

# 2022 Zeng Hsing

## Corporate Sustainability Report



## A Message from the CEO



In response to the tightening of ESG regulations in Taiwan, Zeng Hsing has stepped up its efforts to meet environment, social responsibility, and corporate governance requirements in 2022. We have incorporated sustainability policies into our development strategy, demanded specific implementation and ESG performance outcomes, and exhibited Corporate Social Responsibility through actions.

Since 2014, we have implemented **ISO 14064-1** greenhouse gas inventory and internal verification systems across its 4 plants in Taiwan, Vietnam, Shinco, and China to efficiently manage the greenhouse gas emissions and improve environmental performance. Despite awaiting third-party verification, we take great pride in our recognition and subsequent implementation of ISO14064-1 a decade ago as a precautionary measure, which has allowed us to respond to the new ESG regulations with confidence. As part of its efforts to reduce energy consumption and greenhouse gas emissions while improving environmental performance, we have completed external verification under ISO14064-1 standards to ensure regulatory compliance, adopted the principles outlined in **ISO 50001** energy management systems, and established energy conservation and carbon reduction objectives. We acknowledge that everything is challenging at first, but with perseverance, success is possible. We are committed to achieving sustainability through our explorative and innovative endeavors, pursuit of a circular economy, and continuous energy conservation and carbon reduction measures.



In 2022, we launched an **online sewing workshop** to sustain our efforts following the widespread disruption of charity initiatives caused by the pandemic. Video conferencing technology enables a departure from conventional step-by-step instructional approaches, allowing seniors in remote areas and adolescents in youth facilities to learn without imposing transportation costs and time commitments, thereby reducing the environmental impact of transportation emissions, and achieving both environmental and economic benefits. We also partnered with the Clothes Association with Technical Degree A to preserve **traditional sewing skills in rural elementary schools**. We donated sewing machines and equipment, while members of the Association taught skills to elementary school students in rural areas. The project's primary objective is to provide learning opportunities on handmade culture at a young age, pass down sewing skills from one generation to the next, and improve their behavior by reducing reliance on electronic products. We believe that these initiatives will help more people, raise awareness of social responsibility, and elevate our CSR practices.



In the 2022 **Corporate Governance Evaluation**, we continued to excel and ranked in the **TOP 5% with a market value of NT\$ 5 to 10 billion**. In addition, we maintained the rank of 6% to 20% with a market value greater than NT\$ 10 billion, fully demonstrating our achievements and competitiveness. However, maintaining an outstanding performance in CGE is extremely challenging. Each year, the TWSE modifies indicators and raises the level of weighting, requiring companies to examine feasibility and introduce policies to ensure compliance with new standards to obtain good results. We strive to pursue innovation and improvement in our corporate governance efforts by promoting institutional progress, enhancing transparency and accountability, and ensuring that operations comply with the latest international standards and best practices. We appreciate the long-term support of our partners as we are firmly committed to strengthening our sustainability management, enhancing employee awareness and participation, incorporating the concept into our corporate culture, and increasing our contributions to shareholders, customers, employees, society, suppliers, and the environment.

Chief Executive Officer

General manager

*Charles Lin*

*Leo Liu*





## Environment

- Green design : 5 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.
- Environment Activities : Held mountain clean-up and second-hand charity sale.
- Other green result : Green logistics project saves 2,271 trees, refurbishes, and sells used sewing machines to reduce carbon emissions by 21 tons, and has a 72% resource recovery rate.
- Working environment testing : All subsidiaries complied with local standard.



## Social

- **Employee benefits** : Taiwan HQ add maternity leave benefits.
- **Social welfare** : Charity donation in the past 12 years was 11.94 million and 1,467 sewing machines.
- **Volunteer team** : In 2022, we have accumulated 1,618 hours and hosted 18 charity events.
- **Human rights** : Taiwan HQ held 286 hours of human rights training.
- **Supplier CSR evaluation** : 29 suppliers site visits were completed, and all of them were qualified.
- **Customer satisfaction** : 8.5 points (out of 10) ◦



## Governance

- Economic Performance : EPS has been above NT\$8 for 11 consecutive years.
- Corporate Governance Evaluation : TOP 5% (Group of market value between NT\$5 billion and NT\$10 billion)
- ESG Report : By 2022, 9 copies have been issued and a third-party verification statement has been obtained. Launched the English version report.
- Anti-corruption education and training : 365 people have been training.
- Regulatory compliance : No major violation occurred. A total of 284 hours of legal courses for employees in Taiwan

# Sustainability Highlight







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# 1. Organization Profile

## 1.1 About Zeng Hsing

Topic	Details
Date of Establishment	1968
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\$ 665,356,310
Employees (ZH Group)	2,330 (as of 2022/12/31)
Operating Revenue	NTD 7,198,245,000

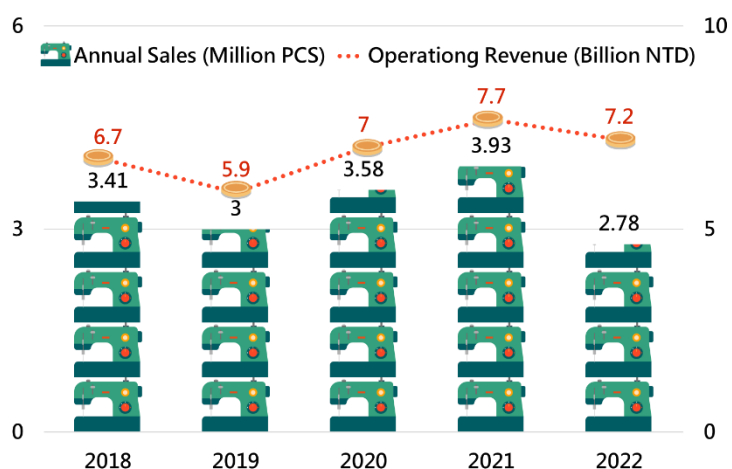
Notes : Employees include ZH Taiwan, ZH Vietnam, Shinco and ZH China.

## 1.2 Operating and financial information

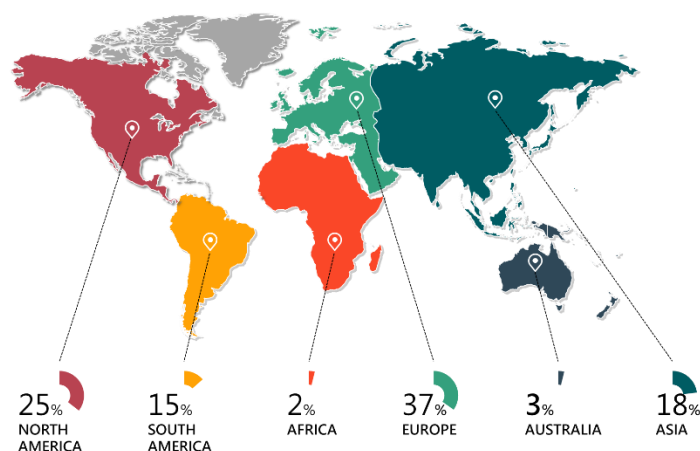
Topic/Year	2020	2021	2022
Operating Revenue	6,966	7,720	7,198
Operating Cost	5,776	7,007	6,820
Employee payroll and benefits/welfare	1,065	1,182	1,311
Tax expenditure	285	149	183
Retained earnings	3,280	3,239	3,165
Dividends expenditure	533	575	515

Unit : Millions (NTD)

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



Operating Revenue and Annual sales



2022 Sales Market Share

## 1.3 Zeng Hsing Product lines

# Sewing Machine

### Mechanical



MA Series



M Series



8000 Series



K Series



Q Series

### Computerized



H Series



H7xA Series

### Embroidery



### Overlock



### Commercial upright



ZV300B



ZV300D



300AZ



ZV300D

### Backpack & Portable canister



BPVF1



BPVF2



BBAE

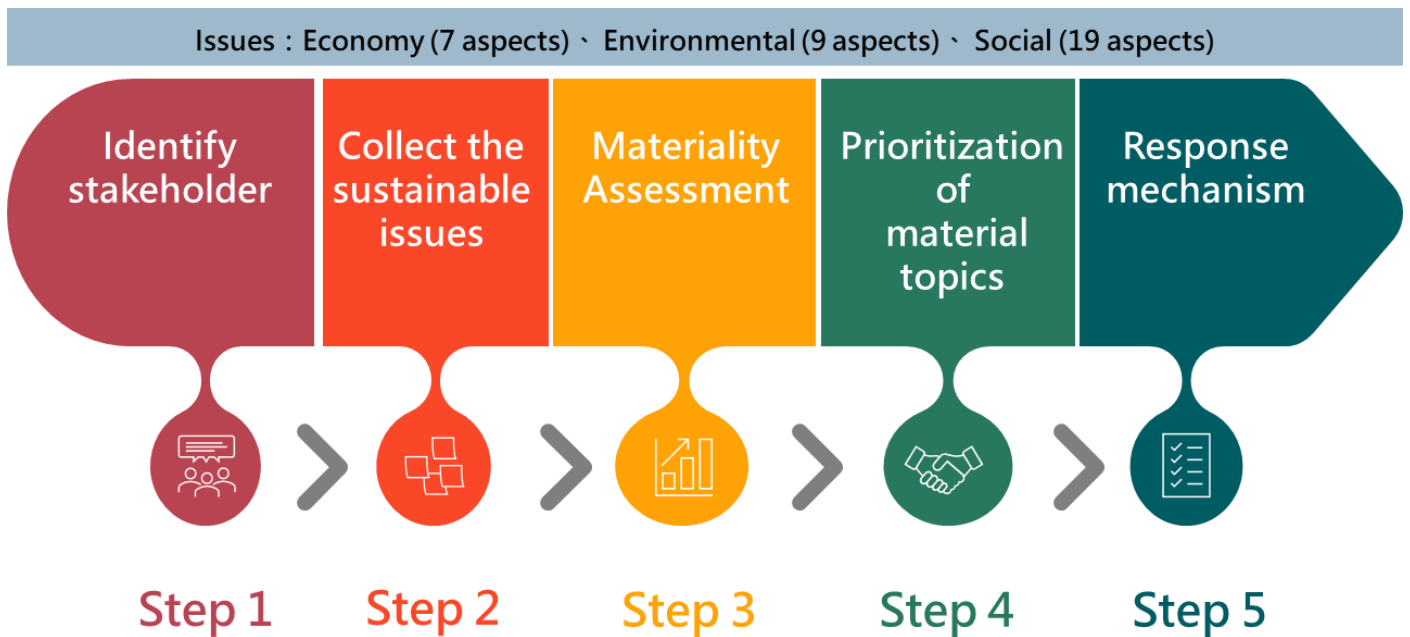


BHB

# Vacuum Cleaner

## 2. ESG Materiality assessment & Stakeholders communication

### 2.1 Materiality Analysis



**STEP 1** Identification of stakeholders: Performed every 3 years based on the AA1000 Assurance Standard. Our stakeholders consist of customers, investors/banks, employees, local community residents/neighboring factories, government agencies, and suppliers.

