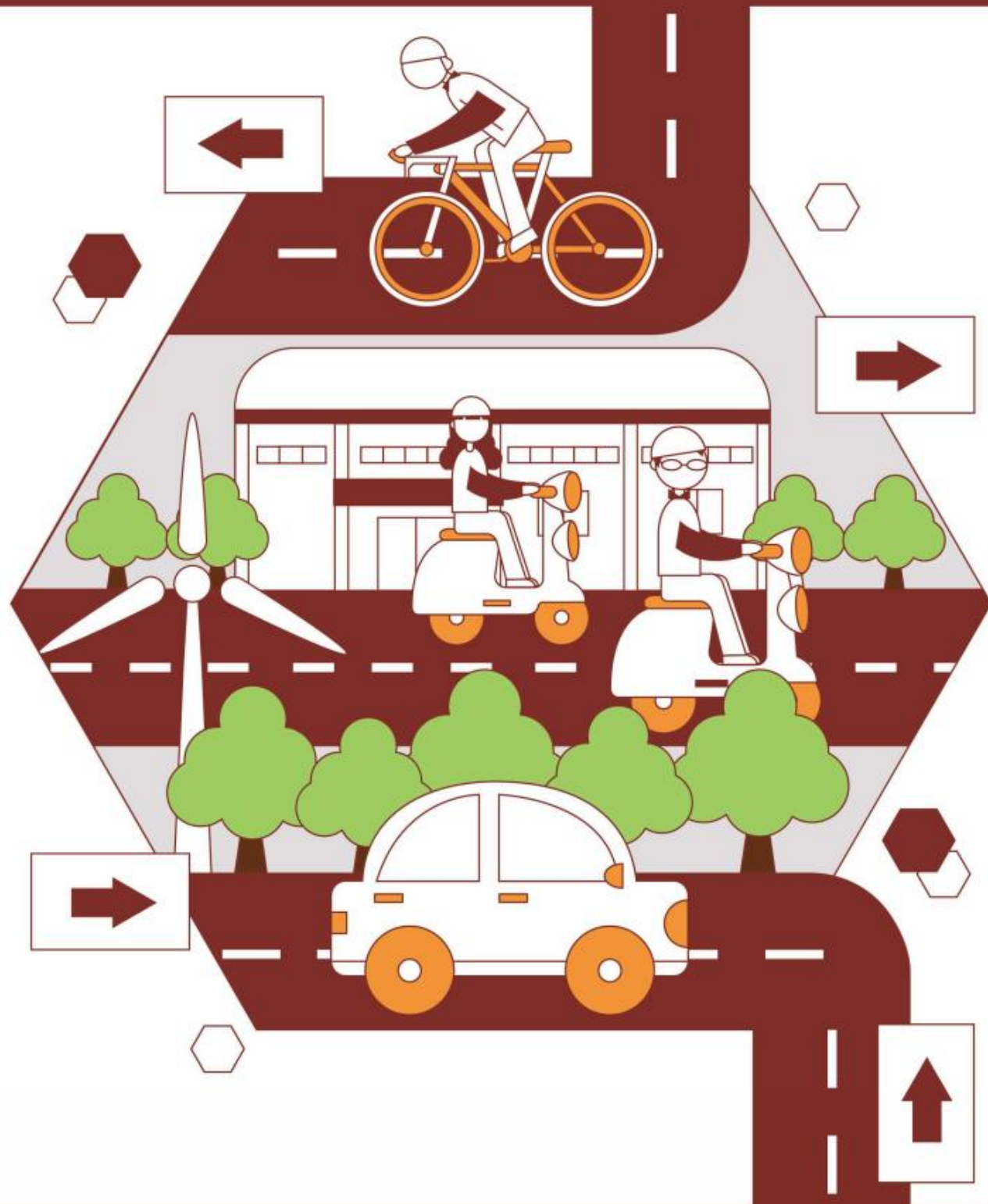




六暉控股股份有限公司  
LU HAI HOLDING CORP.

# 2023 永續報告書

Sustainability Report





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## About the Report

### Framework Basis

LU HAI HOLDING CORP. (Stock Code 2115, hereinafter referred to as "LU HAI" or "the Company") actively responds to the concerns, inputs, and performance related to sustainable development from various stakeholders by compiling and disclosing an annual sustainability report. The content of this report follows the frameworks provided by the Global Reporting Initiative (GRI) Standards 2021, the Sustainability Accounting Standards Board (SASB) Auto Parts, the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) published by the Financial Stability Board (FSB), the Sustainable Development Goals (SDGs) of the United Nations, the United Nations Global Compact (UNGC), and the "Operational Procedures for Listed Companies to Compile and File Sustainability Reports" issued by the Taiwan Stock Exchange.

### Report Boundary and Data

This report covers the management performance in economic, environmental, and social aspects from January 1, 2023, to December 31, 2023. Financial information and audited financial data are consistent with the accountant's certification. Some statistical data are sourced from annual reports, government agencies, and relevant websites. The scope of disclosure mainly focuses on LU HAI HOLDING CORP., including its Taiwan branch, Xiahui Rubber Metal Ind. Co., Ltd., Luhai Intelligent Technology (Kunshan) Co. Ltd., and PT. LUHAI INDUSTRIAL. Any inconsistencies in the scope of disclosed quantitative indicators will be specifically explained in the report.

### Information Quality and Internal Audit

The text and data disclosed in this report have undergone three stages of internal review for confirmation. Firstly, relevant data is provided by the heads of each working group of LU HAI's Sustainable Development Committee and compiled and edited by the project executive committee of the Sustainable Development Committee. It is then submitted for review to the General Manager and Chairman according to internal procedures before being published on the company's website.

### Release Time

LU HAI issues a sustainability report annually. You can download relevant information from the "Corporate Sustainable Development" section of LU HAI's website:

<http://www.luhai.com.tw>

First Issue Date: September 2023

Current Issue Date: June 2024

Next Issue Date: Expected to be August 2025

### Contact Us

If you have any suggestions on this report or the company's sustainable development, please feel free to contact us.

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## Message from the Chairman

### Building Sustainable Business Foundation for Coexistence and Co-Prosperity with Society

In 2023, the global economy faced numerous challenges, including inflation, interest rate hikes, geopolitical conflicts, changing competitive dynamics, and escalating trade barriers. Additionally, there were various potential financial and sustainability risks, such as climate change, rising energy prices, and increasing demand from global customers for environmentally sustainable products. These factors have had impacts on business operations, making sustainable development for coexistence and co-prosperity of the overall environment a challenge and opportunity that all enterprises must collectively address.

Under the concept of sustainable development, governments and businesses worldwide are actively promoting goals such as green economy, circular economy, and corporate social responsibility to enhance economic resilience and promote social equity and environmental sustainability. Since its establishment in 1980, LU HAI has always adhered to the business philosophy of "Quality as the Foundation, Integrity as the Core, Customer as the Priority, Continuous Improvement." We have remained focused on enhancing our core capabilities, continuously improving, and actively embracing technology to drive digital transformation and process automation, thereby laying a solid foundation for sustainable business operations.

### Continuously Enhancing Sustainability Information Disclosure Quality and Communication Channels

LU HAI firmly believes that corporate success must be built on the foundation of sustainable development. By regularly reviewing work in the three dimensions of Environment, Social, and Governance, actively identifying operational risks, formulating medium- to long-term strategic objectives, and integrating cross-functional resources and efforts, we strengthen sustainability as a core aspect of our operations. To continuously improve transparency and quality in sustainability information disclosure, we proactively adopt the Task Force on Climate-related Financial Disclosures (TCFD) and Sustainability Accounting Standards Board (SASB) standards, aligning with international trends. Each year, through the compilation of our annual report, we fully disclose our sustainability indicator performance, actively addressing concerns from stakeholders.

### Sustainability Development Strategy

LU HAI is committed to creating a comprehensive environment, fostering a friendly workplace, and promoting diversity and equality in our work environment. We pledge to provide employees with a safe and healthy workplace, along with necessary education, training, and employee benefits. Additionally, we contribute to society through sponsorship activities, charitable donations, and emergency relief efforts. On the environmental front, we continuously verify our ISO 14001 environmental management system and strive to reduce greenhouse gas emissions and improve energy efficiency through industrial upgrades and energy layout adjustments. In response to Taiwan's 2050 net-zero emission policy and global trends, in recent years, we have actively optimized production processes and equipment efficiency. We have also implemented ISO 14064-1 greenhouse gas inventory and planned for third-party verification of all factories in our group in the future.

### Creating a Better Future Together

Looking ahead, in addition to pursuing growth and profitability, LU HAI endeavors to play the role of a responsible corporate citizen, integrating sustainability into our strategic vision. With integrity and proactive actions, we strive for balanced development in business performance, corporate governance, environmental sustainability, and social integration. We expect all employees to continuously make improvements for their work, actively embrace international perspectives and standards, seize opportunities, and contribute to the sustainable growth and competitiveness of the company. Together, we aim to create a better future for society and continuously build upon our sustainable growth momentum.



Chairman:

Simon Hsu (Hsu Lien-kai)

## About LU HAI

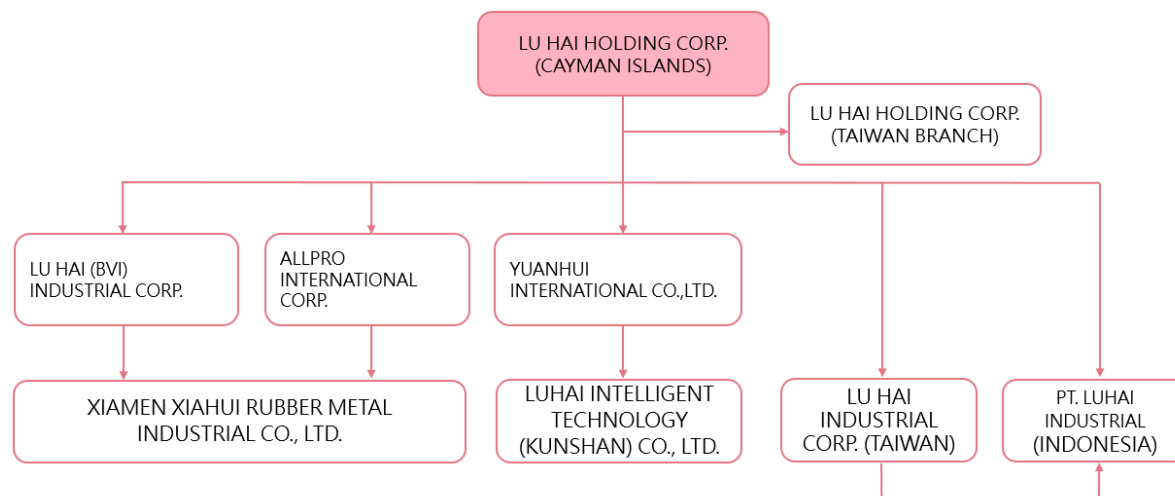


LU HAI HOLDING CORP. (referred to as "LU HAI" or "the Company") was established in May 1983, specializing in the manufacturing, processing, and trading of tire rubber valve stems and tire valve stem metal bodies. With the gradual expansion of our business, we have established manufacturing bases and important operational centers in Xiamen, Kunshan, and Indonesia. Additionally, the Company actively participates in investment projects related to the manufacturing and sale of valve stems. On October 19, 2009, LU HAI HOLDING CORP. was established in the Cayman Islands as the holding parent company of the entire group. We applied for our initial public offering in Taiwan and were listed on the Taiwan Stock Exchange with stock code 2115.

Establishment Date	October 19, 2009	Paid-up Capital	NT\$ 994 million
Listing Date	December 25, 2013 (Stock Code: 2115)	Number of Employees	1,255
Headquarters	No. 64, Xin Gong 5th Road, Tianjhong Industrial Park, Tianzhong Township, Changhua County, Taiwan, 520003		
Operational Sites	<ul style="list-style-type: none"> <li>● Xiahui Rubber Metal Ind. Co., Ltd., established in 1990, located in Jimei District, Xiamen City, China</li> <li>● Luhai Intelligent Technology (Kunshan) Co. Ltd., established in 1997, located in Kunshan City, Jiangsu Province, China</li> <li>● PT. LUHAI INDUSTRIAL, established in 2011, Indonesia</li> </ul>		
Main Products	Approximately 80% of sales are from the manufacturing and sale of valve stems, while the remaining 20% come from accessory trading and other businesses.		



## Group Structure



## The Upstream and Downstream Relationships in the industry

LU HAI produces various types of valve stems that act as independent valve devices, allowing gas to enter tubeless tires or inner tubes when opened, automatically closing and sealing to maintain pressure and prevent gas leakage from the tire or inner tube. Apart from solid tires, all tires or inner tubes that require inflation rely on these devices for inflation. With technological advancement and innovation, LU HAI also manufactures precision machined parts other than valve stems and collaborates with customers to develop customized automated equipment.

Upstream → Midstream → Downstream

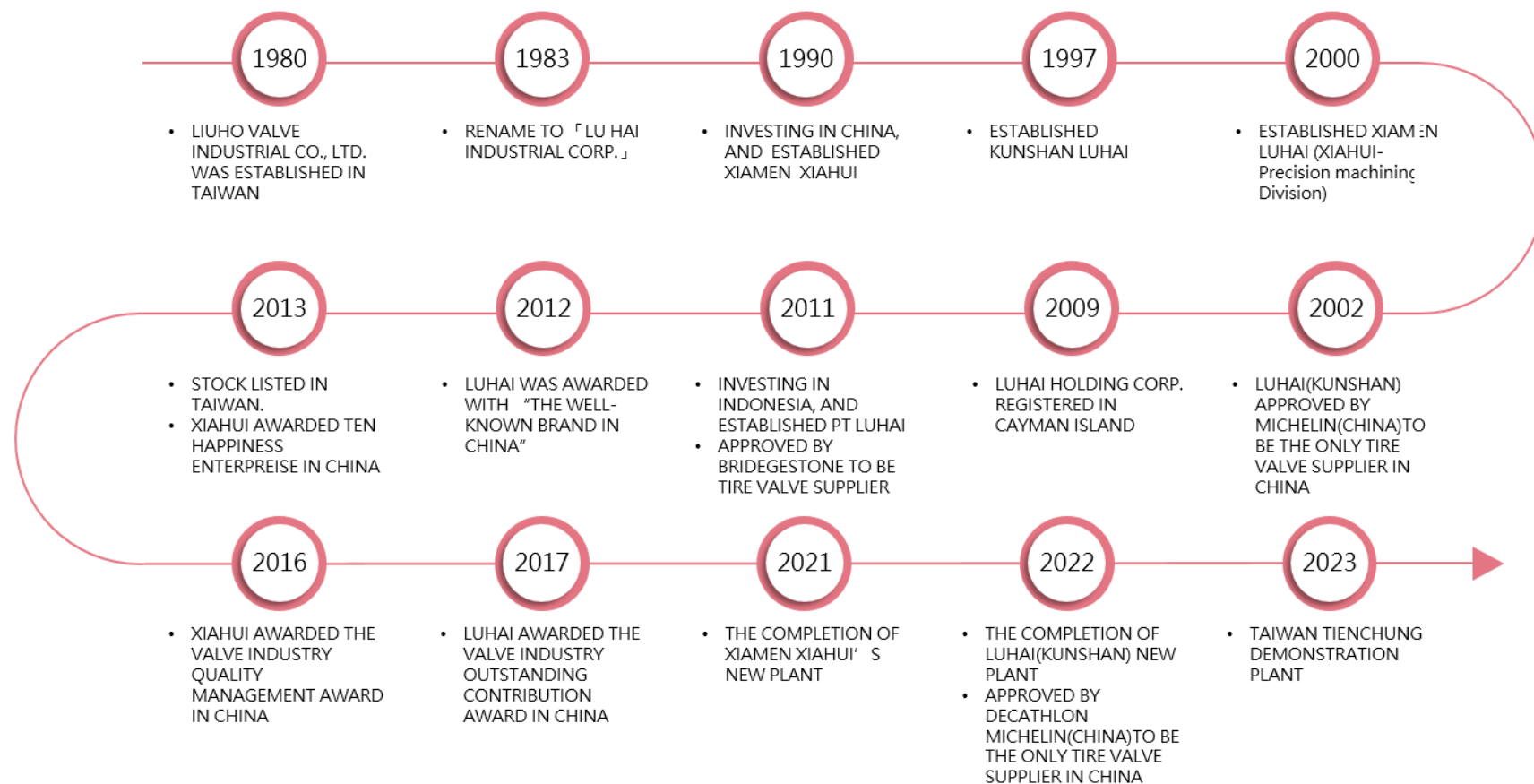


The company adheres to the business philosophy of "Quality Oriented, Integrity, Customer First, Continuous Improvement." With over 30 years of experience, the LU HAI research and development team not only collaborates with customers to develop new products based on tire design concepts and functional requirements but also continuously invests in projects such as equipment automation, system integration, and mold and fixture development. We actively introduce high-end equipment from Germany, Italy, Switzerland, Japan, and other countries to strengthen our industry capabilities and strive to become the most competitive leader in the valve stem industry. The valve stems and related products produced by the LU HAI Group are designated products of leading global tire manufacturers, with applications ranging from bicycles, motorcycles, cars, trucks, buses to large agricultural vehicles. Our products are exported to over 90 countries and regions across all five continents worldwide.

Management System Name	Version	Taiwan Branch	XIAMEN XIAHUI	PT. LUHAI	KUNSHAN LUHAI
Quality Management System	ISO 9001 : 2015	●	●	●	●
International Automotive Industry Quality Management System	IATF 16949 : 2016	-	●	●	-
Occupational Health and Safety Management System	ISO 45001 : 2018	-	-	●	●
Environmental Management System	ISO 14001 : 2015	-	●	●	●



## Important Milestones



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KUNSHAN LUHAI



XIAMEN XIAHUI



Headquarters-Taiwan Branch



PT. LUHAI



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## E Environmental

- ISO 14001:2015 Environmental Management System certified in Xiamen, Kunshan, and Indonesia.
- Hazardous waste reduced by 62.88%.
- Waste sold or recycled at 85.43% rate.
- Zero major environmental fines.

- 100% local material sourcing in Taiwan.
- 96.28% local sourcing in China.
- Material recycling rates improved in 2023: PT. LUHAI INDUSTRIAL: 34.42%; Xiahui Rubber Metal Ind. Co., Ltd.: 58.68%.

## S Social

- ISO 45001:2018 Occupational Health and Safety Management System certified in Indonesia and Kunshan.
- Xiahui Rubber Metal Ind. Co., Ltd. certified for Tertiary Sector Work Safety Standardization.
- Xiahui Rubber Metal Ind. Co., Ltd. certified by Xiamen City Corporate Health.
- Xiahui Rubber Metal Ind. Co., Ltd. awarded "Double Love Model Enterprise."

- Average employee satisfaction in 2023: 77.63.
- Gender equality: 38.1% female staff, 28.94% female managers.
- 300+ training sessions in 2023, totaling 5,780 hours, with 6,373 participants.
- 76.92% of top management are local residents.
- No human rights violations reported in 2023.
- Total employee salary and benefits expense: NT\$555,522,000.

## G Governance






- Governance assessment: ranked 11%-20% in the category of company market capitalization under NT\$5 billion.
- Consolidated revenue in 2023: NT\$2.592 billion.
- 100% average director attendance in 2023.
- 3 female directors, comprising 33.33% of board.
- 3 independent directors, also 33.33% of board.
- Board accumulated 81 hours of training.






- No losses due to information security breaches in 2023.
- Customer satisfaction averaged over 90 for 3 consecutive years.
- 707 suppliers assessed in 2023, all participating, with 86.97% rated as excellent (Grade A).
- 163 suppliers signed sustainability commitments, representing 86.36% of procurement spend.



