2025Zeng Hsing

Corporate Sustainability Report



A Message From the CEO & GM

In 2023, the global economy faced dual pressures from high inflation and rising interest rates, along with challenges posed by geopolitical instability and extreme weather events. These factors have created a business environment that is increasingly complex and demanding. In response, Zeng Hsing has remained steadfast in its commitment to ESG initiatives, aiming to enhance corporate sustainability and create long-term value. This commitment underscores not only our dedication to shareholders and society but also our determination to achieve sustainable development.

Environmental Efforts

Zeng Hsing has set an ambitious goal of achieving carbon neutrality by 2050 as part of its long-term sustainability strategy. We continue to conserve energy and reduce carbon emissions while aligning with the Taiwan Stock Exchange's requirements. In 2023, we required all of our subsidiaries to obtain ISO 14064-1 external verification, , starting with the Taiwan headquarters, and we aim to complete carbon inventory verification across all subsidiaries by 2028. We believe these efforts will not only enhance our corporate image but also contribute meaningfully to environmental sustainability.

Social Responsibility

In terms of social charity, we have made significant progress through our collaboration with the Clothes Association with Technical Degree A. Our sewing skills project, aimed at preserving traditional sewing techniques in rural elementary schools, has entered its third year. In 2023, the project's scope expanded from 14 to 16 schools, with over 1,000 children now participating in sewing classes. In 2024, the association will host a waistcoat-making competition to assess the skills these children have developed over the past two years.

Additionally, the Zeng Hsing Volunteer Team offered observation sessions for the Yunlin and Taoyuan Social Affairs Bureaus, as recommended by the Taichung Social Affairs Bureau. Representatives visited us in March and November 2023 to learn about the operational model of the Zeng Hsing Volunteer Team. These activities reflect our ongoing commitment to charity and our selfless dedication, which has been widely recognized and appreciated by the public.

Governance Initiatives

In governance, we actively comply with government regulations and promote comprehensive cybersecurity policies. Following ISO 27001 standards, we have conducted a series of reviews and improvements, including the classification and protection of sensitive data to prevent leaks, and regular risk exercises to guard against malware attacks. Furthermore, we have enhanced employee cybersecurity awareness through targeted training to ensure all employees understand the basics of information security, thereby reducing overall cybersecurity risks. These measures not only safeguard our operations but also strengthen trust with clients and partners.



Finally, we would like to express our heartfelt gratitude to our shareholders, suppliers, and employees for their support and dedication over the past year. Without your collective efforts, our achievements in ESG would not have been possible. Moving forward, we will continue to uphold ESG principles, striving for greater progress in environmental protection, social responsibility, and governance. With everyone's contributions, we are confident in achieving our sustainable development goals while creating more social and economic value. Together, we look forward to a bright and hopeful future for Zeng Hsing.

Chief Executive Officer General manager

Charles Lin Leo Lia



وُ 2023 Sustainability Highlight

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. Taiwan headquarters obtained a third-party verification statement from TUV.
- Environment activities: Held mountain clean-up.
- Other green result: Green logistics project saves 1,472 trees, The total water usage decreased by 36%, compared to the previous year and has a 73% recycling rate.
- Working environment testing: All subsidiaries complied with local standard.

Social

- Employee benefits: In 2023, Taiwan headquarters added paid disaster leave.
- Social welfare: Charity donation in the past 13 years was 12.83 million and 1,536 sewing machines.
- Volunteer team: In 2023, we have accumulated 1,784 hours and hosted 26 charity events.
- Human rights: All subsidiaries held 4,509 hours of human rights training.
- Supplier CSR evaluation: 32 suppliers site visits were completed, and all of them were qualified.
- Customer satisfaction: 8.2 points (out of 10)

Governance

- Corporate governance evaluation: TOP 6~10% (Group of market value between NT\$5 billion and NT\$10 billion)
- ESG report : Since 2024, 10 reports have been issued and obtained 3rd party verification statement.
- Anti-corruption education and training: A total of 178 hours of anti-corruption courses for all subsidiaries.
- Regulatory compliance: No major violation occurred. A total of 276 hours of legal courses for employees in Taiwan.







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1 Organization Profile

1.1 About Zeng Hsing

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	NTD 665,356,310
Employees (ZH Group)	2,247 (as of 2022/12/31)
Operating Revenue	NTD 7,558,277,000

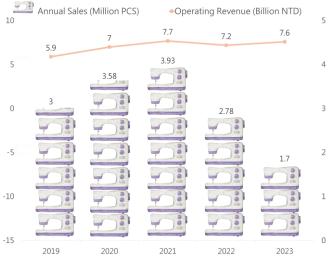
Notes: Employees include ZH Taiwan, ZH Vietnam, Shinco and ZH China.

1.2 Operating And Financial Information

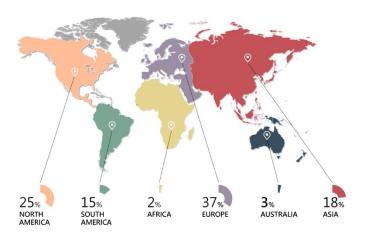
Topic/Year	2021	2022	2023
Operating Revenue	7,720	7,198	7,558
Operating Cost	7,007	6,820	7,040
Employee payroll and benefits/welfare	1,182	1,311	1,744
Tax expenditure	149	183	73
Retained earnings	3,239	3,165	3,058
Dividends expenditure	575	515	366

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



2023 Sales Market Share [2-6]

1.3 Zeng Hsing Product lines

Sewing Machine

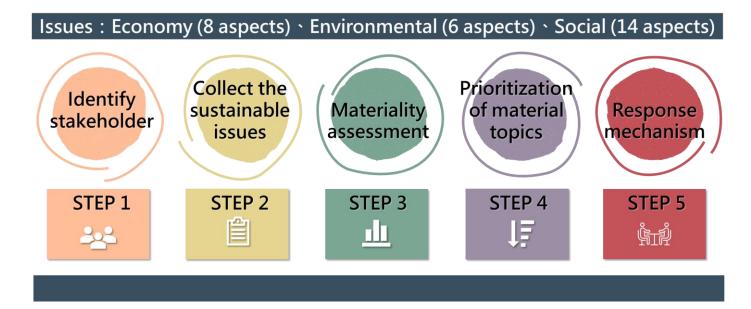


Vacuum Cleaner



2 ESG Materiality Assessment & Stakeholders Communication

2.1 Materiality Analysis



Step 1 Identification of stakeholders:

At the end of 2023, the ESG Committee conducted the triennial stakeholder identification process, as required by Zeng Hsing's Sustainable Development Policy. Following the five key principles of the AA1000 Stakeholder Engagement Standard (Dependency, Responsibility, Influence, Diverse Perspectives, and Tension) and referencing stakeholder groups identified by industry peers, the committee evaluated 12 potential groups and identified Zeng Hsing's five key stakeholder categories: Employees, Consumers/Customers, Suppliers/Contractors, Investors/Banks, and Government Agencies. The evaluation criteria were scored on a scale of 1 to 5, with 5 being the highest. In the event of significant operational changes, stakeholders will be re-identified in the corresponding year; otherwise, the next identification process is scheduled for the end of 2026..

Step 2 Collecting issues of concern:

The sources for collecting topics primarily include the Global Reporting Initiative (GRI) Sustainability Reporting Standards, the SASB Standards (Household Appliance Manufacturing), and the requirements of the Taiwan Stock Exchange. These were consolidated into a list of material topics, with a total of 28 topics identified for 2023.

Step 3 Materiality analysis:

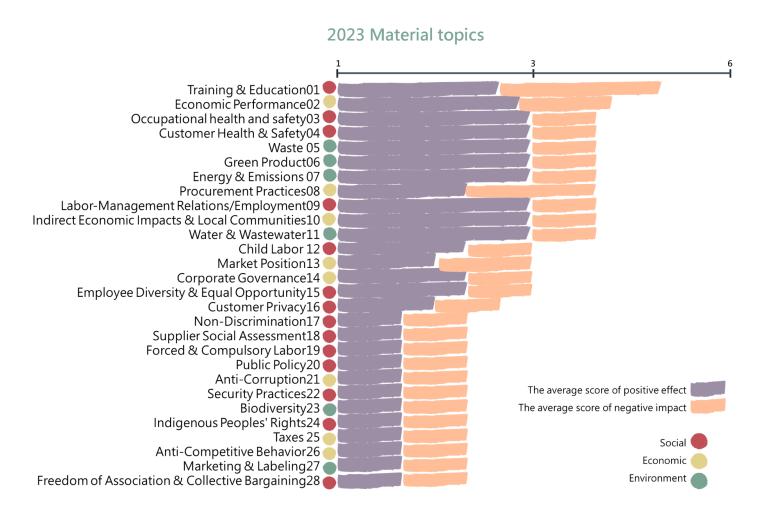
The 2023 materiality assessment, conducted by ESG Committee members, an external expert, and a scholar, evaluated the company's actual or potential impacts on economic, environmental, and social aspects using a 1-to-3 scoring system. Based on the results, the ESG Committee identified 11 material topics requiring management and established corresponding guidelines.