**STEP 2** Collecting issues of concern: Based on the 31 topics of GRI (2022), we further incorporated social and environmental compliance from GRI (2021), product lifecycle according to SASB (Home Appliance Manufacturing), and governance evaluation highlighted by the Taiwan Stock Exchange. These were compiled into a thematic list, resulting in a total of 35 themes for the year 2022."

**STEP 3** Materiality analysis: Evaluated by an external expert and a scholar based on the actual or potential negative impacts and positive effects on the economy, environment, and society. A total of 16 material topics have been identified for 2022.

**STEP 4** After the material topics have been ranked, targets and boundaries both within and outside the organization are identified through internal discussions.

**STEP 5** Material topics are incorporated into operations and annual plans to serve as a foundation for stakeholder communications and sustainable development strategies.



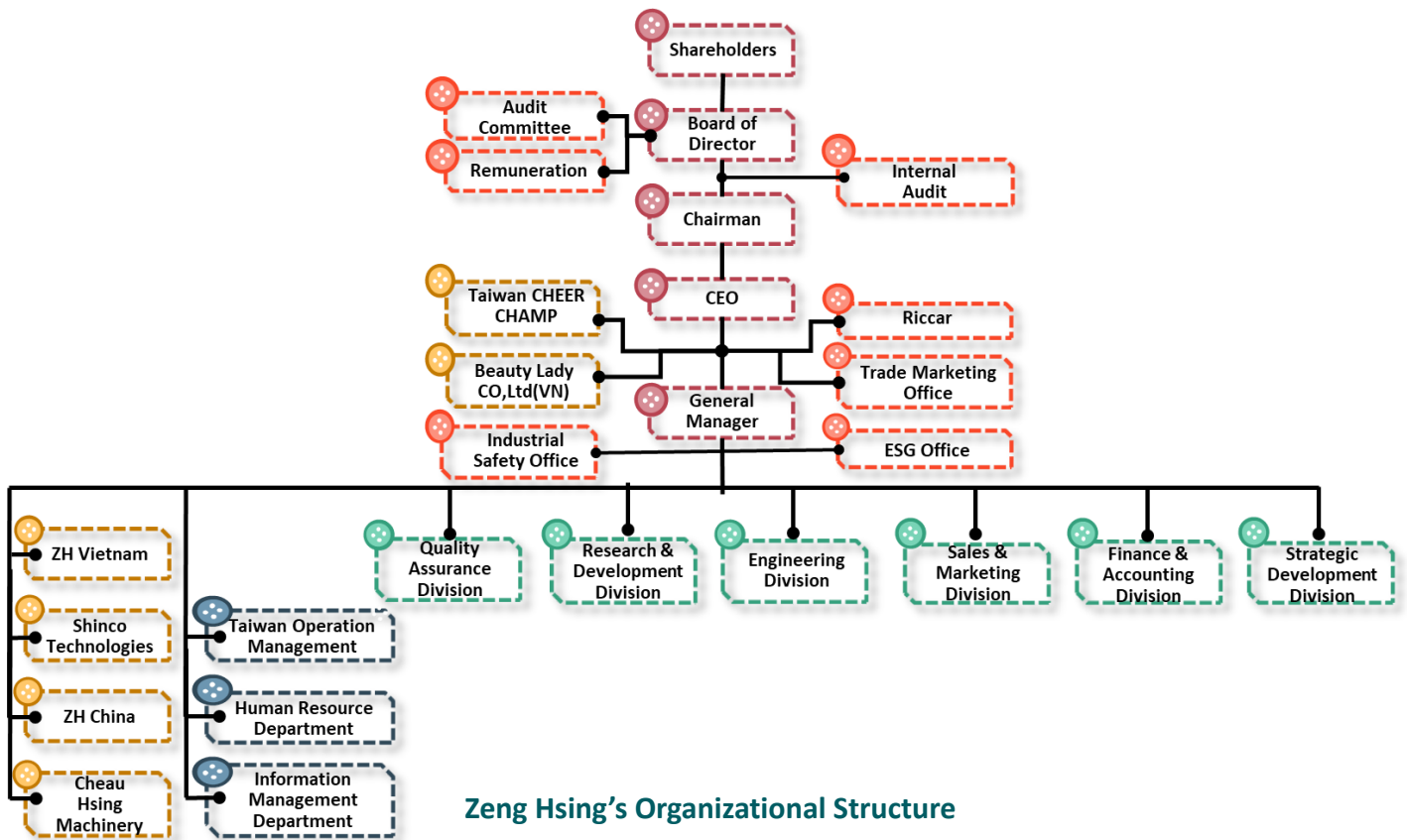
The 2022 material topics are presented in order of significance below:

Ranking	Topic	Ranking	Topic	Ranking	Topic
1	Economic Performance	13	Training & Education	25	Non-Discrimination
2	Emissions	14	Waste	26	Water & Wastewater
3	Occupational health and safety	15	Local Communities	27	Freedom of Association & Collective Bargaining
4	Employment	16	Indirect Economic Impacts	28	Forced & Compulsory Labor
5	Energy	17	Supplier Assessment	29	Employee Diversity & Equal Opportunity
6	Socioeconomic Compliance	18	Customer Privacy	30	Security Practices
7	Corporate Governance	19	Anti-Corruption	31	Taxes
8	Customer Health & Safety	20	Market Position	32	Anti-Competitive Behavior
9	Product Life Cycle Environmental Impacts	21	Materials	33	Biodiversity
10	Procurement Practices	22	Marketing & Labeling	34	Indigenous Peoples' Rights
11	Environmental Compliance	23	Child Labor	35	Public Policy
12	Labor-Management Relations	24	Supplier Environmental Assessment		

## 2.2 Stakeholders Communication Channels

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
ESG Office	Claire Chung	04-2278-5177#589	csr@zenghsing.com.tw
Procurement	Kelly Wan	04-2278-5177#255	kelly_wan@zenghsing.com.tw
Employees	Jerry Wen	04-2278-5177#700	hr@zenghsing.com.tw

## 3 Corporate Governance



### 3.1 Management of Corporate Operations

The Corporate Management Committee comprises top executives from various departments and subsidiaries, responsible for formulating and overseeing long-term strategies and objectives, risk management, legal compliance, and integrity affairs. Monthly meetings assess the external environment and manage internal operations. Strategic discussions assess internal and external risks and opportunities, as well as develop corresponding roadmaps and objectives in Q4. The Strategic Development Department monitors implementation of each department conducts quarterly calibration based on actual conditions, then improves and reduces operational risks by adjusting objectives and conducting gap analysis and review.

According to 2022 risk identification, primary uncertain threats are the doubling of commodity prices due to changes in the macro environment, the post-pandemic decline in market demand, the slow depletion of finished product inventories, and the shifting of orders. Based on the risks, the Strategy Development Division monitors monthly trends in exchange rates and raw materials to inform the Corporate Management Committee; sales department continues to strengthen relationships and strategies for mid- to-high-end product lines; the HR department develops plans to enhance 6 major professional competencies (production & sales, quality management, business management, cost management, IT and IE). We promote and enhance efforts in innovation, preliminary research, omnichannel integration, diversification, and talent cultivation to meet future requirements.

## 3.2 Integrity Management

### Zero tolerance for corruption

The ESG mailbox has not received any reports on integrity management or ethical violations, nor instances of termination due to corruption, bribery, and extortion.

### Employee training

Taiwan headquarters has conducted anti-corruption training and education programs, with 365 trainees this year.

### Supplier education

98 suppliers participated in integrity and ethics education programs, and all new suppliers were required to sign an integrity and confidentiality agreement.

### Anti-corruption survey

Questionnaires on anti-corruption were distributed to employees, and a devoted team was responsible for executing improvement strategies derived from results.

## Anti-corruption Policy

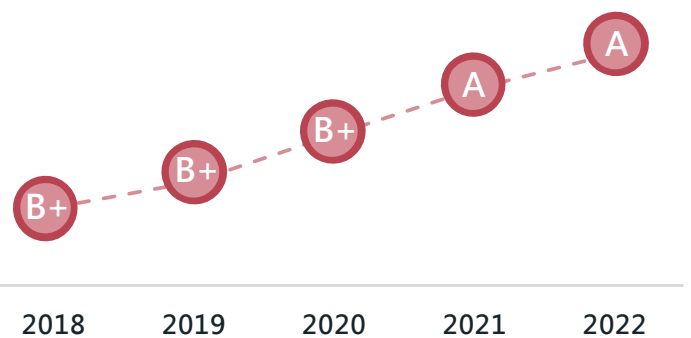
Integrity is the guiding principle underlying our operations. We recognize that corrupt, unethical, or dishonest practices will damage our reputation and the interests of our stakeholders. To strictly adhere to anti-corruption laws and regulations, we have established the **Principles of Corporate Governance, Principles of Integrity Management, Procedures and Code of Conduct for Integrity Management, and Code of Conduct for Ethics** to prohibit dishonest behaviors that infringe on integrity or laws to minimize risks. We ensure implementation of policies through internal control mechanisms and training programs conform to ESG guidelines and meet the corporate sustainability index.

We have established reporting systems and independent investigation mechanisms that protect the confidentiality and anonymity of whistleblowers. Anyone who suspects our employees of violating ethics, committing a crime, engaging in fraud, or breaking the law may file a report. **All our employees and partners must comply with this policy to create an environment conducive to corporate sustainability.**



## 3.3 Corporate Governance Evaluation

Since 2014, our Taiwan headquarters has participated in the Corporate Governance Evaluation held by the Taiwan Stock Exchange Corporation to review general structure and strengthen internal control systems.



(TOP 5 % = A + ; 6%-20%=A ; 21%-35%=B+ ; 36%-50%=B ; 51%-65%=C+ ; 61%-80%=C ; 81%-100%=D)

**Corporate Governance Assessment Grades in the Past Five Years**

### 3.4 Sustainable Development Management

In 2018, we established the ESG Office and formulated policies for sustainable development. We also created the ESG Committee, with the chairman of the board serving as an advisory member and the general manager as chairman. As designated members, department heads are responsible for promoting relevant ESG policies.

As executive assistant to the ESG Committee, the ESGO is responsible for collecting and analyzing global trends and issues, identifying risks and opportunities, and collaborating to develop response strategies and plans. An annual ESG Corporate Consensus Meeting is held by ESGO to evaluate current status and future directions. In addition, a target review and conclusion meeting is convened during the second quarter where all members assess the status of ESG target implementation.