## The UN Sustainable Development Goals (SDGs)

As LU HAI HOLDING CORP. pursues sustainable development, it prioritizes corporate social responsibility in accordance with regulations set by the Taiwan Stock Exchange. The company regularly revises its "Practical Guidelines for Sustainable Development" as a framework to follow. In the pursuit of its corporate vision, LU HAI utilizes technology, adheres to energy conservation and environmental protection practices, and fosters innovation to create customer value, achieving mutual prosperity for the company and society. Here is a summary of the related practices and responses to align with the United Nations Sustainable Development Goals (SDGs):

SDGs	Summary of Responses	●Achievements or ▲Goals	Revealed Sections
	<ul style="list-style-type: none"> <li>Regular monitoring of employee health conditions, subsidizing health examination fees, and arranging special occupational health checks.</li> </ul>		5.5 Occupational Health and Safety
	<ul style="list-style-type: none"> <li>Employee education and training: Over 300 sessions conducted in 2023, with a total training time of 5,780 hours and 6,373 participants.</li> </ul>		5.3 Talent Cultivation and Development
	<ul style="list-style-type: none"> <li>Appointment of 9 directors, including 3 female directors, accounting for 1/3 of director positions.</li> <li>Female employees account for 38.1%, female supervisors account for 28.94%.</li> <li>In 2022, a total of 6 employees applied for childcare leave without pay.</li> </ul>		2.1 Corporate Governance and Integrity Management 5.1 Diversity and Inclusion 5.2 Welfare and Systems
	<ul style="list-style-type: none"> <li>Automatic monitoring and testing to ensure wastewater quality meets standards before discharge, with no violations in 2023.</li> </ul> <p>▲ Implementation of water resource management and continued promotion of process wastewater recycling.</p>		4.3 Pollution Prevention and Control
	<ul style="list-style-type: none"> <li>In 2023, the debt ratio decreased to 36.0%, 2% reduction compared to 2022.</li> <li>The company ensures fair and equitable wages and working conditions, prohibits discrimination, ensures equal job opportunities, prohibits child labor, and does not engage in forced labor.</li> <li>The Indonesian and Kunshan factories completed ISO 45001:2018 Occupational Health and Safety System certification.</li> </ul> <p>▲ Continuous efforts are made to cultivate a culture of integrity, ensuring that every employee recognizes integrity as the cornerstone of the company's success.</p> <p>▲ LU HAI will strive to diversify its products and services to meet the needs of different customer groups.</p> <p>▲ The company actively invests resources to promote technological upgrades, increase production efficiency, reduce costs, and enhance competitiveness in the market.</p> <p>▲ Both the Taiwan Branch and Xiahui Rubber Metal Ind. Co., Ltd. obtained ISO 45001:2018 Occupational Health and Safety System certification.</p>		2.1 Corporate Governance and Integrity Management 2.2 Operational Performance 3.1 Innovation Management 3.2 Product Quality and Safety 5.1 Diversity and Inclusion 5.4 Human Rights 5.5 Occupational Health and Safety

SDGs	Summary of Responses	●Achievements or ▲Goals	Revealed Sections
	<ul style="list-style-type: none"> <li>In 2023, the company allocated NT38,914 million dollars for research and development, demonstrating a continued commitment to process development and optimization.</li> <li>All operational factories of LU HAI have obtained ISO 9001:2015 Quality Management System certification.</li> <li>Xiahui Rubber Metal Ind. Co., Ltd. and PT. LUHAI INDUSTRIAL (Indonesia) have obtained IATF16949:2016 International Automotive Industry Quality Management System certification.</li> <li>▲ The Taiwan factory has obtained IATF16949:2016 International Automotive Industry Quality Management System certification.</li> <li>▲ The company actively seeks collaboration with research institutions and other industry partners. Through the sharing of resources and knowledge, it aims to develop new technologies collaboratively and create greater value.</li> </ul>		<p>3.1 Innovation Management</p> <p>3.4 Sustainable Supply Chain Management</p>
	<ul style="list-style-type: none"> <li>Employing local residents for senior management positions, accounting for 76.92%.</li> <li>Respecting local beliefs, PT. LUHAI adjusted working hours during the fasting month. In 2023, a total of 125 employees participated in the Ramadan fasting, resulting in an expenditure of IDR 14.4 million.</li> </ul>		5.1 Diversity and Inclusion
	<ul style="list-style-type: none"> <li>Regular reporting to local regulatory authorities is conducted regarding industrial water usage and electricity consumption. The Department of Engineering sets annual goals and assesses their achievements.</li> <li>Pollution control devices are utilized to collect and treat exhaust gases and wastewater generated by each production workshop. Regular inspections are conducted annually to ensure compliance with regulatory requirements.</li> </ul>		<p>4.2 Energy Resource Management</p> <p>4.3 Pollution Prevention and Control</p> <p>4.4 Greenhouse Gas Management</p>
	<ul style="list-style-type: none"> <li>In 2023, the material recycling rates were 34.42% for PT. LUHAI INDUSTRIAL (Indonesia) and 58.68% for Xiahui Rubber Metal Ind. Co., Ltd.</li> <li>The amount of hazardous waste produced in 2023 was 60.08 metric tons, representing a decrease of 62.87% compared to 2022.</li> <li>Starting from 2023, an annual sustainability report is published regularly to enhance the quality of information disclosure.</li> <li>▲ Efforts are continuously made to reduce and recycle wastewater, thereby decreasing wastewater discharge. Moreover, production planning across all factories is integrated to ensure optimal utilization of water resources.</li> <li>▲ A commitment to eco-friendly product design is upheld, aiming to minimize environmental impact during the manufacturing process, conserve energy, and promote proper recycling of resources.</li> </ul>		<p>4.1 Climate Change</p> <p>4.3 Pollution Prevention and Control</p> <p>Appendix II. Compilation Standards of the Sustainability Accounting Standards Board</p>
	<ul style="list-style-type: none"> <li>The company has adopted the Task Force on Climate-related Financial Disclosures (TCFD) framework to assess and disclose the risks and opportunities associated with climate change.</li> </ul>		4.1 Climate Change

SDGs	Summary of Responses	●Achievements or ▲Goals	Revealed Sections
	<ul style="list-style-type: none"> <li>● In 2023, there were zero instances of insider trading or corruption.</li> <li>▲ The company plans to develop risk management procedures in 2024 and regularly present the execution status to the Board of Directors for review, aiming to establish an effective risk management mechanism.</li> <li>▲ The company maintains communication channels with government entities to stay informed about the latest regulatory trends, ensuring compliance and stable operations.</li> <li>▲ Ongoing communication with stakeholders is prioritized to safeguard their interests, enhancing operational efficiency and effectiveness while implementing corporate governance mechanisms.</li> </ul>		1.1 Sustainability Strategy 1.2 Stakeholder Engagement 1.3 Identification of Significant Issues 1.4 Risk Management 2.1 Corporate Governance and Integrity Management
	<ul style="list-style-type: none"> <li>● The company actively fulfills its social responsibilities through activities such as charitable donations, emergency relief, and sponsorship of community events. The Taiwan Branch achieved a participation rate of 85.71% in 2023.</li> <li>▲ The company actively engages with business associations and other relevant social and economic cooperation organizations to promote industrial, economic, and technological development.</li> </ul>		6.1 Social Welfare 6.2 Participation of Public Associations and Non-Profit Organizations



## The UN Global Compact (UNGC)

The UNGC consists of ten universally recognized principles covering areas such as human rights, labor, environment, and anti-corruption efforts, designed for incorporation into corporate strategies and policies. While not a signatory to the United Nations Global Compact (UNGC), LU HAI remains vigilant in observing global ESG (Environmental, Social, and Governance) trends and undertaking related actions.

Category	10 Principles	Summary	Corresponding Sections
Human Rights	<ol style="list-style-type: none"> <li>1. Businesses should support and respect the protection of internationally proclaimed human rights.</li> <li>2. Businesses should make sure that they are not complicit in human rights abuses.</li> </ol>	<p>The company has established the "Regulations for Human Rights Policy Management," which is implemented within its internal control processes. It is committed to:</p> <ul style="list-style-type: none"> <li>● Establishing a safe and healthy working environment.</li> <li>● Providing fair and reasonable wages and working conditions.</li> <li>● Eliminating discrimination and ensuring equal job opportunities.</li> <li>● Prohibition of child labor.</li> <li>● Prohibition of forced labor.</li> <li>● Respecting freedom of association.</li> <li>● Protecting privacy and preventing harassment.</li> <li>● Providing a mechanism and channels for complaints.</li> </ul>	<p>5.1 Diversity and Inclusion 5.4 Human Rights 5.5 Occupational Health and Safety</p>
Labour	<ol style="list-style-type: none"> <li>3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</li> <li>4. The elimination of all forms of forced and compulsory labour.</li> <li>5. The effective abolition of child labour.</li> <li>6. The elimination of discrimination in respect of employment and occupation.</li> </ol>		
Environment	<ol style="list-style-type: none"> <li>7. Businesses should support a precautionary approach to environmental challenges.</li> <li>8. Businesses should undertake initiatives to promote greater environmental responsibility.</li> <li>9. Businesses should encourage the development and diffusion of environmentally friendly technologies.</li> </ol>	<ul style="list-style-type: none"> <li>● Developing high-performance green products to enhance application efficiency and strengthen the green connection with customers.</li> <li>● Dedicated to developing green processes, promoting source improvement to reduce waste and energy consumption.</li> <li>● Establishing an energy management mechanism to promote energy conservation, carbon reduction, and reduce pollution emissions.</li> <li>● Enhancing resource utilization efficiency, promoting resource circulation, and fostering a circular economy through recycling and reuse.</li> </ul>	<p>3.1 Innovation Management 3.4 Sustainable Supply Chain Management 4.1 Climate Change 4.2 Energy Resource Management 4.3 Pollution Prevention and Control 4.4 Greenhouse Gas Management 4.5 Waste and Resource Circulation</p>

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Category	10 Principles	Summary	Corresponding Sections
Anti-Corruption	10. Businesses should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"><li>● Compliance advocacy and integrity education training to establish a culture of compliance.</li><li>● Enhancing integrity in business operations by refining rules and regulations.</li><li>● Implementing integrity in business operations and establishing an anti-bribery management mechanism.</li><li>● Identifying high-risk integrity violations in various factory operations and implementing preventive measures.</li></ul>	1.4 Risk Management 2.1 Corporate Governance and Integrity Management





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## 1. Corporate Sustainability

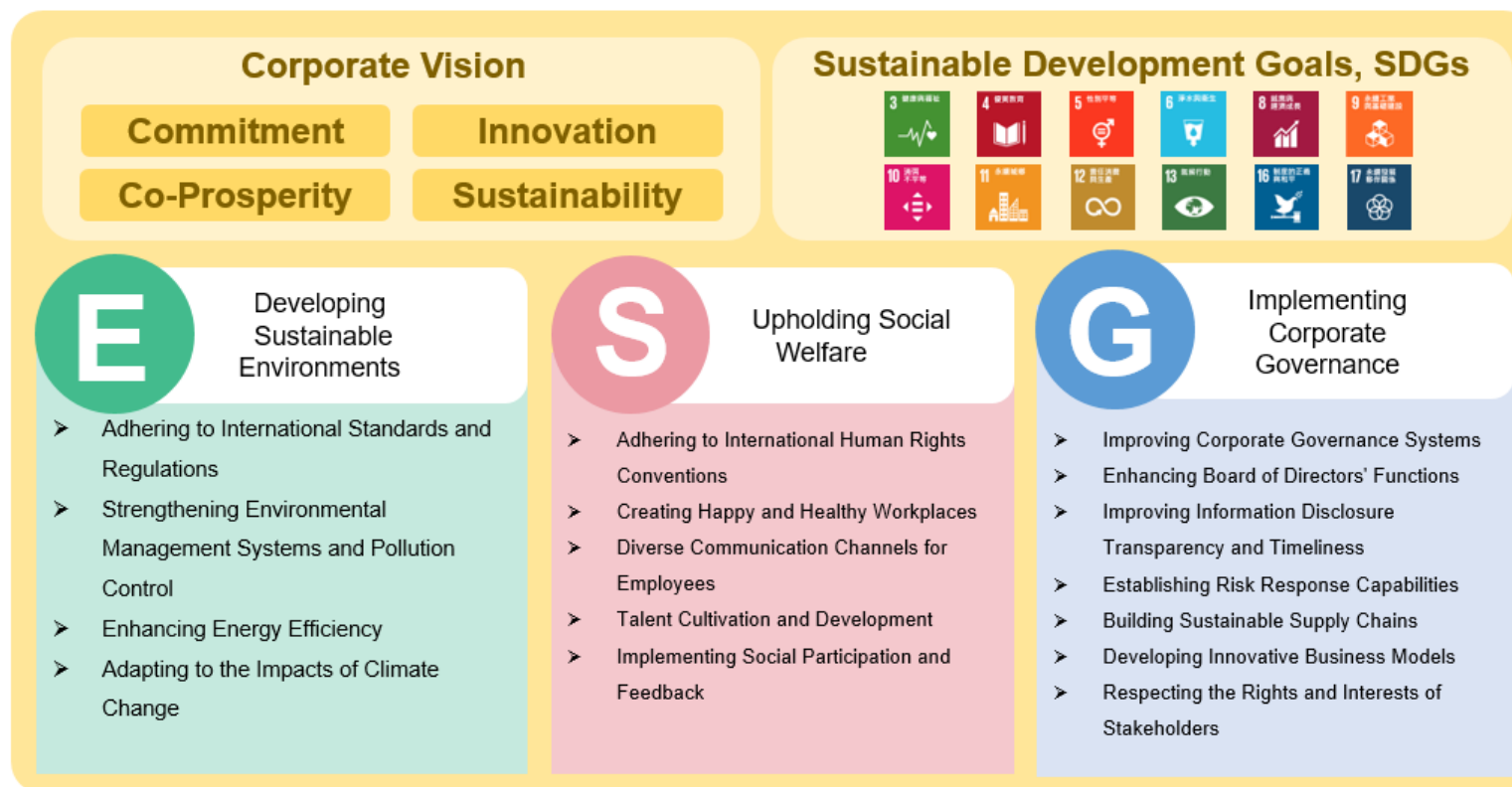
### 1.1 Sustainability Strategy

### 1.2 Stakeholder Engagement

### 1.3 Identification of Significant Issues

### 1.4 Risk Management

## 1.1 Sustainability Strategy



Lu Hai is committed to the vision of "Commitment, Co-Prosperity, Innovation, and Sustainability," adhering to the business philosophy of "Quality Oriented, Integrity, Customer First, Continuous Improvement." We strive for sustainable growth in collaboration with all our business partners, fulfilling our responsibilities as responsible corporate citizens of the global village. We are dedicated to promoting ESG practices, enhancing environmental, safety, health, and energy management, to establish Lu Hai as a sustainable and growing entity. Our goal is to create win-win situations for all stakeholders, add economic value to society, and continue to be a force for social upliftment.

On the aspect of corporate governance, we are committed to safeguarding shareholder interests, continually improving the structure and operation of the board of directors, including the establishment of independent directors and the formulation of various governance measures. We progressively fulfill responsibilities to shareholders, society, and the environment, laying a solid foundation for enhancing company value and competitiveness.

Lu Hai aims for sustainable operations, focusing on core business operations, investing in and nurturing talent, optimizing existing capacity and processes, strengthening collaboration with the supply chain, and emphasizing energy conservation, carbon reduction, green environmental protection, social participation, and public welfare contributions. While achieving sustainable economic performance growth, we will continue to pay attention to the environmental and social development of the regions where we operate, steadily advancing towards the goal of sustainable operations.

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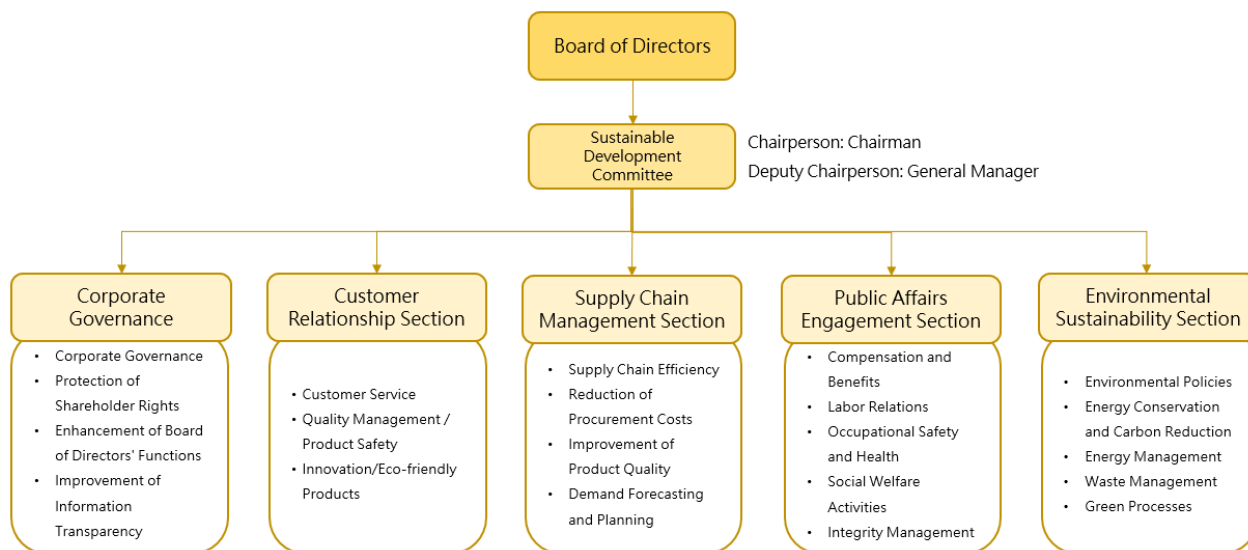
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## Sustainable Development Committee

In 2022, our company established the "Sustainable Development Committee," responsible for formulating corporate sustainability strategies and visions to promote work and management regarding sustainable development. The committee is responsible for drafting group-wide sustainability-related systems and regulations, supervising the company's sustainability policies and plans, regularly tracking and evaluating the progress and effectiveness of sustainable development implementation, and publishing sustainability reports. The committee is chaired by the Chairman, with the General Manager of the Group serving as the Deputy Chairperson. There are five sections: Corporate Governance, Customer Relationship, Supply Chain Management, Public Affairs Engagement, and Environmental Sustainability. Each section is responsible for promoting various aspects of sustainable development. The Sustainable Development Committee regularly reports to the Board of Directors on the execution results of sustainable development and future work plans.



The communication methods and frequency of the Board of Directors in 2023 are as follows. The main economic aspect of the board reports will primarily focus on quarterly financial information.

Aspect	Report/Discussion Items	Communication Method and Frequency	Communication Outcome
Environmental	Progress of greenhouse gas inventory	Reported to the board quarterly, continuously monitoring the progress and completion of greenhouse gas inventory verification.	Lu Hai adheres to the concept of sustainable operation, continuously concerned about global climate change and international environmental trends, and fulfills corporate social responsibility. According to regulatory standards, systematic greenhouse gas emission inventory and verification are conducted to understand the company's greenhouse gas emissions, serving as a reference for future greenhouse gas reduction efforts and fulfilling responsibility to mitigate global warming.
Social	Year-end bonus distribution	Reported to the board once a year	
	Distribution of employee and director remuneration	Reported to the board twice a year	<ul style="list-style-type: none"> <li>Year-end bonuses are distributed before the Chinese New Year each year, and the actual amount distributed depends on the annual operating performance.</li> <li>If the company makes a profit for the year, no less than 1.5% shall be allocated for employee and director remuneration.</li> </ul>

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## 1.2 Stakeholder Engagement

Lu Hai pursues sustainable operation and profitability under the principle of integrity, emphasizing various issues such as the environment, society, and corporate governance. Through various communication channels, we understand the concerns of stakeholders, which are then incorporated into the content of reports and serve as reference for setting future management policies and operational activities. Additionally, apart from assisting in planning short, medium, and long-term strategies for the company, this approach further creates value for stakeholders and promotes continuous internal and external communication, fostering mutual growth and advancing towards a better sustainable future.

### Categories of Stakeholders

In order to meet the expectations of stakeholders and safeguard their rights and interests, effective communication with Lu Hai's stakeholders is paramount. The Sustainability Development Committee convenes various departmental units to internally discuss stakeholders with whom they interact or are influenced by their operations. We utilize the AA1000 Stakeholder Engagement Standard (SES) to identify stakeholders based on five principles: dependence, responsibility, tension/concern, influence, and diverse perspectives. Stakeholders identified include investors/shareholders, customers, suppliers, employees, communities, and government agencies. With the assistance of external experts and through workshop sessions, discussions and assessments are conducted on significant issues in the sustainability report (including GRI topics).



## Stakeholder Communication Channels

The company has established a dedicated stakeholder section on its website to maintain open communication channels with stakeholders (including shareholders and investors, customers, suppliers, employees, communities, and government agencies) and to respect and maintain their legitimate rights and interests. Contact information is also provided on the Market Observation Post System for stakeholders to reach out through designated personnel, fax, email, and other means to address important issues of concern.

### Investor Relations and Media Contact

Spokesman : WU, KO-LI Senior Manager, Sales & Marketing Dept.

