Group : Training map

To make the annual education and training in line with the organization's vision and consistent with the development of the direction of the strategic goals. Zeng Hsing constructs employee training courses based on the human resource development system and has a training map to strengthen employee functions through talent cultivation. For example, eHRD learning system, overseas internships, job rotation system, project participation, and on job training, etc.



Taiwan Headquarters : eHRD Learning Platform

In 2015, the Taiwan Headquarters invested NT\$ 10 million in an e-Human Resource Development (eHRD) system (including system installation and consulting). We began utilizing the training module, skills development module, professional competency module, and operational performance module in 2016. We also introduced standardized job specifications and an internal lecturer cultivation program to increase the effectiveness and efficiency of human resource development. Later that year, we named the eHDR Learning Platform the "Hsing College." Employees may enroll in any of the online or physical classes on the platform depending on their personal learning needs. Beginning in 2017, departments within the Company can integrate their internal training courses, professional competency evaluations, and performance reviews into the Hsing College to help employees quickly identify areas in which their skills could use improvement and take the appropriate courses to address their needs, thus creating a streamlined learning experience. In 2021, Zeng Hsing also purchased online general functional courses and introduced them into eHRD system.

In 2021, Zeng Hsing Taiwan' s training plan implementation rate is 87%, and the average course satisfaction is 4.64 points. Zeng Hsing expects to standardize the talent development system through the digital system, which become the core content of Zeng Hsing for a long time.



ZH Group : Multilingual Program

In response to the diversified development of the group, Zeng Hsing encouraged employees to learn a second language. For the purposes of improving the language skills of employees, Zeng Hsing has purchased online English, Vietnamese, and Japanese courses since 2016, allowing employees to conduct online independent learning. In addition, Zeng Hsing also encourages employees to take the TOEIC exam. The certification fee is fully paid by the company. In 2021, a total of 7 people were subsidized.

Taiwan Headquarters sets up the English proficiency standard according to the job category, which is listed as one of the promotion review criteria. In 2021, the number of employees who pass the job category English standard was increased to 53%.

To help our Vietnamese employees learn Mandarin Chinese, Zeng Hsing Vietnam has launched a Chinese language training and certification program. Employees who receive the certification are entitled to a bonus. And in 2021, the amount of language allowance was increased, ranging from 58% to 88%.



Taiwan Headquarters : Book Club

To strengthen the unity and cohesion of our mid-to-high-level management team, the HR Department at the Taiwan Headquarters established the Executive Book Club twice per year. All managers in Taiwan Headquarters have to participate, and an external expert is invited to as a leader in the book club. Each time a topic is selected, and group discussion will be conducted in groups. Strengthen the interaction between senior executives and stimulate innovative thinking from the book through the discussion of the book club.





Taiwan Headquarters : Distributors training

We have invested considerable resources and time in fostering and promoting the talent transformation of our employees. In 2021, we offered sales management training courses to train department/section supervisors and sales representatives on business management practices and key strategies, which were attended by forty people whom all completed their courses. By leveraging this opportunity, we hope to help supervisors and managers quickly adapt to their roles and understand their duties, thereby improving the overall competency of the company's sales talents.



Taiwan Headquarters :Sewing skill test

The Company began promoting Sewing Culture in 2021 based on the ideology of "deeply cultivate the industry, innovative business model, through the development of new businesses and new markets, to become a world-class enterprise group leading the industry " The sewing skill test was also launched in the same year. There are three levels of skill tests. Employees must use the sewing machines produced by the company to assemble and complete sewing work.

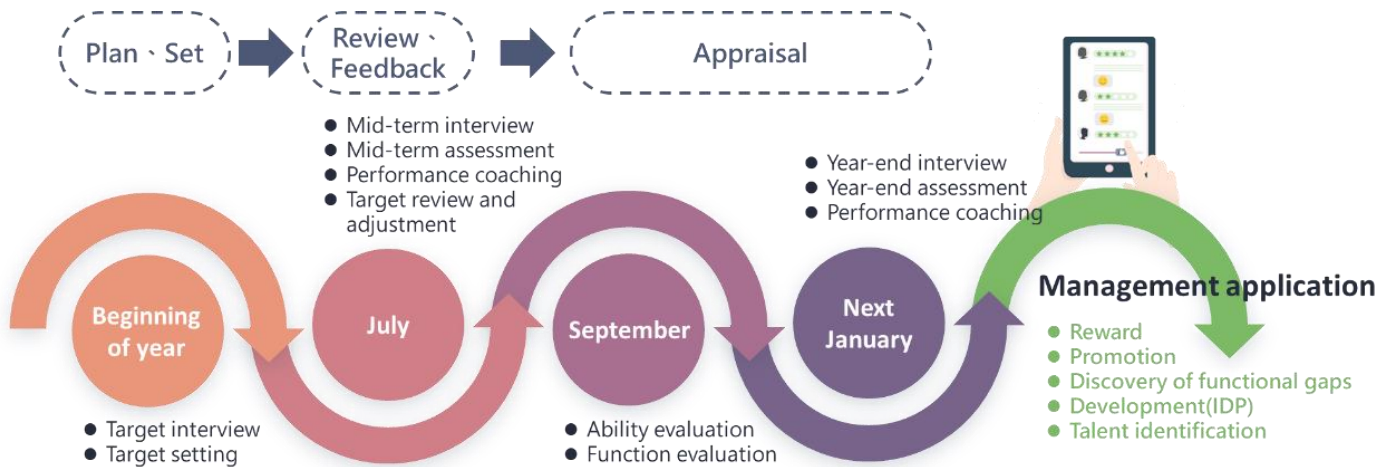
In 2021, there are 4 people who participated in the sewing skill test level A and 29 people in level B. The test pass rate was 100%. Zeng Hsing hopes that through the promotion of a sewing culture, employees can better understand the functions of sewing machines and their application in daily life. We hope to positively shape the corporate culture and gather the solidarity of employees.





To help management keep track of employee performance and to ensure that their hard work and dedication do not go unrecognized and unrewarded, each of Zeng Hsing' s subsidiaries has formulated its performance evaluation procedures based on local needs. Criteria may include attendance, core competencies, professional competencies, work ethics, personal goals, etc. Except for new hires in their trial period, all employees must undergo performance appraisals on a regular basis. Those who fail an appraisal are required to take make-up training courses to address their deficiencies.

Internal regulations at the Taiwan Headquarters further stipulate that managers above the section level must meet with individual employees in person prior to every performance appraisal. This serves as an effective communication channel to help each employee understand their manager' s expectations and accept feedback or guidance to help them perform better.



5.4 Occupational Health and Safety Management

At Zeng Hsing, we strive to provide a safe and secure work environment to reduce the risk of safety and health hazards, foster a culture of safety, and create a positive workplace so that employees can do their best without worries.

Safety and Health policy



✿ Occupational Safety and Health Management System 【403-1、2、4、7、8】

In 2021, Taiwan Headquarters and Zeng Hsing Vietnam obtained ISO45001:2018 certificates. The planning, execution, and tracking of various safety and health services are the responsibility of the workplace safety office, and the representative members of the safety and health committee are the heads of each department.

Dedicated Occupational Safety and Health Team : Pursuant to the Occupational Safety and Health Act, at least one-third of the labor representatives at the Taiwan Headquarters are union members. Labor representatives are responsible for communicating and coordinating safety matters to ensure the safety and health of the staff, increase their awareness of occupational safety and health, and contribute to the establishment of a culture of safety

The Company' s quarterly Health and Safety Committee Meetings entailed legal compliance, stakeholder communication, and expectations, the status of health and safety goals, occupational incident investigations and corrective/preventative measures, occupational safety inspections and case studies, workplace health management, and occupational hazard prevention.

The Workplace Safety Office conducts a hazard risk assessment each year in accordance with relevant risk assessment and management protocols, using incidence rate and severity matrix as the measurements for quantifying risk. Each year, various Company procedures are reviewed to identify risk and opportunities for improvement to eliminate/minimize occupational risk, while the Workplace Safety Office works together with various divisions and departments to assess risks and hazards, implement improvements based on the perception of said risks, and evaluate improvement performance based on the pre-established KPIs.

In terms of external legal compliance, the Workplace Safety Office periodically reviews and updates Company regulations to ensure that the Company meets local occupational safety laws and regulations and international standards. In addition, the company places important value on vendor management, requiring that the employees hired by partner companies fulfill their contractual obligations and that relevant personnel participate in occupational health and

safety training, abide by necessary protective measures, and follow all health and safety requirements, such as waste management, chemical management, and fire prevention management.

Each department is responsible for establishing health and safety SOPs based on their respective manufacturing, shipping, and office operations. In addition, occupational safety officers are tasked with periodically conducting factory-wide inspections to ensure that factory staff abide by relevant regulations and prevent the occurrence of health and safety issues. To reduce the risk and hazard of newly procured items or services (incl., machinery, equipment, items, and engineering-related services), the Workplace Safety Office is notified of all procurement operations, and health and safety inspections (and, when necessary, pre-entry safety inspections) are conducted to ensure that all factory items meet safety requirements, thereby creating a safe workplace for Company employees and preventing the occurrence of occupational accidents. Lastly, PPE is also inspected by the Workplace Safety Office to ensure that the equipment is in good condition and that corresponding safety and material requirements are met.

Taiwan HQ and the Vietnam 1st and 2nd Factories are tasked with formulating annual risk-oriented audit plans, which encompass the conducting of workplace audits by external inspectors and competent authorities, as well as the Audit Office' s use of internal controls to assess the potential risks of various operations.

In 2021, the Taiwan headquarters set a total of 3 goals, all of which were completed according to the plan. Zeng Hsing Vietnam has set a total of 71 goals, and completed 61, and 10 goals that have not been implemented according to the plan will be improved in 2022.

2021 ISO45001 Improvement Goals and Implementation

	2021 Target	2021 Achievements	Description
ZH Taiwan	3	3	Installing a door closer on the emergency escape, installing fall prevention facilities at the opening of solar panels, and installing anti-slip stickers on stairs
ZH Vietnam	71	61	Setting warning signs, establishing production standard SOP such as warning employees to pay attention to safety, and setting protective equipment, etc. The target achievement rate was 86%.

Anti-skid stickers for stairs



Although Zeng Hsing China and Shinco are not bound by the management system, they have put their internal workplace safety procedures in place, including periodic workplace safety and environmental hazard inspections (e.g., CO2 and dust concentrations), to ensure a safe working environment. Employees may raise safety concerns with the head of workplace safety, who will report such issues to Headquarters.

DMA-Occupational Safety and Health

	Reporting requirements	Disclosure requirements
103-1	An explanation why the topic material	Provide employees with a safe environment in which workplace incidents such as occupational injuries or fatalities, damage to manufacturing equipment, or financial losses for the Company do not occur.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	Minimize the risk of occupational injuries or deaths and equipment damage; comply with local governments' occupational health and safety codes as well as internal health regulations.
	2022 Goals	ZH Taiwan Obtained healthy workplace certification from the Ministry of Health and Welfare, hardware improvement of high-risk factory areas such as installation of safety feature for motorcycle lane to avoid collision and fall prevention feature for solar panel maintenance work.
	Evaluation Mechanisms	ZH Taiwan & ZH Vietnam Conduct a yearly PDCA review of occupational safety and health management effectiveness in accordance with internal OHSAS compliance policies. ZH China & Shinco : In the event of an occupational safety and health incident, safety personnel and the responsible departments shall review the incident and draw up an improvement plan.
	Performance	ZH Group Absence rate 1.10%, Injury rate 0.30, Lost day rate 0.35 ZH Taiwan & ZH Vietnam Obtained ISO45001 : 2018 Certification

✳ Statistics on Workplace Injuries [403-9]

The Zeng Hsing Group recorded 10 workplace incidents in 2021, which marks a decrease over the previous year. The major of work-related incidents involved cuts, abrasions and traffic accidents. Among them, the incidents of cuts and abrasions are mainly caused by the unsafe behavior of employees. In response to the above situation, disseminate has been made in the weekly meeting of the factory, and regular reviews and improvements have been made in Safety and Health Committee.