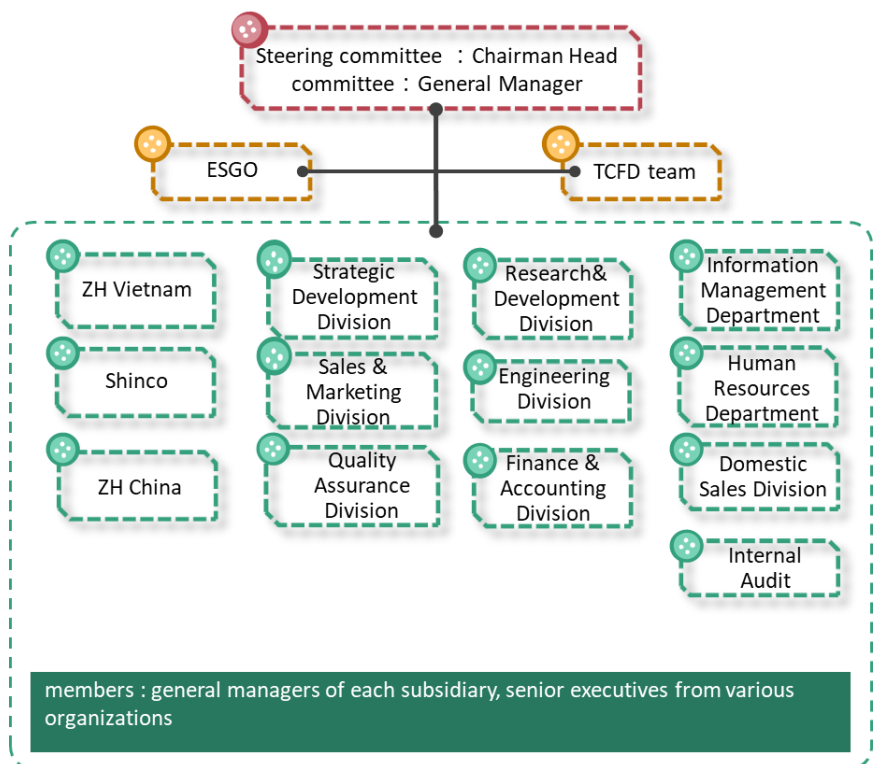
The ESG Committee consistently updates the board on the implementation progress of ESG policies, which encompasses the results of materiality identification, policy formulation, and the setting as well as execution of targets. The board evaluates the feasibility of these actions to ensure alignment with future developments and makes necessary adjustments.

In 2022, we adopted a total of 88 CSR targets, of which 78 were met and 10 were not, achieving an overall success rate of 89%. The departments that fell short of their targets have completed a gap analysis and improvement measures. We have established 78 ESG-related targets for 2023, with an emphasis on environmental and social (employee) aspects.

#### Sustainable Development Policy

-  Strengthening corporate governance, information disclosure, and the sustainability of operations
-  Promoting the craft of sewing, contributing to society, and giving back to the community
-  Encouraging growth through care for employee well-being and occupational safety
-  Striving for exceptional quality, reliable products, and high customer satisfaction
-  Strengthening relationships with our supply chain partners to create co-prosperity
-  Promoting the circular economy, carbon reduction, and environmental sustainability

#### Organizational Structure of ESG Committee



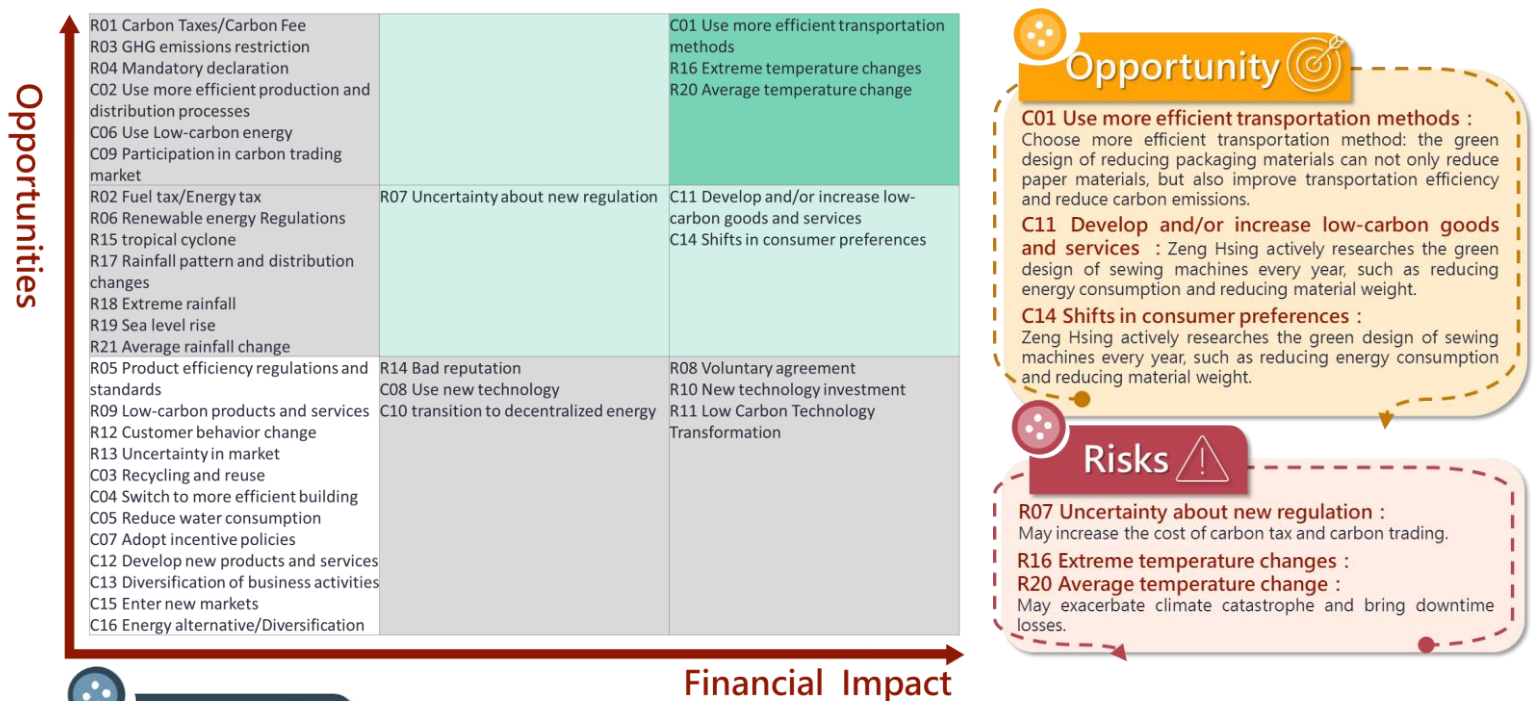


### 3.5 Climate Change Risk Management

Zeng Hsing refers to the TCFD disclosure framework to develop relevant methodologies for governance, strategies, risk, and opportunity assessments, and setting indicators and targets. We have established a TCFD Group under the ESG Committee, which convenes a meeting at least once every year, and presents a report to the ESG 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 ESG Office (ESGO).

At TCFD group meetings, the main focus involves sharing relevant regulations and trends, conducting risk and opportunity identification sessions, assessing potential opportunities and risks posed by climate change to the company, integrating climate change factors into operational strategy planning and decision-making processes. This includes establishing climate change risk management procedures and mechanisms, incorporating them into the overall risk management policy, and actively promoting various environmental conservation measures, energy efficiency, and carbon reduction initiatives to mitigate and adapt to the impacts of climate change.

During the joint discussion within the TCFD group on October 31, 2021, a Matrix Diagram of Climate Change related Risks and Opportunities (as depicted below) was developed, comprising 3 opportunities, 1 transformational risk, and 2 physical risks that require action, proposing corresponding management guidelines.



**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 ESG 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.

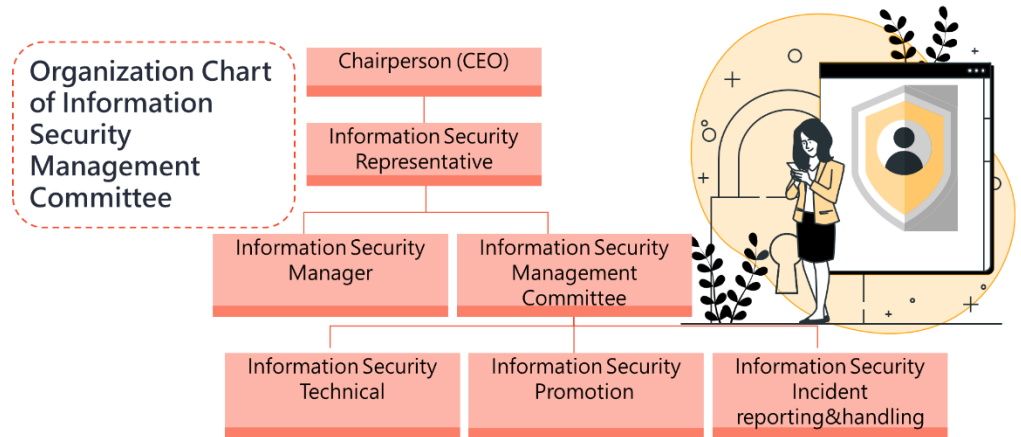
ZH Vietnam is also evaluating the feasibility of building solar panels and it expected to complete the installation in 2023. In addition, please refer to chapter 7.3 Efficient Energy Use in Products and Services for green design related content.



### 3.6 Information Security Management

The Information Security Management Committee, chaired by the General Manager, comprises representatives from each unit's top management, while information security representatives are appointed by the chairperson and categorized based on their responsibilities into the Information Security Technical team, Information Security Promotion team, and Incident Reporting & Handling Group.

To minimize the probability of security incidents, the Security Committee periodically disseminates the latest security information and news for reference, implements online security courses, and conducts security risk drills (2 drills conducted in 2022 to ensure the proper operation of data center information systems). In 2022, the Zeng Hsing Group did not encounter any significant security incidents.



### 3.7 Regulatory Compliance

The Audit Office conducts annual mandatory audits to prevent occurrences under the Regulations Governing the Establishment of Internal Control Systems by Public Companies, and an annual inspection of headquarters and subsidiaries in China and Vietnam.

The Audit Office conducted 4 audits in 2022 to ensure that a system for conveying, consulting, coordinating, and communicating legal matters has been properly established in each department and all operational and management guidelines updated under regulations for compliance to remain in place.

The Taiwan headquarters' Human Resources department organized a total of four regulatory courses in 2022 (such as Gender Equality in the Workplace Act, Labor Law Advocacy, etc.) to provide employees with fundamental knowledge and reduce the risk of regulatory violations. The total learning hours reached 282 hours.

**Protection of child labor and underage workers:** Regarding the management of child labor and underage workers, 4 Zeng Hsing plants have formulated relevant child protection procedures in accordance with the regulations of each country. For instance, the Taiwan HQ adheres to the *Labor Standards Act*, which specifies that child labor refers to employees aged over 15 but under 16, and individuals aged over 16 but under 18 should not engage in hazardous or harmful work. In 2022, the Taiwan HQ, ZH Vietnam, Shinco, and ZH China did not

employ child labor. However, the Taiwan headquarters temporarily employed one underage worker, whose tasks complied with regulations and did not involve hazardous or harmful work. In assessing suppliers for compliance with regulations on child labor and underage workers, a total of 35 suppliers across the 4 Zeng Hsing plants were randomly inspected. **Following on-site audits, no instances of employing child labor or underage workers were found.**

**Zero violations:** In 2022, there were no instances of non-compliance with health and safety regulations, voluntary principles and codes, or products and services that led to substantial fines or penalties. Also, there were no customer complaints on violations of marketing, product service information, labeling laws, privacy rights, or data breaches. None of our plants have incurred fines or penalties for significant violations of human rights, eco-protection, and labor practices.<sup>1</sup>



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<sup>1</sup> According to the Taiwan Stock Exchange Corporation Procedures for Verification and Disclosure of Material Information of Companies with Listed Securities, "material information of TWSE listed companies" refers to the administrative fines for one single event have accumulated to NT\$1 million or more.