Tel : +886-4-8748122

E-mail : [spokesman@luhai.com.tw](mailto:spokesman@luhai.com.tw)

Register & Transfer Agency : Stock Agent Department, Sinopac Securities

Tel : +886-2-23816288

Address : 3F. No.17, Bo-Ai Road, Zhongzheng Dist, Taipei City

### Customer and Supplier Reporting Channel

Audit Supervisor : CAI XIN-XING

Tel : +886-4-8748122

E-mail : [xinxing@luhai.com.tw](mailto:xinxing@luhai.com.tw)

### Employee Complaint Channel and Community Contact Person

Management Department of Deputy Manager : CHIU CHING-HUI

Tel : +886-4-8748122

E-mail : [luhai.report@luhai.com.tw](mailto:luhai.report@luhai.com.tw)

## Stakeholder Concerns, Communication Channels, and Effectiveness

Stakeholders	Significance of Stakeholders to the Company	Key Issues of Concern	Communication and Response Methods	Effectiveness of Communication
Shareholders and Investors	<ul style="list-style-type: none"> <li>Shareholders and investors are vital supporters of the company's survival and development. Through their financial investments and oversight of corporate governance, they enable the company to sustainably grow and thrive.</li> <li>The social evaluation of the company by shareholders and investors can impact fluctuations in stock prices.</li> </ul>	<ul style="list-style-type: none"> <li>Company's operational performance</li> <li>Dividend policy</li> <li>Industry outlook</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Presentations</li> <li>Spokesperson Communication</li> <li>Company Website</li> <li>Market Observation Post System</li> <li>Shareholder Meetings</li> </ul>	<ul style="list-style-type: none"> <li>Hosting one annual General Shareholders' Meeting.</li> <li>Conducting one Corporate Presentation event.</li> <li>Regularly disclosing financial and business information on both the Market Observation Post System and the company website.</li> <li>Having designated spokespersons and deputy spokespersons to promptly address investor inquiries and concerns.</li> <li>Publishing the ESG report on both the Market Observation Post System and the company website.</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Lu Hai fulfills customer orders and improves products to provide consistently high-quality goods while establishing effective communication channels. We gradually implement environmental sustainability measures, collaborating with customers to enhance green initiatives, creating a win-win situation for both parties.</li> <li>Customer quality requirements also influence the company's technological research and development and quality management.</li> </ul>	<ul style="list-style-type: none"> <li>Products and Services</li> <li>Quality and Delivery Time</li> <li>Customer Privacy</li> <li>Customer Satisfaction Survey</li> </ul>	<ul style="list-style-type: none"> <li>Customer Audit</li> <li>Customer Meetings</li> <li>Satisfaction Questionnaire Survey</li> <li>Email/Phone</li> <li>Participation in Exhibitions</li> </ul>	<ul style="list-style-type: none"> <li>Conduct annual important customer satisfaction surveys once.</li> <li>Disclose the latest product technologies on the company website.</li> <li>Participate in important customer technical forum presentations and present technical research and development achievements.</li> <li>Regularly attend customer-supplier conferences annually.</li> <li>Collaborate with customers on product, environmental, and labor rights requirements and audits, jointly mitigate related risks, and commit to continuously improving ESG practices.</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Suppliers and Lu Hai have a symbiotic and mutually beneficial partnership. Excellent suppliers provide high-quality and stable raw materials to meet the production deadlines and quality requirements of end customers.</li> </ul>	<ul style="list-style-type: none"> <li>Supply Chain Management</li> <li>Ensuring Continuous and Smooth Supply</li> </ul>	<ul style="list-style-type: none"> <li>Procurement Contracts</li> <li>Visits and Meetings</li> <li>Supplier Evaluation</li> </ul>	<ul style="list-style-type: none"> <li>Supplier Evaluation for 595 suppliers.</li> <li>Periodic supplier audits are conducted.</li> <li>163 suppliers have signed sustainability commitment agreements, accounting for 86.36% of the total procurement amount.</li> </ul>

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Stakeholders	Significance of Stakeholders to the Company	Key Issues of Concern	Communication and Response Methods	Effectiveness of Communication
Employees	<ul style="list-style-type: none"> <li>Employees are the most valuable assets of a company and are also a crucial key to operational success. Lu Hai adheres to the principle of employing the right person for the right job, allowing employees to work with peace of mind, fully showcase their expertise, and unleash their potential to achieve the company's sustainable business goals.</li> </ul>	<ul style="list-style-type: none"> <li>Employee Rights</li> <li>Compensation and Benefits</li> <li>Labor Relations</li> <li>Environmental Safety and Health</li> </ul>	<ul style="list-style-type: none"> <li>Employee Welfare Committee</li> <li>Labor-Management Meetings</li> <li>Email</li> </ul>	<ul style="list-style-type: none"> <li>The Taiwan Branch held the Employee Welfare Committee meeting four times.</li> <li>In 2023, over 300 employee training sessions were conducted, totaling 5,780 hours of training with 6,373 participants.</li> <li>Monthly supervisor meetings were convened to review the company's operational status.</li> <li>There were zero complaints received via telephone or mail from employees.</li> </ul>
Community	<ul style="list-style-type: none"> <li>LU HAI upholds the spirit of taking from society and giving back to society by actively contributing to the community. We spare no effort in caring for the neighborhoods and local groups, providing job opportunities, and maintaining friendly relations with the community.</li> </ul>	<ul style="list-style-type: none"> <li>Environmental Issues</li> <li>Social Welfare</li> </ul>	<ul style="list-style-type: none"> <li>Company Website</li> <li>Email/Phone</li> <li>Participation in Activities</li> </ul>	<ul style="list-style-type: none"> <li>In 2023, approximately NT\$262,000 was allocated for charitable donations, emergency relief, sponsorship of community events, and other social welfare initiatives. (The participation rate of Taiwan Plant in community activities was 85.71%.)</li> <li>76.92% of top management positions are filled by local residents.</li> </ul>
Government Agencies	<ul style="list-style-type: none"> <li>Government agencies serve as important indicators and guides for corporate development and market expansion. Adhering to and responding to government regulations is a fundamental principle of business operations.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Governance</li> <li>Regulatory Compliance</li> </ul>	<ul style="list-style-type: none"> <li>Company Website</li> <li>Market Observation Post System</li> <li>Official Correspondence</li> </ul>	<ul style="list-style-type: none"> <li>The company provides relevant reports and responds to inquiries regularly as required by government regulations.</li> </ul>

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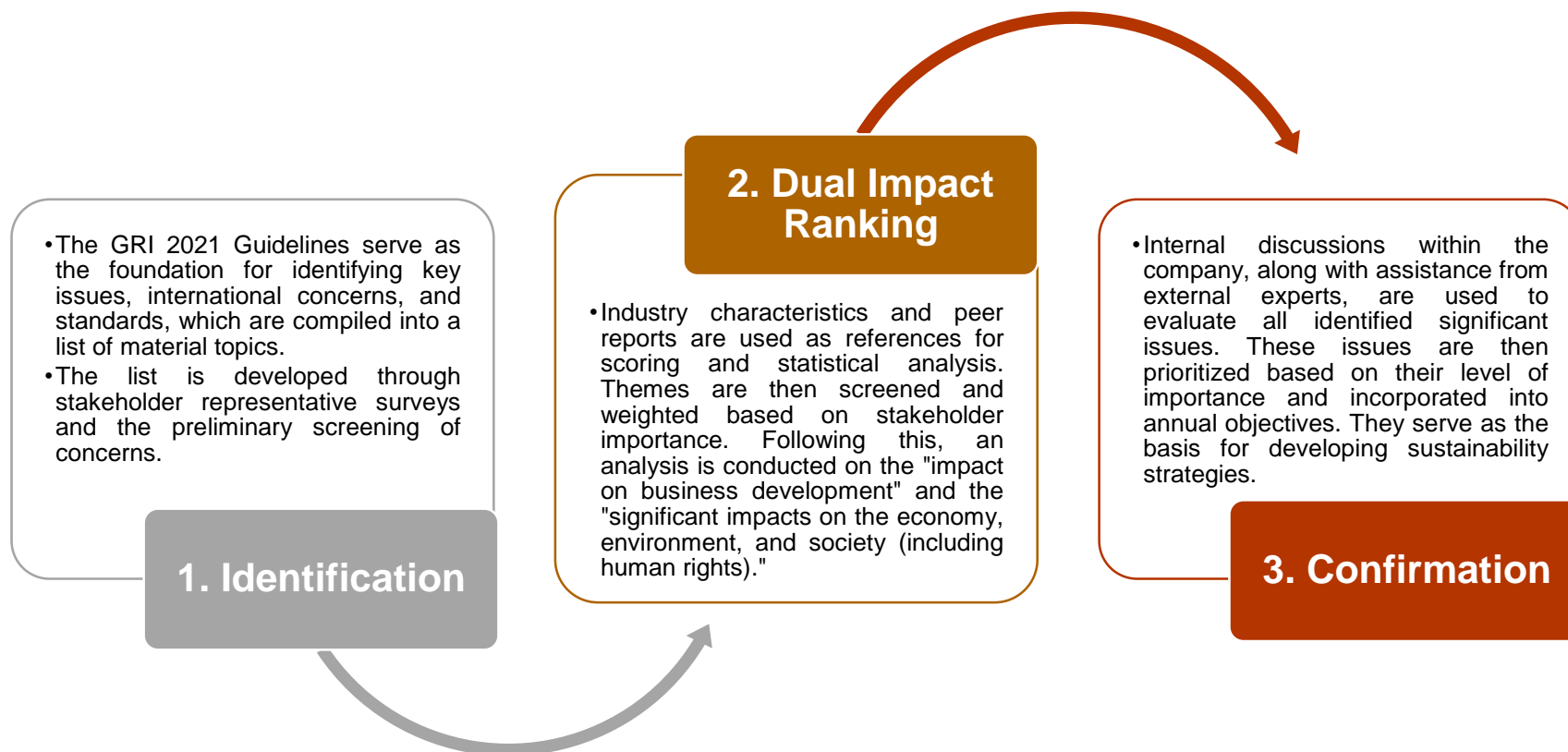
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## 1.3 Identification of Significant Issues

### Significant Issues Identification Process

The process for identifying significant issues involves referencing the GRI Guidelines and the AA1000 Accountability Principles Standard. Four main principles are considered: inclusivity, significance, responsiveness, and impact. Dual significance is assessed based on the degree of influence on corporate development, performance, positioning, and company values, as well as the impact of organizational activities on the environment and society (including human rights). The frequency of conducting significant issue analysis is once every three years, with the next analysis scheduled for 2025. During this period, annual reviews and discussions will be conducted, and feedback and suggestions from stakeholders will be collected and addressed through various communication channels.



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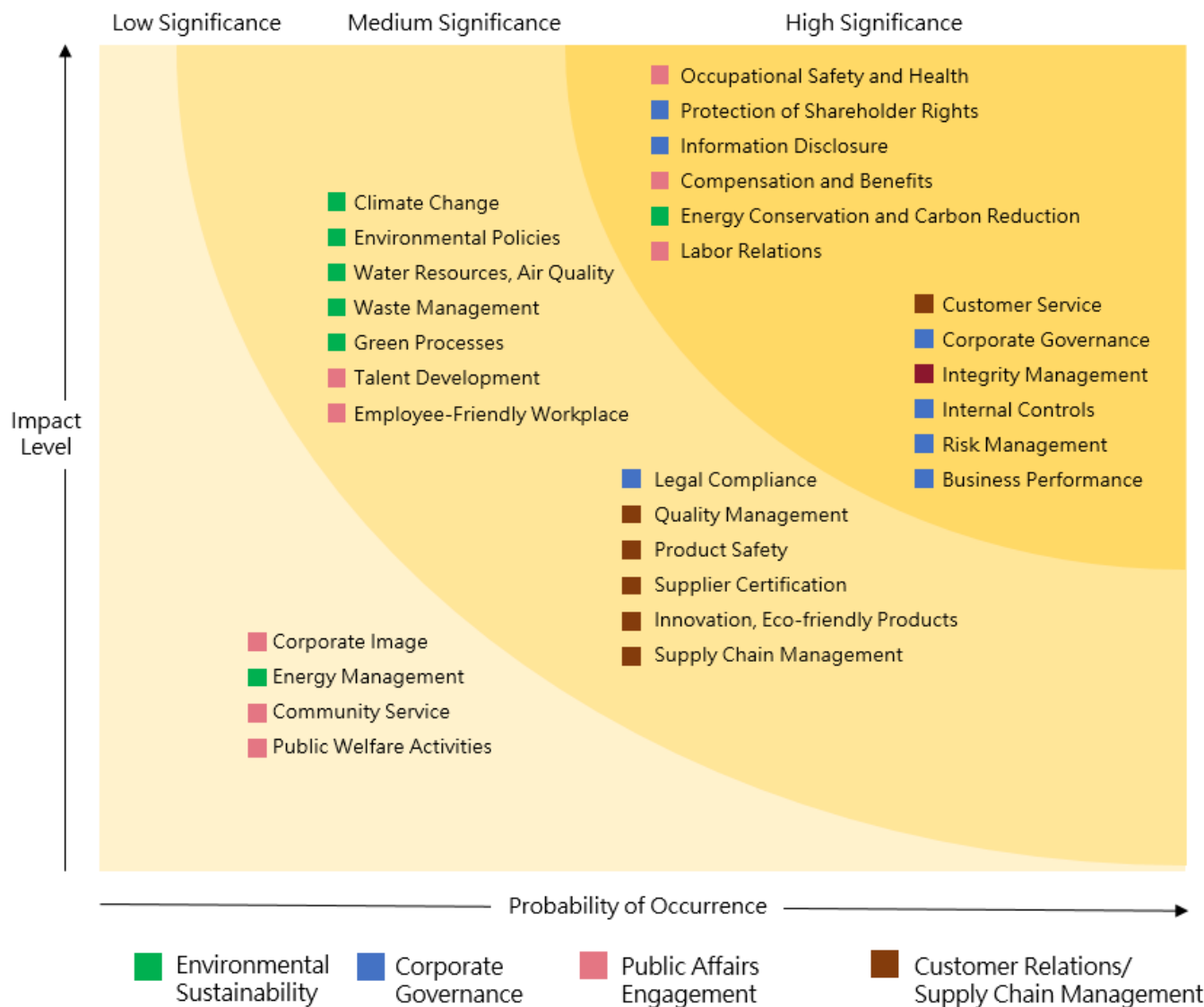
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## Analysis Results of Significant Issues

The analysis of significant issues involves plotting them on a graph with "Impact on Business Development (Probability of Occurrence)" on the X-axis and "Significant Economic, Environmental, and Social Impacts including Human Rights (Degree of Impact)" on the Y-axis. Issues falling into the quadrant of high importance are categorized as significant issues. Through this process, 29 stakeholder sustainability issues have been identified, and after further internal discussion and assessment of their impact, 12 issues with higher potential impact have been prioritized.

1	Customer Service
2	Corporate Governance
3	Integrity Management
4	Internal Controls
5	Risk Management
6	Business Performance
7	Occupational Safety and Health
8	Protection of Shareholder Rights
9	Information Disclosure
10	Compensation and Benefits
11	Energy Conservation and Carbon Reduction
12	Labor Relations



## Boundary of Significant Issue Value Chains

Aspect	Significant Issues	Stakeholders	Corresponding GRI	Corresponding Sections
Environmental	Energy Conservation and Carbon Reduction	Shareholders and Investors	301 Materials 302 Energy 305 Emissions 306 Effluents and Waste	4.2 Energy Resource Management 4.3 Pollution Prevention and Control 4.4 Greenhouse Gas Management 4.5 Waste and Resource Circulation
	Occupational Safety and Health	Employees	403 Occupational Health and Safety	5.5 Occupational Health and Safety
Social	Compensation and Benefits	Employees	General Disclosures 401 Employment	5.2 Welfare and Systems
	Labor Relations	Employees	401 Employment 405 Diversity and Equal Opportunity	5.1 Diversity and Inclusion 5.2 Welfare and Systems 5.4 Human Rights
	Corporate Governance	Government Agencies	General Disclosures	2.1 Corporate Governance and Integrity Management
Corporate Governance	Internal Controls	Shareholders and Investors	General Disclosures	1.4 Risk Management
	Risk Management	Shareholders and Investors	General Disclosures	1.4 Risk Management
	Protection of Shareholder Rights	Shareholders and Investors	General Disclosures 201 Economic Performance	1.2 Stakeholder Engagement 2.2 Operational Performance
	Information Disclosure	Shareholders and Investors	General Disclosures	1.2 Stakeholder Engagement
	Customer Service	Customers	General Disclosures 416 Customer Health and Safety 417 Marketing and Labeling 418 Customer Privacy	2.4 Information Security 3.2 Product Quality and Safety 3.3 Customer Relationship Management
Corporate Governance (Economic)	Integrity Management	Customers/Suppliers	General Disclosures 205 Anti-Corruption 206 Anti-Competitive Behavior	1.2 Stakeholder Engagement 2.1 Corporate Governance and Integrity Management
	Business Performance	Customers/Suppliers	201 Economic Performance	2.2 Operational Performance 2.3 Tax

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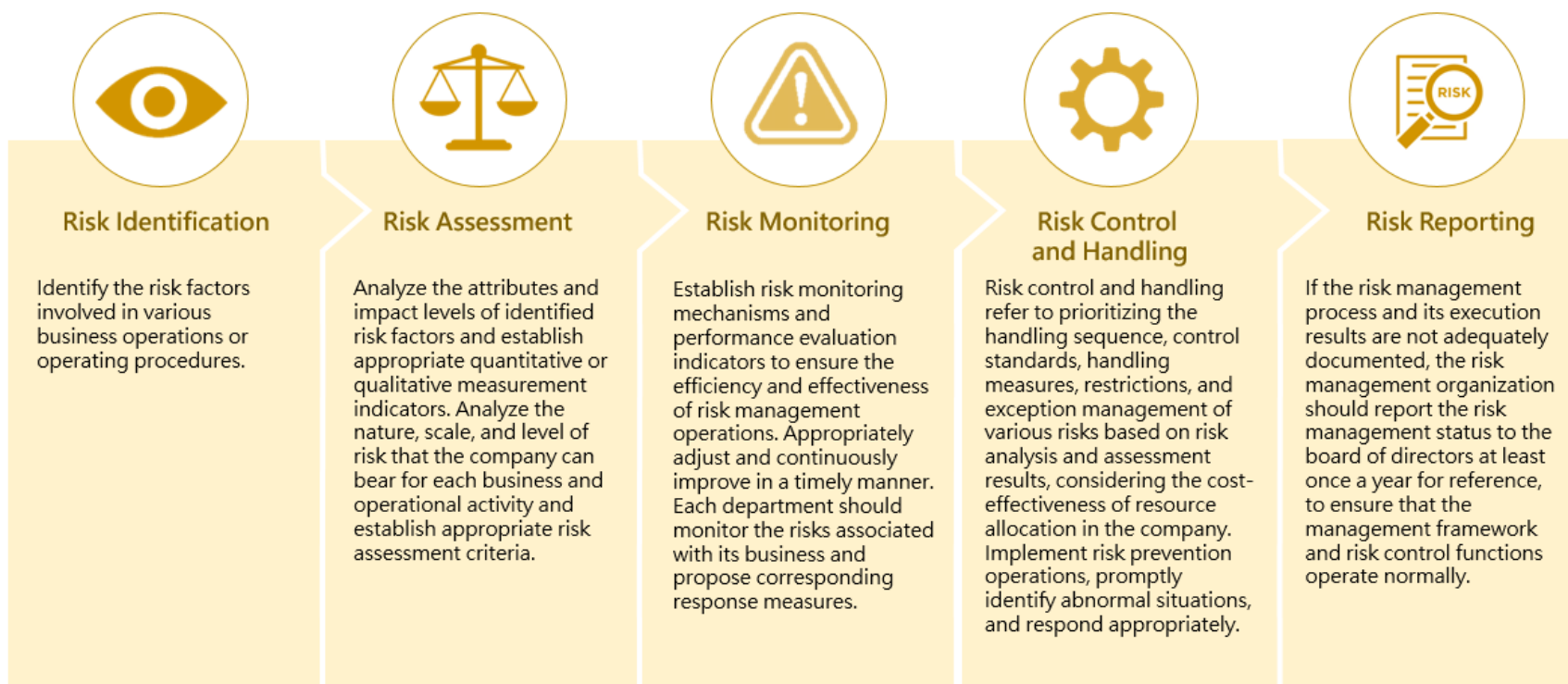
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## 1.4 Risk Management

For the risk management strategy related to sustainable development, the company plans to establish risk management policies and procedures in 2024 to effectively manage and mitigate potential risks. The execution status will be regularly presented to the Board of Directors for review to ensure that the company and its subsidiaries practice corporate sustainable development. In addition to complying with organizational management systems and internal control systems at all levels, the company will also manage risks associated with its operations. Through board-level participation and systematic management, it will assess the potential impact of each risk on the company's operations to implement risk management, achieve sustainable business goals, and safeguard the rights of stakeholders. The company's risk management covers four major aspects: economic (including corporate governance), environmental, social, and others, following the provisions of relevant laws and regulations to assess, dispose, and monitor the significant risk impacts.

### Risk Management Procedures

The company's risk management process includes risk identification, risk assessment, risk monitoring, risk control and handling, and risk reporting.



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## Risk Management Scope

Consideration	Risk Category	Aspect	Risk Description (including but not limited to)
Corporate Governance (Economic)	Operational Risks	Operations	Risks affecting the company due to changes in operational mode, organizational structure adjustments, overly centralized sales/purchases, product quality management, etc.
		Internal Control	Risks related to internal control of the company.
		Supply Chain	Risks affecting the company due to issues such as the quality, price, delivery time, and social responsibility of the supply chain.
		Information Security	Risks such as information security, general data protection regulations, etc., affecting the company.
		Marketing	Risks related to public relations issues such as brand management, shaping and maintaining corporate image, etc.
		Sustainability	Risks related to company talent development management, such as risks arising from succession planning, recruitment, and retention of board members and management successors.
	Financial Risks	Financial	Financial risks affecting the company due to asset evaluation, credit and repayment capacity, liquidity risks, accounting policies, etc.
		Market	Risks affecting the company's financial or business impact due to market risk factors (interest rates, exchange rates, stock prices, commodity prices, etc.) causing fluctuations in the value of the company's financial assets or liabilities (including assets and liabilities inside and outside the balance sheet).
	Market Risks		Risks arising from domestic and international industry, political, economic, and regulatory factors that affect the company's financial or business operations.
	Legal Risks	Compliance	Risks arising from failure to comply with relevant laws, regulations, or contracts, including but not limited to industry regulations, anti-corruption, and anti-monopoly regulations, etc., and potential losses arising from contracts that are not legally binding, clause loopholes, inadequate regulations, etc.
		Legal	Risks arising from failure to comply with various legal regulations, or risks of various legal risks that may harm the company's interests, etc.
Environmental	Hazard Risks		Risks related to natural disasters such as greenhouse gas emission management, carbon rights management, energy management, or major incidental events such as earthquakes, fires, and pandemics that cause losses to the company.
Social	Human Resource Risks	Human Resources	Human rights issues related to employees or suppliers, including but not limited to labor relations, child labor, forced labor, etc.
		Environment	Risks related to providing employees or suppliers with a safe working environment, including risks arising from occupational safety and health, safety protection and emergency response issues, etc.
Others	Other Risks		Risks not included in the above categories. If there are other risks that cause losses to the company, appropriate risk control and management procedures should be established based on their risk characteristics and impact levels.

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## Short, Medium, and Long-Term Goals

Lu Hai incorporates sustainability into its business decision-making process, integrating the concept of sustainable development into corporate governance and daily operations. While continuously enhancing the commercial value of the group, Lu Hai also strengthens its ESG governance and management capabilities to achieve sustainable operational goals.

In identifying significant sustainability issues, we utilize the principle of double significance and engage with stakeholders to integrate our core capabilities. Based on the identification results, our goals are focused on 12 significant issues. Our short-term goal, set for 2025, continues our commitment to the environment and society. Leveraging Lu Hai's core capabilities and team, we aim to bring about positive and proactive changes for humanity and the environment, enhancing Lu Hai's green competitiveness and creating shared value with society.