Total Absence, Injuries and Working Days Lost 【403-9】

	Gender	Taiwan	ZH Vietnam	Shinco	ZH China	ZH Group
Absence rate	Male	0.10%	1.73%	0.34%	0.00%	1.33%
	Female	0.37%	1.02%	0.47%	0.38%	0.88%
	Average	0.23%	1.37%	0.40%	0.19%	1.10%
Injury rate	Male	2.84	0.00	0.71	0.00	0.41
	Female	1.65	0.06	0.00	0.00	0.18
	Average	2.24	0.03	0.36	0.00	0.30
Lost day rate	Male	0.64	0.00	2.14	0.00	0.28
	Female	2.88	0.23	0.00	0.00	0.41
	Average	1.76	0.12	1.07	0.00	0.35

Notes:

1、Methodology

1. Absence Rate :

Male Absence Rate = Male (No. of lost days + sick leave days) / (total workdays*no. of employees)

Female Absence Rate = female (No. of lost days + sick leave days) / (total workdays*no. of employees)

Average Absence Rate = (Male Absence Rate + Female Absence Rate)/2

2. Injury Rate :

Male Injury Rate = male injury cases /male total workdays*8*200,000

Female Injury Rate = female injury cases /female total workdays*8*200,000

Average Injury Rate = (Male Injury Rate + Injury Absence Rate)/2

3. Lost Day Rate :

Male Lost Day Rate: male No. of lost days/ male total workdays*8*200,000

Female Lost Day Rate: Female No. of lost days/Female total workdays*8*200,000

Average Lost Day Rate: (Male Lost Day Rate+ Female Lost Day Rate)/2

2、Data sources

- Days of sick leave and injury-related leave are actual numbers extracted from the HRM leave management system.
- Workdays and hours are estimates based on data reported by the workplace safety office to the Taiwan Headquarters. The standard number of workdays at ZH China, ZH Vietnam, and Shinco is 300 days per year.
- Cases of work-related injuries are actual numbers extracted from the HRM system and industrial safety unit work injury registration form.

3、Miscellaneous

- Coefficient 200,000 = 100 employees × 50 workweeks × 40 work hours per week
- The number of work-related injuries is high as it includes deaths and injuries at the worksite or during commutes.
- All workplace incidents were injuries; no deaths were recorded in 2021.

4、Workers and contractors not directly employed by the Company

- No work-related deaths were recorded in the Zeng Hsing Group in 2021.
- In 2021, No work-related injuries involving contract workers were recorded at Zeng Hsing Taiwan, ZH China, ZH Vietnam, or Shinco.

5、In the event of an incident, department heads notify the workplace safety team for an immediate response as well as after-the-fact investigation, reporting, and safety improvements. Subsidiaries are also required to report such incidents to the Taiwan Headquarters, which then works in tandem with them to draw up improvement plans and prevent similar incidents from occurring.

5.5 Employee Health Management and Promotion

Zeng Hsing Group: Each subsidiary provides regular health examinations in accordance with local health regulations to help employees maintain good health and detect potential health risks at an early stage. Employees working in high-risk environments may receive additional tests (such as hearing tests and ionizing radiation tests). If an issue is identified, the Company will keep track of it at regular intervals to prevent major harm to the employee.

Taiwan Headquarters: The Company provides employees under 65 with annual health checkup services that are more comprehensive than the legal requirements. In the event of any health issues, our partner healthcare institutions will notify the affected employees to return for a follow-up examination. Employees' family members may also receive the same services at a discounted rate. In 2021, the Company paid NT\$ 800,000 in health checkup service fees to give 335 employees free health checkups.

✳ Employee Care Services 【403-3】

Physician consultation : A physician specializing in occupational health provided on-site clinic services on a monthly basis for a total of 12 visits in 2021. This allowed employees to consult a healthcare professional during work hours and learn more about their health. In the meanwhile, the factory nurse continued to keep track of the condition of employees who were identified as having a high risk of workload-induced health conditions during the year health examination. A physician made regular phone calls to these employees to offer medical consultation and health advice.

Health Information Sharing : A health promotion section was included in the environment, health, and safety website on the corporate intranet to provide information on common major diseases and the top 10 health risk factors among employees. In 2021, the Company held a number of health promotion workshops on a variety of topics, including "cardiopulmonary resuscitation" , "ionizing radiation protection in the workplace" , "hearing protection in the workplace" , " weight control" and "stress relief in workplace" . These workshops had a combined attendance of 89 employees. Conduct COVID-19 publicity throughout the year, such as wear masks, washing hands frequently, implementing contract tracing system, and automatically measuring body temperature when entering the factory area. We disinfect public areas every 2 hours during working hours. Employees dine separately in office areas, encourage vaccination, and the first dose of vaccine delivery rate: 91%, the second dose of vaccine delivery rate: 83%

Health Center and Equipment : The new headquarters building in Taiwan is equipped with a health center that offers emergency care to employees and a place to rest and take blood pressure measurements. Two automated external defibrillators (AEDs) were installed to ensure employee safety in case of an emergency.

Nursing room : In order to create a female-friendly workplace, the company is sympathetic to the breastfeeding needs of professional women, and has specially set up a breastfeeding room with refrigerator and sterilizer equipment to provide an excellent breastfeeding-friendly environment. This can not only reduce the conflict between employees' family care and work but also increase their focus on work, thereby increasing the productivity of the company

✿ Employee Health promotion 【403-6】

The Taiwan Headquarters puts great emphasis on employee health. We establish annual health promotion plans and set aside corresponding budgets to implement them. An occupational health nurse in charge of employee health management conducts a yearly health survey to identify major health concerns (such as obesity, hyperlipidemia, hyperglycemia, or elevated liver enzymes) and design weight loss or exercise plans to address these concerns. And regularly participate in the Department of Health Workplace Safety and Health Week series of activities to implement plans to actively promote employee health-related activities.

To help employees lose weight and achieve their health goals, the Company organized a weight-loss activity in 2021. 55 employees participated in the ten-month activity, collectively losing 120.4 kg. Zeng Hsing promotes a healthy lifestyle. The company has many sports clubs such as fitness club, aerobic dance club, boxing aerobic club, and yoga club. In addition, in cooperation with the Taichung City Government Health Bureau, promote health campaigns such as exercising from home, developing a balanced diet, and drinking enough boiled water in hot summer. Through activities, colleagues are encouraged to pay attention to their own exercise and diet, so as to create a healthy living environment.



2021 The 2nd Weight Loss and Muscle Gain Event



✿ Occupational Safety and Health Training 【403-5】

Pursuant to the Occupational Safety and Health Act and its enforcement rules, all new and existing employees must participate in occupational safety and health training and promotion workshops in accordance with the timeline stipulated by law. These workshops are designed to help employees develop an acute awareness of safety issues as soon as they report for duty, thereby lowering the likelihood of workplace incidents. Contents include the relevant laws and regulations, key concepts and principles of occupational safety and health, pre-/mid-/post-shift self-inspection, standard operating procedures, emergency response protocols, fire safety and first-aid drills, and other knowledge related to occupational safety and health.

Employees performing hazardous manual tasks must undergo the required training or present qualifying certification, and they must wear personal protective equipment while performing the tasks. A set of contractor management guidelines were formulated to impose similar requirements on contract workers and supplier quality engineers to prevent non-employee accidents at our plants.

As required by local fire ordinances, two plant-wide fire and emergency response drills must take place in 2021 to promote a culture of fire safety at the plant. However, due to the epidemic prevention regulations, only 1 fire drill was conducted in 2021.

*** Prevention of Occupational Diseases [403-10]**

The Taiwan Headquarters relies on employee work environment monitoring and enhanced health examinations to minimize the harmful impacts of workplace hazards on employees' health. Additionally, an occupational physician visits the plant in person every month to conduct workplace inspections and provide healthcare advice for any issues discovered. Through health promotion, training, and inspection, employees have developed a habit of putting on their personal protective equipment whenever they enter the plant, which drastically reduces the risk of exposure to workplace hazards and the likelihood of occupational diseases. A case of occupational injury was recorded at the Taiwan Headquarters in 2021. An employee who was sent to work at a subsidiary suffered exhaustion from working long hours. Job rotation arrangements were subsequently made for the employee, while employees' work-hour management was also strengthened.

6 Social Involvement

6.1 Social Welfare [203-1]

Zeng Hsing continues to implement the promotion of social welfare and upholds the belief of “giving back to the society, any action big or small can make a real difference” , especially for disadvantaged groups in rural areas and local feedback services. In 2021, NT \$1.48 million were donated to 12 organizations, and 22 sewing machines for 3 organizations in hopes of resolving the resource inadequacies in rural areas. During the epidemic, ZH Vietnam also donated a batch of materials to the Vinh Tan People’ s committee.

2021 Amount of donation

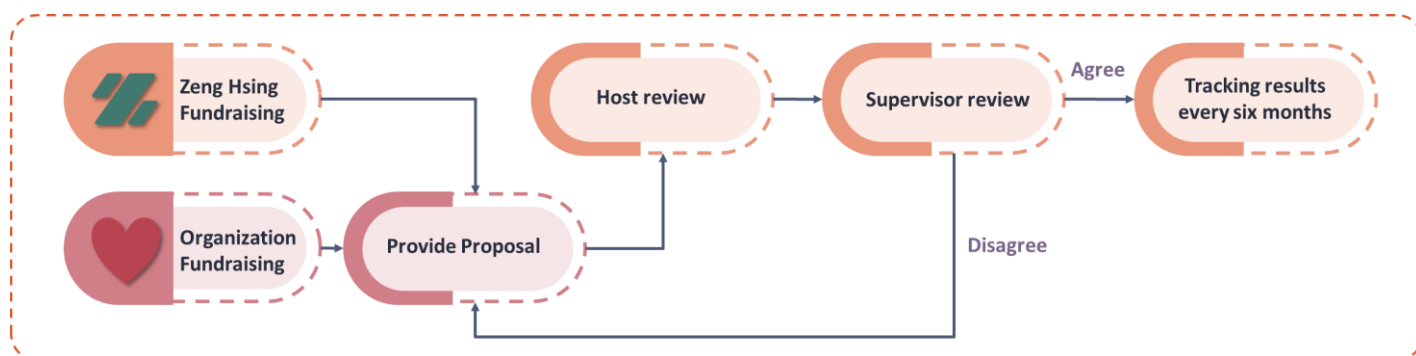
1.48 million NTD

22 sewing machine



Country	Type	Cooperation	Support Program/Plan
Taiwan	Cash	Taichung-Community Development Association	Aged Care Event
		Taichung-Chung Yie Elementary School	After-school tutoring
		Nantou-Guang Fu Elementary School	After-school talent teaching
		Taichung-Tzu-Hsin children's home	Talent courses and support for tertiary education
		Miaoli-St. Franciscan Girl's Home	Caring for Underprivileged Children
		Taitung-The Garden of Hope Foundation	Assist women and children affected by violence to return to normal life
		Taitung-Maria Theresia Social Welfare Foundation	Aged Care Event
		Taichung-Digital Humanitarian Association	Sponsorship of health education courses
		Taichung-Catholic Sisters of the Sacred Heart of Mary	Mountain clean up activity supplies
		Taichung-Topkey Foundation	2021 Greater Taichung Corporate Volunteer Day
		Taichung-Taiwan International Quilt Association	Support Quilt Art Festival activities
	Sewing machine	Nantou-Puli Zhu Zi shan Community Development Association	Online free sewing course
	Sewing machine	Taichung-Zhong Hua Association (NPO)	sewing workshop
ZH Vietnam	Cash	Vietnam Fatherland Front Federation of Trade Unions	Donate epidemic prevention funds
	Supplies	Yongxin District People's Committee	Donate 200 boxes of milk and 300 boxes of instant noodles