# 4 Sustainable Products and Services

## Quality policy

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" — n o defective product shall be accepted, n o defective product shall be produced, and n o defective product shall be shipped. We strive for the highest quality possible for our customers across all stages of the production process.

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.



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.

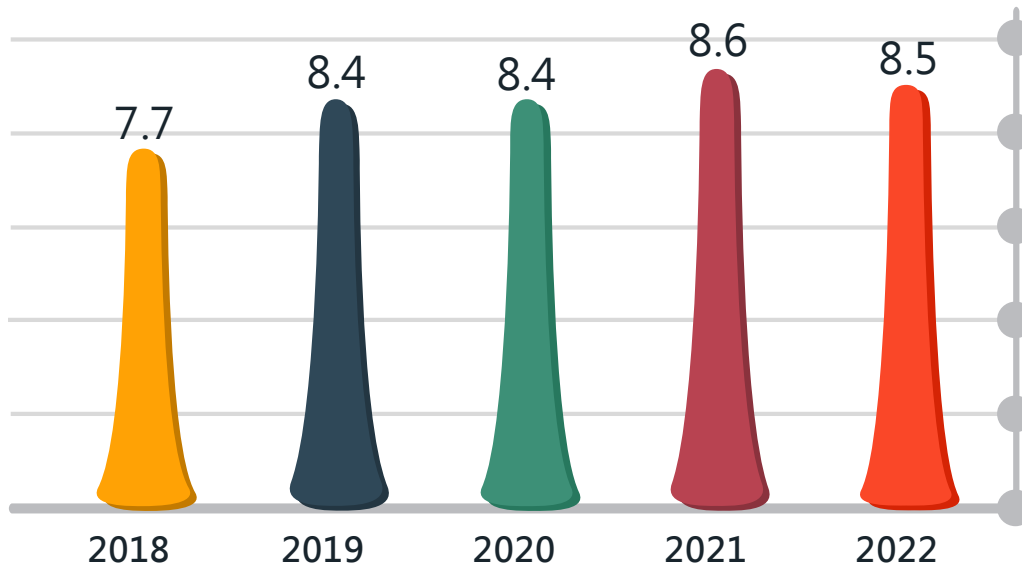
Being good is not good enough. At Zeng Hsing, we are always striving to be better and better. We use the PDCA cycle to constantly monitor and improve our processes in response to internal and external feedback.



## 4.1 Customer Satisfaction

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

23 questionnaires were distributed in 2022 and 18 were recovered. The **average customer satisfaction score for the year was 8.53 (Out of 10)**, which was higher than our target (8 points).



Average customer satisfaction rating over the past 5 years



Procedures for managing customer complaints.

## 4.2 Green Procurement



Based on regulations in jurisdictions where our products are sold, we formulated the **Restricted Substance Management Standard for Zeng Hsing and our suppliers**. 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.

Zeng Hsing conducts random inspections and external testing on suppliers' parts every 4 months to ensure that us and them have controls on restricted substances. **Random tests in 2022 all yielded results that complied with international regulations and standards.**



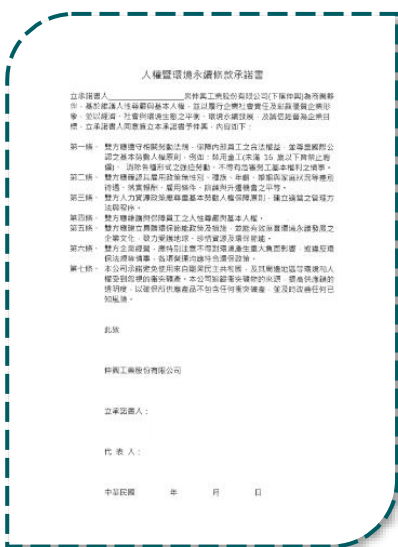
### 4.3 Supply Chain Management

Each plants have respectively published procurement and supplier management rules under local regulatory requirements and stipulated management rules for specific categories including raw materials, hardware, and general supplies. Before listing collaboration partners, our plants must conduct checks in line with applicable regulations to ensure that potential suppliers meet requirements. Existing suppliers are also evaluated regularly on product quality, delivery time, service attitude, green policy cooperation, respect for human rights, etc. Zeng Hsing Vietnam conducts routine supplier social responsibility reviews to evaluate legal compliance on human rights, employee welfare, and working conditions.

#### 4.3.1 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, SA8000 management representatives also to draw up on-site audit plans and carry out on-site audits every year.

Due to their relatively smaller scale of operations, Taiwan HQ, ZH China, and Shinco had yet to establish a comprehensive supplier CSR evaluation process. In 2014, the ESGO successively requested that these three plants establish a comprehensive supplier CSR evaluation process, starting with simple self-evaluations and on-site audits. Taiwan HQ began conducting on-site audits in 2019, with at least five suppliers audited annually. ZH China and Shinco began conducting on-site audits in 2020, also requiring at least five suppliers to be audited annually to determine their CSR implementation statuses. In 2022, Zeng Hsing’s four factories collectively audited 29 suppliers, all of which passed the audit with no significant non-compliances found.



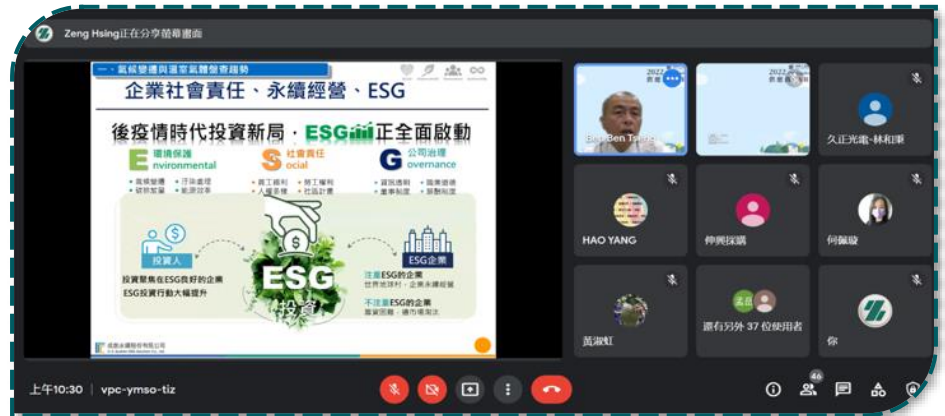
#### 4.3.2 Supplier ESG Commitment

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. In 2021, 9 suppliers signed the terms, and in 2022, an additional 14 suppliers joined the signing list (of which 13 are electronic component suppliers that also committed to not using conflict minerals).

### 4.3.3 Supplier ESG Forum

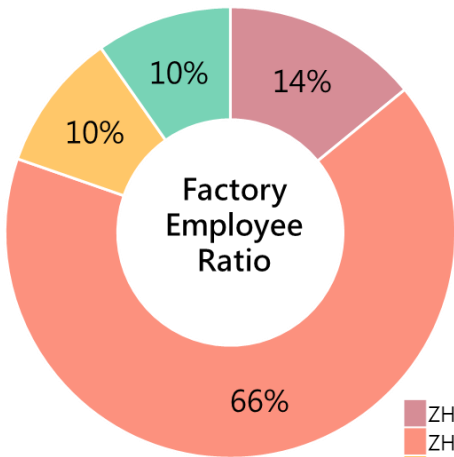
Zeng Hsing Taiwan Headquarters held its first supplier ESG forum in 2022, hoping to provide suppliers with a basic understanding of sustainability and carbon management. The 2022 forum focused on ISO14064-1 greenhouse gas inventory.

Due to the pandemic, the forum was held online with 26 suppliers participating. The average satisfaction score was 4.9 (out of 5). Zeng Hsing will continue to hold supplier forums every year to share ESG knowledge and information with suppliers, helping them to improve their ESG sustainability.

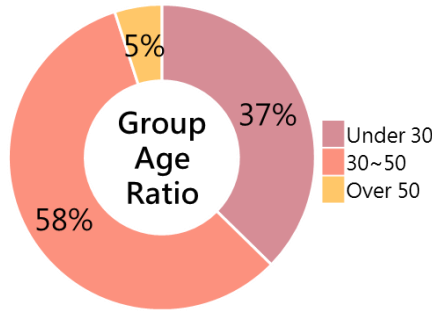


# 5 Inclusive Workplace

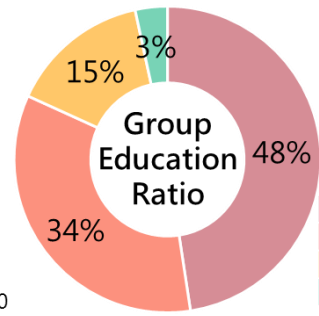
## 5.1 Global workforce structure as of 2022



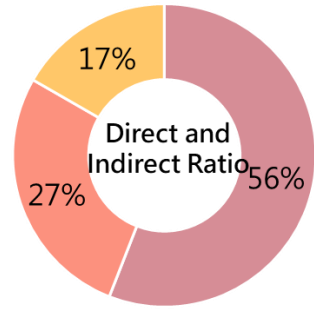
ZH Taiwan  
ZH Vietnam  
Shinco  
ZH China