Step 4 Prioritization of material topics:

After completing the prioritization of material topics, internal discussions were held to identify the internal and external stakeholders and boundaries for each topic. These serve as the foundational reference for information disclosure in Zeng Hsing's future sustainability reports.

Step 5 Response mechanism:

Material topics are integrated into daily operations and annual plans, serving as a foundation for stakeholder communications and sustainable development strategies.

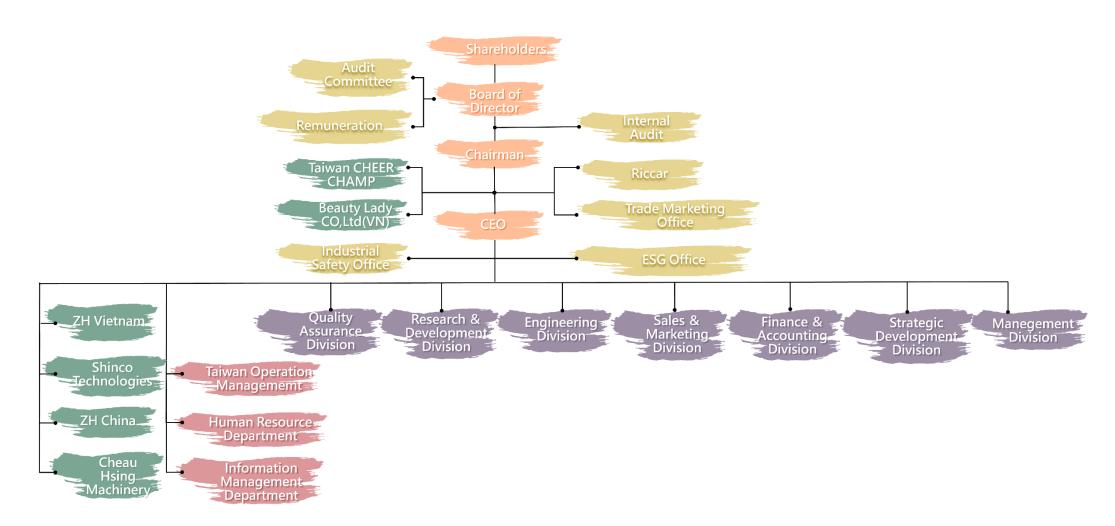


2.2 Stakeholders Communication Channels

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	Jenny Lin	04-2278-5177#151	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
Anti-corruption	Vicki Hsieh	04-2278-5177#246	report_zh@zenghsing.com.tw
Employees	Chiouru Lai	04-2278-5177#700	hr@zenghsing.com.tw

3 Corporate Governance

Zeng Hsing's Organizational Structure



Version: 2024/01/01

3.1 Corporate Governance Evaluation

* The 10th Round (2023) Corporate Governance Evaluation ranking 21%~35%, and in the category of Market Value Between NT\$5 Billion and NT\$10 Billion ranking 6%~10%

In the 10th Round (2023) Corporate Governance Evaluation, Zeng Hsing achieved a ranking in the top 21%–35% overall and 6%–10% in the category of "Market Value Between NT\$5 Billion and NT\$10 Billion." This evaluation is conducted by the Securities and Futures Institute (SFI) under the joint commission of the Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEx). The evaluation covered 1,706 companies, including 952 TWSE-listed and 754 TPEx-listed companies. From October 2023 to January 2024, Zeng Hsing conducted a self-assessment as part of the evaluation process. The SFI then reviewed and compared the results, providing explanations for any significant discrepancies. These rankings highlight Zeng Hsing's commitment to maintaining high standards of corporate governance and continuous improvement.

3.2 Risk Management

3.2.1 Risk Management Committee

Zeng Hsing has established a Risk Management Committee, with its executing unit being the Risk Management Task Force. The convener of the task force is the General Manager, and each operational department conducts risk identification, analysis, assessment, and response according to their respective responsibilities, ensuring the effective implementation of risk management and related procedures. The risk management process is illustrated in the diagram below. In 2023, a total of 12 risk drills were conducted across various departments, including 3 cybersecurity risk drills, 2 hazardous substance exceedance drills, and 7 workplace safety drills at different facilities.

Risk Management Process Risk Response **Risk Analysis** Minimize and mitigate the negative impact of risks on the organization by formulating and implementing relevant risk treatment plans. Ensure sufficient training and execution by related Analyze the nature and characteristics of identified risk events, including severity (S), occurrence (O), and detectability (D), to calculate the Risk Priority Number (RPN). personnel and continue monitoring the implementation status of the plans. Risk Monitoring **Risk Assessment Risk Identification** (Supervision and review mechanism) Compare the results of the risk Identify potential risks the The Risk Management Task organization may face and perform risk identification analysis and risk tolerance to determine the priority for Force shall ensure the effective and continuous operation of based on the respective departments' roles and addressing risk events and implementing response the risk management process, incorporate relevant results into risk reports, and continuously review and improve the process. responsibilities. measures.

3.2.2 Operations and Management Committee

To enable the management team to accurately assess external environmental changes, fully control the industrial situation, and effectively manage risks, the Operations and Management Committee holds monthly meetings, and the Strategic Development Department consolidates reports on the macroeconomic landscape, raw material trends and exchange rate trends to produce a Global Economic Trends Report, which serves as a reference for decision-making by the committee members.

In July 2023, Zeng Hsing held a TMT (Top Management Team) leadership seminar, followed by a Business Strategy Presentation Conference in October, where the group's future development and organizational goals were established. Subsequently, the Strategy Development Office regularly monitors the implementation status of each unit's goals and conducts quarterly strategy adjustments based on actual conditions. Through goal revisions and variance analyses, the group continues to improve and mitigate operational risks.

In 2024, the risk identification results of uncertain factors that may threaten corporate operations show that the main risks include sharp increases in commodity prices due to macroeconomic changes, slow inventory turnover of finished goods, and customer order transfers. Zeng Hsing continues to develop and strengthen customer relationships, integrate group resources, expand non-operating revenue, and accelerate talent development within its human resources.

In addition, it is also advancing operational process innovation, organizational transformation, channel integration, organizational resource sharing, and expanding its diversified business scope to align with the group's future strategic objectives.

3.2.3 Integrity Management

Zero tolerance for	Employee training	Supplier education	<u>Annual audit</u>
<u>corruption</u>			
A new grievance channel (report_zh@zenghsing.com.t w) was added. In 2023, 1 grievance was received. After investigation, it was determined that the grievance	Taiwan HQ conducted a lecture on "National Integrity Policies" and "Integrity Management	Taiwan Procurement assisted 64 suppliers in implementing integrity management	The Audit Office incorporated all operational activities into the annual audit plan. The audit results confirmed that all activities were conducted in compliance with relevant
was inconsistent with the facts and had been closed.	Standards"	policies.	regulations, with no major fraud detected.

Ethics and integrity are fundamental for listed companies. Zeng Hsing Group prioritizes "Integrity and Pragmatism" as a core principle, promoting it from management to employees and extending it to suppliers and customers to foster a healthy industrial ecosystem. The Strategy Development Department oversees integrity policies, ensures compliance, and reports regularly to the Board of Directors, with the latest report presented in December 2023. In June 2023, the Taiwan HQ conducted integrity training attended by 71 managers, totaling 178 training hours. Employees across Taiwan, Vietnam, and China signed integrity commitment forms to reinforce these values. Externally, Zeng Hsing supported 64 suppliers in adopting its integrity policies, including conflict of interest avoidance, business ethics, intellectual property protection, and anti-corruption. These efforts demonstrate the company's dedication to ethical practices and promoting a sustainable supply chain.

3.2.4 Corruption Check

To effectively manage anti-corruption related operations, Zeng Hsing has formulated "Working Rules", " Code of Ethical Conduct", " Ethical Corporate Management Practice Principles" and " Procedures for Ethical Management and Guidelines for Conduct" to ensure that the conduct of its directors, managers, and employees aligns with ethical standards. Zeng Hsing strictly prohibits any acts of corruption, bribery, or extortion, and employees found guilty of such actions will be dismissed. In 2023, there were no reported cases of employees being dismissed for corruption, bribery, or extortion within Zeng Hsing Group.

3.2.5 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 2023. Among them, no major irregularities were found in the Taiwan HQ, Shinco and ZH China. However, non-compliance with current regulations was found in Vietnam's HR department. The relevant unit has submitted a report and implemented corrective measures, and efforts to emphasize the importance of regulatory compliance will continue.

Protection of child labor and underage workers: No child labor or youth workers were employed in any factory of **Zeng Hsing Group** in 2023, and no child labor or youth workers were found after spot inspections of 32 suppliers.