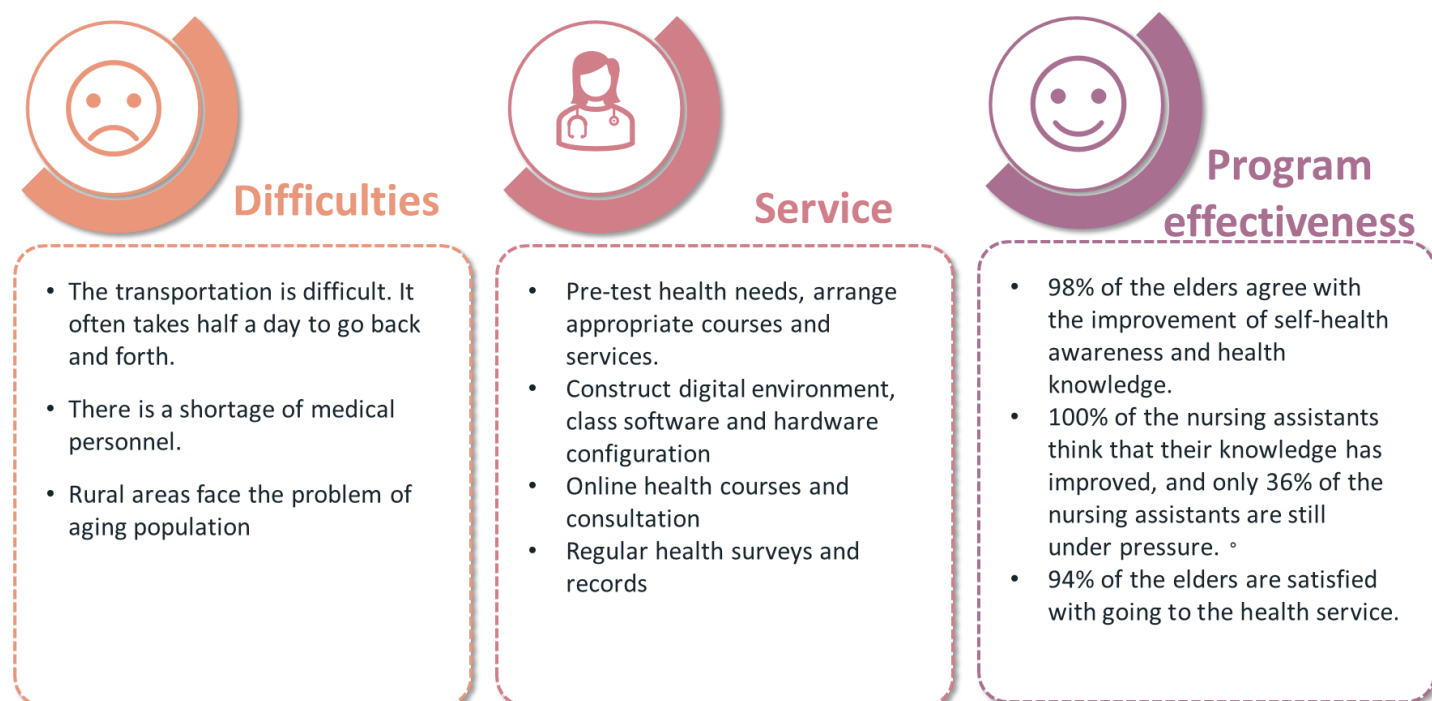
ZH Taiwan maximizes the benefits of donations, the Company established a donation application and tracking system in 2020. Based on the Company’ s annual budget, the CSRO is tasked with proposing annual donation plans and inviting organizations to pitch plans for the following year; in addition, recipient organizations are asked to submit bi-quarterly performance reports to track effectiveness.



* Digital Humanitarian Association- Health educators course sponsorship & long-distance public welfare sewing courses

Everyone in society should be aware of the resource shortage problems in rural areas. Zeng Hsing has been donating to social welfare organizations that are based in rural areas, such as the Maria Theresia Social Welfare Foundation and elementary schools in Nantou. At the end of 2020, we had the opportunity to cooperate with Digital Humanitarian Association (Wacare), which perceives the recent shortage of long-term care resources in rural areas caused by population aging and adopted digital applications to solve the three main predicaments of providing health care in rural villages: transportation cost, medical staff shortage, and asymmetric population structure and care mechanisms.

In WaCare, video calls are made to rural communities to provide online health education courses (e.g., courses on physical activities for older adults, dietary plans and nutrition, chronic illnesses caused by high blood pressure, high cholesterol and high blood sugars, and medication safety, etc.), online health consultation with a real person (e.g., physician, nutritionist, and psychologist, etc.), and training for nursing assistants (e.g., how to communicate and care for people with dementia, how to prepare nutritious meals, and how to stay mentally healthy while coping with the stress of caring for elderly people, etc.). Remote services greatly reduce time costs and also mitigate the problems arising from medical staff shortage. According to statistical data on WaCare, the network has significantly improved elderly people's self-perceived health and health knowledge, reduced the incidence of emergency treatment/hospitalization among elderly people, and enabled caretakers to take online courses.



Sponsorship of health education courses: In view of the fact that Zeng Hsing and WaCare adhere to the same concept of giving priority to caring for rural health care. Zeng Hsing decided to join the WaCare remote health education project and adopted 3 community care bases,

namely Nantou Puli Zhu zi shan Community Care Base, Taitung Shang wu Elderly and Tianqi Day Care Center.

The three communities have completed 95 online courses in 2021, with a total of 1,448 people attending the courses. The courses include health education, personal health consultation, exercise course, etc. In addition, WaCare aims at the health and personal abilities of elders and attendants, there are surveys before and after the course to ensure a clear understanding of the health status and needs of the elderly.

This three-party collaboration offers several benefits. Elderly people in rural areas can gain real-time access to health care without having to take transportation, reducing carbon emissions; and health professionals do not need to travel into rural villages, lowering both time cost and carbon emission. Therefore, estimations of the social return on investment (SROI) and carbon footprint were based on relevant data collected during 2021 from the three rural areas that were involved in this collaboration. Please refer to the figure below for relevant calculation methods and results.



SROI

NTD\$690,000

Benefit&Impact¹

NTD\$370,000

Social Input²

1.86

SROI³

Note 1: Including the saved physical course transportation/time costs, and the reduction of emergency medical costs for elders in the stronghold.

Note 2: Including distance teaching construction cost, course cost, etc.

Note 3: Impact & benefit/social input

Carbon Reduction

27,694_{KM}

Total transport distance⁴

0.115_{KgCO₂e/PKM}

Carbon emission factor⁵

3,185_{KgCO₂e}

Carbon reduction=Total transport distance*Carbon emission factor

Note 4: Three rural bases in 2021 (the number of business trips by lecturers and doctors + the estimated number of emergency visits for the elderly) * the distance from the base to the public transportation station or hospital

Note 5: Cited from the Environmental Protection Agency' s Product Carbon Footprint Information Website - Passenger Cars for Self-use

Online sewing classes :

Due to the benefits that online courses bring of eliminating the gap between urban and rural resources, helping rural community residents learn more effectively. Therefore, we hope to launch online sewing classes through a joint collaboration between Zeng Hsing' s Volunteer Team and the WaCare network. Therefore, in addition to adopting health education courses

across three rural communities, in 2021 we also conducted a trial run of online sewing skills classes for the elderly of the Zhu Zi Shan community to evaluate whether a remote teaching model can be used to teach elderly people how to DIY through the sewing machine.

Before the official launch of the online sewing classes, Zeng Hsing donated 10 sewing machines and sewing tool boxes (which contain threads, scissors, shuttles, sewing machine needles, and hand sewing needles) to fully furnish the classroom so that classes can run smoothly and the community does not need to buy additional equipment. Before class began, the elderly were supplied with semi-finished sewing materials to save the elderly learners from worrying about preparatory works, such as patternmaking, cloth cutting, and ironing, etc., and allowed them to truly enjoy the fun of learning basic sewing skills and completing their own work.



In 2021, Zeng Hsing, WaCare, and Zhu Zi Shan community jointly completed two online sewing classes, successfully teaching elderly people how to make festive red envelopes and persimmon dumpling pouches. Although the elderly participants were aged over 65 years on average, making remote teaching all the more challenging, we were able to successfully conclude the online courses thanks to the support of WaCare partners, the community association president, and teaching assistants. We and all participating partners felt very proud that the elderly people were able to learn sewing and complete work entirely by looking at a monitor. In 2022, Zeng Hsing will continue to promote this online sewing course to other communities, specifically, Yilan Aohua Cultural and Health Community and Xizhi Fu An Community. In the

future, we will continue to work to overcome and improve remote teaching problems, so that our sewing classes can be introduced to more elderly people in other communities.

Promote health development of rural area

WACARE assists the rural community service bases to build an online medical and health education course system. It is hoped that through this cooperation project, local medical and health problems can be improved, and good health and well-being in rural areas can be promoted.

The evolution of public welfare activities

Zeng Hsing hopes to make public welfare activities more diversified through online teaching, no longer limited by time, place, and distance.


Zeng Hsing


WaCare

Rural local community



✿ Zhong Hua Association (NPO) - Sewing machine Donation



In 2021, Zhong Hua Association contact Zeng Hsing and wanted to rent few sewing machines for held a charity sewing workshop. Zeng Hsing realized that Zhong Huas association has been actively helping disadvantaged families learn DIY skills for a long time. However, the association only has a few sewing machines, and students often have to wait to sew. Therefore, Zeng Hsing donated 10 sewing machines hoping that the sewing workshop will be more successful and attract more people to love sewing.

In 2021, the association invited professional sewing teachers and used the sewing machines donated by Zeng Hsing to teach children, Taiwan' s "New residents" , single parents, or low-income families to make works such as "smocks", "recycling bags", and "patchwork craft" . In addition to learning sewing skills, workshops can also promote the parent-child relationship.



ZH Vietnam

✿ Vinh Tan People' s Committee - Supplies Donation

In 2021, the world was ravaged by COVID-19 epidemic, which affected many workers and families. With the belief of giving back to the society, Zeng Hsing Vietnam donated 200 boxes of milk and 300 boxes of instant noodles.



6.2 Zeng Hsing Volunteer Team

Zeng Hsing established the Zeng Hsing Volunteer Team in 2020, encouraging employees to participate in charity activities and use their professional skill to help those in need. Our team members are from Zeng Hsing current and retired employees, and also their relatives and friends.

Zeng Hsing has formulated the Volunteer Management Rules as a way of encouraging employees to practice philanthropy. Each year, employees are entitled to apply for 16 hours of philanthropic leave to participate in volunteering services. Our Volunteer Team has grown over the years, reaching 111 members in 2022. We hope to generate a positive impact by motivating employees to participate and take action in person, thereby instilling in employees the values of "it is more blessed to give than to receive" and that "helping others makes us happier." while at the same time contributing to society and helping disadvantaged individuals.

Last year, Zeng Hsing Volunteer team organized 12 activities and 1 volunteer training session. The accumulated volunteer service and training hours totaled 1,257 hours and 260 person time to participate in activities. The activities of the Zeng Hsing Volunteer team are categorized into three main types, which are sewing workshops, handcrafted donations, and environmental protection activities.