Aspect	Significant Issues	Short-Term Goals	Medium and Long-Term Goals
Environmental	Energy Conservation and Carbon Reduction	<ul style="list-style-type: none"> <li>● Resource classification, recycling, and promotion of paperless initiatives.</li> <li>● Implementation and promotion of ISO14064-1 greenhouse gas inventory system.</li> <li>● Annual reduction of greenhouse gas emissions by more than 1%.</li> </ul>	<ul style="list-style-type: none"> <li>● Increase in green energy generation, green certificates, and circular economy products.</li> <li>● Implementation and promotion of ISO14067 product carbon footprint management system.</li> <li>● Implementation of ISO 50001 to strengthen energy management.</li> <li>● Alignment with Taiwan's 2050 net-zero emission pathway and strategy.</li> </ul>
Social	Occupational Safety and Health Compensation and Benefits Labor Relations	<ul style="list-style-type: none"> <li>● Maintain the effectiveness of the ISO 45001:2018 occupational health and safety management system.</li> <li>● Establish a friendly workplace environment to ensure the safety and health of workers.</li> <li>● Enhance employees' knowledge of safety and health to achieve no more than 5 work-related accidents per year.</li> </ul>	<ul style="list-style-type: none"> <li>● Enhance employees' knowledge of safety and health to achieve and maintain the goal of zero accidents.</li> <li>● Contractor safety operations to achieve 100% safety promotion.</li> </ul>
Corporate Governance	Corporate Governance Internal Controls Risk Management Protection of Shareholder Rights Information Disclosure	<ul style="list-style-type: none"> <li>● Continuously require all employees to complete and sign the "Employee Integrity Operation Statement" at 100%.</li> <li>● Continuously maintain zero violations of the code of ethics and integrity violations.</li> <li>● Continuously communicate with stakeholders to protect their rights, make operations more efficient and effective, and implement corporate governance mechanisms.</li> </ul>	<ul style="list-style-type: none"> <li>● Continuously improve corporate governance and stable profitability.</li> <li>● Continuously maintain zero violations of the code of ethics and integrity violations.</li> <li>● Ensure that 100% of new suppliers sign the Supplier Code of Conduct.</li> </ul>
Corporate Governance (Economic)	Customer Service Integrity Management Business Performance	<ul style="list-style-type: none"> <li>● Continuously develop new customers, certify new products, and optimize quality.</li> <li>● Comply with quality-related certifications and standards to ensure no violations of health and safety regulations for products and services.</li> <li>● Increase employee awareness and participation in quality and safety.</li> <li>● Continuously expand the diversity of products and services to meet the needs of different customer groups.</li> <li>● Actively invest resources in promoting technological upgrades and applying advanced technology to production and operations to increase production efficiency, reduce costs, and enhance competitiveness in the market.</li> </ul>	<ul style="list-style-type: none"> <li>● Become a leader in product quality and safety within the industry and gain industry recognition accordingly.</li> <li>● Achieve a customer satisfaction score of over 90 by continuously improving the quality of products and services.</li> <li>● Cultivate a high-quality quality and safety management team to ensure the enhancement of relevant professional capabilities within the company.</li> </ul>

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## Internal Control System

The Audit Office of the company is directly under the Board of Directors and is responsible for matters related to internal control. The audit supervisor attends the meetings of the Board of Directors and the Audit Committee to report on audit-related matters. Significant subsidiaries within the group also have audit offices under their respective Boards of Directors, with dedicated audit personnel responsible for matters related to the internal control system.

The formulation and amendment of the company's "Internal Control System" and related procedures and methods are approved by the Audit Committee before being submitted to the Board of Directors for resolution. The internal control-related systems and management methods of significant subsidiaries within the group are handled in a similar manner. The audit supervisor reports the "Annual Audit Plan" and its execution results to the Audit Committee and issues an "Internal Control System Statement." The company's "Annual Audit Plan" is approved by the Audit Committee before being submitted to the Board of Directors for resolution. Any deficiencies and anomalies in internal control are tracked for improvement on a quarterly basis.

Item		2021	2022	2023
1. Annual Audit Plan and Implementation Status	Abnormal Follow-up and Improvement Recommendations	None	None	None
	Audit Report - Monthly Submission to Audit Committee	Yes	Yes	Yes
2. Internal Control System Self-Assessment	Frequency of Self-Assessment by Departments (at least once a year, same for subsidiaries)	V	V	V
	Date of Board Approval of Internal Control System Statement	2022.3.14	2023.3.14	2024.3.12
3. Audit Supervisor's Reports and Communication with Independent Directors	Frequency of Board Meetings	8	5	5
	Frequency of Audit Committee Meetings	6	5	5
	Communication Meetings with Audit Committee	-	1	2
4. Subsidiary Supervision	Annual audit plans include four major cycles for each significant subsidiary, with at least one on-site audit per year.	Note 1	Note 1	V
5. Educational Training	Audit Supervisor/Audit Staff: 12 hours per person per year	V	V	V
6. Audit Reporting	Annual audit plans, audit staff roster and training hours, audit plan implementation, internal control statement, and improvement of internal control deficiencies	V	V	V
7. CPA Audit of Internal Control System - No Significant Deficiencies		V	V	V
8. Exchange's Internal Control System Review - Improvement of Abnormal Deficiencies		無	None	None

Note 1: During the pandemic period from 2020 to 2022, overseas travel for on-site audits was not possible. However, tasks were still completed using various alternative methods.

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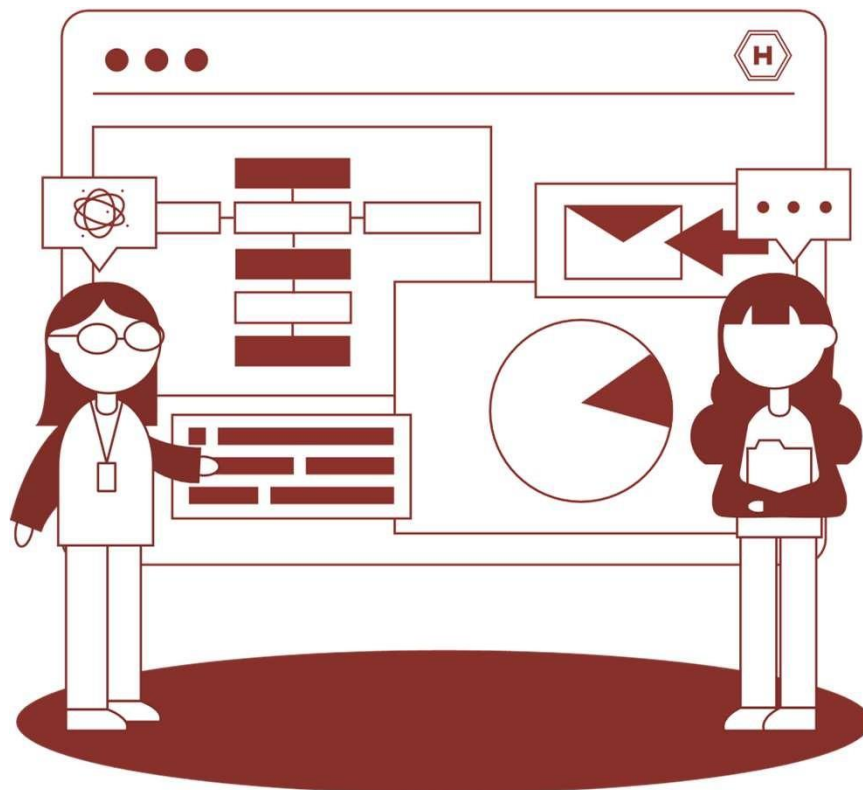
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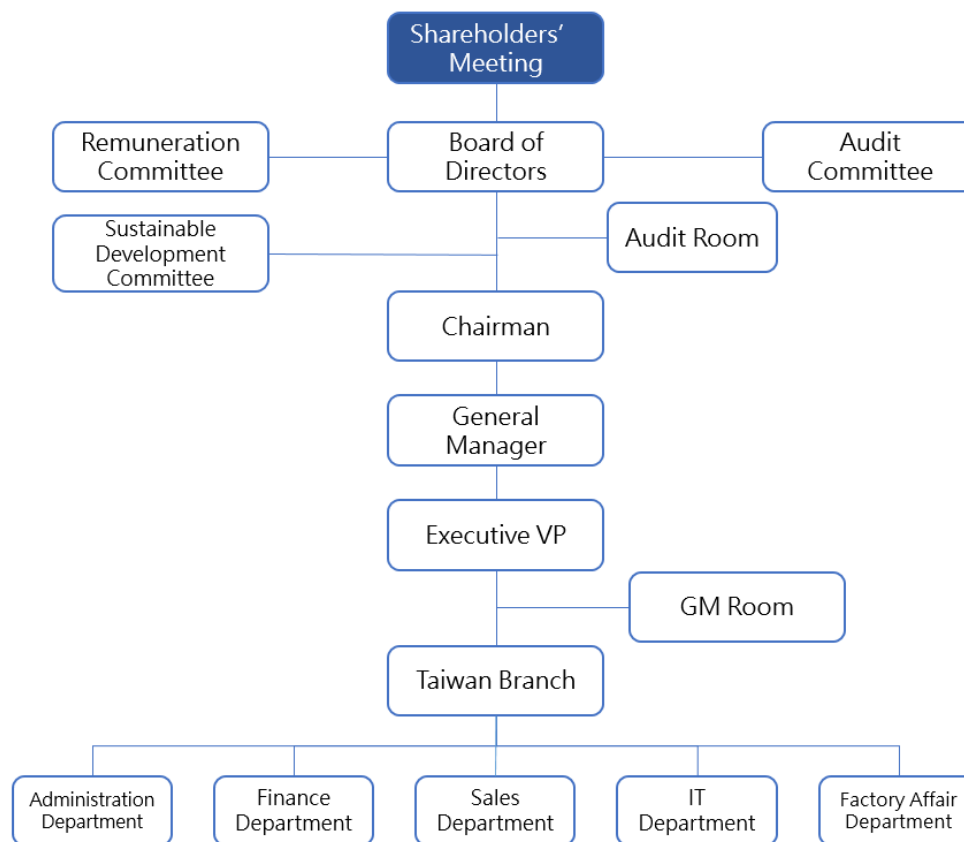
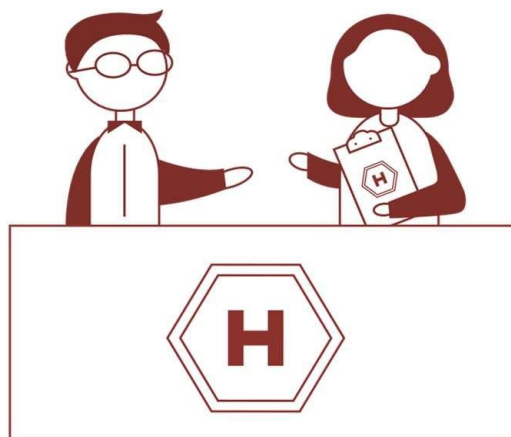
## 2.1 Corporate Governance and Integrity Management

Lu Hai has consistently adhered to the principles of integrity in business operations, actively promoting operational transparency. Through a robust corporate governance mechanism, the company ensures effective management and oversight of operations, aiming to protect the rights and interests of all stakeholders. This approach enhances operational efficiency and performance, thus implementing a comprehensive corporate governance framework.

### Corporate Structure

To implement effective corporate governance, Lu Hai has established a set of practical governance guidelines designed to protect the rights of shareholders and stakeholders, strengthen the functions of the Board of Directors, and enhance information transparency. In line with these principles, the Board of Directors approved the establishment of the position of Chief Governance Officer in January 2021, tasked with overseeing all matters related to corporate governance.

The company places a strong emphasis on operational transparency and the protection of shareholder rights. A sound and effective Board of Directors is considered the cornerstone of Lu Hai's corporate governance. To support the Board in fulfilling its supervisory responsibilities, the company has established functional committees, such as the Compensation Committee and the Audit Committee. Lu Hai has implemented well-defined performance goals and compensation structures for its directors and managers. These measures, along with effective internal control and risk management practices, are designed to address and mitigate various potential business risks.





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	Board of Directors	Audit Committee	Compensation Committee
Composition and Appointment	<ul style="list-style-type: none"> <li>The highest governing body at Lu Hai is the Board of Directors, chaired by the Chairman, who oversees and supervises the company's various operations.</li> <li>The Board includes independent director seats, currently consisting of nine directors, with one-third being independent directors and one-third being female directors.</li> <li>The positions of Chairman and General Manager are held by different individuals. The General Manager is not a member of the Board.</li> </ul>	<ul style="list-style-type: none"> <li>The Audit Committee was established in 2012 and is now in its fifth term, with a three-year tenure.</li> <li>It is composed entirely of independent directors, including one female member.</li> </ul>	<ul style="list-style-type: none"> <li>The Compensation Committee was established in 2013 and is now in its fourth term, with a three-year tenure. Its members are all independent directors, including one female member.</li> </ul>
Key Responsibilities	<ul style="list-style-type: none"> <li>Appoints and supervises the company's management team to ensure the protection of stakeholder interests and to maximize shareholder benefits.</li> <li>Reviews the company's operational performance and discusses development strategies and major investment proposals.</li> </ul>	<ul style="list-style-type: none"> <li>Ensures the proper presentation of the company's financial statements. Appoints and evaluates the independence and performance of CPAs. Monitors the effectiveness of the company's internal control systems, compliance with relevant laws and regulations, and the management of existing or potential risks.</li> </ul>	<ul style="list-style-type: none"> <li>Formulates and regularly reviews policies, systems, standards, and structures for the performance evaluation and compensation of directors and managers.</li> <li>Provides recommendations to the Board for decision-making purposes.</li> </ul>
Meeting Frequency	<ul style="list-style-type: none"> <li>Meets at least once per quarter and convenes additional meetings as needed.</li> </ul>	<ul style="list-style-type: none"> <li>Meets at least once per quarter and convenes additional meetings as needed.</li> </ul>	<ul style="list-style-type: none"> <li>Meets at least twice a year and convenes additional meetings as needed.</li> </ul>
Operational Status	<ul style="list-style-type: none"> <li>Held five meetings in 2023, with a 100% attendance rate. Detailed member information can be found on Lu Hai's website and in the annual report.</li> </ul>	<ul style="list-style-type: none"> <li>Held five meetings in 2023, with a 100% attendance rate. Details on the professional qualifications, independence, annual focus areas, and operations of the Audit Committee members are disclosed in the annual report and on the company website.</li> </ul>	<ul style="list-style-type: none"> <li>Held three meetings in 2023, with a 100% attendance rate. Additional background information about the Compensation Committee members is available in the company's annual report.</li> </ul>

## Board Election

The company's Articles of Incorporation specify that the board elections adopt a candidate nomination system. The qualifications of nominees are carefully evaluated, ensuring compliance with the conditions set forth in Article 30 of the Company Act. This process is conducted in accordance with Article 192-1 of the Company Act.

## Management Objectives and Achievements

The Board of Directors consists of nine members, including three independent directors, which accounts for 33% of the board. Two of these independent directors have served for no more than three terms. Additionally, three board members are managers, also representing 33% of the board. Furthermore, three female directors make up 33% of the board.

- ✓ The term of half the number of the independent directors shall not exceed three terms.
- ✓ The number of directors concurrently serving as company managers shall not exceed one-third of the total number of directors.
- ✓ There shall be at least one female director on the board.



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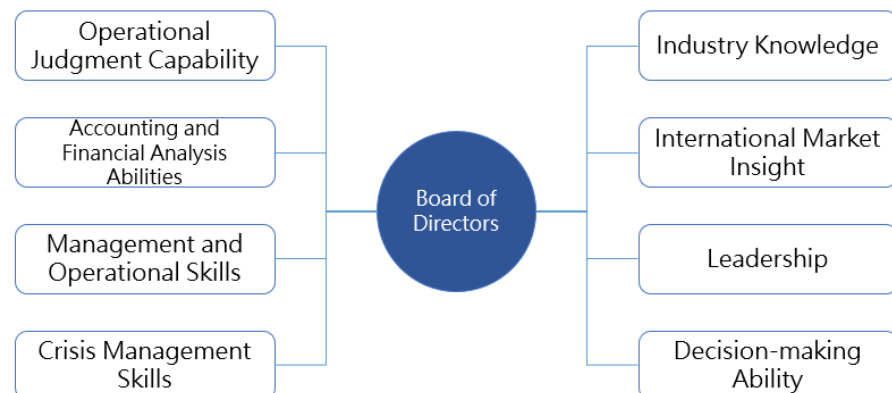
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## Board Diversity Policy

To enhance corporate governance and promote the sound development of the board's composition and structure, the Board of Directors has adopted the "Corporate Governance Best Practice Principles." Article 20 of these principles states that board members should be diverse. Directors who also serve as company managers should not exceed one-third of the board seats.

The board should implement a suitable diversification policy based on the company's operations, business type, and development needs. This policy should include but not limit to basic attributes and values (gender, age, nationality, and culture) and professional knowledge and skills (professional background, expertise, and industry experience). Board members should generally possess the necessary knowledge, skills, and qualities required to perform their duties. To achieve the ideal corporate governance objectives, the collective capabilities of the board should include the following areas (depicted in the accompanying diagram)



## Board Member Diversity and Professional Development

The Board of Directors consists of nine members. One independent director holds a CPA license. Two independent directors have professional backgrounds in business management. The remaining directors possess expertise in fields related to the main products of Lu Hai. The company places significant importance on the professional capabilities of its board members. By leveraging their extensive industry experience, the board effectively exercises its authority and functions, ensuring robust governance and the protection of shareholder rights.

Position	Name	Gender	Age Range	Concurrently Employed	Board Tenure (Years)	Profesional Background	Profesional Skill	Industry/Academic Experience
Chairman	Hsu Lien-kai	Male	51-64		6	Valve Stem		v
Director	Wu Chin-lu	Male	51-64		12	Valve Stem		v
Director	Wu Chin-shu	Male	51-64		12	Valve Stem		v
Director	Hsu Ya-ting	Female	51-64	v	6	Valve Stem		v
Director	Hsu Huai-yun	Female	Under 50	v	6	Management		v
Director	Hsu Han-yuan	Male	Under 50	v	6	Valve Stem		v
Independent Director	Yen Mei-ying	Female	51-64		12	Finance	CPA	v
Independent Director	Chang Hung-yuan	Male	Over 65		6	Business Management		v
Independent Director	Yeh Chih-ming	Male	51-64		3	Business Management		v



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## Board Members' Training and Development

According to Lu Hai's "Corporate Governance Best Practice Principles," Article 41, board members are encouraged to participate in continuous education programs relevant to corporate governance topics such as finance, risk management, business, commerce, accounting, or law, either upon their appointment or during their tenure. These programs are organized by institutions designated by the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. Additionally, the company mandates that employees at all levels enhance their professional and legal knowledge.

In 2023, the training categories for board members included ESG, corporate governance, and technology development. Each board member completed an average of more than 6 hours of training, and all board members met the training hour requirements specified in the Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies. For detailed training records of each member, please refer to the Lu Hai website and annual report.



Position	Name	Course Title	Training Hours	Total Training Hours
Chairman	Hsu Lien-kai	Risk management and internal controls	3.0	9.0
		Promotion Conference on Sustainable Development Action Plans for Listed Companies	3.0	
		Analysis of the 2023 New Edition of Corporate Governance and Board Performance Evaluation Practices	3.0	
Director	Wu Chin-lu	Corporate Governance and Sustainability Workshop	3.0	6.0
		Corporate Governance Lecture Series	3.0	
Director	Wu Chin-shu	Risk management and internal controls	3.0	6.0
		Analysis of the 2023 New Edition of Corporate Governance and Board Performance Evaluation Practices	3.0	
Director	Hsu Ya-ting	Risk management and internal controls	3.0	6.0
		Analysis of the 2023 New Edition of Corporate Governance and Board Performance Evaluation Practices	3.0	
Director	Hsu Huai-yun	Risk management and internal controls	3.0	6.0
		Analysis of the 2023 New Edition of Corporate Governance and Board Performance Evaluation Practices	3.0	
Director	Hsu Han-yuan	Risk management and internal controls	3.0	6.0
		Analysis of the 2023 New Edition of Corporate Governance and Board Performance Evaluation Practices	3.0	
Independent Director	Yen Mei-ying	Risk management and internal controls	3.0	6.0
		Analysis of the 2023 New Edition of Corporate Governance and Board Performance Evaluation Practices	3.0	
Independent Director	Chang Hung-yuan	Risk management and internal controls	3.0	9.0
		Technological Development and Business Opportunities of Chatbot ChatGPT	3.0	
		Analysis of the 2023 New Edition of Corporate Governance and Board Performance Evaluation Practices	3.0	
Independent Director	Yeh Chih-ming	Risk management and internal controls	3.0	9.0
		2023 Anti-Insider Trading Seminar	3.0	
		Analysis of the 2023 New Edition of Corporate Governance and Board Performance Evaluation Practices	3.0	



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## Independence of Board Members

The company's Board of Directors is composed of professionals with diverse backgrounds, substantial professional knowledge, extensive experience, excellent insight, and high ethical standards. Moreover, the company places great importance on the independence of the board members, adhering to relevant regulations to assess and ensure the independence of the independent directors. There are no instances of the conditions specified in Paragraphs 3 and 4 of Article 26-3 of the Securities and Exchange Act, and there are no marital or second-degree kinship relationships among board members.

Conditions		Independence												Independent Director for Other Public Companies
Position	Name	1	2	3	4	5	6	7	8	9	10	11	12	
Chairman	Hsu Lien-kai	✓				✓	✓	✓	✓	✓				
Director	Wu Chin-lu	✓				✓	✓	✓	✓	✓				
Director	Wu Chin-shu	✓				✓	✓	✓	✓	✓				
Director	Hsu Ya-ting					✓	✓	✓	✓	✓				
Director	Hsu Huai-yun					✓	✓	✓	✓	✓				
Director	Hsu Han-yuan					✓	✓	✓	✓	✓				
Independent Director	Yen Mei-ying	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Independent Director	Chang Hung-yuan	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Independent Director	Yeh Chih-ming	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1

Note: Each director has met the following conditions for at least two years prior to their appointment and during their tenure. Please mark "✓" in the corresponding condition code box.