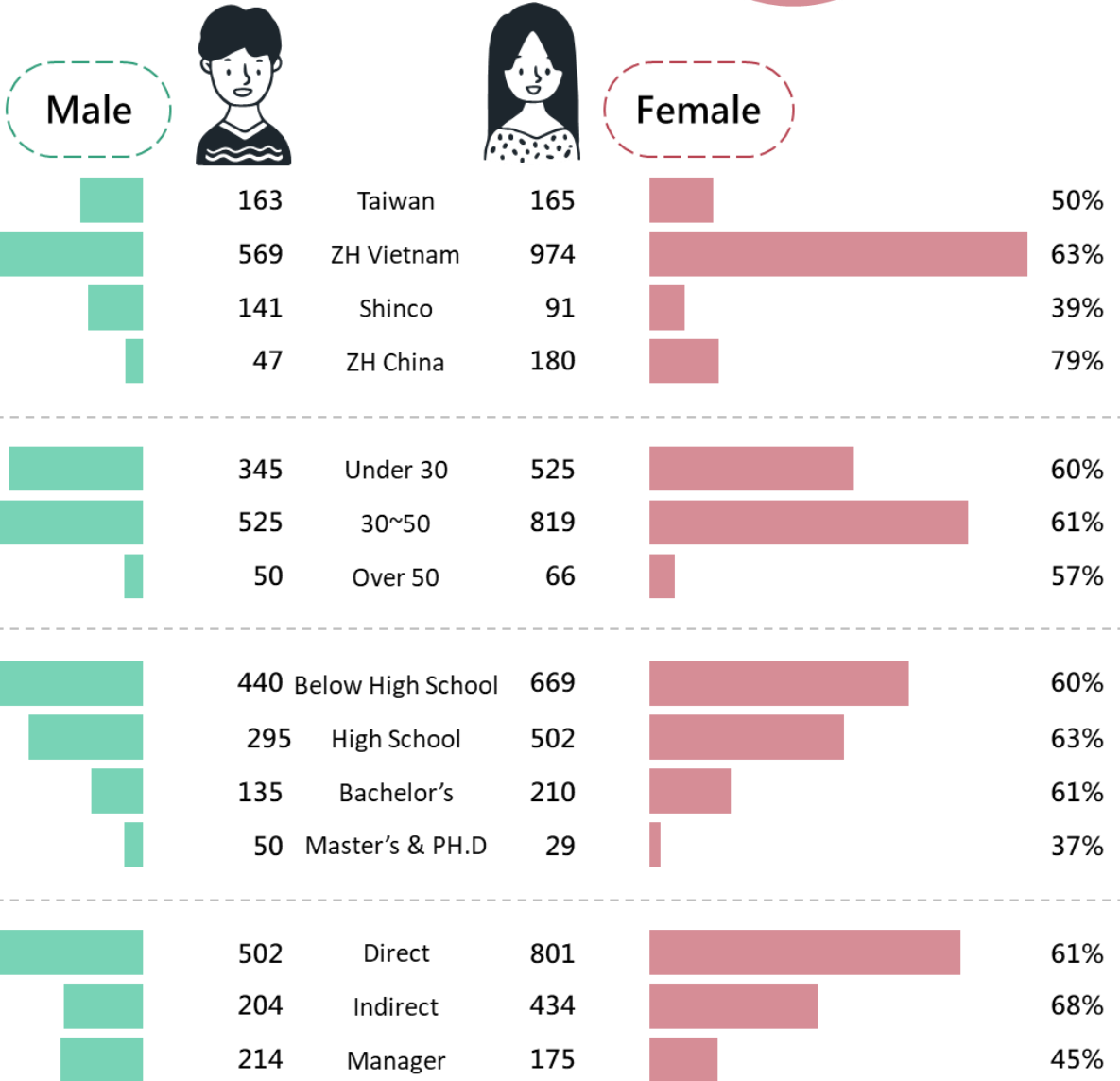
Under 30  
30~50  
Over 50



Below High School  
High School  
Bachelor's  
Master's & PH.D



Direct  
Indirect  
Manager



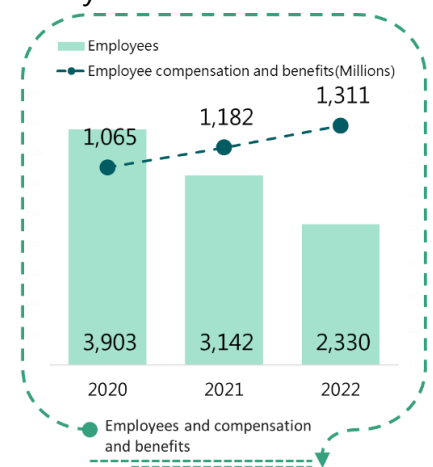
## Protection of human rights and a diverse, friendly workplace

Zeng Hsing complies with international human rights conventions and applicable local laws, pledges to respect human rights, and maintains a corporate policy. The protection of our employees' rights is stipulated in the *Handbook for New Employees, Work Rules, Regulations for Prevention and Management of Unlawful Infringement on Duty, Regulations for Employee Complaint Management, and ESG Policy*. The Taiwan HQ and ZH Vietnam ensured that all new employees received human rights-related education and training. In 2022, the total training hours amounted to 1139 hours, with a 100% training rate for new employees. Additionally, periodic human rights education training sessions were conducted for existing employees, totaling 7 courses in 2022, with a total participation of 1,258 attendees accumulating 286 hours. **There were no reported labor disputes within Zeng Hsing in 2022, and no incidents involving human rights violations, forced labor, discrimination, or employing child labor occurred.**

<u>Gender distribution in ZH Group's management positions</u> Male 55% Female 45%	<u>Equal pay for equal work</u>  Male 1 Female 0.8	<u>Recruitment of retirees returning to work in Taiwan</u>  0.6% of all employees	<u>Recruitment of the disabled in Taiwan HQ</u>  1.2% of all employees	<u>Localization ratio of ZH Group</u>  Local 98.7% Foreign 1.3% <sup>2</sup>
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## 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. The compensation and benefits provided by Zeng Hsing comply with the basic legal requirements of each plant's location. **In 2022, compensation and benefit expenses totaled NT\$1.31 billion.** We maintain a positive labor-management relationship without disputes, violations of human rights, forced labor, discrimination, and child labor in 2022. **An employee satisfaction survey was conducted in Taiwan with an overall average score of 4.3 points (out of 5).**



<sup>2</sup> Foreign employees refer to non-native factory employees. The localization ratio is determined by dividing total foreign employees by total employees.



# 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



## 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 **2022 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
- e-Human Resource Development (eHRD) system
- Sewing skill test



## 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
- Sky garden
- OK mini vending machine



## 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.

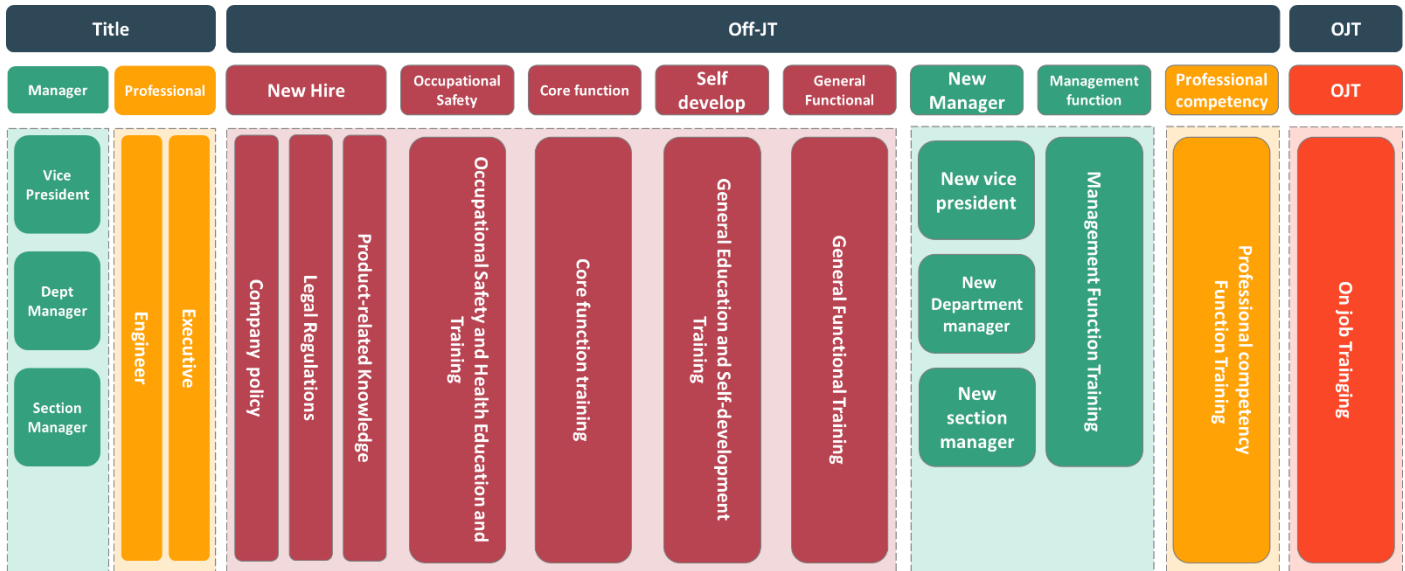
- Provide dormitory
- Staff leisure and living place
- Airport shuttle service
- Home leave
- Flight tickets allowance
- Currency exchange service





### 5.3 Employee training and development

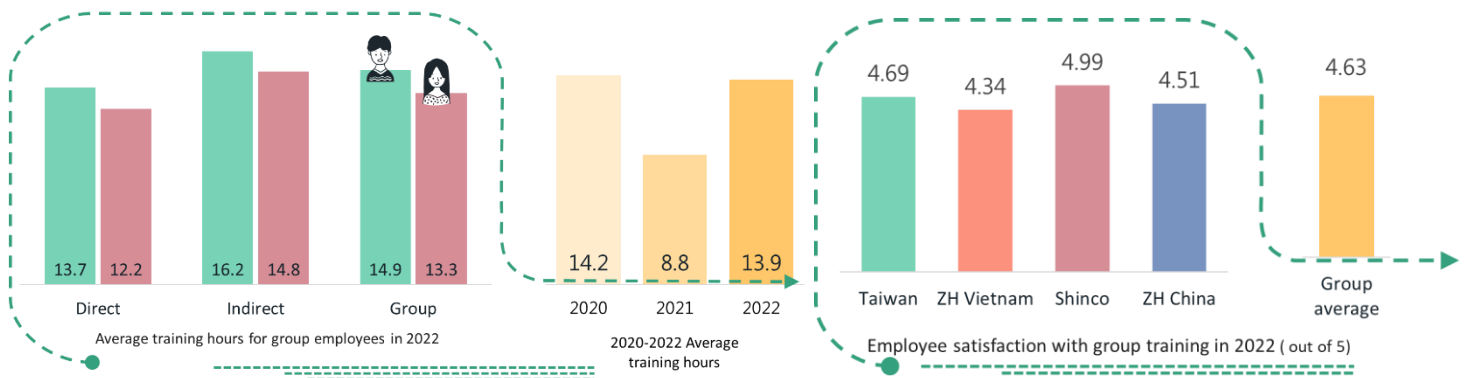
To make the annual education and training in line with the organization’s vision and consistent with the development of the direction of the strategic goals. Zeng Hsing constructs employee training courses based on the human resource development system and has a training map to strengthen employee functions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



The subsidiaries of Zeng Hsing offer diverse learning pathways for employees, ensuring every staff member can enhance their knowledge and explore further developmental opportunities. Additionally, there is no gender-based difference in the planning and arrangement of all employees educational training. The average training hours for male and female employees are 14.9 hours and 13.3 hours, respectively, showing no significant disparity.

Despite the ongoing impact of the pandemic in 2022, the company continued to allocate resources to nurture talent. The Taiwan HQ allocated NT\$5.405 million to education and training expenses over the past 3 years, mainly for internal and external training programs, hiring instructors, and purchasing online training materials through EHRD.