Zeng Hsing Volunteer team started publishing the quarterly magazine in 2021, hoping through the magazine, more people can understand the concept of volunteer service. And then join our volunteer team activities to spread joy and love.



2021 創刊號
Vol. 1
2021/04/01

2021 Q1 活動精彩回顧
志工訓練+公益小物
2021/2/20為了鼓勵員工參與公益活動，本志工訓練課程以「公益小物」為主題，邀請專業講師，帶領員工了解公益小物的意義，並動手製作公益小物，最後將作品捐贈給有需要的人。

WACARE 公益訓練課程
WACARE 公益訓練課程，旨在提升員工的公益意識，並透過實際行動，為社會貢獻力量。課程內容包括：公益小物的製作、公益活動的參與、公益精神的傳承等。

看版人物
神興的退休人員
來自大里的 王麗妹 及 黃妹
兩位姊妹在神興的寶號，十幾年來勤勤懇懇，都是20年經驗的「老手」。她們在神興打雜的時，在現場幫著做事。王麗妹說：「抱歉，試睡，抱歉，抱歉...我都有做過。」所以她們對神興的瞭解與熟悉程度很高，讓我們不可多得的志工夥伴！志工隊隊長張惠玲也與兩位姊妹積極協助經驗的姊妹，熱衷參與每一次的義賣活動及公益小物活動，尤其太平社區活動中心的義賣活動，幾乎已經算是固定班底。

讓我們來聊聊，兩位姊妹經營時，有哪些有趣或印象深刻的故事呢？
有一次活動快結束時，有一位可憐的長輩跑過來跟我們說：「給我再看一下，再看一下好嗎，這件衣服還有瑕疵！」(張妹表示：這件衣服沒有瑕疵的朋友可以試試穿，再一件買一件~這件衣服不買就沒了~)
還有一位對縫紉有興趣的男性長輩，每次座下來就進到縫紉，還準備縫紉機，想買一台回來玩。(張妹表示：愛好縫紉的男性朋友真是少之又少，志工們必須好好愛護呢~)

公益訓練課程狀況很少，有的長輩很可愛，準備作品時會跟他說：「這件衣服，他比我的衣服好，你跟他說0.5CM縫份，車一車車車覺得越來越大，最後變成了1CM縫份啦！」
雖然狀況很多，但每次完成作品，看到長輩們開心又滿意，就覺得很值得，也覺得付出時間來當志工，很有意義。

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DMA- Indirect Economic Impact & Local Community

Reporting requirements		Disclosure requirements
103-1	An explanation why the topic material	In the process of maximizing shareholder value, corporations often cause significant impacts on society and the environment. Therefore, taking action to give back to society and protect the environment is essential to corporate sustainability.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	We remain committed to giving back to society and the environment. We formulate a social welfare action plan on an annual basis and set aside a corresponding budget to carry it out.
	2022 Goals	Organize volunteer activities, donate money, donate sewing machines, and activity satisfaction survey.
103-3	Evaluation Mechanisms	CSRO convenes regularly to review the implementation status.
	Performance	Monetary and equipment donations amounted to NTD\$10.73 million between 2010 and 2021, including 1,169 sewing machines and 53 commercial vacuum cleaners. Zeng Hsing Volunteer : A total of 12 Volunteer activities, including sewing workshops, handcrafted donations, and environmental protection activities, accumulated 1,257 hours of volunteer service hours

Volunteer Activities

✿ Elderly Care Taiping Community Development Association

Dual-income families are a norm in Taiwan. Furthermore, low birth rates and population aging have increased the need for elderly care. We believe that “companionship” is important, which is why the Company has been committed to providing companion care for elderly people. In 2020, our Volunteer Team began arranging visits to community development associations or rural communities to teach elderly people how to sew and make red envelopes, chopstick pouches, tote bags, persimmon dumpling pouches, etc. Zeng Hsing has been giving sewing lessons at the Taiping Community Development Association for three years, with each event participated by 40–50 elderly people. The volunteers were deeply moved and pleased with the transformation they witnessed in the elderly participants, who went from being unenthusiastic to thoroughly enjoying and even falling in love with sewing and wanting to buy their own sewing machine to use at home. It is precisely this kind of transformation that then drives us to zealously promote and organize sewing activities for elderly people.

Taiiping Community Development Association



* Elderly Care Events

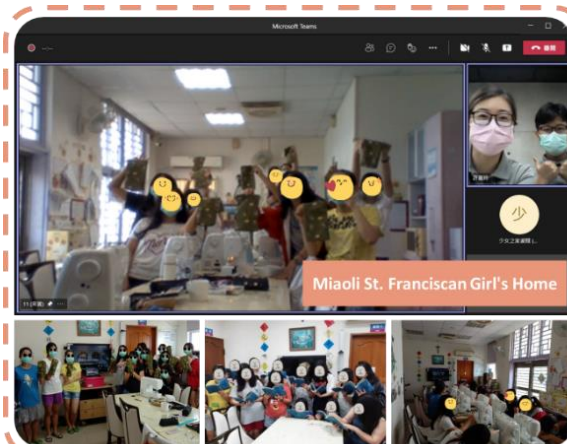
Zeng Hsing start charity cooperation with Stella Matutina Hill Elderly Housing and Nursing Home Center since 2019. Before Zeng Hsing start the charity sewing workshop, we donated 10 mechanical sewing machines, 10 computerized sewing machines, 1 embroidery machine, 10 sets of sewing tools, and material packages. Two events for older adults are held each year for a total of 48 sewing lessons. This year' s works include mask covers, tote bags, bento bags, etc. The cooperation has entered the fourth year, and Zeng Hsing hopes to let the elders experience the joy of sewing through courses.



* Caring for Underprivileged Children

Zeng Hsing provides opportunities for the children of Catholic Miaoli Girls' Home to learn about sewing. We try to cultivate children' s patience through sewing, discover their own advantages and improve their self-confidence.

Affected by the epidemic in 2021, to not miss sewing classes, we try to teach sewing skills through



the net. Although the learning quality was not that good, we still success to finish the book cover” and “drawing bag “lessons.

Volunteers were deeply impressed by the children’ s assiduous and happy smiles during the class. Especially at the end of the class, they always happily waved their hands and thanked the volunteers.

✿ Handcraft Donation

In 2021, Zeng Hsing volunteer team handcrafted 46 tote bags donate to local NGOs as charity supplies, and also made 200 reusable sanitary pads for African females. Sanitary pads are a luxury for girls in Africa, lack of sanitary pads during menstruation causes missed school and health problems. Therefore, the volunteer team used the sewing machine to make 200 reusable sanitary pads, through the Love Binti International sent to Africa.

In the past, handcraft donation activities recruited volunteers to make handcraft together in the company's sewing classroom. However, due to the impact of the epidemic in 2021, the production of cloth sanitary napkins was changed to allow volunteers to receive material packages and go home to make them. Zeng Hsing Volunteer Team hopes to continue to contribute to society even during the epidemic.

Handcraft Donation Tote bag



Handcraft Donation Cloth Menstrual Pads



✿ Mountain Cleanup

The Stella Matutina Social Welfare Foundation is committed to providing welfare services to older adults while also actively working to promote nature education. However, due to its mountainous location and low human traffic, the complex has been overrun with wild plants and animals. In addition, the remoteness of the location makes it difficult to maintain, resulting in a growing need for volunteers to help manage the complex. Accordingly, the Zeng Hsing Volunteer Team invited volunteers from other companies on an expedition to clean up the villa and the surrounding mountainous area.

In November 2021, the Zeng Hsing Volunteer Team and Sacred Love staff led 88 volunteers and their friends and family members in weeding, removing unwanted vegetation, and clearing surrounding trails. After considerable sweat and toil, the originally weed-infested villa and trails were completely transformed, with the team completing its first cleanup of Trail No. 2 in under two hours.



✿ 2021 Greater Taichung Corporate Volunteer Day - With Topkey foundation

Organized by the city government and Top key Foundation, the "2021 Taichung Corporate Volunteer Day," which was held on October 16, Zeng Hsing participated in the activities and packed and delivered supplies for 25 local underprivileged families. We also bought another 30 boxes of supplies sent to The Garden of Hope Foundation, providing rural area underprivileged families food.



Volunteer Training

CSRO organizes a training program for Zeng Hsing volunteer teams every year, strengthening team members' DIY/Sewing techniques and communication skills, to improve service quality.

✿ Basic Sewing technique Training

In order to become a professional sewing volunteer, CSRO organized a sewing technique lesson, we invited an experienced expert to introduce the sewing machine mechanism and structure and also teach how to maintain and repair it.



✿ Stress management and communication skill Workshop

Our Volunteer Team serves mainly elderly adults, children, and teenagers. In 2021, we invited a professional psychologist, He Huang, to talk about psychological issues that are prevalent among children, teenagers, young adults, and older adults, and teach our volunteers how to effectively communicate with and understand their problems.

The topic of this training was stress management and helping others. In addition to discussing common psychological issues, Huang also provided autogenic training for our volunteers and showed them how to find solutions to their inner and outer problems.

At the end of the training course, Huang asked three volunteers to simulate and demonstrate ways to help and take care of others with empathy during the service process.



Autosuggestion
relaxation
experience



Situational
practice

6.3 CSR + USR

Sustainability is a major challenge that the world is facing. Zeng Hsing hopes to leverage our influence and inspire schools and universities to be socially responsible. In 2021, Zeng Hsing was honored to be invited to give a talk on CSR at the Department of International Business, National Taichung University of Science and Technology, and at the Department of Medical Sociology and Social Work, Chung Shan Medical University. The purpose of the talk was to promote the importance of CSR and the university's social responsibility (USR).

✿ National Taichung University of Science and Technology -CSR X USR

In 2021, Zeng Hsing was invited by Professor Huang of Department of International Business, National Taichung University of Science and Technology to host a two-session course on CSR × USR. The first session was held by a representative of our CSRO, who shared the company's CSR practices with students and explained the importance of CSR/ESG. For the second session, the students went on a field trip to Zeng Hsing, where they learned more about the concepts of CSR through practical demonstrations and exercises.

Activities in the course included sharing on CSR practice and taking students on a production line tour to show them how sewing machines are manufactured, assembled, packaged, and delivered. The students were also assigned to groups to write social responsibility reports based on the examples of CSR promotion shared by Zeng Hsing during the first session. Finally, at the end of the course, the students participated in activities such as repurposing old clothes and making goods for charitable causes. For the clothes repurposing activity, the students were free to design and repurpose old clothes however they chose and transformed old, used jeans into brand new mini bags; in making goods for charity, the students paid NT\$100 to buy materials while Zeng Hsing sponsored the rest. After the craft activities, our CSRO donated the proceeds to social welfare organizations in the students' name to help disadvantaged individuals. Through this activity, we hoped to instill a greater understanding of social responsibility in students.

Through this industry-academia cooperation, the core concepts of social responsibility were successfully ingrained in the minds of students, making them more likely to engage in social contributions in the future. Zeng Hsing hopes to generate an impact that will connect both industry and academic practices and harness the power of corporations and universities to collectively maximize the benefits of social responsibility.



* Department of Medical Sociology and Social Work, Chung Shan Medical University – Volunteer Teams experience sharing

In 2021, Associate professor Chen from the Department of Medical Sociology and Social Work, Chung Shan Medical University invited Zeng Hsing Volunteer team, to share volunteer experience with students, and to introduce that volunteering can be multi-faceted, and volunteers service not only delivering lunches to the elder, but also serve the public and give back to society in other ways.

In this speech, Zeng Hsing hopes to inculcate the social responsibility concept, therefore students can combine professional knowledge to become excellent social workers in the future.