1. Not an employee of the company or its affiliates.
2. Not a director or supervisor of the company or its affiliates. (This exclusion does not apply if the individual is concurrently an independent director for the company and its parent, subsidiary, or subsidiaries under the same parent company as per local laws or the Securities and Exchange Act.)
3. Neither the individual, their spouse, minor children, nor anyone holding shares on their behalf possesses 1% or more of the company's total issued shares or ranks among the top ten shareholders.
4. Not a manager listed in (1) or the spouse, second-degree relative, or third-degree direct blood relative of individuals listed in (2) and (3).
5. Not directly holding 5% or more of the company's total issued shares, ranking among the top five shareholders, or serving as a director or supervisor appointed by a corporate shareholder holding 5% or more of the company's shares according to Article 27, Paragraph 1 or 2 of the Company Act. (This exclusion does not apply if the individual is concurrently an independent director for the company and its parent, subsidiary, or subsidiaries under the same parent company as per local laws or the Securities and Exchange Act.)
6. Not a director, supervisor, or employee of another company whose board seats or voting shares are controlled by the same person who controls more than half of the company's board seats or voting shares. (This exclusion does not apply if the individual is concurrently an independent director for the company and its parent, subsidiary, or subsidiaries under the same parent company as per local laws or the Securities and Exchange Act.)

7. Not a director (trustee), supervisor, or employee of another company or institution where the chairman, general manager, or equivalent position of the company holds the same position or is the spouse of such a person. (This exclusion does not apply if the individual is concurrently an independent director for the company and its parent, subsidiary, or subsidiaries under the same parent company as per local laws or the Securities and Exchange Act.)
8. Not a director (trustee), supervisor, manager, or 5% or greater shareholder of a company or institution having significant financial or business dealings with the company. (If such a company or institution holds 20% or more but less than 50% of the company's total issued shares, and the individual is concurrently an independent director for the company and its parent, subsidiary, or subsidiaries under the same parent company as per local laws or the Securities and Exchange Act, this exclusion does not apply.)
9. Not a professional providing audit, commercial, legal, financial, accounting, or related services to the company or its affiliates, nor a sole proprietor, partner, director (trustee), supervisor, manager, or spouse of such a person in the last two years, where total remuneration exceeds NT\$500,000. However, members of the Compensation Committee, the Review Committee for Public Acquisitions, or the Special Committee for Mergers and Acquisitions as per relevant laws are not excluded.
10. No marital or second-degree kinship relationship with other board members.
11. Not involved in any circumstances listed in Article 30 of the Company Act.
12. Not elected as a director by a government, corporation, or its representative as specified in Article 27 of the Company Act.



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## Implementation of Board Performance Evaluation

In 2019, the company's Board of Directors approved the "Regulations Governing the Performance Evaluation of the Board of Directors. Since 2020, the company has been conducting internal performance evaluations annually based on the procedures stipulated in these regulations. The results of these performance evaluations serve as a reference for the selection or nomination of directors and as a basis for determining individual directors' compensation.

The 2023 performance evaluation of the Board of Directors was completed in January 2024. The evaluation was conducted using a self-assessment questionnaire, with each director assessing various aspects such as the board's participation in company operations, decision-making quality, composition and structure, selection and continuous training of directors, and internal control. The agenda working group of the Board compiled and summarized the results, which were reported and discussed during the board meeting on March 12, 2024, along with proposed areas for improvement.

The 2023 performance evaluation of the Board of Directors questionnaire and board member performance evaluation questionnaire were scored out of a maximum of 5 points. The board performance self-evaluation average score was 4.82, and the board member self-evaluation average score was 4.80. Both scores are consistent with the performance in 2022, indicating excellent overall performance and compliance with corporate governance standards.

Evaluation Objects	Evaluation Content	Average Score	Evaluation Result Description
Performance Evaluation of the Board of Directors	A. Participation in Company Operations	4.89	
	B. Enhancement of Board Decision-Making Quality	4.73	
	C. Board Composition and Structure	4.81	
	D. Selection and Continuous Training of Directors	4.81	
	E. Internal Control	4.83	
Board Member Performance Evaluation	A. Grasp of Company Goals and Tasks	4.85	
	B. Awareness of Directors' Duties	5.00	
	C. Participation in Company Operations	4.49	
	D. Internal Relationship Management and Communication	4.63	
	E. Professionalism and Continuous Training of Directors	4.96	
	F. Internal Control	4.89	



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In September 2023, the company commissioned the Taiwan Investor Relations Institute (TIRI) to conduct the 2022 external performance evaluation of the Board of Directors. The detailed execution of this evaluation is as follows:

- Evaluation Period: From September 1, 2022 to August 31, 2023
- Evaluation Methods:
  - Review of Company Documents (Board materials, internal regulations of the company)
  - Board Members' Self-Assessment Questionnaires
  - Online Interviews: Interviews were conducted with the Chairman, Independent Directors, Corporate Governance supervisors, and audit supervisors.
- Evaluation Content and Items:
  - Board Composition and Professional Development
  - Board's Decision-Making Quality
  - Operational Effectiveness of the Board
  - Internal Control and Risk Management
  - Board's Engagement in Corporate Social Responsibility

On October 3, 2023, TIRI issued the board performance evaluation report. The conclusions and recommendations from the external evaluation were presented to the Board of Directors on November 7, 2023.



## Evaluation Conclusions and Recommendations:

Recommendation		Improvement Plan
1.	Establish a functional "Sustainable Development Committee"	Currently, a Sustainable Development Committee chaired by the Chairman has been established. Future setups will consider the recommendations as needed.
2.	Develop a succession plan for board members and key management	A succession plan will be drafted based on recommendations as circumstances require.
3.	Formulate risk management policies and procedures approved by the Board of Directors	Relevant risk policies will be drafted based on recommendations as needed.
4.	Develop an intellectual property management plan	Relevant management plans will be drafted based on recommendations as circumstances require.
5.	Conduct annual internal performance evaluations for functional committees (at least including the Audit Committee and Compensation Committee)	The evaluations have been implemented since 2024.
6.	Appoint a dedicated Corporate Governance Officer	The company will assess the need for a dedicated Corporate Governance Officer based on actual needs in the future.
7.	Appoint a Chief Information Security Officer and establish a dedicated unit, officer, and personnel responsible for information security	The company plans to complete the appointment of the Information Security Officer and personnel responsible for information security maintenance by the end of this year.
8.	Use Audit Quality Indicators (AQIs) to evaluate the independence and suitability of the CPAs	The company will discuss with the accountants regarding the future adoption of AQIs for evaluation based on recommendations.
9.	Invest resources to support domestic cultural development and disclose the methods and results on the company website, annual report, or sustainability report	The company will plan the budget for cultural development activities in the future.
10.	Refer to the analysis of strengths and weaknesses in annual company governance evaluation to set short, medium, and long-term goals for improving corporate governance evaluations	The company will draft corporate governance improvement goals based on recommendations in the future.



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## Performance Evaluation Implementation of the Audit Committee and Compensation Committee

In 2023, the Board of Directors approved the amendment of the "Audit Committee Charter" and the "Compensation Committee Charter," which include a provision that functional committees must conduct at least one performance evaluation annually. Starting in 2024, internal performance evaluations will be conducted annually based on the evaluation criteria established by these regulations.

The 2023 performance evaluation of the Board of Directors was completed in January 2024, covering the period from January 1, 2023, to December 31, 2023. The evaluation process was conducted through self-assessment questionnaires. Each director assessed the Board's involvement in company operations, understanding of duties, decision-making quality, composition and selection of members, and internal control mechanisms. The Administration Department compiled and summarized the results, which were reported at the Board meeting on March 12, 2024. The evaluation results are summarized as follows:

Evaluation Objects	Evaluation Content	Average Score	Evaluation Result Description
Audit Committee Performance Evaluation	A. Participation in Company Operations	5.00	
	B. Understanding of Audit Committee Responsibilities	4.73	
	C. Improvement of Audit Committee Decision-Making Quality	4.67	
	D. Composition and Selection of Audit Committee Members	4.89	
	E. Internal Control Mechanisms	4.78	
Compensation Committee Performance Evaluation	A. Participation in Company Operations	5.00	
	B. Understanding of Compensation Committee Responsibilities	4.80	
	C. Improvement of Compensation Committee Decision-Making Quality	4.60	
	D. Composition and Selection of Compensation Committee Members	4.80	



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## Integrity Management

The company adheres to Integrity Management as the cornerstone of its business conduct. We continuously strengthen corporate governance by establishing essential regulations that explicitly prohibit behaviors such as corruption, bribery, and unfair competition. Additionally, we have established channels for reporting, including employee complaints and disclosures from customers and suppliers. These reporting methods are disclosed on the company website under the section dedicated to stakeholders. The Administration Department is responsible for integrity management and handles these matters with dedicated personnel. We strictly maintain confidentiality for all reported cases and handle them with care to protect the privacy of the whistleblowers. In 2023, the company did not receive any reports of violations of ethical standards or integrity issues.

The relevant guidelines are as follows:

"Principles of Integrity and Ethical Management" and "Ethical Corporate Management Operational Procedures and Guidelines"

These guidelines establish robust corporate governance and risk management mechanisms, clearly defining the obligations of directors, managers, employees, appointees, or individuals with substantial control. They mandate compliance with the Company Act, Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Anti-Corruption Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest, regulations of listed and over-the-counter markets, and laws and regulations related to other business activities and in the jurisdictions where the company or its group operates to ensure integrity management.

"Code of Ethics"

Directors and managers (including the General Manager and equivalent, Vice Presidents and equivalent, Assistant Managers and equivalent, supervisors of Finance Department and Accounting Department, and other individuals with management responsibilities and signing authority) are required to comply with laws, avoid conflicts of interest and self-serving actions, maintain confidentiality and fiduciary duties, prohibit unfair and insider trading, and have a responsibility to protect and appropriately use company assets.

"Regulations Governing the Prevention of Insider Trading Management"

To prevent inadvertent or intentional violations of insider trading regulations by the company or insiders, and to prevent legal disputes and reputational damage, this operating procedure is established to prevent insider trading, safeguard investor interests, and protect the company's rights.

Internal controls and internal audit systems are established to effectively prevent misconduct. Overseen by the audit unit, the systems include significant business activities to prevent fraud and misconduct. This ensures the company to comply with regulations and internal policies and maintain the legitimacy and reliability of business operations.

To ensure transparency in financial and internal operations, the company has established accounting systems for compliance by accounting personnel. The company also conducts regular internal audits, reporting audit findings to the Audit Committee and the Board of Directors. These measures aim to ensure the accuracy and reliability of financial reporting and compliance with internal operations.

### Conflict of Interest Recusal

In the company's Regulations Government Procedure for Board of Directors, it's explicitly stated that directors with conflicts of interest concerning agenda items and themselves or legal persons represented by them should disclose the main contents of their conflicts of interest at that meeting. If there is a risk of harming the company's interests, they are not allowed to participate in the discussion and voting, must abstain, and cannot act as proxies for other directors to exercise their voting rights. Directors' spouses, blood relatives within the second degree of kinship, or companies in a controlling subsidiary relationship with directors, those with conflicts of interest regarding the agenda items mentioned above are deemed to have personal interests in those matters.

### Integrity Management Advocacy and Training

Regarding advocacy and training, the company periodically promotes the Principles of Integrity and Ethical Management to directors, managers, employees, appointees, and other personnel. Additionally, as needed, we regularly convene internal or external educational training sessions on the day of the board meeting to ensure that relevant personnel understand and comply with integrity management policies. We reported the implementation status for the year 2023 at the board meeting held on January 30, 2024. There were zero reported cases of violations of the code of conduct and integrity for the year 2023.

#### Complaint and Whistleblowing Channels:

- Handling Department: Administration Department
- Hotline: 04-8748122
- Email: [luhai.report@luhai.com.tw](mailto:luhai.report@luhai.com.tw)



## Implementation Status of Integrity Management

Item	Target	Implementation Content
Email Advocacy	Directors/All Employees of the Company	<ul style="list-style-type: none"> <li>On the day of appointment, the company will send an email containing the "Internal Shareholder Brochure" to newly appointed directors and managers . It complies with related laws to inform the new managers and notifies the stock agency on the same day to report relevant information about the new internal personnel. The company sends "Common Patterns of Violations of Securities and Exchange Act in Internal Shareholding Changes" to urge internal personnel to handle equity changes in accordance with the law.</li> <li>Dedicated email and hotline are established for company employees and external parties in accordance with the Gender Equality Act, Principles of Integrity and Ethical Management, and relevant regulations and laws.</li> </ul>
Statement of No Violation of Principles of Integrity and Ethical Management	Directors of the Company	<ul style="list-style-type: none"> <li>The company requires all directors to sign the "Statement of No Violation of Principles of Integrity and Ethical Management" upon appointment, achieving 100% completion.</li> </ul>
Performance Assessment	All Employees	<ul style="list-style-type: none"> <li>During biannual performance assessments, the company integrates integrity compliance into employee performance evaluation criteria.</li> </ul>
Employee Code of Ethics Commitment, Confidentiality Commitment, Integrity Management Statement	Employees, Suppliers	<ul style="list-style-type: none"> <li>The company requires all new employees and new suppliers to sign the "Integrity Management Statement" annually. 100% of the employees and suppliers were completed in 2023. The company regularly assesses whether suppliers have violated integrity. No violations by suppliers in 2023.</li> </ul>
Internal Education and Training	All Employees	<ul style="list-style-type: none"> <li>In 2023, education and training included courses on short-term and insider trading regulations and prevention measures.</li> </ul>





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## 2.2 Operational Performance

With the gradual recovery of the post-pandemic economy, increased safety awareness, and rising customer demand, our sales of truck valve stems and valve stems for automotive tire pressure monitoring systems (TPMS) have grown steadily. However, due to the global economic downturn, weakening end-market demand, and ongoing inventory adjustments within the supply chain, our sales of bicycle, motorcycle, and electric bicycle valve stems have decreased. Consequently, our overall valve stem sales volume in 2023 dropped by 14.26% compared to that in 2022. Revenue fell by 14.73%, from NT\$3.04 billion to NT\$2.592 billion. In 2023, we continued to improve our manufacturing processes to enhance efficiency and invested in automation equipment to meet customer orders and mitigate the impact of rising labor costs in China. Although the cost of copper materials decreased, the effects of product price reductions and lower production volumes caused our gross profit margin to decline from 21.86% to 20.54%. Despite reduced marketing expenses due to declining sales, we continued to invest in various research and development, management, and ESG planning activities, resulting in an overall increase in operating expenses. This led to a drop in our operating profit margin from 10.99% to 7.31%. While subsidies decreased in 2023 and financial costs increased due to global interest rate hikes, we saw a reduction in foreign exchange losses as the New Taiwan Dollar appreciated against the US Dollar. Additionally, the completion of our new Kunshan plant and subsequent second relocation resulted in the recognition of net relocation compensation benefits, significantly boosting our non-operating income. In 2023, we did not make any political contributions and received approximately NT\$17.735 million in financial subsidies from various local governments. Considering the above factors, our net profit margin decreased from 7.46% to 6.75% in 2023, and earnings per share (EPS) dropped from NT\$2.28 to NT\$1.76.

Unit: NT\$ Thousand

Year	2021	2022	2023
Operating Revenue	3,397,556	3,040,416	2,592,438
Operating Costs	2,551,553	2,375,840	2,059,829
Gross Profit	846,003	664,576	532,609
Operating Expenses	374,450	330,572	343,121
Operating Profit	471,553	334,004	189,488
Net Profit Before Tax	556,868	350,384	325,750
Income Tax Expense	157,574	123,523	150,722
Net Profit After Tax	399,294	226,861	175,028
Employee Salaries and Benefits	607,549	552,318	555,522
ROE (Return on Equity)	14.06%	7.57%	5.77%
EPS (Earnings Per Share) (NT\$)	4.02	2.28	1.76
Debt-to-Asset Ratio (%)	42.74%	37.58%	36.01%
Current Ratio (%)	308.10%	275.44%	245.71%
Quick Ratio (%)	217.57%	209.04%	187.50%



## 2.3 Tax

Lu Hai adheres to tax regulations and legislative intent, fulfilling tax obligations diligently and establishing tax policies for compliance.

### Tax Policy

- (1) We comply with all tax laws and their legislative intent in the jurisdictions where we operate, ensuring timely filing and payment of taxes.
- (2) Tax disclosures are handled according to relevant regulations and standards, ensuring transparency in our financial reporting.
- (3) All major corporate decisions take into account the tax implications.
- (4) We analyze the operational environment and use management mechanisms to assess and manage tax risks.
- (5) We strive to build relationships based on mutual respect and trust with tax authorities, ensuring transparency and cooperation in all tax matters.

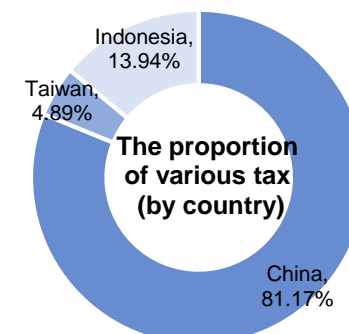
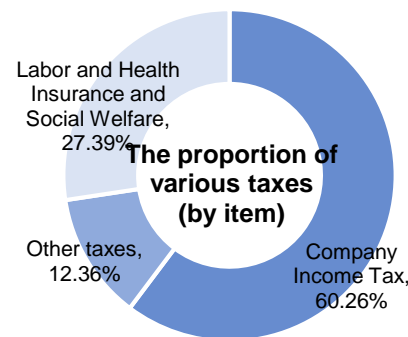
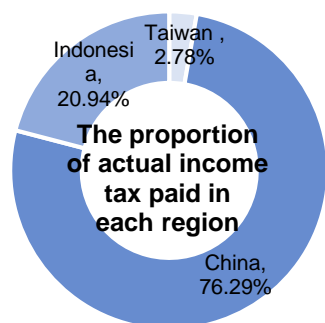
Unit: NT\$ Thousand			
Year	2021	2022	2023
Net Profit Before Tax (A)	556,868	350,384	325,750
Income Tax Expense (B)	157,574	123,523	150,722
Effective Tax Rate (B)/(A)	28.3%	35.3%	46.3%

### Tax Governance, Control, and Risk Management

- (1) Lu Hai's Finance Department personnel are responsible for tax governance and daily tax administration. To assist the company in fulfilling its tax obligations, Lu Hai also leverages the professional services provided by external tax advisory firms.
- (2) Lu Hai's Board of Directors entrusts the Audit Committee with the supervision of the quality and integrity of the company's accounting, auditing, financial reporting processes, and financial controls. The Committee regularly reviews significant matters including accounting policies and procedures, internal control systems, legal compliance, and corporate risk management, with tax compliance being a crucial part of legal compliance.
- (3) Lu Hai operates mainly in China, Indonesia, and the Republic of China (Taiwan). In conducting and expanding its business in these regions, Lu Hai adheres to the tax regulations of each operational jurisdiction. Adverse changes in tax laws and regulations can increase the company's effective tax rate and negatively impact operating performance. To manage tax risks effectively, Lu Hai continuously monitors significant tax policy and regulatory changes in the countries where it operates. By utilizing various channels, the company ensures early preparation and prevention measures. It evaluates and manages tax risks arising from regulatory changes and business activities, ensuring proper assessment, management, and control of these risks.

### Stakeholder Communication and Management of Tax-Related Issues

- (1) Intercompany transactions within Lu Hai are conducted based on the arm's length principle and comply with the internationally recognized Transfer Pricing Guidelines published by the Organization for Economic Cooperation and Development (OECD).
- (2) Lu Hai's transfer pricing practices are executed in accordance with the Regulations Governing the Management of Transactions of Related Parties and Group Enterprises. The company's financial reporting is transparent, and tax disclosures are handled in compliance with relevant regulations and standards, ensuring adherence to tax laws.





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## 2.4 Information Security

### Information Security Risk Management Framework

In terms of information security, the company ensures the confidentiality, integrity, and availability of important company information in accordance with the control procedures related to computerized information processing systems in Article 9 of the Regulations Governing Establishment of Internal Control Systems by Public Companies. The company has established the Regulations Governing the Management of Information Security by referring to the Information Security Control Guidelines for Listed and Over-the-Counter Companies. In 2023, the company appointed dedicated security supervisors and personnel to enhance the company's information security.

The General Manager of the company forms an information security team while the top executive of the company's IT Department or other department supervisors with relevant information security knowledge serves as the dedicated security supervisor. Appropriate personnel are assigned as dedicated security personnel to promote, coordinate, supervise, and review information security management matters. The security team is responsible for implementing the company's information security plan.

The company's internal control system includes regulations related to information security, which are periodically or irregularly audited for continuous improvement to provide an environment for information systems that is secure and operationally uninterrupted.

### Information Security Policy and Objectives

The company's information security policy and objectives, proposed by the security team, are approved by the General Manager and regularly reviewed. They are effectively communicated to employees to emphasize their importance. To maintain the confidentiality, integrity, and availability of the company's assets, as well as safeguard the security of user data privacy, all employees are committed to achieving the following objectives:

1. Protect the information security of the company's research and development, business, production, finance, personnel, etc., ensuring that information is accessed only by authorized personnel to maintain its confidentiality.
2. Safeguard the information security of the company's research and development, business, production, finance, personnel, etc., preventing unauthorized modifications to ensure accuracy and integrity.
3. Ensure that the implementation of the company's various operations, production, finance, personnel, etc., complies with relevant regulatory requirements.

### Information Security Project Achievements This Year

To address the company's information operations environment, including computer systems, networks, data, equipment, personnel, antivirus, and anti-hacking measures, the company has integrated these aspects into a comprehensive security management mechanism. This includes establishing prevention and emergency response measures and regularly promoting information security awareness to ensure the safety of the company's information operations. The company has defined relevant information policies and regulations, including the Regulations Governing the Management of Electronic Data and the Regulations Governing the Management of Information System Major Disaster Emergency Response.