Zeng Hsing Group respects employees' rights and strictly prohibits any form of forced or compulsory labor. The company advocates reasonable working hours, ensures no excessive overtime, and encourages employees to take breaks and reduce working hours to relax and recharge. This ensures employees enjoy a better work-life balance and enhanced well-being, resulting in improved productivity and quality of life.

Zero violations: In 2023, 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 about 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 practices¹.

Shareholder-related governance, China investment
Fair dealing with customers/competitors
Procurement, sales and import and export trade
Business accounting, tax management and intellectual
property protection
Labor laws, safety and health related to employees
Socially related environmental protection, political donations

¹ 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.

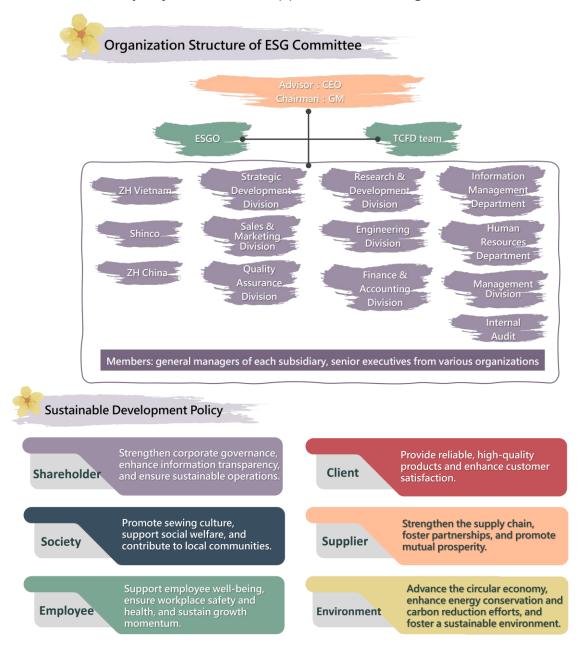
3.3 Sustainable Development Management

3.3.1 ESG committee

In 2018, we established the ESG Office (ESGO) and formulated policies to support sustainable development. We also created the ESG Committee, with the CEO serving as an advisory member and the general manager as the committee chairman. Department heads, as designated members, are tasked with promoting and implementing ESG policies.

As the executive assistant to the ESG Committee, the ESGO is responsible for monitoring and analyzing global trends and issues, identifying risks and opportunities, and collaborating to develop response strategies and plans. Each year, the ESGO organizes an ESG Corporate Consensus Meeting to evaluate the status and outline future directions. Additionally, a target review and conclusion meeting are held in the second quarter, where members assess the progress of ESG target implementation.

The ESG Committee regularly updates the board on the progress of ESG policies, including materiality assessments, policy formulation, and the establishment and execution of targets. The board reviews the feasibility of these actions to ensure alignment with long-term strategic goals and makes necessary adjustments to support sustainable growth.

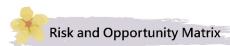


3.3.2 Climate Change Risk Management

The company adopts the TCFD disclosure framework to develop governance, strategies, risk and opportunity assessments, and methods for setting indicators and targets. Zeng Hsing has established a "TCFD" group under the ESG Committee, which convenes at least once a year to report implementation plans and results to both the ESG Committee and the Board of Directors. The TCFD group meetings focus on sharing relevant regulations and trends, identifying risks and opportunities (every three years), and assessing the potential impacts of climate change on the company. These assessments are integrated into operational strategic planning. The group also develops climate change risk management procedures, incorporating them into the overall risk management policy. Additionally, it actively promotes environmental protection initiatives, energy-saving measures, and carbon reduction strategies to mitigate and adapt to the effects of climate change.

* Risk And Opportunity Identification

On October 31, 2021, the TCFD team collaboratively produced a risk and opportunity matrix (as shown below). The analysis identified three opportunities, one transition risk, and two physical risks that require action and the development of relevant management policies.



R01 Increase pricing on greenhouse gas emissions R03 Cap/Emissions Trading R04 Mandatory declaration C02 Use more efficient production and distribution processes C06 Use low carbon energy C09 Participate in the carbon trading market		C01 Adopt 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 Changes in rainfall patterns and distribution R18 Extreme rainfall R19 Sea level rise R21 Average rainfall changes	regulations	C11 Develop and/or increase low carbon goods and services C14 Shifting consumer preferences
R05 Product Efficiency Regulations and Standards R09 Demand for low-carbon products and services R12 Customer behavior changes R13 Uncertainty in market information C03 Recycle C04 Switch to more efficient buildings C05 Reduce water usage and consumption C07 Adopt incentive policies C12 R&D and innovation to develop new products C13 Diversification of business activities C15 Enter new markets C16 Energy	C08 Use new technology	R08 Voluntary agreement R10 New technology investment R11 Low carbon technology transition

Financial Impact

Remark:

Opportunities

- 1. Coding description: R=RISK, C=Chance, the number is for convenience query and has nothing to do with possibility/financial impact degree/sorting.
- 2. Priority likelihood and financial impact are divided into 3 levels.

substitution/diversification



Opportunity

C01More efficient transportation methods:

The green design of packaging material reduction can not only reduce paper raw materials, also improve transportation efficiency and reduce carbon emissions.

C11Develop and/or increase low carbon goods and services:

The R&D team researches green designs related to sewing machines every year, such as reducing energy consumption, material reduction, etc.

C14Shifting consumer preferences: The R&D team researches green designs related to sewing machines every year, such as reducing energy consumption, material reduction, etc.

Risk

R07Uncertainty about new regulations: It may increase the cost of carbon tax and carbon trading.

R16Extreme temperature changes: It could exacerbate climate disasters and bring downtime costs.

R20Average temperature change: It could exacerbate climate disasters and bring downtime costs.

Target

Since 2014, the four factories in Zeng Hsing have successively introduced the ISO14064-1 greenhouse gas inventory method and conducted annual inventory and internal verification to ensure effective analysis and management of greenhouse gas emissions. Furthermore, in accordance with the requirements of the Taiwan Stock Exchange, we will gradually obtain external verification statements from the four factory sites starting in 2023 to ensure the rationality and accuracy of the emission data. After introducing a greenhouse gas inventory, it was discovered that the responsible ZH Vietnam was the main source of carbon emissions for Zeng Hsing . Therefore, the energy management system ISO50001 was introduced in 2017 (obtained third-party certification in 2018), and a power monitoring system was installed to regularly track and manage energy consumption, in order to optimize energy efficiency.

The ESG Committee requires the four Zeng Hsing factories every year to set environment-related goals (such as material reduction, carbon reduction targets, green

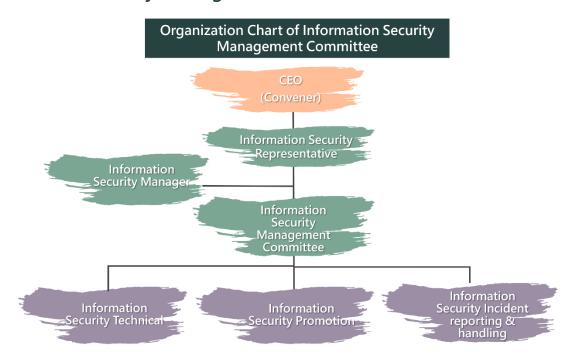
The ESG Committee requires the four Zeng Hsing factories every year to set environment-related goals (such as material reduction, carbon reduction targets, green design, reduction of machine energy consumption, emissions and water intensity, etc.), and to control relevant data to avoid waste of energy resources, in order to Contribute to the environment

the environment.

In addition, the Taiwan HQ has installed solar panels in its newly built factory, with an output of 100,000 kilowatt-hours of electricity per year. It participates in the government's green energy policy, and its annual electricity sales income is approximately NT\$400,000.

For information related to green design, please see Chapter 7.3 Energy Demand Reduction of Products and Services.

3.4 Information Security Management



To mitigate cybersecurity risks, Zeng Hsing established the Information Security Management Committee in April 2023, with two managers completing ISO 27001 training. The Information Security Committee conducted three risk drills, reviewed results, and implemented improvements to enhance employee awareness. In September, 271 employees completed an online cybersecurity training course, achieving a 100% pass rate. New hires also underwent training, with six employees completing it in 2023. Regular updates on phishing and scam prevention were shared to strengthen vigilance.

In compliance with regulatory guidelines, internal audits were initiated in 2023 to identify risks, ensure process compliance, and protect information assets. These efforts fostered a culture of information security and will be extended to overseas subsidiaries in 2024.

The Information Security Management Committee was restructured, with the General Manager as a convener and members divided into Information Security technical, promotion, and incident reporting and handling groups. In 2023, no major cybersecurity incidents were reported within the Zeng Hsing Group.



4 Sustainable Products and Services

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.

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.

Costomer

Satisfaction Quality **Policy**

Quality

Continuous Improvement

Sustainable Operations

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.

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

4.1 Company Certification

To mitigate risk and minimize its impact, Zeng Hsing actively pursues various international system certifications. We have obtained certifications for ISO 9001 (Quality Management), ISO 14001 (Environmental Management), and ISO 45001 (Occupational Health and Safety Management), establishing a comprehensive quality, environmental, and safety management system. The certifications for each manufacturing site are detailed in the figure below.