7 Environmental Sustainability

✿ Environmental Management Manual 【103 Energy, Emission】

ZH Taiwan, ZH Vietnam, and ZH China have developed the Environmental Management Quality Handbook in accordance with ISO 14000 standards (CNS 14001 and 14004 series) to help safeguard the environment, prevent pollution, find a balance between economic growth and environmental protection, and fulfill the group's CSR responsibility by formulating clear environmental policies, goals, and review procedures in line with the vision and characteristics of the ZH Group.



Green Environmental policy

1. Inspire and integrate our supplier chain to join the environmental protection together and meets all requirements.
2. Commit and follow environmental protection requirement.
3. Improve our environments by all employees' efforts and prevent the environment from pollution in advance.
4. Enhance the awareness and literacy of environmental protection by internal education training for all employees.

7.1 Energy Resource Consumption and GHG Inventory

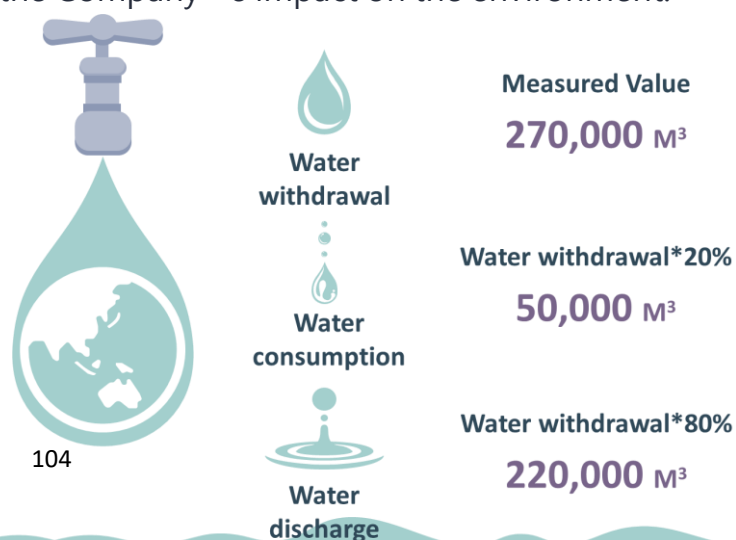
✿ Water Resources [303-1,303-3,303-4,303-5]

The water used by the ZH Group is sourced from municipal water supplies and other public and private water facilities. The total water inflow for 2021 was calculated based on the 12 monthly water bills issued to all ZH plants. The total discharge of the group amounted to 80% of the total inflow (see note 3). Water usage at each plant could not be calculated directly and was arrived at by subtracting total discharge from the total inflow. Currently, only ZH Taiwan and ZH Vietnam have rainwater recycling facilities. The collected rainwater is mainly used for watering the landscaped areas of the plants.

The total water inflow for the group amounted to 270,000M³ in 2021. These additions were primarily attributed to Vietnam lockdown in 2021 due to the epidemic. The manufacturing capacity was partially transferred to China. Therefore, due to the increase in the number of employees, the water consumption in ZH China has doubled compared to 2020. However, although ZH Vietnam suffered a shutdown, but some employees can work within live in the factory. This increases the water used for people's livelihood, so the overall water used by the group increases.

In addition to regularly advocating water conservancy, the Company has implemented tangible water conservation measures, such as replacing old pipes/adding floats to reduce leakage, adjusting the water pressure of water basins, and installing water-saving toilets/urinals/faucets. A water meter monitoring system was also set up in Taiwan HQ, allowing personnel to track water use, identify anomalies, and prevent wastage.

According to the Aqueduct Water Risk Atlas published by the World Resources Institute, Taiping District, Taichung, where the Taiwan Headquarters is based, has a water risk level of low to medium (1–2). As for our overseas subsidiaries, ZH Vietnam and Shinco are located in Bình Dương Province, Vietnam, which has a high-water risk level (3–4), while ZH China is located in Zhangjiagang City, Jiangsu Province, with a medium to high (2–3) water risk level. The manufacturing of sewing equipment is not a water-intensive process, so the majority of water usage is for employee activities. Therefore, the impact of water risks on the ZH Group is relatively low. CSRO requires each plant of the Group to set an annual water intensity target every year. These objectives may include water conservation measures or setting water consumption intensity goals. The progress of each plant will be reviewed at the annual CSRO Consensus Meeting as a means of lessening the Company's impact on the environment.



✳Energy, Emission【302-3、305-1、2、4】

Due to the revision of ISO14064-1, ISO 14064-1:2006 will effectively become obsolete in 2022. In 2022 Q2, the four subsidiaries successfully completed the revision and inventory work. The result of the GHG inventory work shows that the main emission from subsidiaries in category 1+2 (direct and indirect emissions) sources are the production equipment (Type of energy: electricity, LPG, and natural gas) and transportation (Type of energy: gasoline and diesel), according for 16% of the Group' s total emissions. 84% of emissions are from Category 3 (Indirect greenhouse gas emissions from transportation), Category 4 (Indirect greenhouse gas emissions from products used by organization), and Category 5 (Indirect greenhouse gas emissions associated with the use of products from the organization), the main emissions are from category 5 which are energy consumption from consumers using sewing machines. This greenhouse gas inventory operation was the first trial implementation of the revised standard, and there are many items to be inventory compared with ISO14064-2:2006, and also raw materials carbon footprint-related information of suppliers cannot be obtained, so the emissions of raw materials are excluded from this time.

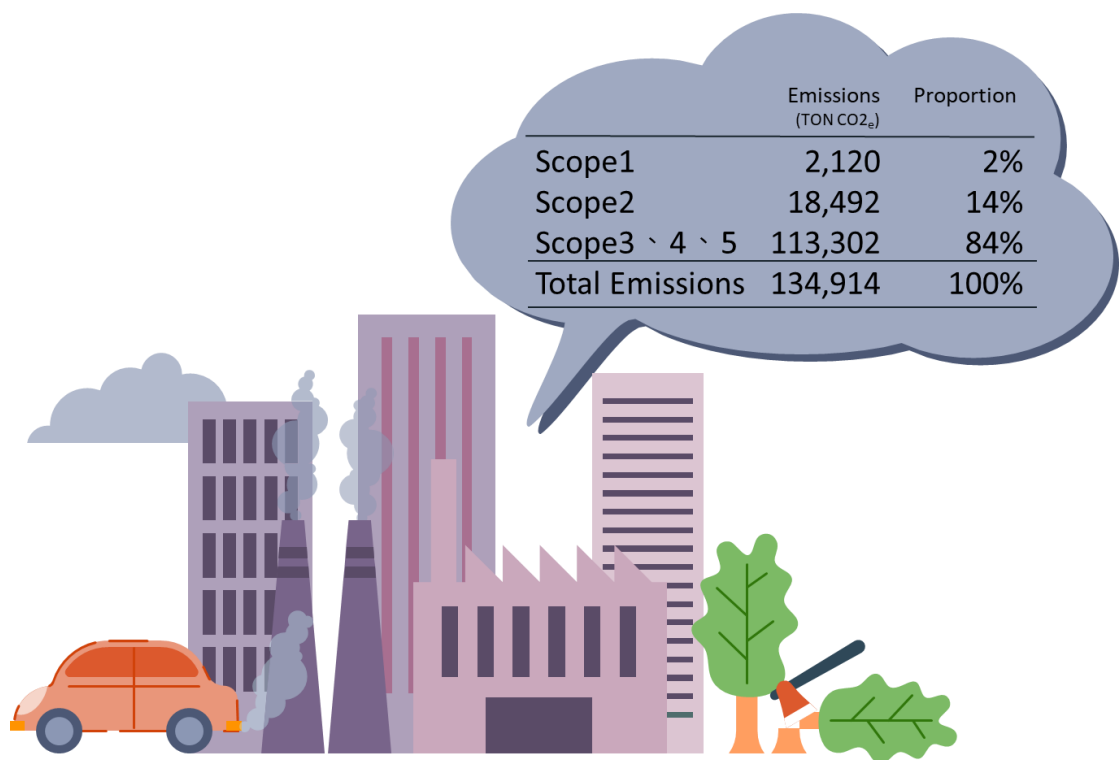
The GHG inventory shows that ZH' s total GHG emissions amounted to 20,000 tCO₂e (equivalent to 5.4 kgCO₂e per sewing machine produced), which is a 3,700 tCO₂e decrease from 2020 levels and a 0.8 kgCO₂e decrease per sewing machine produced. Except for the increase in ZH China' s annual emissions due to the halt production in Vietnam and the need to support production capacity, the remaining three factories all decreased. The table below shows the reasons for the decline. The main reason for the sharp decline of the group as a whole is that Vietnam' s halted production and the reduction of the local electricity carbon emission factor have caused the plant' s emissions to drop by 22%. (not including categories 3~5)

The trends for GHG emissions in the four ZH plants

	ZH Taiwan	ZH Vietnam	ZH China	Shinco
2021 Emissions	↓	↓	↑	↓
Reason	In May and June, employees were diverted to work from home, which reduced the electricity consumption of air conditioners. In addition, the air compressor improvement plan also had a significant energy-saving effect.	The decrease is mainly due to the replacement of traditional injection molding machines with servo motor injection molding machines, which has brought significant energy-saving effects. Furthermore, the local electricity carbon emission factor is also reduced.	Due to ZH Vietnam halt production, parts of the capacity shifted to ZH China so causing electricity consumption to increase.	The actual electricity consumption increased slightly, but due to the reduction of the local electricity carbon emission factor, the conversion result was lower than 2020.

In response to the requirements of the Sustainable Development Guidemap for TWSE/TPEx Listed Companies, ZH expects to arrange third-party verification for each subsidiary in succession from 2023, and report the progress of the relevant inventory to the board of

directors every year to ensure that relevant operations are completed before the deadline required by regulations.



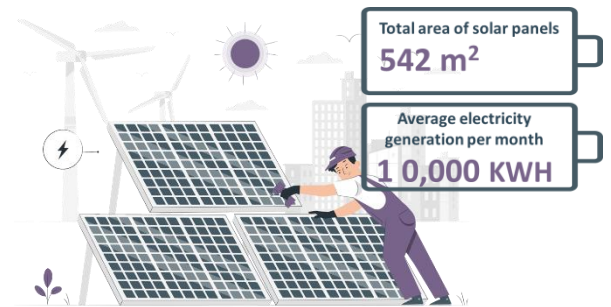
✿ Energy Intensity

Based on the consumption of gasoline, diesel fuel, natural gas, liquefied petroleum gas, and electricity of the four plants, the group energy intensity was 34,675 KJ/pcs in 2021. A 4% decrease compared to 2020. The main reason is that replacement of traditional injection molding machines with servo motor injection molding machines

✿ Energy Conservation and Pollution Prevention [302-4 · 305-5]

The ZH Taiwan, ZH Vietnam, and ZH China have all received ISO 14001 (Environmental Management Systems) certification. We review our environmental protection and pollution prevention policies on an annual basis to ensure compliance with local environmental regulations, and we take measures to prevent air and water pollution and reduce solid waste to decrease environmental impacts due to the manufacturing process. **We received no major fines or punishments related to the environment during the disclosure period of this report.**

Climate Change Is Accelerating, Bringing World 'Dangerously Close' to Irreversible Change. To increase our use of renewable energy, we invested NT\$7 million in photovoltaic (PV) systems for a new building that was built at ZH Taiwan in 2019. The solar panels were installed on the roof of the new building, which occupied an area of 542 m² and was expected to generate more than 100,000 kWh of solar energy every year. Since the installation of PV systems in 2019, the Taiwan Headquarters has generated 267,000 kWh of solar energy as of December 2021.