For various information risks, such as device management, hardware protection, internet and mobile security, the company has planned management measures to improve and enhance the security and protection of its networks and information systems. In November 2023, the company executed a disaster recovery drill for its business continuity plan. This drill ensures that, in the event of a disaster affecting normal operations, the company can quickly restore order and resume operations. The drill outlined the necessary resources, steps, and systems required to resume operations, along with advance preparations for potential disasters, ensuring uninterrupted business continuity. The drill was conducted using an offline recovery method, and the recovery was successful.

In 2023, the company reported zero major information security incidents and no losses due to information security breaches.



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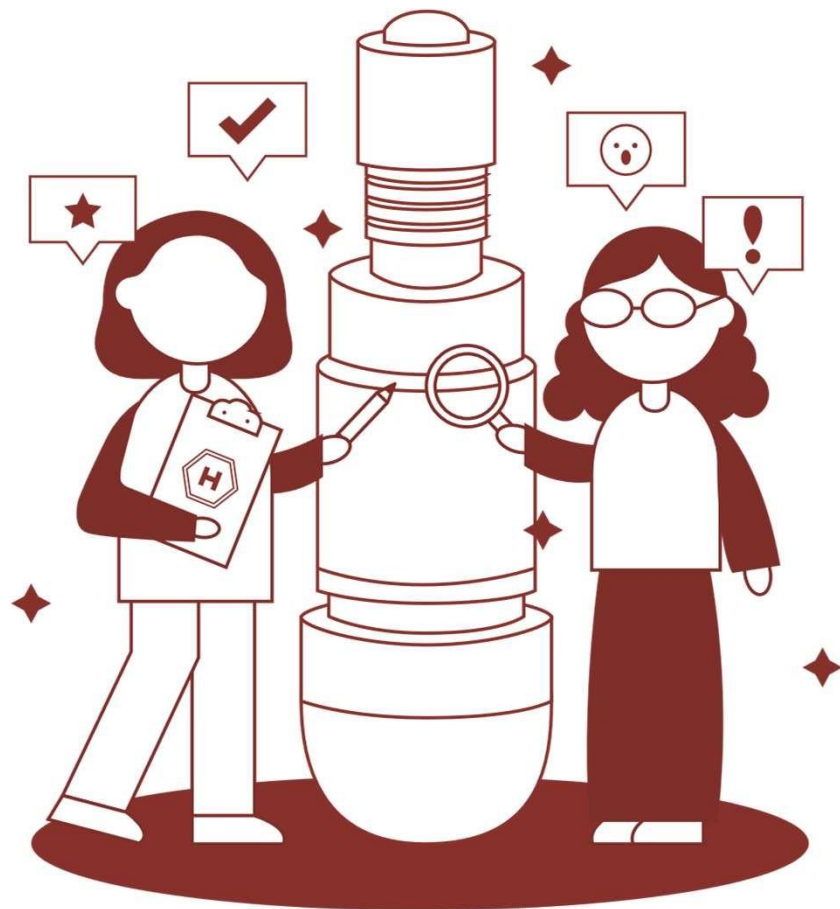
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## 3.1 Innovation Management



### Management

Our senior management consists of professionals who have deep expertise in the valve stem industry, with a high sensitivity to industry changes. They timely respond to changes in the upstream, midstream, and downstream industries, adjust raw material and cost inventory levels, and rigorously control costs.



### Technology

We ensure stable quality and fast service to customers by continuously investing in automation equipment and researching process improvements to minimize errors and reduce labor costs generated by manual operations.



### Customers

Our product line is comprehensive, covering a wide range of applications including bicycles, motorcycles, electric motorcycles, cars, trucks, and off-road vehicles. We meet the diverse application needs of different customers with a variety of product specifications, providing one-stop shopping convenience and saving customers' procurement and management costs.



### Products

LU HAI is certified by three major tire manufacturers, including Bridgestone, Michelin, and Goodyear. Most of the top ten tire manufacturers, including Cheng Shin and Kenda, are customers of our group, demonstrating the international recognition of our product quality. The overall production capacity and quality of our valve stems are globally leading, giving us a competitive advantage in scale production. Our production line is highly flexible, allowing us to adjust according to customer needs, ensuring fast delivery and customer satisfaction.

In addition to developing new products that align with customers' tire design concepts and functional requirements, the Lu Hai R&D team also undertakes projects related to valve stem production processes, equipment automation, system integration, and the research and development of molds and jigs. Lu Hai also provides rubber coating services for major tire manufacturers, thereby enhancing the company's competitiveness in the valve stem market.



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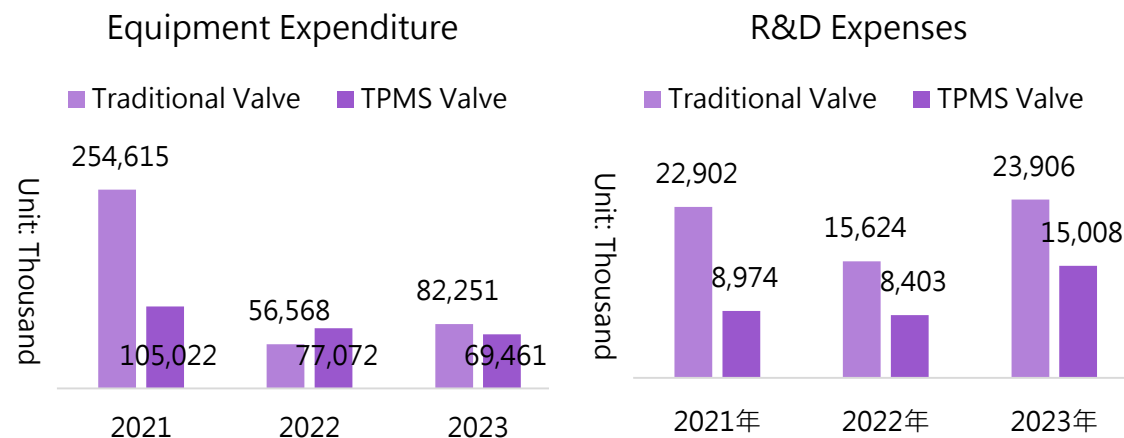
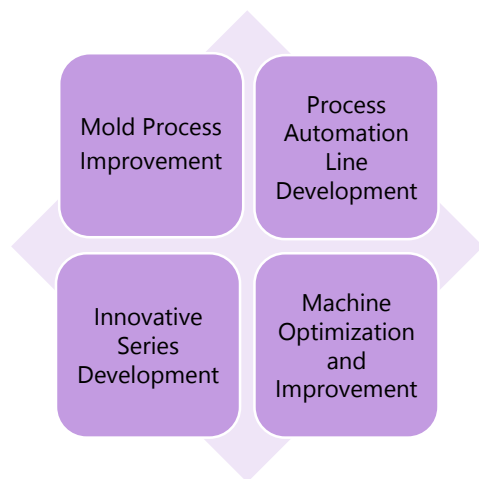
In 2023, the focus of the R&D efforts has been steadily progressing according to the annual plan requirements. We have concentrated on developing rubber formulations, new material processes, and equipment automation to enhance product quality, reduce process time, and lower raw material consumption. At the same time, we aimed to increase production automation and save labor while promoting energy conservation and carbon reduction. Major achievements include: Improved vulcanization process efficiency for valve stems; full implementation of AR sandblasting-free vulcanization processes; cost reduction development for EPDM auxiliary materials; localization and cost reduction for natural rubber pharmaceuticals; rubber-saving processes for truck valve vulcanization blocks; cost reduction processes for TR1/C4E warm forging; densification process development for TR4 and TR13 vulcanization molds; development of automatic spraying equipment for aluminum valve stems; development of automatic rubber slitting machines for truck valves; development of dual-cone screw processes for internal mixing; development of automatic copper sleeve pressing and capping machines for high-speed valves; development of fully automatic small packaging machines for high-speed valves. These projects have further upgraded automation, reduced labor consumption, improved process efficiency, and decreased material usage.

For 2024, the R&D focus aims to shorten process flows, promote precise process automation projects, reduce raw material costs, enhance quality, save labor, and continue energy conservation and carbon reduction. Key projects include: Development of sandblasting-free vulcanization processes for TR4; cost reduction project for electric vehicle valve stems; process development for PVR64/TR413 series aluminum products; development of green rubber formulations; process development for compression-type valve stem production; development of fully automatic visual inspection equipment for rubber-based valve stems; development of fully automatic smart storage cabinet systems; planning and implementation of solar photovoltaic systems; development of fully automatic ultrasonic cleaning machines for truck valves; development of automatic sandblasting machines for truck valves.

The group continuously invests in automation equipment and process improvements to ensure stable quality and rapid service for customers. Over the past few years, R&D expenses have increased in line with revenue, and the results of these process improvements and automation investments will continue to yield benefits by significantly reducing errors from manual operations and mitigating the impact of rising labor costs.

### Equipment Expenditure and R&D Expenses

In recent years, Lu hai has been continuously investing in automation equipment to save labor and improve production efficiency, in line with fulfilling OE orders from international TPMS customers. In 2021, the company also took significant steps towards environmental sustainability by investing heavily in pollution control equipment, resulting in a substantial increase in equipment expenditure. Furthermore, Lu hai's R&D focus remains on continuous process improvement, promoting automation, and developing new technologies to save labor and reduce costs, while persistently aiming for energy conservation and carbon reduction. The TPMS R&D team has been actively developing new products in recent years, and the benefits of these efforts are beginning to show in the company's revenue growth.



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## Revenue Breakdown

Lu Hai's primary production bases are in China and Indonesia. In recent years, the company has continuously expanded its scale in Indonesia, with its revenue share from this region now exceeding 20%. The increase in safety awareness and mandatory regulations have led to higher market penetration for aftermarket (AM) tire pressure monitoring systems (TPMS). Additionally, securing long-term original equipment (OE) market orders from international clients has boosted the revenue share of TPMS valve stems, providing significant momentum for Lu hai's operations.

Unit: NTD Thousands; %

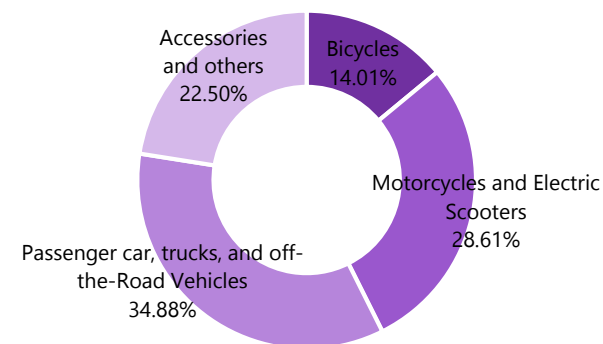
Major products\Year	2022		2023	
	Sales amount	%	Sales amount	%
Bicycle class	614,507	20.21	363,203	14.01
Motorcycle and electric scooter class	878,264	28.89	741,767	28.61
Passenger car, truck and off-the-road vehicles class	906,621	29.82	904,261	34.88
Accessories and other	641,024	21.08	583,207	22.50
Total	3,040,416	100.00	2,592,438	100.00

## Revenue Breakdown by Region

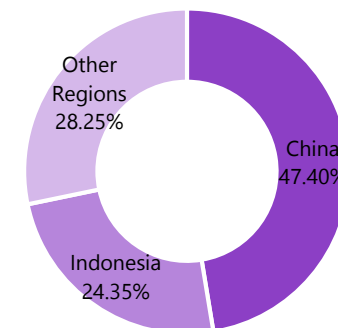
Unit: NTD Thousands; %

Region/Year	2022		2023	
	Sales amount	%	Sales amount	%
China	1,382,290	45.47	1,228,901	47.40
Indonesia	697,564	22.94	631,163	24.35
Other Regions	960,562	31.59	732,374	28.25
Total	3,040,416	100.00	2,592,438	100.00

Sales Amount Shares in 2023



Sales Amount Shares in 2023



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## 3.2 Product Quality and Safety

Certifications	Taiwan Branch	XIAMEN XIAHUI	PT. LUHAI	KUNSHAN LUHAI
ISO 9001:2015 Quality Management System	✓	✓	✓	✓
IATF 16949:2016 Automotive Quality Management System		✓	✓	
ISO 45001:2018 Occupational Health and Safety Management System			✓	✓
ISO 14001:2015 Environmental Management System		✓	✓	✓

Lu hai has obtained several ISO system certifications and adheres to the relevant laws and regulations stipulated by these systems. The company maintains comprehensive standards for quality management, occupational health and safety, and environmental protection. To adapt to an increasingly competitive industry environment, Lu hai employs a quality control system as the core of its quality strategy management, aiming to provide zero-defect products and services. The company's quality control strategic action direction emphasizes prevention and the pursuit of zero defects in quality. This includes strengthening the management of products and services and following quality policies from product development, raw material supply, production processes, finished product quality control, and product shipment. By adhering to IATF16949 and utilizing complete information systems and management procedures, Lu hai manages all factors affecting quality to achieve customer satisfaction.

### Product Development Before Mass Production

- Conduct thorough risk management to ensure product safety by evaluating costs, quality, and performance.
- Implement requirements related to quality and hazardous substance management.
- Prioritize the procurement of raw materials from suppliers with ISO certifications.
- Inform suppliers in writing of any regulatory requirements that must be met for products or raw materials used in manufacturing.
- Purchase products, components, materials, or services from specific suppliers as specified in customer contracts.
- For OE customers, submit a 4M (Man, Machine, Material, Method) change application to customers when there are changes in products, equipment, personnel, or methods. Proceed with changes only after receiving customer approval.
- Ensure the primary raw materials comply with international hazardous substance regulations through third-party testing (e.g., SGS reports). Regularly conduct surveys with outsourced suppliers to ensure ongoing compliance.

### Production Services (Inspection and Testing Control)

- Conduct inspections and testings for external purchases, in-process items, semi-finished goods, finished products, incoming inventory, and outgoing shipments to verify that they conform to quality standards.

### Non-Conformance Control Process

- Define procedures for identifying, labeling, recording, evaluating, isolating, and disposition of non-conforming and potentially suspect products during the production process.
- Non-conforming or suspect products should undergo evaluation to determine whether they can be reworked, accepted under concession (special approval), scrapped, or returned to the supplier.
- Following rework, repair, or downgrade of non-conforming or suspect products, conduct re-verification to ensure they now meet the required specifications, and maintain records of this verification process.

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Lu Hai is dedicated to providing excellent valve stem manufacturing services to ensure customer satisfaction. To achieve this goal, we focus on maintaining high-quality standards across all operational aspects and continuously improve our quality management system, striving for zero defects in our products. In order to enhance our quality analysis capabilities, Lu Hai has established quality laboratories in various locations globally to conduct analyses ranging from early-stage process development to product application phases. These analyses include material characterization, process analysis, and failure analysis of customer product returns, aiming to establish an accurate and efficient defense system to comprehensively control product quality.



Lu Hai has a dedicated quality assurance department comprised of experienced professionals in quality management. From supplier selection and evaluation, material incoming inspection, process quality control, pre-shipment final inspection, to identifying and satisfying customer requirements, as well as improving feedback issues from customers, we adhere to a strict set of process standards. Additionally, we have professional laboratories for conducting performance testing experiments on products to ensure that the products provided to customers meet high-quality and safety standards. We continually strive to ensure product quality, reliability, and meet customer needs. In the event of quality issues arising after product delivery to customers, we follow a process of internal communication with relevant departments based on customer feedback. We convene relevant departments to implement improvements, and the quality

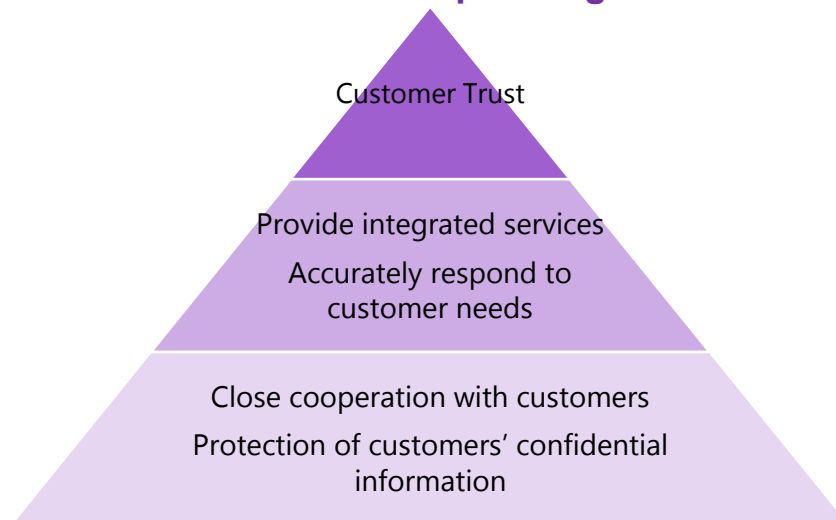
assurance department regularly compiles complaint reports, documenting the issues and the process of resolution, for continuous improvement purposes.

We are committed to being responsible for the products we produce, and we ensure that product labeling and marketing methods comply with regulations and international standards. We provide product information on the company website and have channels for stakeholder communication, allowing stakeholders to file complaints or communicate through designated channels.

Our quality management philosophy emphasizes prevention as the primary focus and continual improvement. We take action as needed to address and resolve any product quality issues. Our quality management practices adhere to a zero-defect policy, with quality being rigorously monitored at every level. We conduct inspections throughout the entire process from raw material procurement to product manufacturing and shipping. With comprehensive laboratory equipment, we test the composition and properties of raw materials and the functionality of products to ensure user safety. Additionally, Lu Hai annually invests in product liability insurance to protect consumer rights.



### 3.3 Customer Relationship Management

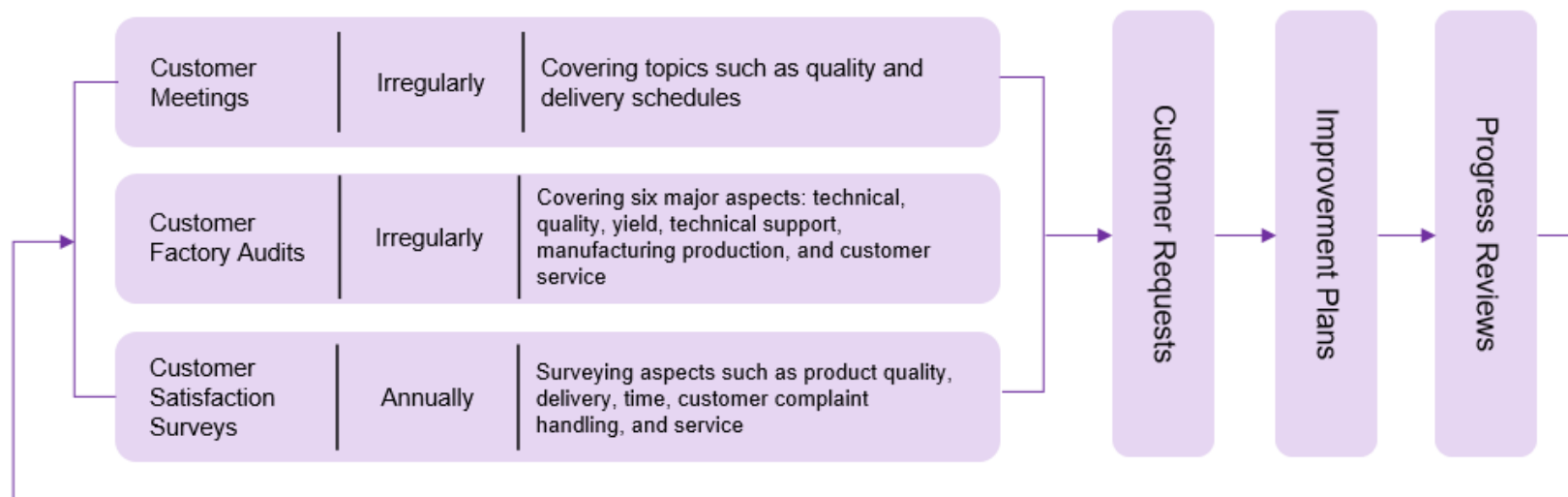


Lu Hai regards customer feedback and opinions as a crucial foundation for enhancing customer relationships. To meet customer needs, Lu Hai customer service team utilizes various channels such as irregular meetings, quarterly evaluation meetings, and annual satisfaction surveys to gather feedback on various aspects including business practices, technology, quality, yield, design support, manufacturing, customer relationships and services, and future requirements. Through regular review, analysis, and the implementation of appropriate improvement plans, we continuously deepen our relationships with customers by addressing their needs comprehensively.

Starting from product delivery to customer sites, we collect data on product quality performance at the end-user level. We understand customer complaints and potential dissatisfaction and respond with targeted action plans and improvement measures. By assessing customer satisfaction with our products from various perspectives, we continually strive to meet customer needs.

#### Multi-dimensional Communication Channels

Multi-dimensional communication channels are employed to gain a deeper understanding of customer requirements. These channels include telephone communication, regular/irregular on-site visits, customer audits, video conferences, annual satisfaction surveys, and the collection of customer Product Parts per Million (PPM) data. We promptly make adjustments based on customer feedback to meet their expectations and needs. As environmental protection and human rights awareness grows, procurement policies of major brand customers now require suppliers to prioritize corporate social responsibility, business ethics, quality, and supplier relationship management. Third-party organizations such as ECOVADIS and VERITAS are commissioned to evaluate suppliers online or onsite, and the evaluation scores are included in supplier evaluations.



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## Customer Satisfaction

Lu Hai values customer opinions and collects feedback and suggestions on various products and services as references for internal operational improvements. At the same time, in line with the spirit of ISO 9001 regarding customer quality commitments and customer satisfaction, customer satisfaction surveys are conducted at least once a year for both domestic and international customers.