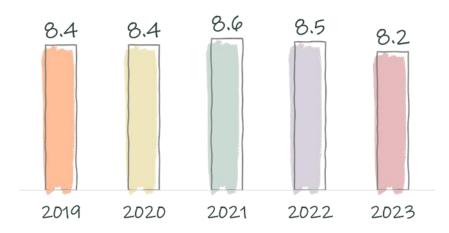






4.1.1 Customer Satisfaction

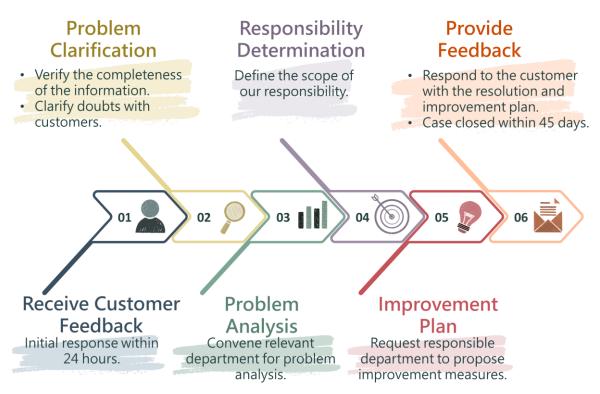
To clearly define the scope of customer service and the methods for conducting satisfaction surveys, Zeng Hsing revised its "Customer Feedback Management Measures" and "Customer Satisfaction Management Measures." In 2023, 35 questionnaires were distributed, with 28 responses received, achieving a recovery rate of 80% (YOY +2%). The number of clients and contacts has grown, with an average customer satisfaction score of 8.2. Zeng Hsing has promptly responded to and resolved all customer complaints. The customer satisfaction scores over the past five years are as follows:



Average customer satisfaction rating over the past 5 years

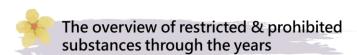
Note: The customer service center adjusts the survey questions each year based on product characteristics, so it is not suitable to compare the trends with scores from previous years.

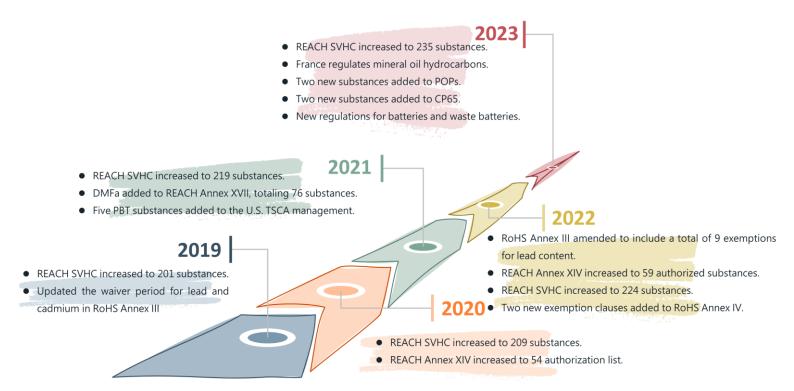
Customer Feedback Management Measures



4.2 Green Procurement

In response to green environmental protection regulations in various countries, Zeng Hsing has established a management policy for restricted substances in products, along with requirements for supplier cooperation. By controlling the supply chain from upstream raw materials and components, midstream manufacturing, to downstream assembly and testing for end customers, the use of certain hazardous substances during manufacturing is restricted. Implementation and audits are carried out in accordance with international green environmental policies and customer requirements to minimize environmental impact. This approach addresses market elimination risks and restrictions on entering the EU market, ensuring compliance with regulations and meeting customer needs. In 2023, no violations of health/safety regulations related to products and services.





4.3 Supply Chain Management

To ensure compliance with procurement operations within the group, Zeng Hsing Group's subsidiaries issue procurement and supplier management guidelines based on local needs.

New Supplier Selection: Before engaging with new suppliers, each subsidiary's purchasing unit conducts assessments in accordance with the management guidelines to ensure suppliers meet all qualification criteria.

Existing Supplier Evaluation: Subsidiaries regularly evaluate existing suppliers, considering factors such as product quality, delivery timelines, service responsiveness, adherence to green policies, and respect for human rights.

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 certification. The system contains stringent regulations on supplier CSR, SA8000 management representatives are responsible for developing annual on-site audit plans and conducting these audits.

Since 2019, Zeng Hsing HQ, ZH China and Shinco have implemented direct Interview, visiting at least five suppliers each year. These audits cover areas such as environmental practices, product responsibility, human rights, and labor conditions. In 2023, the four factories collectively audited 32 suppliers. Based on Zeng Hsing's CSR audit standards, all 32 suppliers were found to be compliant.

4.3.2 Supplier ESG Commitment

In recent years, sustainable development has garnered increasing attention. Zeng Hsing requires suppliers to sign the *Supplier Integrity and Non-Disclosure Declaration and Undertaking* and the *Certificate of Non-Use of Hazardous Substances*.

Since 2021, Zeng Hsing's Taiwan headquarters has also promoted the signing of the *Human Rights and Environmental Sustainability Clause Commitment* by its suppliers. This commitment covers key aspects of labor rights and environmental protection, including prohibiting child labor, eliminating forced labor, adhering to environmental regulations, and avoiding the use of conflict minerals.

By the end of 2023, all suppliers had signed this commitment. Moving forward, Zeng Hsing will continue to advocate for CSR commitments among its suppliers and aims to encourage even more suppliers to join these efforts.



4.3.3 Supplier ESG Forum

Zeng Hsing regards its suppliers as strategic, long-term partners and advocates for the enhancement of ESG management practices to foster sustainable, mutual development and shared prosperity. To promote awareness of sustainable development, Zeng Hsing HQ has organized a series of ESG forums. These forums feature a curriculum that progresses from foundational to advanced content, enabling suppliers to gradually build a comprehensive sustainability profile.

In 2023, Zeng Hsing conducted a workshop on greenhouse gas inventory, guiding suppliers on how to set inventory boundaries, identify emission sources, calculate greenhouse gas emissions, and complete inventory forms. A total of 10 suppliers participated, with an average satisfaction rating of 4.7 out of 5.

Zeng Hsing will continue to host the Supplier ESG Forum, sharing valuable ESG knowledge and resources to support suppliers in enhancing their sustainability practices.





4.3.4 ESG Auditor Training

In 2023, Taiwan headquarters conducted ESG auditor training to assess supplier risks and enhance sustainability practices. The program covered environment, labor, human rights, society, and product responsibility. Auditors learned preparation requirements, audit priorities, and how to share Zeng Hsing's ESG achievements. Eight participants completed 48 hours of training, with theoretical and practical exams. By year-end, five participants successfully passed the assessments.

Written Test:

- 1. The law of supplier chain
- 2. ESG inspector's responsibility &mission
- 3. Five Constructs
- 4. The description supplier evaluation

Situational Exercise:

- 1. Question wholeness
- 2. Question extend
- 3.Suggests
- 4. Summary & records

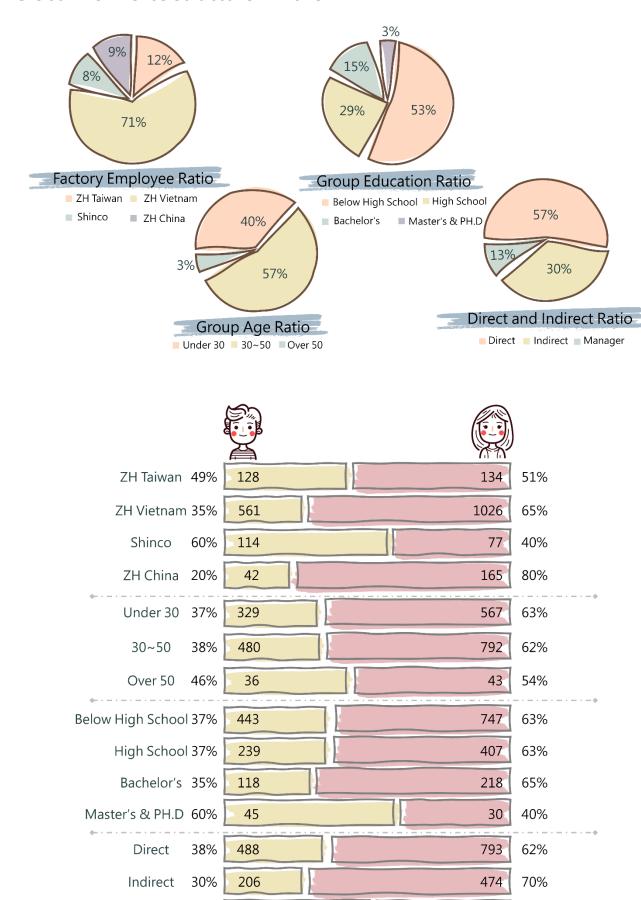


5 Inclusive workplaces

5.1 Global workforce structure in 2023

Manager 53%

151



135

47%

5.2 Human Rights Protection

Zeng Hsing adheres to international human rights conventions and local laws, with a firm commitment to respecting human rights. This commitment is reflected in policies such as the *Employee Handbook for New Employees, Work Rules, Sexual Harassment Prevention Measures, Health Protection Measures, Employee Grievance Procedures,* and *ESG Policy.*

Starting in 2023, all four Zeng Hsing factories implemented human rights policy training. New employees receive this training on their first day. At the Taiwan HQ, 6 new employees completed a total of 9 hours of training, achieving 100% coverage. In Vietnam, new employees receive 1 hour of SA8000 training annually, totaling 1,509 hours in 2023 (based on new employee headcount).