Taiwan Headquarters also installed a central monitoring system during the launch of the new building in 2019. The system is integrated with an energy management system (EMS) to effectively control energy consumption and avoid abnormal electricity usage. The EMS can be used to monitor energy consumption status and load analysis in real-time, concurrently optimize equipment operations and electricity efficiency, and analyze the energy usage of each equipment, providing a basis for energy efficiency evaluations. To achieve the goal of energy conservation and carbon reduction, the general administration unit at Taiwan Headquarters uses EMS-derived data to analyze monthly electricity consumption and seek more opportunities for energy conservation.

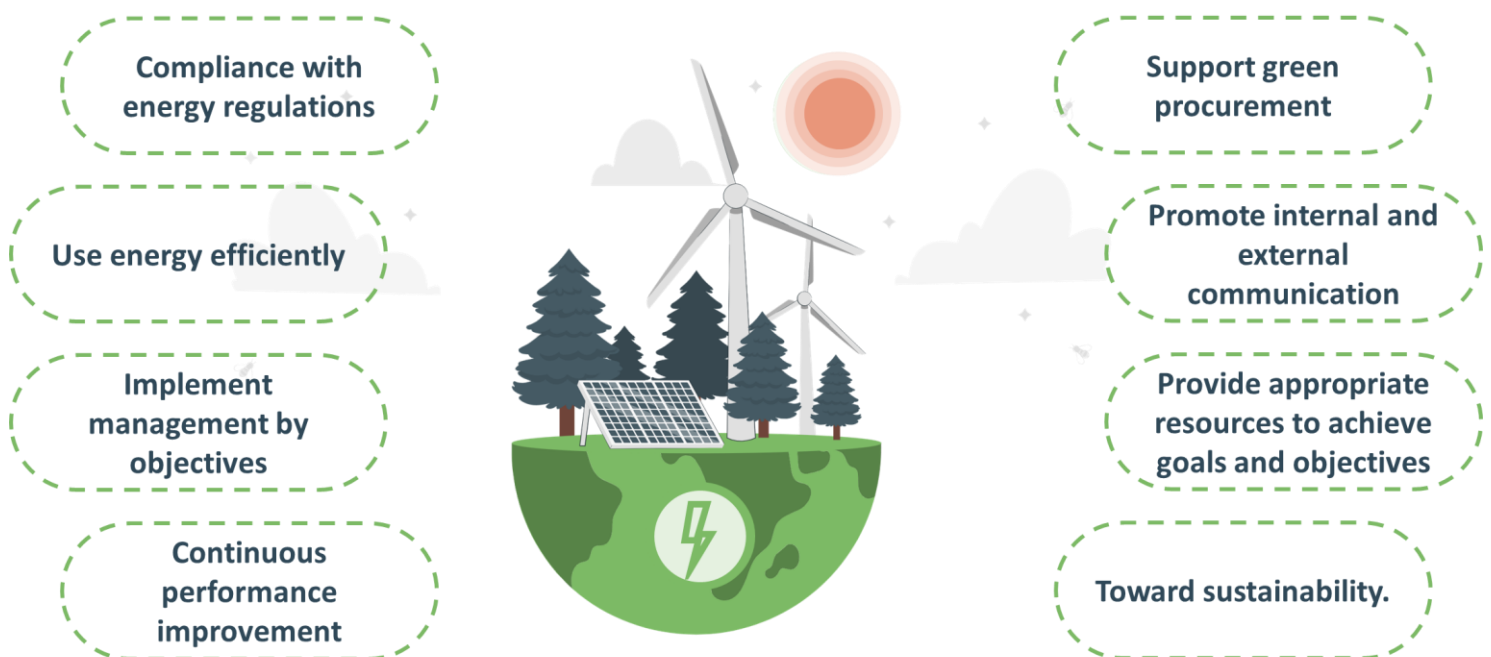


ZH Vietnam is the main production base of ZH. To effectively manage energy consumption and carbon emissions. CSRO introduced the ISO 50001 Energy Management System Standard to ZH Vietnam. ZH Vietnam conducts energy diagnosis and analysis every year, finds major energy-consuming equipment, formulates related energy-saving plans, and advances with the goal of reducing energy consumption by 0.5% per year

Specific energy efficiency improvement projects included installing T5 LED tube lighting throughout the plants, and maintenance of air conditioners in the whole plant. These measures contributed to a 0.37% decrease in carbon emissions in 2021, calculated based on the formula provided by Taiwan' s Bureau of Energy. We will continue to set energy-saving plans in 2022. By using an energy management system regularly observe energy consumption data to ensure that Vietnam' s responsible energy efficiency is optimized.

In response to the revision of the ISO50001 Energy Management Standards in 2018, the Energy Management Team completed the adjustment of Company procedures in 2020. Due to the epidemic situation in 2021 and 2022, external audits will be conducted remotely. The CSRO of ZH Taiwan, the General Affairs section of Vietnam, Taiwan TUV auditors, and Vietnam TUV auditors cooperated to complete the on-site audit and document review.

ZH Vietnam energy policy



DMA- Emission, Energy

Reporting requirements		Disclosure requirements
103-1	An explanation why the topic material	Material issues are determined by identifying the topics that most attract stakeholders' attention and have the most significant impact on our operations. Failure to comply with GHG emissions management regulations may lead to fines and legal liability. Effective management of GHG emissions, on the other hand, can reduce risk-related costs and increase the sustainable competitiveness of our products.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	This is to ensure compliance with climate change and environmental regulations.
	2022 Goals	ZH Group Emission intensity, energy saving, and carbon reduction · ISO14064-1 revision
	Responsibilities	Each business location has a Greenhouse Gas Inventory Committee and an Audit Committee, headed by the general manager of that location.
	Resources	Management system establishment and education training: Each subsidiary has appointed a Greenhouse Gas Inventory Committee. ZH Vietnam has an energy management team, and these team members are responsible for the implementation of energy and carbon emission management. As of 2021, the Company has invested an accumulated NTD\$ 27 million in external consulting and training fees to train, certify personnel as GHG quantifiers and verifiers, energy management system (EMS), and solar power equipment.
103-3	Evaluation Mechanisms	In accordance with the ISO14064-1 standard regarding the quantification and reporting by organizations of their greenhouse gas emissions, we perform an annual evaluation of the effectiveness of our PDCA management for GHG emissions.
	Performance	ZH Vietnam : ISO 14064-1 GHG inventory & internal Verification ; Annual carbon reduction 0.37% ZH China : ISO 14064-1 GHG inventory & internal Verification ZH Taiwan : ISO 14064-1 GHG inventory & internal Verification Shinco : ISO 14064-1 GHG inventory & internal Verification note: The carbon reduction was calculated based on the formula provided by Taiwan' s Bureau of Energy.

7.2 Waste Management

✿ Waste Storage and Disposal Management Measures 【103・306】

Zeng Hsing requires each of its subsidiaries to formulate guidelines for waste storage and disposal management. Currently, the waste management systems at the Taiwan Headquarters, ZH Vietnam, and ZH China have all received ISO 14001-2015 certification, which imposes strict rules on waste recycling, sorting, and disposal. These subsidiaries maintain detailed records of waste disposal activities and regularly report such records to the competent authority by local regulations. Although Shinco has not yet adopted the ISO standard, it strictly abides by Vietnamese laws and its internal waste management guidelines in processing waste disposal, including reporting toxic waste to the relevant government agencies and ensuring that waste disposal service providers comply with government regulations.

General waste produced by the group is either incinerated or sent to a landfill, whereas toxic waste is turned over to an EPA-certified waste disposal service provider for recycling. In 2021, there were no incidents of breach of contract or violation of regulations by waste treatment companies, and all waste treatment companies were approved by the local environmental protection bureau.

✿ Waste Management and Reduce

The waste produced in the four Zeng Hsing plants can be broadly categorized into non-recyclables (domestic waste, industrial waste, and hazardous waste) and recyclables (paper, plastic, and metal). To prevent resource wastage and waste pollution, Zeng Hsing heavily invested in waste management and the implementation of the three Rs.

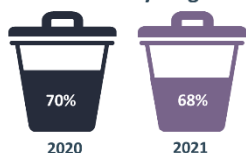
Zeng Hsing Group produced a total of 1,073 tons of waste in 2021, less 133 tons from 2020. The main reason that lockdown in Vietnam due to epidemic, resulting in a decrease in output. Zeng Hsing Group achieved a recycling rate of 71% in 2021-up 1% from 2020. However, the scope of calculations in 2020 did not include China, so it is not suitable for annual comparison.

The CSR committee has requested that all factories list recycling rate as a CSR and conduct bi-quarterly assessments on recycling performance bi-quarterly. In addition, if spikes in waste volume occur, factories are asked to assess the situation and formulate improvement strategies. Zeng Hsing greatly values waste management and seeks to eliminate resource wastage and enhance recycling rate,

Notes :

1. Recycling rate = weight of recycled waste/total waste
2. ZH Vietnam is not included in the calculation because the "general household waste" is collected by the Industrial Zone Management Bureau. The actual weight is not included.

Zeng Hsing Group
resources recycling rate

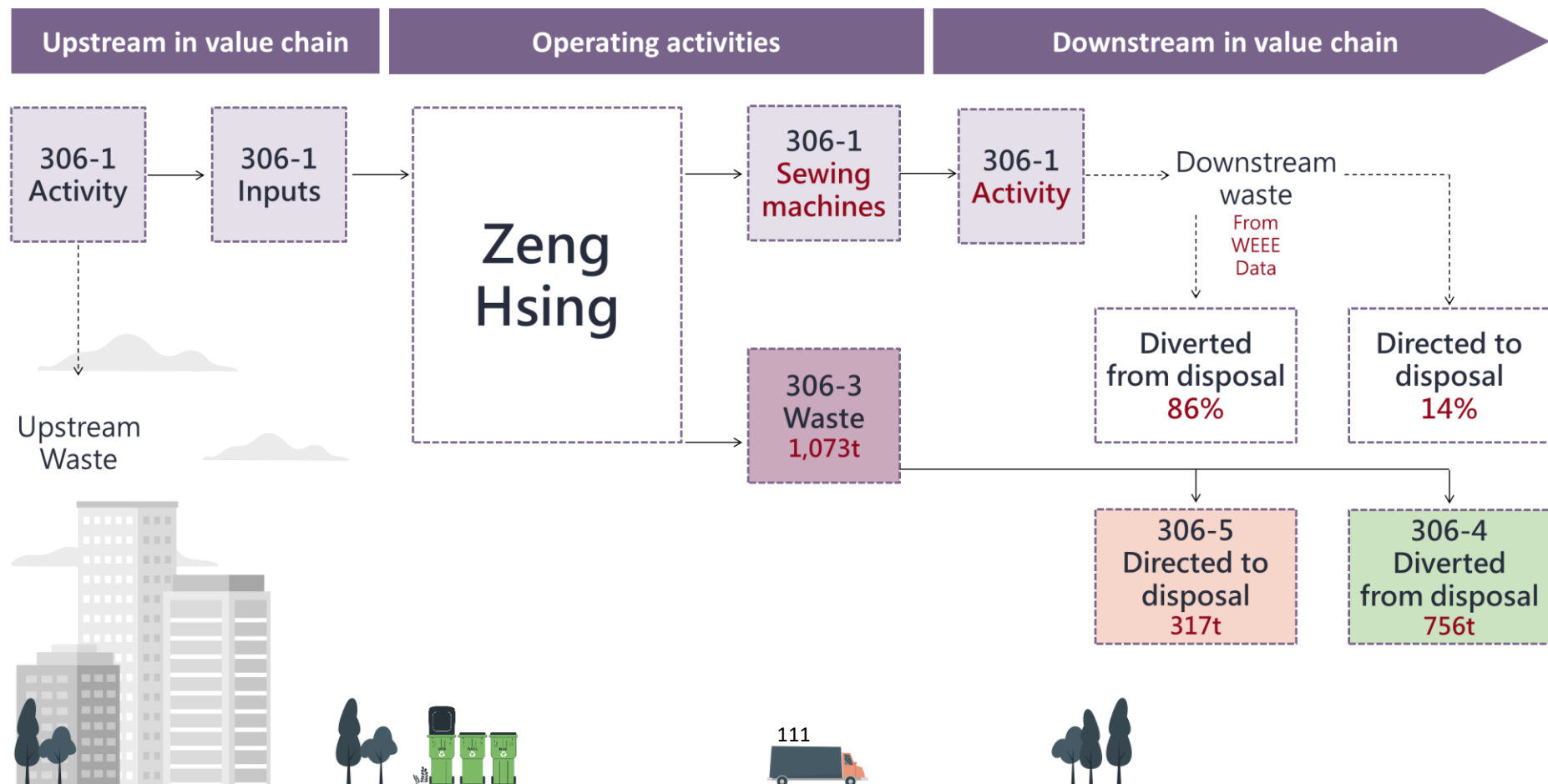


Zeng Hsing is a household sewing machine foundry involved in die-casting, injection molding, CNC processing, grinding, assembly, and packaging. The main raw materials used by the Company are ABS and aluminum ingots.