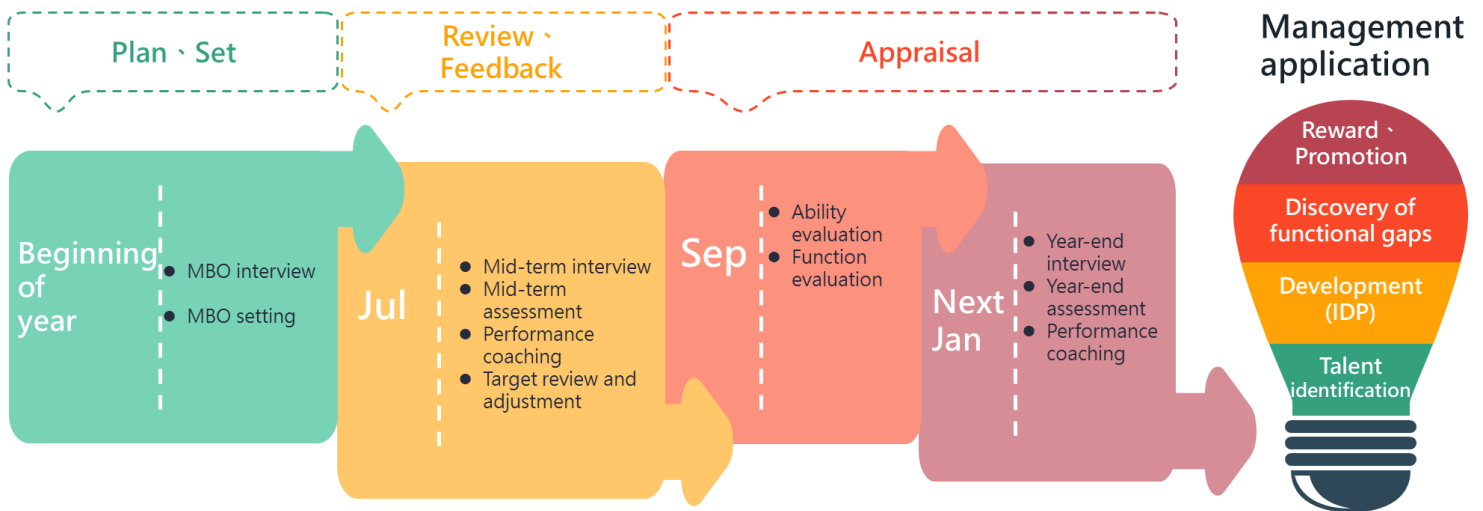
The average satisfaction score for education and training in 2022 was 4.63 out of 5.



## 5.4 Performance Management System

To ensure that the management team understands employees' work achievements and acknowledges their efforts with deserved recognition and rewards, each subsidiary of the Zeng Hsing formulates performance evaluation management methods according to local demands. Regular performance assessments are conducted, aiming not only to review employee performance but also to strengthen communication and assist in their career development. Assessment criteria include attendance, core competencies, professional skills, behavioral attitudes, and personal objectives.

Apart from newly hired employees who have not completed their probationary period, all employees across subsidiaries are subjected to performance evaluations. Employees whose evaluations fall short of expectations are provided with educational training to bridge skill gaps. In 2022, all employees within the group underwent performance evaluations, except for those who had been with the company for less than three months, accounting for 100% of the workforce.



## 5.5 Occupational Safety and Health Management



Comply with (government) regulations and fulfill social responsibilities



Focus on risk management to prevent hazards from occurring



Committed to education and training to implement safety and health



Commitment to Continuous improvement to ensure operational safety

### Safety and Health policy



### 5.5.1 Occupational Safety and Health Management Systems

In 2022, Taiwan and Vietnam plants completed third-party verification of **ISO45001: 2018** occupational safety and health management system, providing coverage to all full-timers, self-employed workers, and others under direction or supervision. Our Industrial Safety Office is responsible for planning, execution, and tracking while the each department heads represent the Occupational Safety and Health Committee. Although ZH China and Shinco are not bound by the system, they have established their own internal periodic hazard inspections (e.g., CO<sub>2</sub> and dust concentrations) to ensure safety. Employees may raise safety concerns with the head of workplace safety, who will report such issues to Taiwan HQ. Unit representatives from 4 plants attend regular meetings convened by the Industrial Safety Office in Taiwan to address legal compliance, status of target implementation, the investigation, correction, and prevention of industrial incidents, and occupational disaster prevention education.

Taiwan and Vietnam plants have successfully conducted occupational hazard risk identification under ISO45001 requirements, propose improvement strategies, and established targets. Vietnam established 74 targets, of which 71 were met and the rest will be completed in 2023. In addition, quarterly compliance reviews, routine site inspections, education and training, and the procurement of protective equipment have been implemented under ISO regulations to ensure workplace safety and health.

## 5.5.2 Statistics on Occupational Injuries

Most of our incidents in 2022 involved cuts and abrasions mainly caused by unsafe behavior. As a result, we have enhanced education during weekly factory meeting and conducted regular reviews and improvements through the Safety and Health Committee. **In 2022, there were no incidents with independent contractors.**

### Statistics on ZH Group' s Workplace Injuries in 2022

Category	Taiwan HQ	Vietnam	Shinco	China	Group
Deaths	0	0	0	0	0
Number of Severe injuries	0	0	0	0	0
Number of Recordable injuries	1	2	3	0	6
Mortality rate	0.00	0.00	0.00	0.00	0.00
Severe injury rate	0.00	0.00	0.00	0.00	0.00
Recordable injury rate	0.38	0.11	1.08	0.00	0.23
Types of injuries	Cuts and abrasions	Pinch injuries	Pinch injuries, Burn injuries Falling objects		

#### Notes:

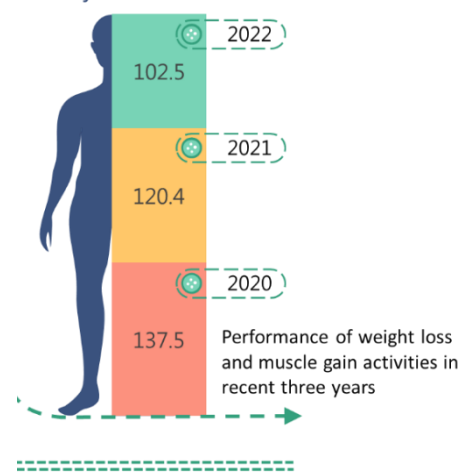
1. Calculation includes only employees. Statistics do not include commuting accidents.
2. Mortality rate = deaths/annual work hours\*200,000
3. Severe injury rate = severe injuries (excluding fatalities)/ annual work hours\*200,000
4. Recordable injuries rate = recordable injuries / annual work hours\* 200,000.
5. Annual work hours: Taiwan HQ estimated annual work hours with system data reported to the Ministry of Labor by the Industrial Safety Office, while ZH Vietnam, Shinco, and ZH China adopted 300 standard working days.

## 5.5.3 Employee Health Management and Promotion

**Zeng Hsing Group:** Each subsidiary provides routine **medical exams** under local regulations to help maintain good health and identify potential risks early on. Employees in high-risk environments may be subjected to additional testing (hearing and ionizing radiation). Problems will be monitored regularly to prevent severe harm. Taiwan HQ also offers free medical consultation service, sharing healthcare information, health education and training, infectious disease prevention education, health center & facilities, lactation rooms, priority parking spaces for pregnant employees, weight loss and muscle building programs, etc.



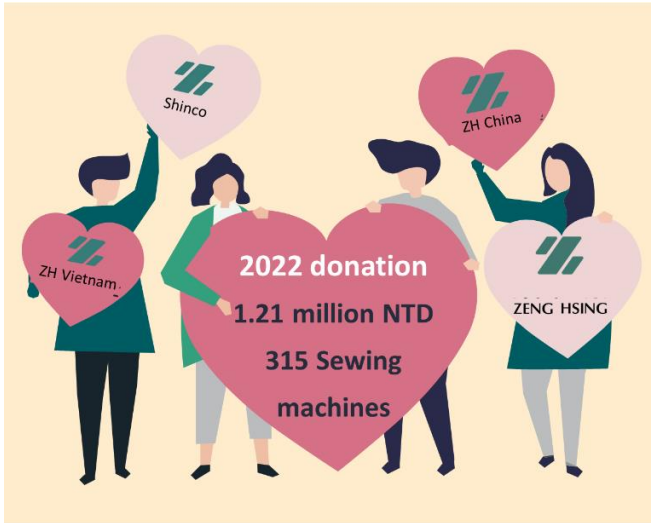
Total of 360 kg of weight loss over three years





## 6 Social Engagement

### 6.1 Social Welfare



In recent years, Zeng Hsing has promoted social welfare initiatives to provide care and support to underprivileged groups in remote areas and contributing to local community development under UN SDGs.

In 2022, our Taiwan HQ sponsored 12 institutions with cash in after-school tutoring programs in elementary schools, senior community programs, and health education courses for seniors in remote areas. A total of 315 sewing machines were donated to 20 charity sewing classrooms for teaching rural elementary

students and seniors in remote communities.

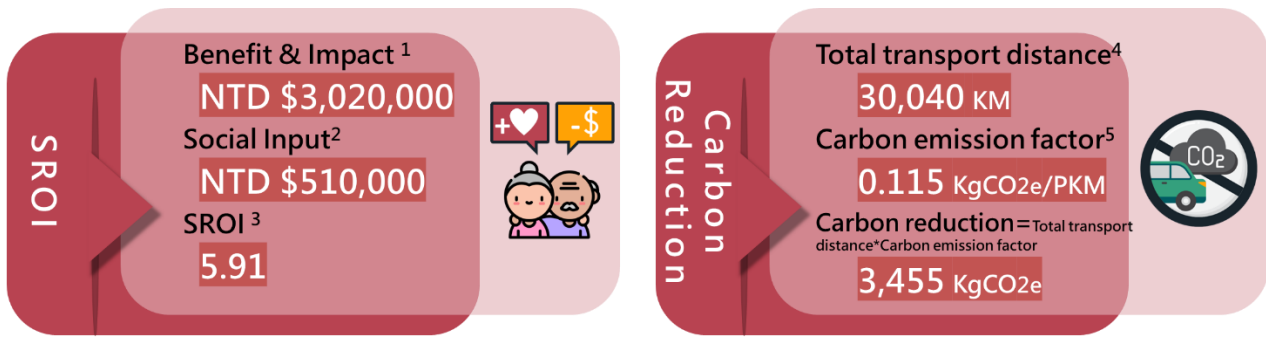
ZH Vietnam donated sewing and overlock machines to local universities to bridge academic-practice gap through industry-university collaboration, enhance professional competencies, and cultivate valuable assets for the future job market.

#### Health Education for Seniors and Online Sewing Instruction Programs

✿ **Sponsorship of rural health education courses** : Zeng Hsing 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. Zeng Hsing decided to join the WaCare remote health education project and adopted 3 community care bases. 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. In 2022, Zeng Hsing sponsored Xizhi Fu'an Community Care Center, Nantou Puli Zhu zi shan Community Care Base, and Tianqi Day Care Center. The three communities have completed 162 online courses in 2022, with a total of 2,126 people attending the courses.

The Social Return on Investment and carbon reduction results for the programs in 3 remote communities are presented in the chart below.





Note 1: Including the saved physical course transportation/time costs, and the Assistive devices expenses for the elderly  
 Note 2: Including distance teaching construction cost, course cost, etc.  
 Note 3: Impact & benefit/social input  
 Note 4: 3 rural bases in 2022 (the number of business trips by lecturers&doctors \* 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

✿ **Long-distance sewing workshop:** Zeng Hsing, Taiwan Cheer Champ, and WACARE collaborated to offer a free sewing workshop to bridge urban-rural gap and overcome learning obstacles in remote areas. The first-stage was instructed by Taiwan Cheer Champ in person. Once seniors were comfortable with the equipment, Zeng Hsing and WACARE provided online sessions. **In 2022, a total of 10 sewing courses** were successfully conducted in collaboration. Elderly individuals were able to learn sewing through virtual classes and completed their own creations. Moving forward, Zeng Hsing will continue its efforts to overcome and improve issues related to distance learning, expanding the reach of charitable sewing courses to more community locations, thus supporting, and accompanying more elderly individuals.