Regular human rights training is also provided to existing employees. In 2023, Zeng Hsing conducted 60 sessions across all factories, covering topics like labor laws, sexual harassment prevention, and occupational health and safety. Total training hours reached 4,509, with an average of 2 hours per employee.

In 2023, Zeng Hsing Group had no incidents of human rights violations, forced labor, or child labor.

Gender distribution in ZH Group	Localization ratio of ZH Group	Equal pay for equal work	Gender distribution in ZH Group's management positions	ZH Group's average human rights training hours
Male 38%	Local 98.66%	Male 1	Male 53%	2 hrs/employee
Female 62%	Foreign 1.34%	Female 0.8	Female 47%	

Sexual Harassment Prevention



Employees
can file
sexual
harassment
complaints
via hotline or



The HR unit and department supervisor will form an investigation team within three days to initiate the investigation.



The investigation should be completed within 30 days, followed by a ruling or corrective action based on the results.



Enhance employee awareness and training programs.

Zeng Hsing's Human Rights Policy



Employee Benefits







Salary/Bonus

Participate in annual market salary surveys to design fair and competitive compensation packages.

- Fixed salary
- · Full attendance bonus
- Holiday bonus (Mid-Autumn Festival, Dragon Boat Festival))
- · Birthday gift
- Employee bonus



Employee insurance

In addition to statutory insurance, provide comprehensive insurance coverage to ensure employee health and security.

- · Labor insurance/health insurance
- Group accident insurance
- labor pension
- Insurance for personnel stationed abroad
- On-Site Physician Service
- health promotion lecture
- Volunteer Insurance



Work environment

Promote work-life balance by offering a modern, comfortable working environment and leisure spaces.

- Gym
- Health center
- Lactation room
- · Employee cafeteria
- Free parking for car and motorcycle
- Electric vehicle charging pile
- Sky garden



Vacation Policy

A comprehensive vacation system tailored to employee needs, enabling a balance between work and family life.

- Leave according to labor laws
- Better than statutory special leave (available immediately upon employment)
- Family care/ Paternity/ menstrual / voluntary / Natural disaster leave

New in 2023



Employee benefits

Diverse welfare measures and employee stock ownership plans to enhance financial security.

- Employee Stock Ownership Trust
- Employee health examination
- Educational scholarship for employees' children
- · Maternity benefit allowance
- Employee travel / Club activity / competition /department gathering subsidies
- · Department dinner
- Outstanding Employee Award
- Wedding/funeral allowances
- Personnel stationed abroad: Return home leave, airfare and transportation subsidies, etc



Training and development

Enhance employee knowledge and diversified development opportunities

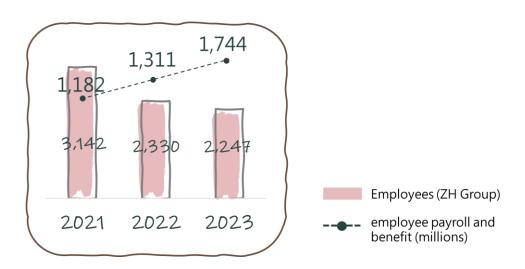
- Orientation and new hire training
- Annual training plan
- Job rotation in overseas subsidiaries
- · industry academia collaboration
- E-Human Resource Development system
- · Sewing skill test



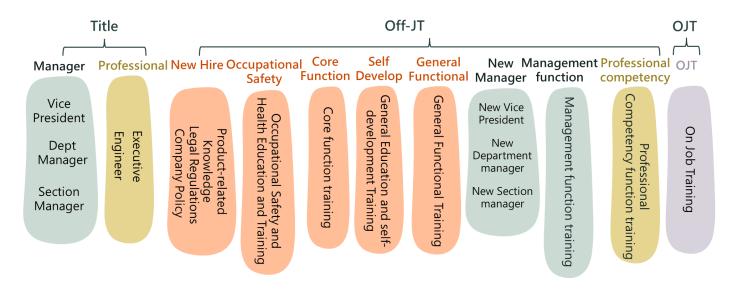
5.3 Employee Benefits and Rights

The Zeng Hsing Group formulates welfare policies in compliance with local government regulations. While welfare measures vary across subsidiaries, fundamental work regulations and benefits—such as working hours, retirement systems, occupational safety and health, insurance, and employee training—are consistently upheld. Additionally, each region tailors welfare policies to meet employee needs, offering benefits such as domestic and overseas travel subsidies, family day activities, holiday gifts, emergency assistance for injuries and illnesses, club activities, and competition subsidies.

To support talent retention, Zeng Hsing is dedicated to fostering a friendly work environment and providing employee training and development opportunities. Based on company performance, bonuses are awarded to recognize employee contributions and efforts. Salaries and benefits comply with local laws and regulations, and competitive compensation is offered according to position, education, and professional experience. In 2023, total employee salaries and benefits amounted to NTD 1,744 million. The employee satisfaction survey yielded an overall average score of 4.14 out of 5.



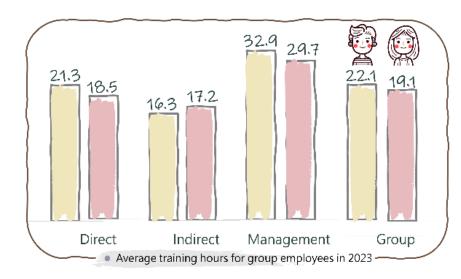
5.4 Employee training and development



Zeng Hsing has developed a training roadmap to enhance employee competencies through talent cultivation. The company employs diverse training methods, including the eHRD learning system, overseas internships, job rotation programs, mentorship for new employees, project-based participation, and on-the-job learning.

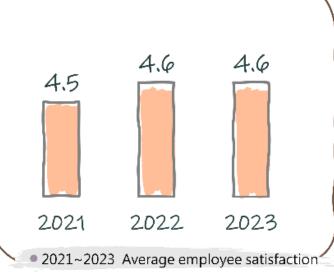
Each subsidiary of Zeng Hsing Group offers employees diverse learning opportunities, ensuring that the planning and implementation of education and training are gender-neutral. In 2023, the average training hours for male and female employees were 22.1 and 19.1 hours, respectively, showing no significant difference. The company primarily conducted in-person courses, supplemented by online learning, totaling 46,000 training hours — an increase of 13,000 hours compared to 2022. This rise was largely due to ZH Vietnam's compliance with local regulations requiring high-risk workers to complete eight hours of workplace safety training, boosting the group's average training hours. In 2023, each Zeng Hsing employee received approximately 2.5 days of training.

Zeng Hsing values employee satisfaction with training outcomes, achieving an average satisfaction score of 4.6 in 2023. Feedback from these surveys helps refine training plans and tailor course topics to employee needs. In 2023, a business philosophy symposium for new supervisors, promoted colleagues, and newcomers was introduced to enhance communication channels and foster interaction between senior management and new employees. Additionally, a new Work in Taiwan Group talent training class was launched to transfer knowledge and technology from the Taiwan HQ to Vietnamese staff, strengthening professional skills and team cohesion.









5.5 Performance Management System

Each subsidiary of Zeng Hsing Group develops performance appraisal management practices tailored to local needs and conducts regular performance evaluations. These appraisals not only assess employee performance but also enhance communication and support career development. Evaluation criteria include attendance, core competencies, professional skills, behavioral attitudes, and personal goals. All employees, except those still in their probationary period, are required to undergo these evaluations. Employees whose performance falls short of expectations are provided with targeted education and training to improve their skills.

In 2023, all eligible employees (excluding those with less than three months of service) received performance appraisals, achieving 100% appraisal coverage across the group.

At the Taiwan HQ, supervisors at the section level and above conduct performance interviews prior to appraisals. This ensures that employees understand their supervisors' expectations, receive timely feedback, and make necessary adjustments to their work. To support underperforming employees, a performance improvement plan was introduced in 2022. Through this management system, the company and employees collaborate to achieve business goals.



5.6 Safety culture and responsibility

Zeng Hsing Group is committed to continuously improving occupational safety and health performance, ensuring legal compliance, and providing a safe working environment for employees. In 2022, the company received the Badge of Accredited Healthy Workplace from the Ministry of Health and Welfare, valid for three years. Zeng Hsing will continue pursuing relevant certifications to uphold these standards.