The waste generated during the production stage is handled by a qualified waste disposal company approved by the local environmental protection authority.

Most of the non-recyclable domestic and industrial waste is centrally managed by the Industrial Park Administration Office, while hazardous waste, such as waste oil and waste oil containers, is collected and disposed of by the supplier. Recyclable waste comprises a wide range of items, including office paper, packing boxes, plastics and plastic containers, aluminum waste, and scrap metal.

Because Zeng Hsing is primarily a B2B manufacturer, the Company's sales and marketing are typically handled by downstream partners. In terms of downstream waste, the 2020 BSI report indicated that the Company's K-series sewing machines and packaging can be disassembled into 86% recyclable parts and 14% non-recyclable parts.



✳ Environmental compliance inspections 【305-7】

Environmental inspection standards vary from country to country. Each Zeng Hsing subsidiary is required to conduct annual inspections of wastewater effluents, suspended particulate matter, CO2 levels, and drinking water quality (among others) in accordance with local environmental regulations. All subsidiaries passed the inspection in 2021, and no deviations from the standards were identified. ◦

✓ Qualified ✗ Unqualified

Water pollution test	Compliance with local regulations			
	ZH China	ZH Taiwan	ZH Vietnam	Shinco
 Water pollution test (SS、COD、BOD)	✓	✓	✓	✓
 Environmental test (SOx、NOx)	✓	✓	✓	✓

Note: Data comes from the 2021 water pollution and environmental inspection report of each subsidiary (conducted on an annual basis in accordance with local regulations)

DMA-Waste

Reporting requirements		Disclosure requirements
103-1	An explanation why the topic material	The Failure to comply with effluent and solid waste management regulations may lead to fines and legal liability. Effective management of effluent and solid waste, on the other hand, can minimize the risk of regulatory violations.
	Boundary	ZH Group
	Specific limitation	This topic mainly reveals related information of ZH Group
103-2	Purpose of the management approach	This is to ensure that all waste produced by the Company is sorted, collected, stored, and disposed of in a manner that meets local regulations related to environmental protection and pollution prevention.
	2022 Goals	ZH Group : recycle rate, waste reduction
103-3	Evaluation Mechanisms	The Company performs an annual evaluation of the effectiveness of our PDCA for solid waste management in accordance with the internal review procedures stipulated in ISO14001.
	An explanation why the topic material	The Failure to comply with effluent and solid waste management regulations may lead to fines and legal liability. Effective management of effluent and solid waste, on the other hand, can minimize the risk of regulatory violations.



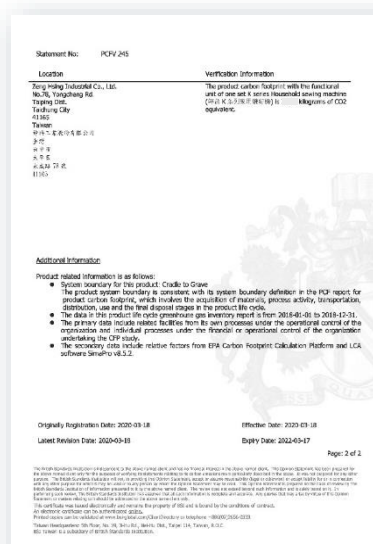
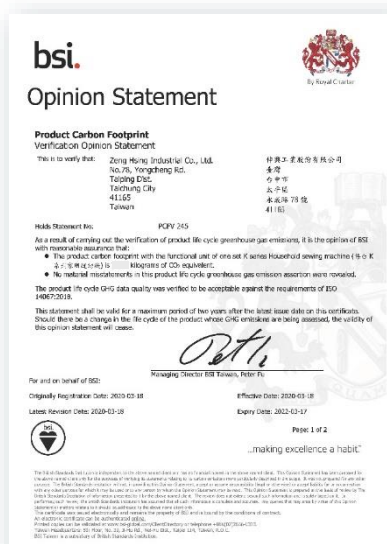
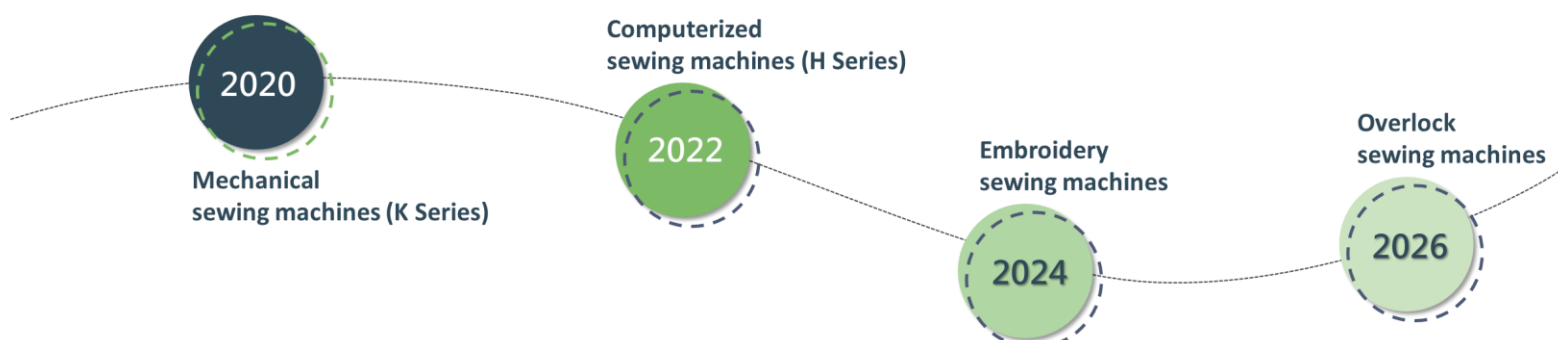
7.3 Efficient Energy Use in Products and Services

✿ Product carbon footprint ISO14067

Zeng Hsing always strives to work with clients to create high-quality eco-friendly products. For this reason, the Company conducts inventories and verifies GHG emissions from the group's business activities, and implements comprehensive carbon management. We also actively promote product carbon footprint inventory in accordance with ISO14067 to ascertain which of the product's life cycle stage has the potential for carbon reduction. In order to conduct a complete inventory of the carbon footprint of our entire product line, Zeng Hsing has been conducting carbon footprint inventories since 2019. With the concerted efforts of our inventory task force, we completed quantifying the carbon footprint of our K-series mechanical sewing machines in 2020, and received the BSI verification statement. Moving forward, we will gradually complete the verification of the carbon footprint of our computerized, embroider, and overlock sewing machines. Where necessary, we will also renew the verification statement for our sewing machines to ensure that our carbon footprint data are reliable and up to date.

Going forward, we hope that we can use our product carbon footprint (PCR) as a basis to incorporate green designs, adopt low-carbon raw materials, optimize production efficiency, use green transportation, and develop energy-saving/recyclable designs in order to reduce carbon emission and ensure environmental sustainability.

Carbon Footprint Schedule



Our response to climate issues is based on product life cycle. According to an inventory of the carbon footprint of our products, 65% of our emissions originated from the use of raw materials in the production of sewing machines. As a result, we adopt green designs during product development every year to minimize the consumption of resources and energy at the source, thereby achieving the goal of carbon reduction.

【302-5】The Research & Development Division at Taiwan Headquarters will incorporate environmental issues such as reducing energy demand and environmentally friendly practices in the division's annual KIP and KT/KC (key technology development) projects. For example, devoting considerable labor and management costs each year to address issues such as improving universal parts, reducing transportation emissions, and simulating design optimization; and extending to production and manufacturing improvement, designing universal jigs and developing electromechanically integrated jigs to improve production efficiency and reduce the number of jigs used during production.

✳ Green Product Design

To reduce global energy consumption, the R&D Team at Taiwan HQ is committed to developing green designs, reducing product energy consumption, and simplifying the manufacturing process, particularly in regard to its sewing machine and vacuum lines. In 2021, energy reduction solutions included, sharing of packaging carton, plastic part universalization, and reduce motor energy usage.

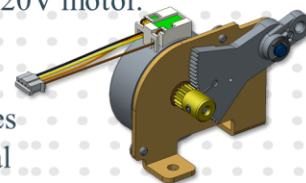
Reduce motor energy consumption

Before

In the past, **the sewing machine's current of stepper motors was fixed and designed with the maximum required current value.** However, when stepper motors operate, there are different speeds and steps required, and the required current values are also different, so the old design caused energy waste.

After

To avoid the energy wasted, Zeng Hsing improve the program design, setting suitable factors for the stepper motor to provide the best current according to different operating conditions. Each computerized sewing machine can save 0.108 W per hour as of 220V motor. This design improvement is expected to be introduced into the Computerized sewing machines produced in 2022. If the 2022 total production of computerized sewing machine same as in 2021, is estimated to **reduce about 18 tons of CO₂e.**



Notes :

1. Carbon emission calculation formula=Electricity consumption of a machine throughout its lifecycle*Number of machines manufactured in the year*Average product electricity emission factor.
2. Electricity consumption of a machine throughout its lifecycle (kWh)=Rated power consumption (W)*Hours of durability testing/1000. Average product electricity emission factor was obtained from Taiwan EPA Carbon Footprint Information Platform and calculated as follows: electricity emission factor of each area*sum of sales.

Common Parts / Carton

In order to avoid the depletion of natural resources and reduce energy consumption, the RD unit develops new models while considering the commonality of cartons.

Carton sharing rate of new models in 2021



In the appearance design phase, maximizing the commonality of parts can reduce the complexity of material management, reduce the average energy consumption of a single part during mass production, and save mold development cost. **A total of 70 molds were saved in 2021.**



MXXD share MXXXC



KXXW share with KXXE

Minimize power cable ferrite bead

Minimizing parts size is also can reduce energy consumption and resource consumption. In accordance with product safety regulations, a ferrite bead must be added to the power cable. The ferrite beads are made from a ferrimagnetic material commonly referred to as ferrite and are mainly used to solve electromagnetic compatibility (EMC) problems of electrical circuits. In 2021, the research and development department minimized the power cable ferrite bead of the sewing machine, which already passed EMC testing, reliability & functional verification. After improvement, the weight of each ferrite bead is **reduced by 62%**. This design has been introduced into the H7XD series models, which can **reduce the consumption of ferrite bead materials by 214 kg** based on the production volume in 2021.