**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.



Local community



## 6.2 Zeng Hsing Volunteer Team

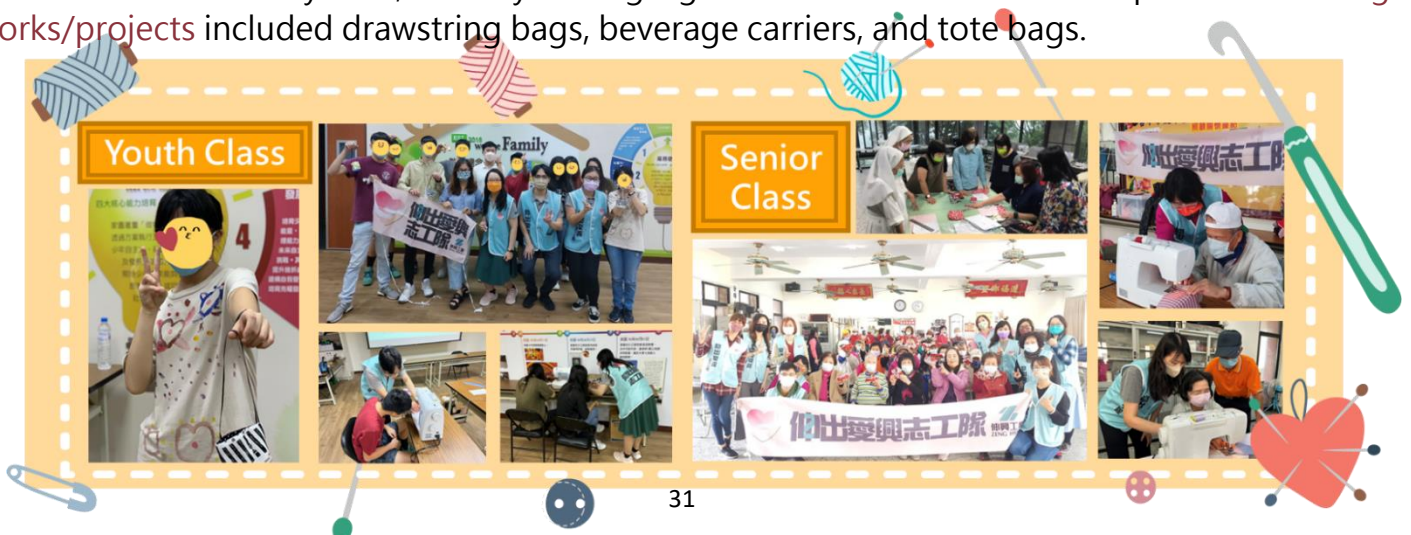
We established the Zeng Hsing Volunteer team in 2020 to encourage employees, their families and friends, retirees, and suppliers who are enthusiastic about public welfare to give back to society and spread love. Through the team's promotion, by 2023, the number of volunteers reached 106. In 2022, the team organized a total of 17 events and one volunteer training session, contributing a total of 1,618 hours of volunteer service and training. The activities and services fall into 3 major categories (mobile sewing classrooms, fundraising handicrafts, and environmental protection initiatives) with others included if deemed necessary. Please see its Volunteer Team Quarterly Newsletter for more information. To encourage participation, we enacted the Volunteer Management Regulations to provide 16 hours of annual charity leave. Nominations of outstanding volunteers are held regularly to acknowledge their contributions.



### 6.2.1 Volunteer Activities

#### \* Sewing Classrooms-Caring for Seniors and Youths

In addition to teaching sewing skills, classes in 2022 also offered companionship and care to the elderly and the young. Team leaders recruited and trained volunteers for one-on-one sewing lessons on the day of the event to help elders and children complete work independently and use it in their daily lives, thereby adding significance and value to the experience. Sewing works/projects included drawstring bags, beverage carriers, and tote bags.





## \* Handcrafts for Charity Fundraising

Two craft-making fundraising events were held in 2022. In the first half of the year, **80 handcrafts were completed** and donated to the Taitung-based A Kernel of Wheat Foundation for charity sales or as small tokens of appreciation for donors to raise funds for long-term care programs. We worked with Love BINTI in the second half of the year to **produce 133 sanitary napkins**, which were then shipped to Uganda and Eswatini.



## \* Eco-Protection Initiatives - Mountain and Beach Cleanup and Charity Sale of Used Items

Every year, the team assists Sacred Love Villa in cleaning the surrounding mountain trails by collecting leaves and leveling soil mounds as one of the major **eco-protection initiatives**. On a Saturday morning in April 2022, 91 volunteers joined our team and Sacred Love Height staff to help preserve the environment. Despite the difficulty relative to other public service activities, volunteers worked diligently to clean hiking trails. A heartwarming trend is that an increasing number of volunteers brought their families & friends along, which has greatly inspired the team.

In addition to the activities, 31 volunteers participated in the Sacred Love Height **Mountain Cleaning** and 2022 Big Blue **Beach Cleaning** events organized and cohosted by Topkey Foundation. The promotion of volunteer culture encourages employees to engage in public service and spread love with families and friends.

The ESG Office organized 2 **charity sales** of secondhand items in 2022. We encouraged employees to auction and trade pre-owned books and unused goods to give them new life while promoting circular economy. Donors collected half of the proceeds with the other half donated to World Vision Taiwan' s campaign to help disadvantaged children. During the events, **274 items were sold amounting to NT\$51,663**. Some donated entire proceeds, while others made additional cash contributions. The funds were primarily used for scholarships, nutrition subsidies, emergency relief, and youth empowerment programs for disadvantaged children.





## 6.2.2 Volunteer Training

### ✿ Volunteer Recruitment and Training

As the Volunteer team enters its third year, we look forward to supporting more in need and inspiring more to extend a helping hand. Therefore, we began to recruit new volunteers at the end of 2022 and conducted 12 hours of basic and advanced training during which professional instructors shared knowledge, expertise, and personal experience on services and social welfare. In 2022, 53 new volunteers joined the team.



## 6.3 Campus Initiatives

### ✿ Promotion of teaching of sewing in rural Schools – A joint effort by Zeng Hsing, Taiwan Cheer Champ, and The Clothes Association With Technical Degree A R.O.C

Zeng Hsing and Taiwan Cheer Champ donated 70 sewing machines and 65 sewing kits to support courses and summer camps to 12 rural elementary and middle schools across Taiwan. The Clothes Association with Technical Degree A R.O.C then recruited volunteers from all over Taiwan to teach children to transform materials at hand into daily necessities (pencil bags from discarded jeans and hats). In addition to contributing to eco-conservation, the program seeks to foster appreciation among the children for things they already own.





## 7 Eco-Sustainability

# Green Environmental policy

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

### ✿ Environmental Management Manual

Taiwan HQ, 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 ESG responsibility by formulating clear environmental policies, goals, and review procedures in line with the vision and characteristics of the ZH Group.

## 7.1 Energy Consumption and GHG Inventory

### 7.1.1 GHG Inventory

Zeng Hsing initiated greenhouse gas inventory from its Taiwan headquarters in 2014, and by 2018, all 4 plants had implemented **ISO14064-1**, conducting annual greenhouse gas inventories and internal verifications. In 2023, aligning with the Sustainability Roadmap for Listed Companies issued by the Taiwan Stock Exchange, the boundaries of the Taiwan headquarters' inventory sites include Mitsumichi Industrial Co., Ltd., Taiwan Cheer Champ Co., Ltd., and RICCAR Sewing Studio. Moreover, there's a plan to complete the external verification at the Taiwan headquarters by July 2023, while the other plants are scheduled to complete external verifications within the following 3 years to ensure compliance with Taiwan regulations.

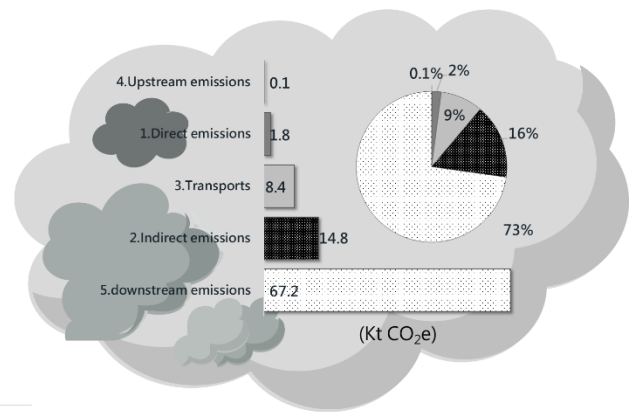
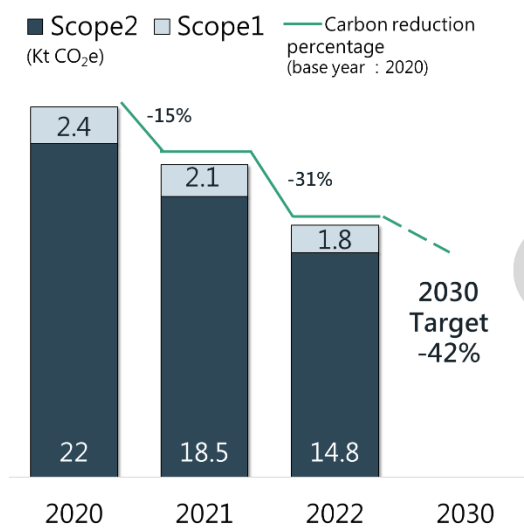
The group's emissions in 2022 amounted to 93 kilotons, primarily from Category 2 site electricity emissions and Category 5 consumer electricity usage emissions.

**Category 1+2 Direct Emissions Explanation** : The primary emission sources include electricity for production equipment, electricity for sales outlets, liquefied petroleum gas (LPG), natural gas, and diesel fuel emissions from transportation equipment. The **total emissions amount to approximately 17 kilotons of CO<sub>2</sub>e**, indicating a **reduction of around 4 kilotons of CO<sub>2</sub>e compared to 2021**. This suggests an emission of approximately **6.5 kgCO<sub>2</sub>e per sewing machine/vacuum cleaner produced**, with an annual **increase of 1.1 kgCO<sub>2</sub>e per unit**. Electricity emissions account for about 89% of Category 1+2 emissions, with a 15% decrease in electricity consumption in 2022 compared to the previous year. Additionally, the electricity coefficients

referenced from Taiwan, Vietnam, and China have all decreased, resulting in a relatively noticeable reduction in electricity-related emissions. However, the denominator for emission intensity is the number of units produced, which decreased by 34% for sewing machines and vacuum cleaners in 2022. Moreover, including electricity consumption for sales outlets in the calculation led to a significantly increased emission intensity.

**Explanation for Category 3+4+5** (Upstream and downstream transportation emissions, organizational product usage emissions, and consumer product usage emissions) : Main emissions arise from consumer usage of products - energy consumption by sewing machines/vacuum cleaners. Total emissions amount to approximately 76 kilotons of CO<sub>2</sub>e, constituting 82% of the group's emissions. This represents a **reduction of 35 kilotons of CO<sub>2</sub>e, -32% from the previous year**, primarily due to sales volumes reduced, leading to a substantial decrease in Category 5 consumer electricity usage.