Furthermore, Zeng Hsing adheres to ISO 45001 regulations by integrating its occupational safety and health management system with business processes. This unified standard framework enhances operational efficiency and ensures the safety of all personnel within the factory.



5.6.1 Occupational Safety and Health Management Systems

In 2023, Taiwan and Vietnam plants completed third-party verification of ISO45001: 2018 occupational safety and health management system. This ISO45001 occupational safety and health management system covers all employees, self-employed workers and other people who are working under the direction or supervision of the person in charge of the workplace. The Industrial Safety Office is responsible for the planning, execution and tracking of various occupational safety and health operations, and the representative members of the Occupational Safety and Health Committee are the heads of each department.

Although ZH China and Shinco are not bound by the system, they have professional and qualified work safety personnel in the factory and have formulated internal work safety-related operating regulations, such as regular work safety inspections and working environment safety testing (e.g., CO2 and dust concentrations) to ensure a safe working environment. If internal employees have relevant issues, they can also reply to the Industrial Safety Office and report to Taiwan HQ to jointly review improvements.

The Taiwan HQ and Vietnam draw up risk-oriented annual audit plans every year, which are reviewed by external verification companies, competent authorities and other units. The audit office also evaluates the existing and potential risks of each operation based on internal controls.

In 2023, the Taiwan HQ has set a total of 2 goals, both of which were completed as planned. Vietnam set a total of 59 goals and completed 59 of them, with a goal achievement rate of 100%.



ISO45001 improved situation

5.6.2 Statistical analysis of occupational injuries

In 2023, Zeng Hsing Group reported a total of 5 occupational injury incidents, excluding commuting-related accidents. Most incidents involved cuts and abrasions during production operations, primarily caused by unsafe employee behavior. After each incident, safety awareness campaigns were conducted during weekly factory meetings to continuously enhance employee safety awareness. The Occupational Safety and Health Committee also conducts regular reviews and improvements. In 2023, Zeng Hsing Group recorded no occupational injury incidents involving non-employees or other workers.

Group occupational accident statistics from 2021 to 2023

ltem	2021	2022	2023
Occupational injury mortality	0.00	0.00	0.00
serious occupational injury rate	0.00	0.00	0.00
Recordable occupational injury rate	0.14	0.22	0.19
Types of occupational disasters	cut, bruised	cut, bruised	cut, bruised

Remark

- 1. The calculation scope only includes employees, and occupational accident statistics do not include commuting accident injuries.
- 2. Occupational injury mortality rate = number of fatalities caused by occupational injuries/annual working hours * 200,000
- 3. Serious occupational injury rate = number of serious occupational injuries (excluding fatalities)/annual working hours*200,000
- 4. Recordable occupational injury rate = number of recordable occupational injuries / annual working hours * 200,000
- 5. Annual working hours: The Taiwan HQ is calculated based on the system information reported by the Taiwan Industrial Safety Office to the Ministry of Labor; ZH Vietnam, Shinco and ZH China are calculated based on the standard working days of 300 days.

In accordance with the Occupational Safety and Health Act, every new employee and current employee cultivates occupational safety awareness through occupational safety and health education and training to reduce the probability of work hazards. According to Fire Services Act, the company needs to conduct factory-wide fire drills twice a year.



5.6.3 Employee health management and promotion

Zeng Hsing Group monitors occupational health through "Work Environment Monitoring" and follows up with "Special Health Examinations" to manage workplace hazards that may lead to employee health deterioration. Monthly on-site visits and case analyses are conducted by occupational medicine physicians, who provide recommendations through education, training, and precautions such as protective equipment use. These efforts aim to minimize the risk of employees being exposed to health hazards and reduce the occurrence of occupational diseases.

In 2023, Zeng Hsing Group identified one case of abnormality during special health examinations. The abnormality was classified as second-degree beta radiation exposure (partial or complete abnormality), which was determined by a physician to be unrelated to work duties. In 2023, Zeng Hsing Group recorded no occupational diseases among non-employees or other workers..



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 2023, Zeng Hsing Group sponsored 13 institutions with cash, including 9 institutions sponsored by Taiwan HQ, 1 institutions sponsored by ZH Vietnam, 1 institutions sponsored by Shinco and 2 institutions sponsored by ZH China, with a total amount of about TWD \$880,000; In addition, we also donated sewing machines to 19 institutions, totaling 137 units. 17 institutions donated by Taiwan HQ, and 2 institutions donated by ZH Vietnam, hoping to exert a positive impact and give back to the communities where we operate.

> Donate in 2023 Cash: TWD \$ 880,000 Sewing machines: 137 units

Digital Humanitarian Association-Rural Health Education Course Sponsorship & Remote **Public Welfare Sewing Teaching**

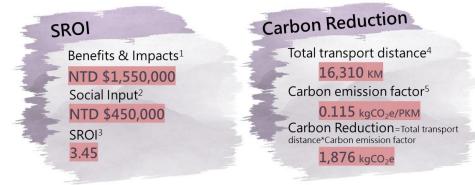
Since 2021, Taiwan HQ has partnered with the Digital Humanitarian Association (referred to as WaCare), which leverages digital technology to address three major challenges: high transportation costs, shortages of medical personnel, and imbalances between population structure and care mechanisms. Through digital applications, WaCare introduces remote video conferencing to deliver health education courses to rural communities, as well as online medical consultation and caregiver training programs.

Health Education Course Sponsorship: Zeng Hsing participates in this initiative by adopting three rural community centers annually. In 2023, it sponsored the Xizhi Fu An Community Care Base, Nantou Zhu Zi Shan Community Care Base, and Taitung Tiangi Day Care Center. Across these three

Number of **Number of** Base classes people Xizhi Fu An 3,100 Taitung Tianqi 155 classes Nantou Zhu Zi Shan attendees

sites, a total of 155 classes were conducted in 2023, with 3,100 attendees in total.

The social return on investment (SROI) and carbon reduction outcomes for the programs in these three remote communities are summarized in the chart below.



Note 1: Saved expenses such as teacher fees, transportation, and caregiver training fee.

Note 2: Course expenses Note 3: SROI= Impact & benefit ÷ social input.

Note 4: The number of business trips by lecturers & caregiver * distance from the base to the public transportation station or hospital of 3 rural bases in 2023. Note 5: Emission factor reference: EPA Product Carbon Footprint Information Platform – carbon emissions PKM for private vehicles (2014)

Nantou Zhu Zi Shan



Taitung Tian qi



Xizhi Fu An



Remote Public Welfare Sewing Teaching: Since 2022, Zeng Hsing collaborate with Taiwan Cheer Champ to promote sewing culture, teaching the elders of Xizhi Fu An Community, Nantou Zhu Zi Shan Community, and Yilan Ao Hua Tribal Community. A total of 12 sewing courses completed in 2023.

Promote health development of rural area The evolution of public welfare activities

WaCare supported the development of a remote medical and health education curriculum system, aiming to address local healthcare challenges and enhance health and well-being in rural areas through this collaborative project.

Zeng Hsing aims to diversify public welfare initiatives through online teaching, removing barriers of time, location, and distance. By cultivating community lecturers, the company seeks to better serve local residents and promote the art of sewing culture.











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. In 2023, the team had grown to 101 volunteers. Throughout the year, we organized 24 events and conducted 2 volunteer training sessions, contributing a total of 1,784 hours of service and training. Our activities and services are categorized into four main areas: sewing classrooms, fundraising through handicrafts, environmental protection initiatives, and collaborative interactions with other volunteer groups. For more details about our activities, please refer to the Zeng Hsing Volunteer Team's quarterly newsletter.



Newsletter

Enjoy the sewing Learn the skill	187 pcs of cloth sanitary pads 200 sets of material kits ocs of headwear for chemotherapy patients
sewing classrooms	Fundraising handicrafts
Zeng Hsing	Volunteer Team
Environmental protection initiatives	Volunteer Interaction
Protecting the earth circular economy	Social Affairs Bureau visit Volunteer training

6.2.1 Volunteer Activities

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

Taiwan officially entered the "aged society" in 2018, and it is projected to become a "superaged society" by 2025, meaning that one out of every five people will be 65 years or older. The



care and support for the elderly is an urgent issue, and Zeng Hsing has been focusing on "companionship." We are dedicated to organizing activities that provide companionship and care for seniors. Since 2020, the Zeng Hsing volunteer team has arranged for volunteers to conduct sewing classroom for elderly people at Sacred Love Villa and Tai-ping Development Association. In addition, Zeng Hsing also cares for women and children, sending sewing instructors to ST Francis Xavier Child and Juvenile Center, Miaoli Women's Welfare Service Center to conduct sewing courses. Seeing the sense of accomplishment and joy on the faces of elders, women, and children upon completing their creations deeply moved the volunteer team.