According to written procedures, customer satisfaction is investigated, including trends in customer satisfaction and key indicators of dissatisfaction. Each year, satisfaction surveys are conducted, with main evaluation items including product quality, product delivery time, sample delivery time, service attitude of sales personnel, service attitude of delivery personnel, and feedback on complaint handling. This allows us to understand customer evaluations of Lu Hai. For three consecutive years, satisfaction has been above 90 points. Strategies are proposed for units causing customer dissatisfaction, and after review and approval, improvement strategies are reported and effectiveness is regularly confirmed. Necessary corrective measures are taken for customer dissatisfaction issues, and review reports are presented at internal management meetings (such as production and sales meetings, business management meetings, and management review meetings). We provide excellent customer service to enhance customer satisfaction with our products, and earn their trust in our company.



Plant	Average Score/Level of Satisfaction		
	2021	2022	2023
Taiwan Branch	89.38	87.78	92.12
XIAMEN XIAHUI*	94.87%	97.87%	98.91%
KUNSHAN LUHAI	93	93	94
PT. LUHAI	90	92.66	90.44

Note: The percentage of satisfaction score for Xiahui Rubber Metal Ind. Co., Ltd. is above 70.

## Customer Complaint Handling Process

Given the nature of the industry and practical requirements, Lu Hai responds to customer complaints promptly and efficiently, gathering relevant personnel immediately to address the issues and organize teams to propose effective improvement solutions in the shortest time possible. Customers also review documents and sites periodically or irregularly, online or on-site, to confirm the implementation status of factory quality improvements.

Throughout the stages of product receipt, production, and delivery, items are clearly labeled to avoid misuse and ensure that product quality meets customer and/or regulatory requirements. Pending inspection, repair, rework, and inspected items are clearly identified and stored appropriately. Relevant operating procedures are established to ensure that when product abnormalities or customer complaints occur, production batches can be traced, meeting customer and automotive recall regulatory requirements. According to complaint statistics, the number of product labeling violation cases has decreased from 2 to 0 over the past 3 years.

	2021	2022	2023
Incidents that violate regulations	0	0	0
The number of product labeling violation cases	2	1	0

## Customer Privacy Protection

Lu Hai maintains a long-term focus on the cooperative relationship between the company and its customers, adhering to confidentiality agreements established by both parties. Each year, the validity of contracts is reviewed to confirm their effectiveness. In 2023, confidentiality agreements were still signed with customers, with no violations reported. Concerning customer privacy or data management, Lu Hai pays attention to confidentiality clauses with customers, maintaining the confidentiality of customer intellectual property. Additionally, measures are taken to prevent the leakage of customer confidential information or personal data through compliance with the Cyber Security Management Act.

### Statistics of Customer Privacy Breach Incidents in the Past 3 Years:

Item	2021	2022	2023
External and Validated Complaints	0	0	0
Complaints from Regulatory Agencies	0	0	0

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### 3.4 Sustainable Supply Chain Management

Lu Hai has always regarded suppliers as important partners in the company's operations. In the promotion of corporate social responsibility, the management of the entire supply chain is incorporated, and the Regulations Governing Supplier Management are formulated to evaluate suppliers. In addition to considering quality and delivery time in the management of the entire supply chain, the company interacts with suppliers on a regular basis and conducts quarterly assessments. If suppliers violate international environmental protection standards, occupational health and safety, labor rights, and integrity management issues, cooperation may be terminated depending on the severity of the situation.

Furthermore, efforts are made to invite partners in the supply chain to work together with Lu Hai in environmental protection, creating a green supply chain to reduce the environmental impact of pollutants. Additionally, the company opposes the use of minerals extracted in armed conflicts and human rights violations (such as tantalum (Ta), tin (Sn), gold (Au), tungsten (W), etc.). In 2023, 163 suppliers signed the "Supplier Sustainability Commitment," with the overall cumulative signed procurement amount accounting for 86.36%. Criteria are established for suppliers to protect the environment, human rights, safety, health, and sustainable development. This includes requirements and expectations for suppliers in environmental, safety, and health risks, prohibition of child labor, labor management, no harmful labor rights, ethical standards, and integrity management.

Region	Number of Signatories	Percentage of Signed Suppliers to Total Suppliers	Percentage of Annual Procurement Amount from Signed Suppliers %
Taiwan	19	23.75%	95.58%
China	131	31.12%	90.44%
Indonesia	13	24.53%	86.36%

#### Continued ESG Risk Management

In accordance with the company's Regulations Governing Supplier Management, regular business evaluations are conducted on suppliers. This involves written audits using questionnaires and documents to investigate potential risks in labor, health and safety, environment, integrity and ethics, as well as management systems. Evaluations are made on ESG risk levels and ESG capabilities. Additionally, all

suppliers must comply with annual due diligence investigations, such as those regarding conflict minerals, to manage potential risks in labor, health and safety, environment, integrity, and ethics and to prevent negative impacts that could affect the supply chain operation.

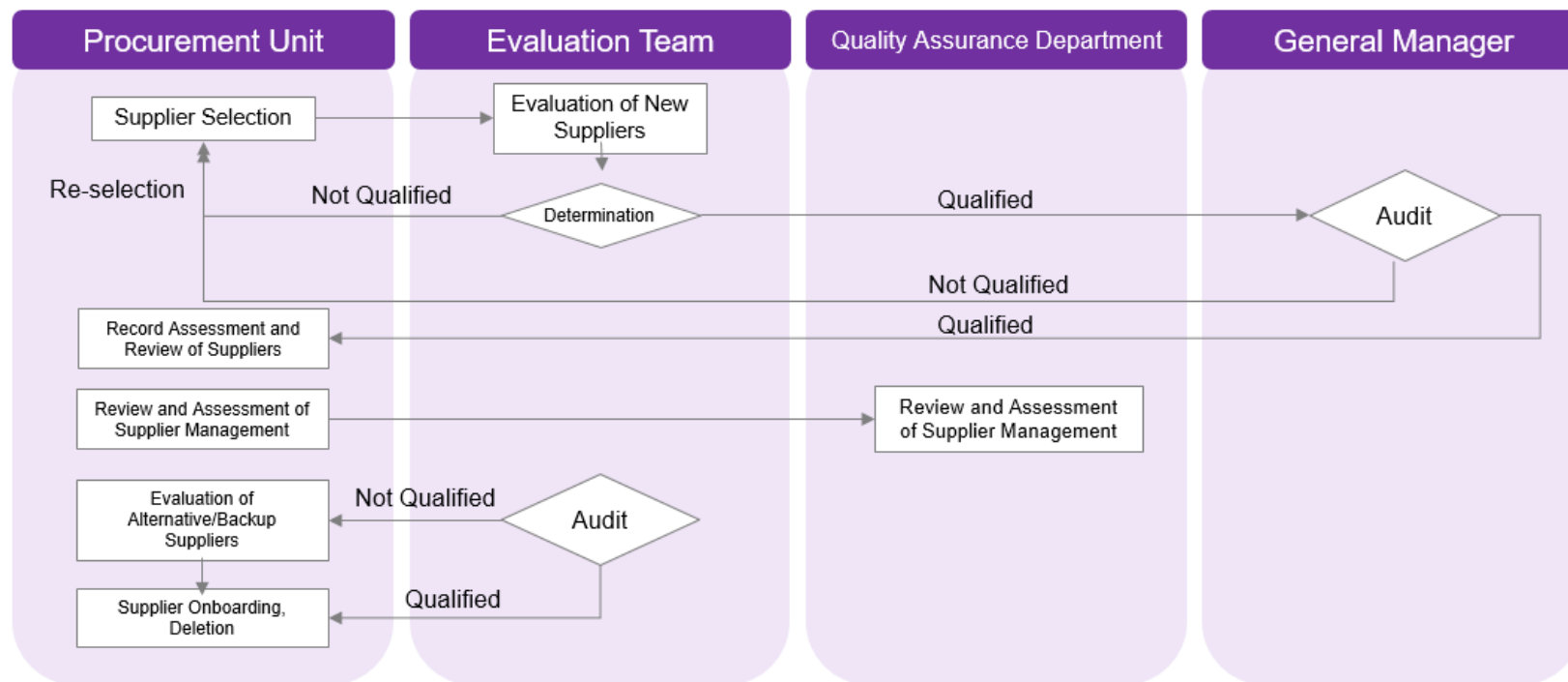
#### Selection and Recognition of New Suppliers

For new suppliers, an evaluation team is established to assess suppliers' various capabilities. Suppliers are required to have at least ISO9001 certification and comply with environmental management requirements. The evaluation assesses the supplier's technical development capabilities, quality system assurance capabilities, equipment processing accuracy, maximum production capacity, annual sales volume, turnover, financial status, and long-term and short-term development plans. Suppliers whose evaluation scores meet the supplier rating threshold are included as potential suppliers for development. Those who do not meet the evaluation criteria must improve before undergoing re-evaluation. If a supplier fails the evaluation twice, they will no longer be developed by the company. A supply chain management model is established from upstream raw materials to downstream components. Control and guidance are provided to the supply chain from three directions:

Supplier Management System Certification
To ensure that suppliers protect the environment and improve safety and health, it is required that suppliers obtain international certifications such as ISO9001, ISO14001, IATF16949, and other quality, environmental, and occupational health and safety management systems. Suppliers who have not obtained these certifications must develop implementation plans.
Supplier Audits and Guidance
Suppliers are required to propose improvement plans for quality defects to meet the company's requirements.

Supplier Evaluation
Suppliers are evaluated quarterly based on metrics such as production returns, batch returns, abnormal replies, customer complaints, delay rate, and cooperation level. Suppliers scoring below 70 points in quarterly evaluations are considered disqualified and will receive guidance to help improve quality.

## Supplier Assessment



## Supplier Evaluation

To effectively manage supplier quality, delivery, and cooperation, and to ensure compliance with the Regulations Governing Supplier Management, and to enhance performance and competitiveness, quarterly assessments are conducted by procurement personnel and quality assurance units. The assessment criteria include production returns, purchase returns, abnormal responses, customer complaints, delivery delay rates, and cooperation. If a supplier scores below 59 in the quarterly assessment, they will be considered disqualified, and business dealings with them will be terminated. Suppliers are graded as follows:



Annual Average Score	Grade	Description
90~100	A	No deficiencies identified.
80~89	B	Improvement measures are required for identified deficiencies.
70~79	C	Improvement measures are required for identified deficiencies.
60~69	D	Improvement must be made within six months. Failure to improve within the specified period will result in disqualification.
59 以下	E	Business dealings will be terminated.

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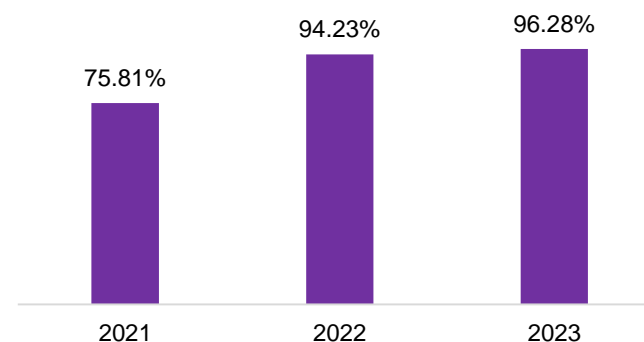
## The Results of Supplier Evaluation in 2023:

Plant	Total Number of Suppliers Evaluated	Grade A		Grade B		Grade C		Grade D		Grade E	
		Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
Taiwan Branch	124	124	100.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
XIAMEN XIAHUI	446	377	84.5%	66	14.8%	1	0.2%	2	0.4%	0	0.0%
KUNSHAN LUHAI	18	9	50.0%	9	50.0%	0	0.0%	0	0.0%	0	0.0%
PT. LUHAI	119	105	88.2%	14	11.8%	0	0.0%	0	0.0%	0	0.0%

## Supporting Local Procurement

Lu Hai has operations in Taiwan, China, and Indonesia, with Taiwan serving as the main operational base. Each subsidiary upholds the spirit of enhancing local industries. In situations where product quality and procurement conditions are similar, priority is given to purchasing from local suppliers. Through establishing good cooperative relationships, Lu Hai aims to promote stable economic development in the local communities. In 2023, the proportion of raw material procurement from local sources at the Taiwan Branch accounted for 100% of the total procurement amount. In China, the proportion of locally sourced raw materials was 96.28%. At the Indonesian plant, where the major raw materials are provided by the subsidiary, the proportion of locally sourced raw materials has significantly increased from 8.2% to 13.49% over the past two years. By reducing the transportation distance of materials and products, Lu Hai can minimize carbon emissions associated with transportation, thereby achieving a more environmentally friendly production process. Moreover, local procurement directly supports business growth, enabling the company to provide more local employment opportunities, improve labor conditions, and ultimately achieve co-prosperity.

Amount Percentage of Locally Sourced Raw Materials in China





六暉控股股份有限公司  
LU HAI HOLDING CORP.

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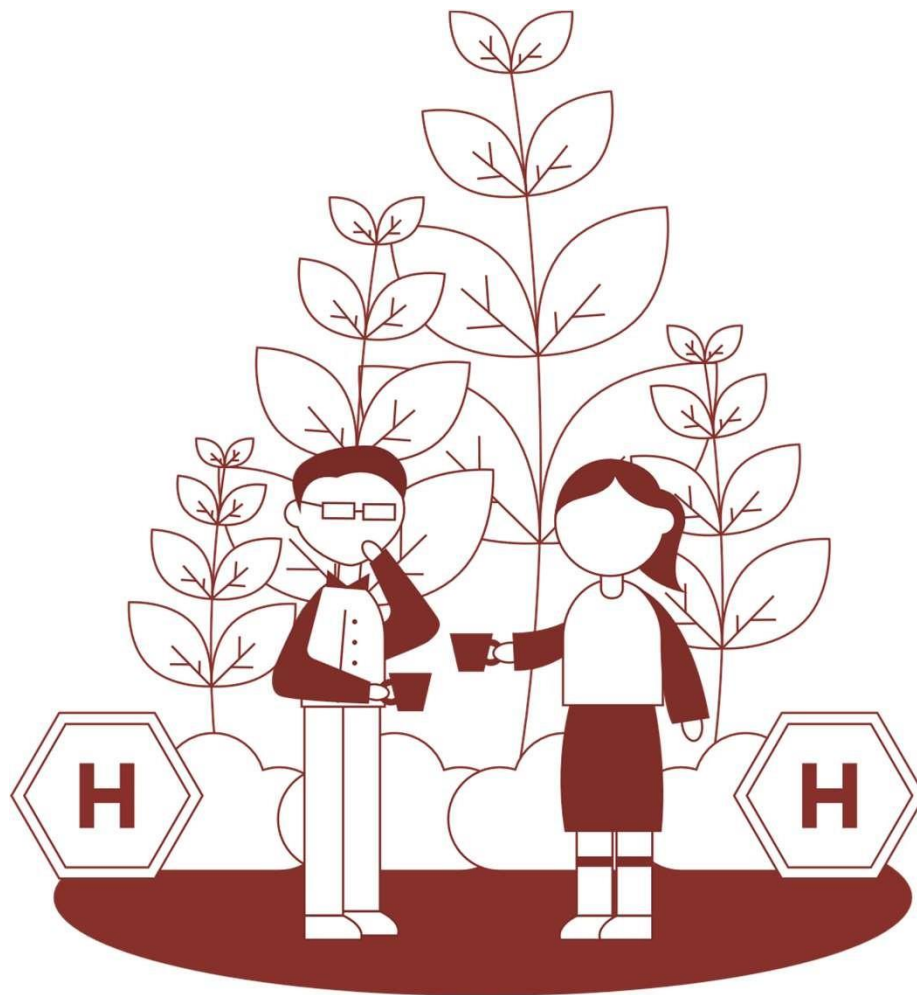
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## 4.1 Climate Change

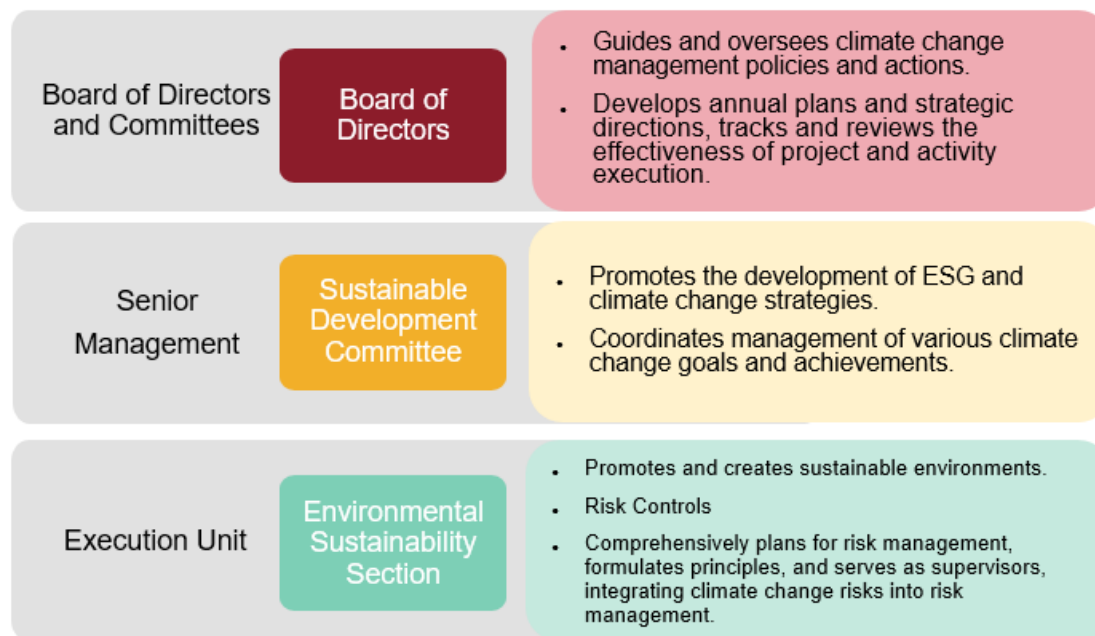
Given the ongoing global environmental degradation, energy and natural resource shortages, the impacts of climate change, and increasingly strict government regulations, Lu Hai recognizes the significant challenges and pressures these issues pose to businesses. Since 1850-1990, the global temperature has risen by nearly 1.1°C, leading to extreme weather events such as high and low temperature extremes, heavy rains, droughts, and wildfires. Lu Hai's Board of Directors plays a supervisory role in addressing these issues. With a commitment to integrity and responsibility, Lu Hai is dedicated to formulating relevant policies and action plans aimed at minimizing the environmental impact of its business activities. The company aims to achieve low pollution, low energy consumption, and low carbon emissions as part of its environmental goals. The long-term targets include 25% greenhouse gas emissions by 2030 and achieving net-zero emissions by 2050. These actions are essential to prevent the global temperature rise from exceeding 1.5°C by the end of this century.

To address the environmental impacts of climate change, Lu Hai adopted the recommendations of the Financial Stability Board's (FSB) Task Force on Climate-Related Financial Disclosures (TCFD) in 2022. This was the first step in disclosing actions taken to manage climate risks and opportunities. Furthermore, Lu Hai follows the industry standards set by the Sustainability Accounting Standards Board (SASB). For more details, please refer to Appendix II, which outlines the standards set by the SASB.

### Climate Change Governance and Strategy

The company has established the Sustainable Development Committee as the highest organization for climate change management, chaired by the Chairman. This committee is responsible for annually reviewing the company's climate change strategies and goals, managing actions related to climate change risks and opportunities, assessing implementation status, and discussing future plans. The committee also reports to the Board of Directors.

In 2022, the company introduced a climate change governance framework for the first time and planned to incorporate climate change risks into the risk management system. We aim to complete the related policies and systems by 2024. Following the TCFD guidelines, we disclose financial information through identification, measurement, monitoring, and reporting, establishing a framework for the potential impact of climate change on the company operations. Regular meetings are held by the execution units to discuss relevant issues and to address short-term, medium-term, and long-term climate risks. We formulate related policy action plans to minimize the environmental impact of the business activities, achieving goals of low pollution, low energy consumption, and low carbon emissions. We are gradually moving towards 25% our greenhouse gas emissions by 2030 and achieving net-zero emissions by 2050. We conduct assessments of transitional and physical risks, report the implementation status to the Board of Directors, and review relevant internal regulations.



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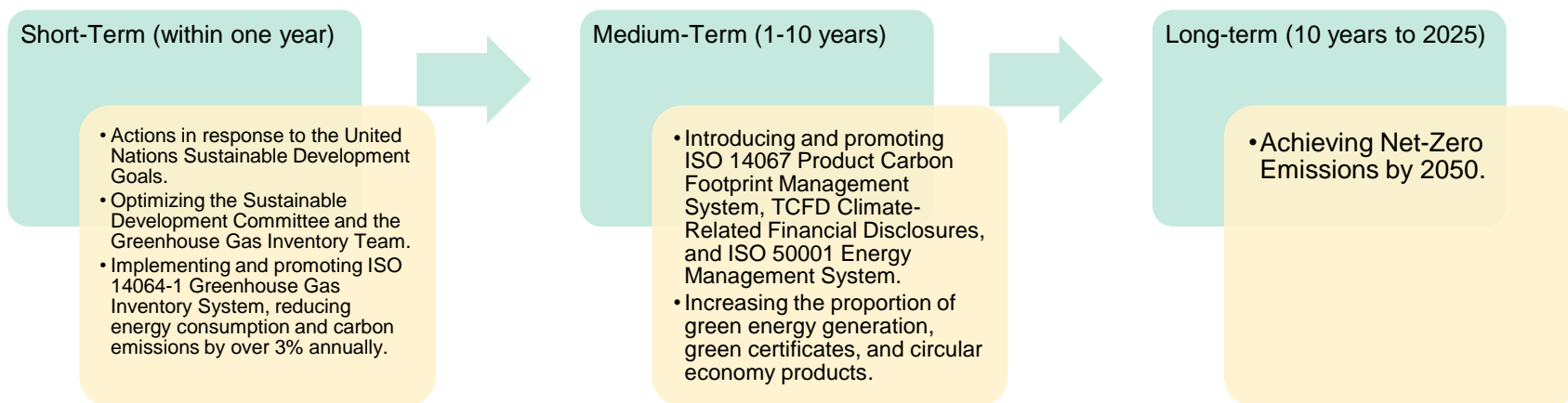
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## Climate Change Risks

Climate change risks impact not only the company's operations but also have repercussions on other investments and business activities. As the climate environment changes and the transition to a low-carbon economy progresses, these risks affect various existing risk categories, such as credit risk, market risk, and operational risk, to different extents and at different times. Li Hai conducts climate change risk assessments for the short, medium, and long term, considering internal management mechanisms and the life cycles of major products. This facilitates integration with the risk management framework and enables regular reviews and countermeasures.