Before



Buckle weight : 26 G

After



Buckle weight : 16 G

7.4 Circular Economy

In addition to employing volunteer teams to assist in the promotion of circular economy, Zeng Hsing also actively promoting green logistics to reduce packaging waste. By changing the original one-way logistics mode of “raw materials-products-waste”, we instead constitute the reverse logistics of “raw materials-products-recycled products”. The benefits of green logistics not only include the reduction of waste, but also that of the impact of deforestation on the environment.

* Recycling and Reusing Boxes/Using Turnover Boxes Instead of Cardboard Boxes

Zeng Hsing aspires to have all of its suppliers use recyclable/reusable materials during delivery and turnover boxes instead of cardboard boxes when transporting raw materials and components. Consequently, the CSRO and Manufacturing and Logistics Division met in 2020 to discuss how to advocate for Company suppliers to adopt green logistics and use data on cardboard/turnover boxes to evaluate green logistics performance. For this process, material staff would first ascertain the number of cardboard boxes recycled or replaced by turnover boxes each month. Then, the weight of specific boxes is calculated, and monthly figures are reported to the CSRO. Finally, the CSRO calculates the annual reduction in boxes used and the amount of carbon emitted based on the carbon footprint of corrugated paper to determine the reduction in carbon emissions. At the same time, the CSRO also converts cardboard savings to tree savings to determine the quantity of trees saved.

Based on the statistics provided by the CSRO, cardboard box consumption in ZH Taiwan and ZH Vietnam was reduced by 79 tons starting in 2021, a figure equivalent to 1,571 trees or 105 tons of carbon. In the future, Zeng Hsing will continue to promote green logistics in hopes that all factories and suppliers will eventually incorporate green design, green production, green supply chain, and green logistics into their operations, thereby protecting the environment by way of the Company's influence and partnerships with suppliers.



* Love Earth Project by ASUS Foundation: Recovering Reverse Logistics and Donating Recycled Computers

In compliance with the government's pandemic prevention policy, Taiwan Headquarters enforced work-from-home measures in 2021. Company laptops were issued to a portion of employees, while the company's desktop computers were replaced due to the hardware specifications no longer satisfying the company's internal system requirements.

In fact, discarded IT equipment and electronic devices contain various precious metals, all of which can be recovered for reuse. If discarded devices are not properly sorted and processed, changes in metal chemistry might indirectly pollute and contaminate the environment around the landfill site. To protect the environment, Zeng Hsing took part in ASUS Foundation's Love Earth Project, which aims to recover reverse logistics and donate recycled computers. In 2021, Zeng Hsing donated 73 desktop computers, 31 liquid-crystal displays, and 170 computer accessories (printers, mouse, keyboard, and cables, etc.). By donating instead of discarding electronic devices, we help reduce pollution and waste. Moreover, the computers are refurbished and donated to students and social welfare organizations in rural areas. Thus, resources were recycled and reused to improve the digital gap among disadvantaged individuals.



*Taiwan Cheer Champ (TCC)- secondhand sewing machine recycling service

Taiwan Cheer Champ (TCC), an affiliate of Zeng Hsing, has been promoting secondhand sewing machines for many years. Through offering a complete secondhand sewing machine recycling service, consumers are able to trade in their old sewing machines for a newer model at a discounted price. Afterwards, the recycled secondhand machines are refurbished and graded into A, B, and C, depending on the cosmetic condition of the machines, and sold to consumers with four guarantees:



8 Appendix

8.1 Global Reporting Initiative Index [102-55]

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Core	102-3	Location of headquarters	1.1 About Zeng Hsing	10
Core	102-4	Location of operations	About ESG Report	1
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	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	5.4 A Culture that Encourages Safety and Responsibility	82
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	403-9	Work-related injuries	5.4 A Culture that Encourages Safety and Responsibility	82
	403-10	Work-related ill health	5.5 Employee Health Management and promotion	86

GRI Standards	Disclosure Number	Disclosure Title	Related Section	Page No.
Social Performance				
GRI 103 Management Approach	103-1	Explanation of the material topic and its Boundary	5.4 A Culture that Encourages Safety and Responsibility	82
	103-2	The management approach and its components	5.4 A Culture that Encourages Safety and Responsibility	82
	103-3	Evaluation of the management approach	5.4 A Culture that Encourages Safety and Responsibility	82
GRI 404 Training and Education ^{*7}	404-1	Average hours of training per year per employee	5.3 Employee Training and Development	76
GRI 103 Management Approach	103-1	Explanation of the material topic and its Boundary	5.3 Employee Training and Development	76
	103-2	The management approach and its components	5.3 Employee Training and Development	76
	103-3	Evaluation of the management approach	5.3 Employee Training and Development	76
GRI 408 Child Labor ^{*12}	408-1	Operations and suppliers at significant risk for incidents of child labor	3.5 Regulatory Compliance	50
GRI 103 Management Approach	103-1	Explanation of the material topic and its Boundary	3.5 Regulatory Compliance	50
	103-2	The management approach and its components	3.5 Regulatory Compliance	50
	103-3	Evaluation of the management approach	3.5 Regulatory Compliance	50
GRI 402 Human Rights Assessment	412-2	Employee training on human rights policies or procedures	5.2 Employee Benefits and Rights	70
GRI 413 Local community ^{*15}	413-2	Operations with significant actual and potential negative impacts on local communities	6 Social Involvement	89
GRI 103 Management Approach	103-1	Explanation of the material topic and its Boundary	6 Social Involvement	89
	103-2	The management approach and its components	6 Social Involvement	89
	103-3	Evaluation of the management approach	6 Social Involvement	89
GRI 416 Customer Health and Safety ^{*5}	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.5 Regulatory Compliance	50

GRI Standards	Disclosure Number	Disclosure Title	Related Section	Page No.
Social Performance				
GRI 103 Management Approach	103-1	Explanation of the material topic and its Boundary	3.5 Regulatory Compliance	50
	103-2	The management approach and its components	3.5 Regulatory Compliance	50
	103-3	Evaluation of the management approach	3.5 Regulatory Compliance	50
GRI 417 Marketing and Labeling	417-2	Incidents of non-compliance concerning product and service information and labeling	4.2 Marketing of Products and Services	55
	417-3	Incidents of non-compliance concerning marketing communications	4.2 Marketing of Products and Services	55
GRI 419 Socioeconomic Compliance ^{*3}	419-1	Non-compliance with laws and regulations in the social and economic area	3.5 Regulatory Compliance	50
GRI 103 Management Approach	103-1	Explanation of the material topic and its Boundary	3.5 Regulatory Compliance	50
	103-2	The management approach and its components	3.5 Regulatory Compliance	50
	103-3	Evaluation of the management approach	3.5 Regulatory Compliance	50

8.2 Independent Third-Party assurance



Independent Assurance Statement

Introduction:

TÜV Rheinland (Guangdong) Ltd., member of TÜV Rheinland Group, Germany (TÜV, We) has been entrusted by the management of ZENG HSING INDUSTRIAL CO., LTD. (Zeng Hsing, the Company) to conduct independent assurance of Zeng Hsing Corporate Sustainability Report 2021 (the Report). All contractual contents for this assurance engagement rest entirely within the responsibility of Zeng Hsing. Our task was to give a fair and adequate judgment on the Zeng Hsing Report 2021.

The intended users of this assurance statement are stakeholders having relevance to the Zeng Hsing overall Sustainability Performance and impacts of its business activities during 2021 (January 2021 ~ December 2021). TÜV Rheinland is a global service provider of CSR & Sustainability Services in over 65 countries, having qualified professionals in the field of Corporate Sustainability Assurance, Environment, Social and Stakeholder Engagement. We have maintained complete impartiality and independence during the assurance engagement and were not involved in the preparation of report contents.

Assurance Standard:

The Independent Assurance was carried out in accordance with AccountAbility, U.K Standard AA1000 Assurance Standard v3 and related standards AA1000 AccountAbility Principles (2018), AA1000 SES (2015), Principles of Inclusivity, Materiality, Responsiveness and Impact, Global Reporting Initiative (GRI), 'In accordance'-Core option" reporting guidelines as per GRI-Standards.

Scope & Type of Assurance:

Our Assurance engagement covers the following:

- Zeng Hsing Corporate Sustainability performance as described in the report 2021 in accordance with GRI reporting guidelines and performance indicators and according disclosure on management approach (DMAs) from Economic, Environment & Social category, also defined in Reporting boundaries.
- Evaluation of disclosed information in the report as per the Assurance Standards.
- Type-1, Moderate Level as per AA1000 Assurance Standard v3

Limitation: The assurance engagement was carried out at Zeng Hsing at Taichung City, Taiwan. The consultations with external stakeholder were not carried out. We have not observed any significant situations to limit our assurance activity. The verification is carried out based on the data and information provided by Zeng Hsing, assuming they are complete and true. We did not verify the reported financial data as same is verified by another third party in annual report.

Assurance Methodology:

TÜV has challenged the report contents and assess the process undertaken by Zeng Hsing from source to aggregate in disclosure of information related to Sustainability performance. Our judgment is based on the objective review of reported and based on the principles defined in the assurance standards, the principles of inclusiveness, materiality, responsiveness and impact, and the integrity of the data provided in the report.

Analytical methods and the performance of interviews as well as verification of data, done as random sampling, to verify and validate the correctness of reported data and contents in light of contractual agreement and the factual Zeng Hsing Corporate Social Responsibility strategy (CSR) as mentioned in the report. Our work included consultation with over 10 Zeng Hsing representatives including senior management and relevant employees. The approach deemed to be appropriate for the purpose of assurance of the report since all data therein could be verified through original proofs, verified database entries.

The Assurance was performed by our multidisciplinary team of experienced professionals in the field of Corporate Sustainability, Environment, Social and Stakeholder Engagement. We are of the opinion that our work offers a sufficient and substantiated basis to enable us to come to a conclusion mentioned below and based on the content of our contract.

Adherence to AA 1000 principles:

Inclusivity: Zeng Hsing has continually sought the engagement of its stakeholders, identify and understand their stakeholder, and use the communication mechanism to identify the material issues and achieve an accountable response.

Materiality:

Zeng Hsing has implemented the material issues identification processing. The identification was based on the requirements and focus of attention of the stakeholder, the consideration of the company internal policy, shareholders meeting, questionnaires and the understanding and communication on the sustainable development content. The sustainability information disclosed enables it's stakeholders to make informed judgements about Zeng Hsing's management and performance.

Responsiveness:

Zeng Hsing has implemented the policy including environment and safety, hazardous substances, quality, intelligent property management and corporate social responsibility. The report disclosed the management system of the company and stakeholder engagement, responding to their stakeholders against material issues of the sustainable development.

Impact:

Zeng Hsing has identified and fairly represented impacts that were measured and disclosed in effective way. Zeng Hsing has established processes to monitor, measure, evaluate and manage impacts that lead to more effective decision-making and results-based management within the organization.

Conclusion:

In conclusion, we can mention that no instances or information came to our attention that would be to the contrary of the statement made below:

- Zeng Hsing Corporate Sustainability Report 2021 meets the requirement of Type-1, Moderate Level Assurance according to AA1000AS v3 and Global Reporting Initiative (GRI), 'In accordance'-Core option" reporting guidelines as per GRI-Standards.
- The Report includes statements and claims that reflects Zeng Hsing achievements and challenges supported by documentary evidences and internal records
- The performance data we found in the report are collected, stored and analyzed in a systematic and professional manner and were plausible.
- TÜV Rheinland shall not bear any liability or responsibility to a third party for perception and decision about Zeng Hsing based on this Assurance Statement.



For TÜV Rheinland Group

Vito Lin

Vito C. C. Lin

Lead Verifier



Corporate Sustainability Reports