Fundraising Handicrafts- Cloth sanitary Pads, Chemotherapy patients' headwear

In 2023, two craft-making fundraising events were organized by the Zeng Hsing Volunteer Team. A total of 150 pieces of chemo headwear were handmade and donated to the Cancer Care Foundation, with the hope of providing comfort and support to individuals battling cancer. Additionally, Zeng Hsing hosts an annual cloth sanitary pad sewing event. This year, the team produced 187 cloth sanitary pads and approximately 200 material kits, which will be sent to Africa through the "Love Binti Association," spreading care and support to those in need.

***** Eco-Protection Initiatives -Mountain and Beach Cleanup

The mountain clean-up activity has become a signature annual event for Zeng Hsing's Volunteer Team! In April 2023, in collaboration with Ernst & Young, the number of participants reached 112. Dedicated volunteers spent their Saturday morning working alongside the staff from the Catholic Villa of Divine Love to protect the environment. Their combined efforts efficiently restored the cleanliness of the trails, showcasing teamwork and commitment. In addition to the mountain clean-up, volunteers also participated in the "Big Blue Beach Clean-up" organized by the Topkey Foundation in 2023, with 11 volunteers joining the effort. By promoting a culture of volunteering, Zeng Hsing has inspired more people to dedicate their weekends to meaningful activities. This culture not only encourages employees to engage in public service but also fosters opportunities for them to spread love and care with their families and friends.



Interaction- Department of social welfare Taoyuan & Yunlin

Thanks to the dedicated efforts of all its members, the Zeng Hsing Volunteer Team has gradually gained widespread recognition. In 2023, the Departments of Social Welfare from Taoyuan and Yunlin visited Zeng Hsing, where we hosted a Volunteer Workshop to introduce our volunteer team to a broader audience. A total of 341 participants attended the two sessions. The workshop introduced the operation and management of the Zeng Hsing volunteer team and arranged a unique sewing teaching experience, allowing participants to experiece the team's regular sewing lessons.

Yunlin social affairs bureau







6.2.2 Volunteer Training

* Volunteer Teams' Convention and Training

The Zeng Hsing Volunteer Team, established three years ago, has continually evolved to enhance its management system. In 2023, the team held its first Volunteer Convention, where a new evaluation system was introduced to encourage greater participation in volunteer activities. The convention also celebrated outstanding volunteers, inviting each honoree to the stage to share their experiences and inspire fellow team members.

With years of training and handson teaching experience, the Zeng Hsing Volunteer Team has built a strong foundation in sewing skills. In 2023, advanced training courses were conducted under the guidance of instructors, professional allowing volunteers to refine their sewing techniques and gain specialized knowledge. These advanced skills will enable the volunteers to teach sewing more effectively and help people in the future.



* Mindfulness Workshop

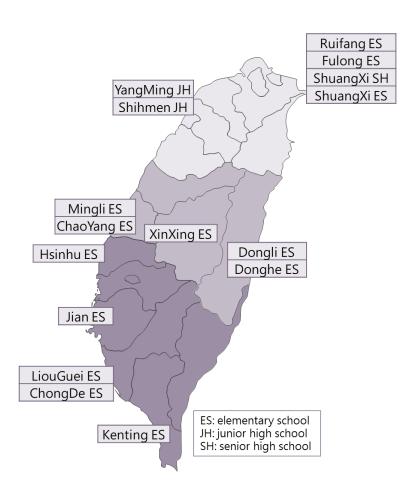
In addition to providing professional sewing courses, the Zeng Hsing Volunteer Team also organizes mindfulness workshops to enhance volunteers' professional knowledge and skills. The theme of the 2023 mindfulness workshop was "Helping People Skills," featuring a professional psychologist who shared valuable insights on communicating effectively with service recipients and managing emotions. The workshop included case analyses, psychodrama exercises, and scratch art creation, offering a comprehensive approach to teaching participants how to soothe and guide emotions. The course provided a meaningful and enriching experience for all the volunteers, equipping them with practical tools for their service work.



6.3 Campus Initiatives

* Partnership with The Clothes Association with Technical Degree A R.O.C – Promoting Sewing Education in Rural Schools

Since 2022, Zeng Hsing has collaborated with The Clothes Association with Technical Degree A R.O.C to promote sewing workshops in rural schools. This partnership continued in 2023, during which we donated a total of 81 sewing and overlock machines to 16 institutions, with a total of 527 students participating in sewing courses. Zeng Hsing hopes to provide more opportunities for children from rural areas through our strength. Through these efforts, Zeng Hsing aims to empower children in rural areas by providing them with greater opportunities to develop valuable skills and unlock their potential.

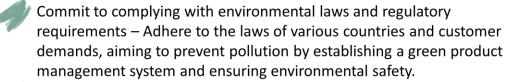


7 Eco-Sustainability

***** Environmental Management Manual

Taiwan HQ, ZH Vietnam, and ZH China have developed the **Environmental and Quality Management Handbook in accordance with ISO 14000 standards** (CNS 14001 and 14004 series). This handbook establishes a comprehensive framework for environmental policies, goal-setting procedures, and evaluation mechanisms. By setting long-term goals and implementing practical measures, we are committed to safeguarding the environment, preventing pollution, and striving for sustainable climate development.

Environmental Policy



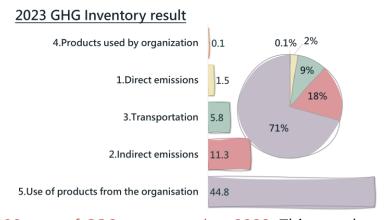
- Engage all personnel in education and training to enhance environmental awareness and capabilities.
- Strengthen the environmental management awareness of all employees and implement operational environment management.
- Integrate and promote a green supply chain system across Zeng Hsing's upstream and downstream operations.

7.1 Energy Consumption and GHG Inventory

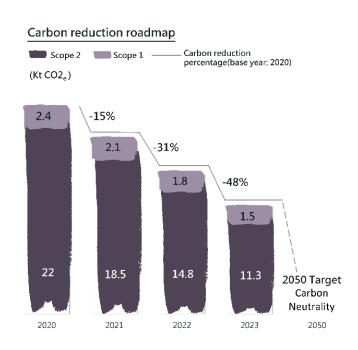
7.1.1 GHG Inventory

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. Furthermore, the 2022 external verification statement on emissions of Taiwan HQ has been completed in 2023 and plans to obtain ZH Vietnam's 2023 external verification statement on responsibility in 2024. While the other plants are scheduled to complete external verification within the following 3 years to ensure compliance with Taiwan regulations. The group's emissions in 2023 amounted to 63.5 kilotons, primarily from Category 2 site electricity emissions and Category 5 consumer electricity usage emissions.

Category 1+2 Direct Emissions Explanation: The primary sources of emissions include electricity for production equipment and sales outlets, liquefied petroleum gas (LPG) and natural gas used in production, and gasoline/diesel fuel emissions from transportation equipment. Total emissions in 2023 amounted to approximately 13,000 tons of CO2e,



representing a reduction of around 4,000 tons of CO2e compared to 2022. This translates to approximately 7.1 kgCO2e per sewing machine or vacuum cleaner produced, marking an annual increase of 0.6 kgCO2e per unit. The primary driver of this increase is electricity-related emissions, which account for about 88% of the total Category 1+2 emissions. In 2023, electricity consumption decreased by 11% compared to the previous year, and electricity



emission factors in Taiwan, Vietnam, and China also declined, leading to a noticeable reduction in electricity-related emissions. However, the denominator for calculating emission intensity—total production declined by 30% for sewing machines and vacuum cleaners in 2023. As a result, despite the absolute reduction in emissions, the emissions intensity per unit produced increased significantly.

Category 3+4+5 Emission Explanation:

(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 51,000 tons of CO2e, constituting 80% of the group's emissions. This represents a reduction of 25,000 tons of CO2e, - 33% from the previous year, primarily due to sales volumes reduced, leading to a substantial decrease in Category 5 consumer electricity usage.

7.1.2 Energy Reduction and Pollution Prevention

Taiwan HQ, ZH Vietnam, and ZH China have obtained ISO 14001 environmental management system certification. These sites develop annual eco-protection and pollution prevention policies based on the environmental manual and adhere to local regulations on air pollution, wastewater, and waste management, aiming to minimize operational impacts. During this period, no significant fines or penalties for major violations were recorded.

Since the inauguration of Taiwan HQ's new building in 2020, a central monitoring system has been in place. Integrated with the Energy Monitoring System (EMS), it enables effective control of energy consumption and helps prevent abnormal power usage. The EMS facilitates real-time energy consumption monitoring, load analysis, and efficiency optimization by providing detailed insights into the energy use of various equipment. To achieve energy conservation and carbon reduction goals, the general affairs unit at Taiwan HQ conducts monthly analyses of electricity consumption using EMS data, continuously identifying opportunities for energy savings.