### Carbon reduction roadmap



By 2030, ZH expects to reduce Scope 1 and 2 GHG emissions by 42% from 2020 baseline.

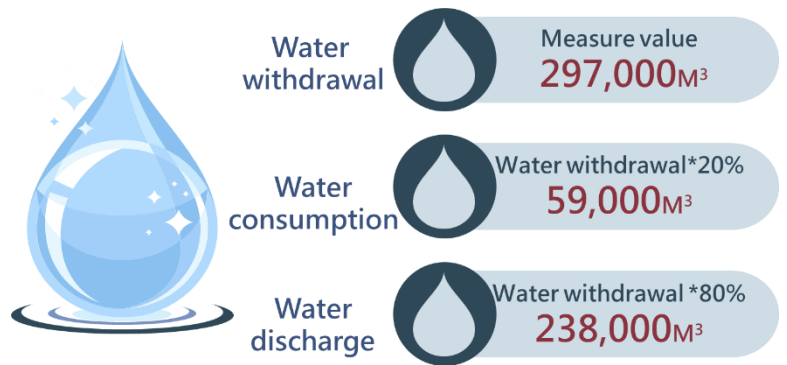
## 7.1.2 Energy Management

Taiwan HQ and ZH Vietnam have implemented **Energy Monitoring Systems (EMS)** to effectively manage energy consumption and prevent abnormal power usage. The EMS allows real-time monitoring of energy consumption and load analysis, enhancing electricity efficiency, and analyzing the current energy consumption of various equipment. Following implementation of **ISO50001 energy management systems** in 2017, ZH Vietnam conducts an annual energy diagnosis and analysis, identifies high-energy equipment, formulates relevant strategies, and strives to reduce carbon emissions by 0.5% per year. In 2022, ZH Vietnam implemented energy-saving plans, such as replacing more efficient variable frequency air compressors and dryers, substituting T5 LED lamps for factory lighting, installing energy-efficient streetlights, and conducting regular maintenance on the entire air conditioning system, resulting in a **total carbon reduction of 0.43%**. In the following year, 2023, ZH Vietnam continue to set energy-saving plans and utilize energy management and monitoring hardware and software to regularly observe energy consumption data, ensuring the optimization of energy efficiency for Vietnam factory. Additionally, the Taiwan HQ, Shinco, and ZH China also proposed related energy-saving plans, including improvements in air compressor leakages, replacing old

air compressors with variable frequency ones, transitioning factory lighting to LED, and installing solar-powered streetlights.

### 7.1.3 Water Resource Management

Our plants have developed plans under ESG Committee's standards to repair outdated pipes and tank floats to prevent leakage and installing water-saving toilets, urinals, and faucets. In addition, our plants actively promote water conservation and employ monitoring systems to track and verify consumption levels to prevent excessive use in time.



### 7.1.4 Waste Management

Taiwan HQ, ZH Vietnam, and ZH China have obtained ISO14001-2015 Environmental Management System certification and established relevant environmental management procedures. Waste management practices include strict regulations for waste disposal, sorting, and recycling, along with controlled records for waste clearance, in accordance with local government requirements. However, Shinco has yet to implement the ISO environmental management system. Nonetheless, it complies with Vietnam regulations and ZH waste disposal guidelines, such as toxic waste declaration and waste sorting. In 2022, there were no incidents of contract violation or regulatory breaches by waste disposal contractors.

ZH Group's waste can generally be categorized into non-recyclables (domestic waste, industrial waste, hazardous waste) and recyclables (such as paper, plastics, metals, etc.). To mitigate the environmental impact of waste, Zeng Hsing actively implements waste management policies and promotes a circular economy model of manufacturing, production, and disposal, aiming at the core of the 3R principles (Reduce + Recycle + Reuse).

In 2022, ZH Group's total waste amounted to 920 tons, a reduction of 153 tons compared to 2021. This decrease was primarily due to reduced production at the ZH Vietnam caused by local pandemic effects, leading to a significant decline in waste generation. The group's waste recycling rate in 2022 reached 72%, a slight 1% increase from 2021. To facilitate more specific and effective waste management, the ESG Committee has mandated each plant to set waste recycling rates as one of the ESG goals. Annual reviews are conducted, and any abnormal waste quantities discovered prompt units to provide root cause analyses and improvement evaluations, aiming to prevent unnecessary resource depletion and enhance the group's resource utilization rate.





## 7.1.5 Environmental Compliance Inspection and Pollution Control

Taiwan HQ, ZH Vietnam, and ZH China have obtained ISO14001 environmental management system certification. They develop annual eco-protection and pollution prevention policies according to the environmental manual and comply with local regulations on air pollution, wastewater, and waste treatment to reduce the impact of operations. During this period, we had no significant fines or penalties for major violations.

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 in accordance with local environmental regulations. **All subsidiaries passed the inspection in 2022, and no deviations from the standards were identified.**

✓ Qualified ✗ Unqualified

	Compliance with local regulation			
	ZH China	Taiwan HQ	ZH Vietnam	Shinco
 Water pollution test (SS · COD · BOD)	✓	✓	✓	✓
 Environmental test (SOx · NOx · noise)	✓	✓	✓	✓

Notes : Data comes from the 2022 water pollution and environmental inspection report of each subsidiary (conducted on an annual basis in accordance with local regulations)

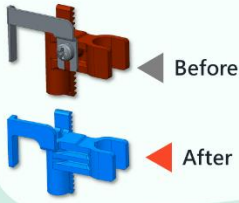
## 7.2 Green Design

From our product carbon footprint analysis, we understand that the emissions during the manufacturing process of sewing machines constitute 60-65% at the raw material stage. Hence, we focus on research and development revolves around the concept of green design. This approach aims to minimize resource and energy consumption right from the outset of product creation to achieve our carbon reduction objectives.

### Optimized Design

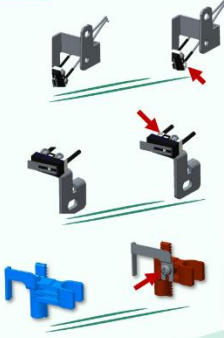
#### Reducing Raw Material Usage

Reducing the component weight of the upper and lower teeth sets on the pressure bar in the CJ series machines by 1.58g (-40%). This design improvement was successfully implemented in mass production, resulting in a production output of 230 units in 2022.



◀ Before  
▶ After

Integrated shared components for computerized sewing machines, reducing 1 screw from 3 different components. This modification was implemented across 6 models, resulting in a total reduction of 35,227 screws in 2022.





## UI Enhancement Improved Convenience Reducing CO2

To enhance customer convenience and safety in product usage, we introduced cloud-based functionalities and online software updates for computerized sewing machines. This allows customers to unleash their creativity anytime, anywhere. Not only does it offer instant access to the latest product services, but it also reduces the use of USB drives and the carbon emissions associated with traveling to stores for software updates.

### Cloud Function



Allows embroidery designs to be transmitted directly from any device (such as a mobile phone, tablet, etc.) to the machine.

### Online software updates



Directly connect to the internet for software updates, significantly enhancing the convenience of the updating process and reducing transportation emission.

Taiwan HQ RD team incorporate energy reduction and environmentally friendly concerns into their annual Key Performance Indicators (KPIs) and Key Technology/Key Component (KT/KC) development plans. Initiatives such as enhancing parts commonality, reducing mold steel usage, and simplifying designs are included, requiring significant annual investment in manpower and management costs.

For the purpose of reducing energy consumption on Earth, the RD team has embarked on a green design initiative. They actively strive to diminish product energy consumption and streamline design processes. The focus of their efforts involves products such as sewing machines and vacuum cleaners.

In 2022, the strategies aimed at reducing energy demands in products and services included efforts to decrease raw material usage, reduce the quantity of mold steel, and enhance convenience to minimize carbon emissions.

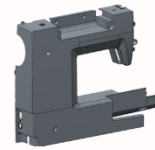
## Part Standardization Reducing Mold Steel Usage

RD has maximized the utilization of plastic parts shared components. This not only significantly reduces the cost of mold development and material management but also decreases the average energy consumption of individual parts during mass production. In 2022, a total of 61 sets of molds were saved.

| CASE | **A total of 61 sets of molds were saved.**



SEWING  
TABLE  
COVER



BACK COVER



DROP FEED LEVER



# 8. ESG Report Independent Assurance Statement



## Independent Assurance Statement

Zeng Hsing Industrial Co., Ltd. 2022 Corporation Sustainability Report

### Introduction:

TÜV Rheinland Taiwan Ltd., member of TÜV Rheinland Group, Germany (TÜV Rheinland Taiwan, We) has been entrusted by the management of Zeng Hsing Industrial Co., Ltd. (Zeng Hsing, the Company) to conduct independent assurance of Zeng Hsing Industrial Co., Ltd. 2022 Corporation Sustainability Report (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 of Zeng Hsing Industrial Co., Ltd. 2022 Corporation Sustainability Report.

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 2022 (January 2022 ~ December 2022). TÜV Rheinland Group 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) Universal Standards 2021.

### Scope & Type of Assurance:

Our Assurance engagement covers the following:

- Zeng Hsing Sustainability performance as described in the 2022 report in accordance with GRI Universal Standards 2021 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 Rheinland Taiwan 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 Sustainability strategy 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 its stakeholders to make informed judgements about Zeng Hsing 's management and performance.

### Responsiveness:

Zeng Hsing has implemented the policy including environment and safety, quality, and corporate sustainability. The 2022 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 Industrial Co., Ltd. 2022 Corporation Sustainability Report meets the requirement of Type-1, Moderate Level Assurance according to AA1000AS v3 and Global Reporting Initiative (GRI) Universal Standards 2021.
- 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 Taiwan shall not bear any liability or responsibility to a third party for perception and decision about Zeng Hsing based on this Assurance Statement.

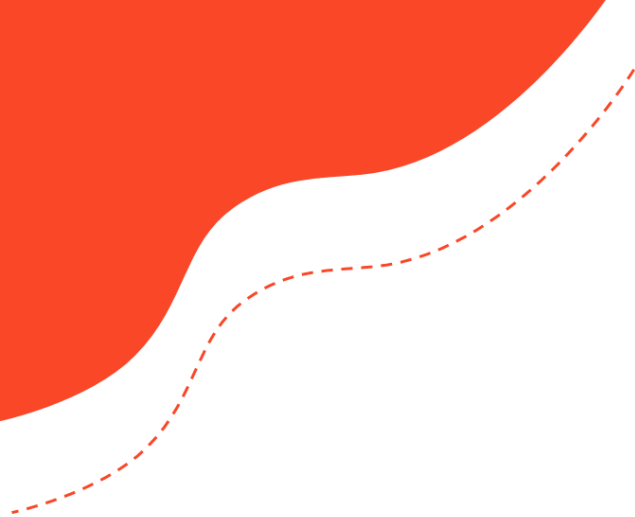
TÜV Rheinland Taiwan Ltd.

Vito C. C. Lin

Lead Verifier



Taipei, July 25, 2023



ZENG HSING

**Corporate  
Sustainability  
Report**