ZH Vietnam serves as Zeng Hsing's primary production base, with an annual production capacity of over one million sewing machines, resulting in a relatively high percentage of the group's carbon emissions. To effectively manage energy consumption and carbon emissions, ZH Vietnam implemented the ISO 50001 energy management system in 2017, establishing a comprehensive energy management framework. As part of this system, ZH Vietnam conducts annual energy audits and analyses, identifies high-energy-consuming equipment, develops relevant strategies, and strives to achieve an annual carbon emissions reduction target of 0.5%.

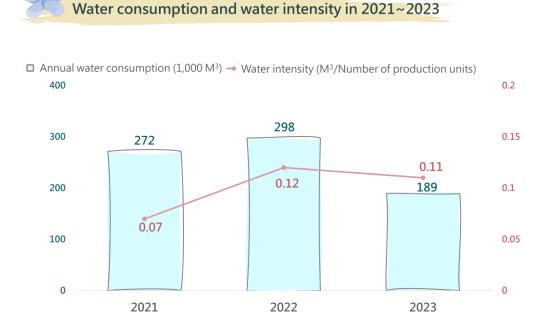
In 2023, ZH Vietnam implemented several energy-saving initiatives, including replacing traditional air compressors and dryers with more efficient variable-frequency models, adopting solar lamps for factory lighting, implementing zonal electricity usage systems, and conducting regular maintenance of the air conditioning system. These efforts resulted in a total carbon reduction of 0.4%.

Looking ahead to 2024, ZH Vietnam will continue to establish energy-saving plans and leverage energy management and monitoring hardware and software to track energy consumption data, ensuring the optimization of energy efficiency. Additionally, Taiwan HQ, Shinco, and ZH China have introduced similar energy-saving measures, such as transitioning factory lighting to LED, installing solar-powered streetlights, and replacing diesel stackers with electric ones.

Adhere to energy regulations Efficient use of energy Implement Objective Management Continuous performance improvement Drive internal and external communication Provide appropriate resources Support green procurement Towards energy conservation and sustainability

7.1.3 Water Resource Management

In addition to regularly promoting the conservation of water resources, Zeng Hsing Group have specific water-saving measures, such as replacing old water pipes/tank floats to reduce water leakage, reducing the water pressure in handwashing stations, and installing water-saving toilets/urinals/faucets. Recycled rainwater is also used to water gardens and plants to reduce the use of tap water. Taiwan HQ has also installed a water meter monitoring system to regularly track and confirm water consumption and avoid water waste in time.



7.1.4 Waste Management

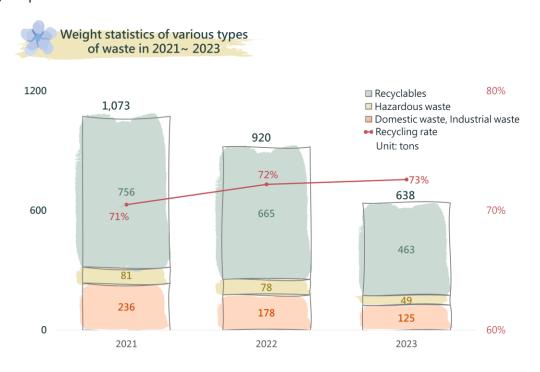
Zeng Hsing Group has established relevant waste management practices in accordance with local laws and ISO14001 requirements. And waste management practices include strict regulations for waste disposal, sorting, and recycling, along with controlled records for waste clearance, in accordance with local government requirements. The general waste disposal method of Zeng Hsing Group is landfill and incineration, and the hazardous waste is recycled by units that meet the requirements of the local environmental protection bureau to ensure the effective disposal of waste. In 2023, there were no incidents of contract violation or regulatory breaches by waste disposal contractors.

* Waste management and reduction

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 economic model of manufacturing, production, and disposal, aiming at the core of the 3R principles (Reduce + Recycle + Reuse).

In 2023, ZH Group's total waste amounted to 638 tons, a reduction of 282 tons compared to 2022. 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 2023 reached 73%, a slight 1% increase from 2022.

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 if any abnormal situation is found, all units are requested to provide cause analysis and review for improvement, aiming to prevent unnecessary resource depletion and enhance the group's resource utilization rate.



7.1.5 Environmental Inspection

With factories located in Taiwan, Vietnam and China, ZH Group is required to conduct regular environmental testing in accordance with environmental regulations of various countries, such as drinking water E. coli, wastewater chemical oxygen demand, working environment carbon dioxide concentration, non-methane hydrocarbons (NMHC), dust, noise, etc. All subsidiaries passed the inspection in 2023, and no deviations from the standards were identified.

			Qualified (Unqualified
	Compliance with local regulations			
	ZH China	Taiwan HQ	ZH Vietnam	Shinco
Water pollution test (SS · COD · BOD)				
Environmental test (SOx · NOx · noise)	Ø	•		

Notes: Data comes from the 2023 water pollution and environmental inspection report of each subsidiary (conducted on an annual basis in accordance with local regulations)

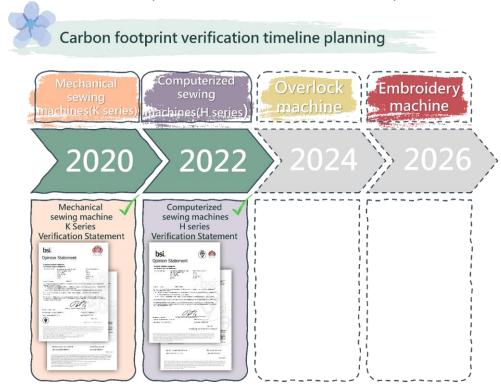
7.2 Reduction in energy demand for products and services

7.2.1 Product Carbon Footprint ISO14067

ZH Group continues to pursue to create more environmentally friendly and high-quality products with customers, and to this end, we not only conduct organizational greenhouse gas emission verification, implement a comprehensive carbon management plan, but also actively promote the verification of product carbon footprint ISO 14067. We expect to reduce carbon emissions and improve environmental sustainability through the information provided by the Product Carbon Footprint Report (PCR), combined with green design, the use of low-carbon raw materials, the optimization of production efficiency, green logistics, and the design of products for energy efficiency and recyclability.

By 2026, ZH plans to complete the carbon footprint verification of all product lines, including mechanical Series, computerized series, overlock series and embroidery machine. Since 2019, we have started product carbon footprint verification and have completed the

product carbon footprint inventories and external verification of K series mechanical sewing machines 2020 series and Н computerized sewing machines in 2022. After completing the inventories of all sewing machine series, we will conduct a second round of inventories as needed to ensure the accuracy and reliability of the footprint data and verify the actual carbon reduction effect of the sewing machines manufactured by Zeng Hsing.



In terms of climate issues,

we can know from the product carbon footprint inventories that the emissions of the sewing machine production process in the raw material stage account for 60~65%, so the annual R&D focus is on the concept of green design, so that the product starts from the source to minimize the use of resources and energy to achieve the carbon reduction goal.

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. In terms of production process improvement, the shared design of fixtures and the integration of fixtures are used to improve the efficiency of the production line and reduce the number of fixtures in the production process.

To reduce 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 2023, 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 increase parts sharing.

7.2.2 Green Design

Parts sharing-Needle Plate

The R&D team uses the same type of parts to make some size changes to reduce the types of parts used and reduce the loss of energy resources caused by mold development.

 In 2023, it was applied to three series of models, a total of 7,000 units.

Integrated analytics

Integrated design



Parts sharing-Screw

The R&D team uses the one-piece manufacturing process to combine the original two parts into one to reduce the assembly man-hours.

- In 2023, it was applied to four series of models, a total of 300,000 units.
- The average assembly per unit is reduced by 2.5 seconds, and the total man-hours are estimated to be reduced by 205 hours per year.



Reduce the amount of mold steel

Greatly reduce the cost of mold development, material consumption and the average energy consumption of a single part in mass production.

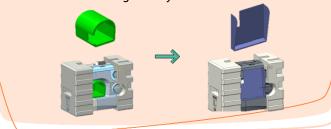
• In 2023, a total of 141 exterior parts of the five models, of which 98 will be shareable, accounting for 69%.

69%

Styrofoam to cardboard

The packaging of sewing machine accessories replaces the current Styrofoam packaging material with cardboard.

- It was applied to three series of models, a total of 550,000 units.
- Reduced the total weight of Styrofoam: about 8 tons.



Embroidery machine noise reduction

In 2023, the embroidery noise reduction scheme will be proposed, which can be reduced by an average of **4.3dB** after testing, allowing users to reduce noise interference when sewing.

8 ESG Report Independent Assurance Statement



Independent Assurance Statement

Zeng Hsing Industrial Co., Ltd. 2023 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. 2023 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 Zeng Hsing Industrial Co., Ltd. 2023 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 2023 (January 2023 ~ December 2023).

TÛV 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 2023 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:

TÛV 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.

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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 2023 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. 2023 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.



Vito C. C. Lin Technical Manager

TÜV Rheinland Taiwan Ltd.

Taipei, July 26, 2024

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