Risks and Opportunities		Impact Description	Response Strategies
Transition Risks	Policy and Regulation	Financial impact from carbon taxes/fees and stricter regulations and financial supervision.	A. Closely monitor international trends and regulatory changes. B. Hold biannual meetings of the Environmental Group to timely formulate response strategies. C. Actively participate in assisting regulatory authorities in amending relevant management measures. D. Conduct scenario simulations to assess potential impacts and assist in strategy formulation.
	Technology	Uncertainty in revenue and investment due to the upgrading of existing products and services with green, environmentally friendly, and low-carbon alternatives.	
	Market	Market volatility due to stranded assets in high-carbon industries. Increased costs due to rising prices of water, electricity, and raw materials.	
	Reputation	Changes in market demand and consumer awareness necessitate considering ESG factors in operational development and investment decisions.	
Physical Risks	Acute	Increased frequency and intensity of extreme weather events such as typhoons, heavy rains, floods, and droughts leading to asset impairment, operational disruptions, and safety concerns.	A. Regularly monitor risks in high-risk areas and assess potential internal impacts through external information collection to plan adaptive measures. B. Plan adaptive measures, such as increasing water recycling and reusing ratios, and diversifying production sites. C. Collaborate with external consultants to provide professional climate education and training.
	Chronic	Global warming exceeding 1.5°C, climate pattern changes, and sea-level rise impacting the economy, company operations, and increasing costs due to asset impairment or early replacement.	

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## Risk Impact Assessment

Risks	Business Item	Risk Impact Description	Main Risk	Risk Impact Level		
				Short Term	Medium Term	Long Term
Transition Risks	Financing	Natural disasters cause asset impairment or disrupt customer operations, such as water/power shortages and supply chain interruptions, leading to increased credit risk.	Credit Risk	Low	Medium	Medium
	Investment	Climate change affects macroeconomic factors (e.g., GDP, unemployment rates) or causes physical risk events, adversely impacting related investments (business decline, increased operational costs, supply disruptions), leading to investment cost fluctuations.	Market Risk	Low	Medium	Medium
	Own Operations	Operational sites are impacted by extreme weather (e.g., typhoons, heavy rain, drought), causing safety concerns and damages related to employees, transportation, and equipment, thereby affecting operations.	Operational Risk	Low	Low	Medium
	Suppliers	Natural disasters damage infrastructure (e.g., power, internet, logistics), affecting service provision.	Operational Risk	Low	Low	Medium
Physical Risks	Financing	In response to the transition to a low-carbon economy, the imposition of carbon taxes/fees and tariffs may financially impact companies if they are unable to reduce carbon emissions.	Credit Risk	Low	Medium	Medium
	Investment	High-carbon businesses face increased operational costs (due to high carbon fees) and the potential failure of business transformation, increasing investment risks.	Market Risk	Low	Medium	Medium
	Own Operations	The imposition of carbon taxes/fees and tariffs requires companies to invest more in new energy-saving and carbon reduction initiatives, necessitating more funds and resources.	Operational Risk	Low	Low	Medium
	Suppliers	Suppliers pass on carbon-related costs from the transition, or must adjust their operations due to regulatory requirements, increasing expenses.	Operational Risk	Low	Low	Low

## Climate Change Opportunities

Climate Change Opportunities			Response Strategies
Resource Efficiency	Optimize processes to enhance energy efficiency and reduce costs. Digitize processes to reduce paper usage.		A. Replace high-efficiency equipment to save costs.
Energy Sources	Use renewable energy to reduce dependence on fossil fuels and sensitivity to carbon pricing, thereby lowering greenhouse gas emissions.		B. Optimize processes to enhance energy efficiency.
Products and Services	Develop low-carbon products and services to support net-zero policies, assist customer transitions, and create business opportunities. Enhance digitization to improve services for customers and suppliers, and reduce labor costs associated with these services.		C. Utilize renewable energy sources. D. Develop low-carbon process products.
Market	Expand business through innovative green process products.		E. Raise employee awareness of climate change through education, training, and internal announcements.
Resilience	Improve the ability to respond to climate change, effectively manage risks, and seize opportunities.		F. Establish management structures, revise climate risk management policies, and strengthen management systems.

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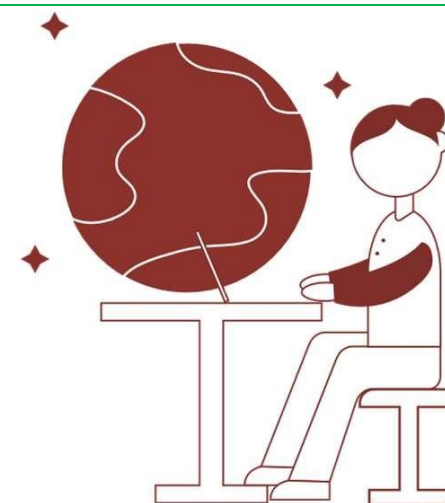
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## Climate-Related Response Strategies

Climate-Related Opportunities	Current Status	Internal Goals	External Policies
Resource Efficiency	<ul style="list-style-type: none"> <li>● Resource sorting, recycling, and promoting paperless operations.</li> </ul>	<ul style="list-style-type: none"> <li>● Use 2023 as the baseline year for greenhouse gas inventory.</li> </ul>	
Energy Sources	<ul style="list-style-type: none"> <li>● Replace energy-consuming equipment.</li> <li>● Implement ISO 50001 to enhance energy management.</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce waste by 30% by 2030.</li> </ul>	
Products and Services	<ul style="list-style-type: none"> <li>● Create a positive impact and deepen connections with customers and sustainable partners through engagement, ESG initiatives and consulting services.</li> </ul>	<ul style="list-style-type: none"> <li>● Become the best sustainability partner for customers by 2030.</li> <li>● Align with Taiwan's 2050 net zero emission pathway and strategies.</li> </ul>	
Market	<ul style="list-style-type: none"> <li>● Establish management structures and amend internal climate-related management regulations, integrating them into daily operations and business development to strengthen risk management and opportunity grasping.</li> </ul>		<ul style="list-style-type: none"> <li>● Paris Agreement</li> <li>● Taiwan 2050 Net Zero Emission Pathway</li> <li>● Corporate Governance 3.0 – Blueprint for Sustainable Development</li> </ul>
Resilience	<ul style="list-style-type: none"> <li>● Participate in regulatory bodies and related projects to help formulate relevant standards, such as Taiwan's version of sustainable taxonomy and climate risk management projects.</li> <li>● Train internal sustainability and climate talent, and plan subsidies for relevant certifications.</li> <li>● Improve mitigation capabilities through new process improvements and operational management.</li> </ul>	<ul style="list-style-type: none"> <li>● Actively participate in government and international sustainability and climate change initiatives to enhance climate response capabilities.</li> <li>● Benchmark against international standards, progressively improve annually, and achieve net zero emissions by 2050.</li> </ul>	



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## 4.2 Energy Resource Management

The company adheres to the ISO 14001 Environmental Management System, striving to minimize pollution and maximize energy efficiency. We actively review, improve, and optimize environmental protection equipment, ensuring regular maintenance to maintain proper functionality and efficiency, thereby preventing harm to the surrounding environment. High-noise equipment is equipped with vibration isolation pads to reduce decibel levels. When procuring new equipment, we prioritize those with eco-labels, low noise, or good soundproofing to achieve waste reduction, lower energy consumption, clean production, and reduced environmental impact. We are committed to strict compliance with environmental regulations, continuously improving to meet the goal of sustainable operation.

The company consistently focuses on energy conservation and carbon reduction, aiming to save electricity in both office and production units. We comply with annual reporting requirements for general and hazardous industrial waste to local environmental authorities, following all regulatory policies. The Engineering Department sets annual targets for industrial water and electricity usage, with monthly assessments of target completion. Each department sets specific water-saving goals for critical processes, and the Environmental Safety personnel track monthly water usage, demanding improvements from departments that fail to meet targets. The effectiveness of corrective measures is monitored through subsequent monthly water usage statistics. Xiahui Rubber Metal Ind. Co., Ltd. has implemented the Regulations Governing the Management of the Use of Air Conditioning, Lights, Water, Gas, Doors, and Windows along with process consolidation and staggering peak production schedules to save electricity in offices and production units.

Project	Quantity	Power (KW)	Monthly Electricity Savings (kWh)
Air Compressor Exhaust Drying Sludge	5	7.5KW	23,400
LED Lights	1500	200W	15,600
Office Air Conditioning	50	3.75KW	2,438
Street Lights	150	200W	900
Reduced Frequency of Exhaust Treatment Equipment	12	5KW	37,440
Consolidated Process	1	50KW	31,200

In 2023, Xiahui executed several energy-saving projects, including the air compressor exhaust drying sludge project, LED lighting, office air conditioning, intelligent streetlight switches, reduced frequency of exhaust treatment equipment, and process consolidation (allowing the decommissioning of one exhaust treatment unit). These projects collectively save approximately 1.3 million kWh annually. Additionally, the air compressor exhaust drying sludge project reduces the weight of sludge waste.

Task	Responsible Unit	Actions
Energy Review	Engineering Department	Conduct inventory of energy use and consumption, establish energy performance indicators and baselines, and review energy-saving projects.
Reviewing New Equipment Energy Consumption Proportion	Cross-Functional Team	Consider the energy structure model when purchasing new equipment.
Staggering Power Consumption	Production Control, Manufacturing Departments	Schedule production during weekends to avoid peak electricity usage periods, thereby reducing energy consumption.
Continuous Improvement of Manufacturing Processes	Manufacturing Department	Optimize existing production processes to improve efficiency and reduce energy consumption.

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In 2023, the total energy consumption was 33,965,126 KWH, with an energy intensity of 13.10 KWH per thousand NT dollars. This year, there was an additional power increase of 638,185 KWH (1.91%), resulting in an energy intensity increase of 19.53% compared to that in 2022. The Taiwan Branch saw a 57.94% increase in electricity consumption compared to that in 2022 due to the resumption of production in the second half of 2023.

## Electricity Energy Intensity

Year	2022					2023				
Plant	Taiwan Branch	XIAMEN XIAHUI	KUNSHAN LUHAI	PT. LUHAI	Total	Taiwan Branch	XIAMEN XIAHUI	KUNSHAN LUHAI	PT. LUHAI	Total
Electricity Consumption (KWH)	81,502	27,900,782	412,481	4,932,176	33,326,941	128,728	28,138,807	433,113	5,264,478	33,965,126
Revenue (NTD thousands)	329,369	1,924,970	48,272	737,805	3,040,416	158,907	1,662,410	46,953	724,168	2,592,438
Energy Intensity (KWH/NTD thousands)	0.25	14.49	8.54	6.68	10.96	0.81	16.93	9.22	7.27	13.10

Note 1: The Taiwan Branch saw a 57.94% increase in electricity consumption compared to 2022 due to the resumption of production in the second half of 2023.

## Water Consumption Intensity

Year	2022					2023				
Plant	Taiwan Branch	XIAMEN XIAHUI	KUNSHAN LUHAI	PT. LUHAI	Total	Taiwan Branch	XIAMEN XIAHUI	KUNSHAN LUHAI	PT. LUHAI	Total
Water Consumption (tons)	981.7	115,743.0	3,184.0	-	119,908.7	2,419.3	104,073.0	4,377.0	24,830.0	135,699.3
Revenue (NTD thousands)	329,369	1,924,970	48,272	737,805	3,040,416	158,907	1,662,410	46,953	724,168	2,592,438
Water Intensity (tons/NTD thousands)	0.003	0.060	0.066	-	0.039	0.015	0.063	0.093	0.034	0.052

Note 1: The Taiwan Branch resumed production in the second half of 2023, leading to an increase in water consumption due to factory renovations.

Note 2: Water consumption in Indonesia was not previously recorded as groundwater was used without a water meter. However, since 2023, water meters have been installed to track water usage (from June 12, 2023 to December 31, 2023).

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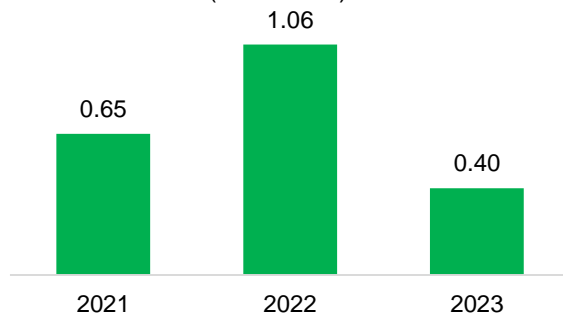
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## 4.3 Pollution Prevention and Control

After relocating to a new factory, Xiahui Rubber Metal Ind. Co., Ltd. invested approximately 20 million RMB in environmental protection equipment to employ advanced industry techniques to ensure that emitted waste gases and wastewater fully comply with emission standards and reduce emissions, achieving effective emission reduction. Meanwhile, PT. LUHAI INDUSTRIAL (Indonesia), during plant construction, synchronously plans green areas, planting a variety of trees to beautify the overall environment and create a space where the factory coexists harmoniously with the earth, realizing the vision of taking from and giving back to the earth.

Xiamen Xiahui, in collaboration with the Environmental Safety and Engineering Departments, is committed to various air pollution prevention and control measures. Effective collection and treatment of waste gases from each workshop are ensured through the adoption of optimal pollution control equipment. Xiahui regularly inspects various waste gas pollution factors annually, investing approximately 13 million RMB in introducing air pollution prevention equipment. Compliant waste gas treatment facilities are installed for all processes generating waste gases, ensuring that the plant's waste gas pollution factors meet emission standards. The main sources of pollutants are gases produced by vulcanization and electroplating, including hydrogen sulfide, volatile organic compounds (VOCS), and hydrochloric acid mist. Depending on the waste gases generated in different workshops, pollution prevention facilities such as alkaline spray systems, dry filters, activated carbon adsorption (desorption), catalytic combustion, and alkaline spray systems are installed to effectively control pollution.

Xiahui's VOC Emissions in the Past Three Years  
(Tons/Year)



Emissions of waste gases are tested at the outlet of emission pipes in accordance with regulations, and the test results consistently meet regulatory emission standards. In 2023, VOC emissions from Xiamen Xiahui were 0.4 tons in total, reducing by 62.26% compared to that in 2022. Currently, PT. LUHAI INDUSTRIAL (Indonesia) does not have exhaust gas detection equipment installed. However, annual air pollution and noise inspections are conducted in accordance with government requirements. In February and August 2023, air pollution tests revealed that SO<sub>2</sub>, NO<sub>2</sub>, TSP, and other pollutants met emission standards. Noise levels at both upwind and downwind locations were measured at 50 and 62.7 dBA, respectively, meeting standards. Plans are underway to procure relevant purification equipment in the future.

The Results of Other Gas Emissions in PT. LUHAI

Unit: Tons

Item		2022 年	2023 年	
		August	February	August
SOx	Upwind	30.30	31.70	32.40
	Downwind	32.60	33.40	31.60
NOx	Upwind	29.70	31.00	31.60
	Downwind	36.50	31.80	30.20
TSP	Upwind	28.40	12.70	16.40
	Downwind	39.50	13.80	24.00

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## Wastewater Treatment Situation

Environmental Impact Assessment Report of Xiamen Xiahui:

1. The total nickel, pH, total copper, and total zinc in the wastewater meet the requirements of the "Emission Standard of Pollutants for Electroplating" (GB21900-2008) as specified in Table 2; pH: 6-9, total nickel: 0.5mg/L, total copper: 0.5mg/L, total zinc: 1.5mg/L.
2. The BOD5, CODcr, SS, petroleum, and animal and vegetable oils in the wastewater meet the Class III standard requirements specified in Table 4 of the "Integrated Wastewater Discharge Standard" (GB8978-1996); BOD5: 300mg/L, CODcr: 500mg/L, SS: 400mg/L, petroleum: 15mg/L.
3. Ammonia nitrogen, total nitrogen, and total phosphorus meet the Class B standard requirements specified in Table 1 of the "Wastewater Quality Standards for Discharge to Municipal Sewers" (GB/T31962-2015); ammonia nitrogen: 45mg/L, total nitrogen: 75mg/L, total phosphorus: 8mg/L.

The wastewater is finally discharged into the Xiamen municipal sewage pipeline network, which is connected to the Xinglin Sewage Treatment Plant. The discharged water quality meets the requirements for acceptance by the Xinglin Sewage Treatment Plant, and the discharge of wastewater will not adversely affect the operation of the Xinglin Sewage Treatment Plant. The amount of wastewater discharged by Xiamen Xiahui accounts for approximately 6.29% of the remaining capacity of the Xinglin Sewage Treatment Plant, resulting in a minimal impact on its operational load without adverse impact on the plant's normal operation. After treatment by the Xinglin Sewage Treatment Plant, the wastewater is discharged into the Class I area of the Xiamen West Sea, with the impact on the Xiamen West Sea falling within acceptable limits.



<p>Automatic Monitoring</p> 	<ol style="list-style-type: none"> <li>1. According to the relevant technical specifications for pollution permits, submit a self-monitoring plan to the Environment and Ecology Bureau and carry out self-monitoring of the company's wastewater.</li> <li>2. According to the monitoring requirements of each pollutant factor in the self-monitoring plan: heavy metals such as copper and nickel should be monitored every 4 hours using an online monitoring system, and other pollutant factors should have water samples taken twice daily for laboratory experiments and real-time data notification.</li> <li>3. Additionally, according to the requirements of the self-monitoring plan, a testing company with CMA qualifications should conduct annual testing of each pollutant factor, and BOD5 and ammonia nitrogen should be tested monthly.</li> </ol>
<p>Analysis and Improvement</p> 	<ol style="list-style-type: none"> <li>1. Quarterly statistics of wastewater monitoring data, and analysis of monitoring data.</li> <li>2. Monthly statistics of wastewater sludge production (tons), conducting root cause analysis in case of abnormal situations, proposing corrective action plans, and tracking and confirming the effectiveness of the corrective action plans.</li> </ol>
<p>Objective Management</p> 	<ol style="list-style-type: none"> <li>1. According to relevant regulations, implement a clean production plan, conduct clean production analysis of wastewater for each process, and establish a clean production target of 0.72 tons per 10,000 units of water used.</li> <li>2. The Quality Assurance Department is responsible for daily testing of wastewater effluent concentrations, while the Environmental Safety Department is responsible for regularly monitoring the concentrations of various types of wastewater, analyzing whether the pollutant factor concentrations exceed the limits.</li> <li>3. Establish targets for water usage for each process, monthly statistics and calculations by the Environmental Safety Department, issue improvement notices to departments exceeding water usage targets, request improvement measures, and confirm the effectiveness of improvement measures in the next month's statistics.</li> </ol>

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## 4.4 Greenhouse Gas Management

To achieve the net-zero goals of the Paris Agreement, the Taiwan government has been proactive, first introducing the Sustainable Development Roadmap in 2022 and passing the amended Climate Change Response Act in 2023. As a responsible global corporate citizen, Lu Hai has prioritized this issue. In 2023, ahead of the requirements set by the Sustainable Development Roadmap, we completed the 2022 inventory, which included Scope 1, Scope 2, and Scope 3 emissions. The 2023 inventory expanded to include all subsidiaries. Our measures to reduce greenhouse gas emissions encompass promoting paperless offices, purchasing green products and raw materials, encouraging employees to use reusable utensils, upgrading equipment, and adopting best production practices. By implementing these measures and actions, we are progressively reducing our greenhouse gas emissions.

Item		2022				2023			
Plant	Taiwan Branch	XIAMEN XIAHUI	PT. LUHAI	Total	Taiwan Branch	XIAMEN XIAHUI	PT. LUHAI	KUNSHAN LUHAI	Total
Scope 1 (ton CO <sub>2</sub> e)	13.73	2,266.04	222.44	2,502.20	13.54	2,306.95	236.95	29.65	2,587.08
Scope 2 (ton CO <sub>2</sub> e)	41.48	15,911.82	3,945.74	19,899.04	63.72	16,047.56	4,211.58	279.39	20,602.25
Scope 3 (ton CO <sub>2</sub> e)	14.16	49,115.52	2,565.34	51,695.01	131.39	51,118.24	3,092.15	170.12	54,511.90
Total Emission Amount (ton CO <sub>2</sub> e)	69.37	67,293.37	6,733.52	74,096.26	208.65	69,472.75	7,540.68	479.17	77,701.24
Emission Intensity (ton CO <sub>2</sub> e/Million Dollars)	0.21	34.96	9.13	24.76	1.31	41.79	10.41	10.21	29.97

Note 1: Calculations are based on the emission factors published by the Ministry of Environment, Executive Yuan in Taiwan (GHG Greenhouse Gas Emission Factor Management Table Version 6.0.4) and the China Products Carbon Footprint Factors Database (2022).

Note 2: Global Warming Potential (GWP) values are sourced from the Sixth Assessment Report (2021).

Note 3: Each business unit uses the latest electricity emission factors announced by their respective authorities:

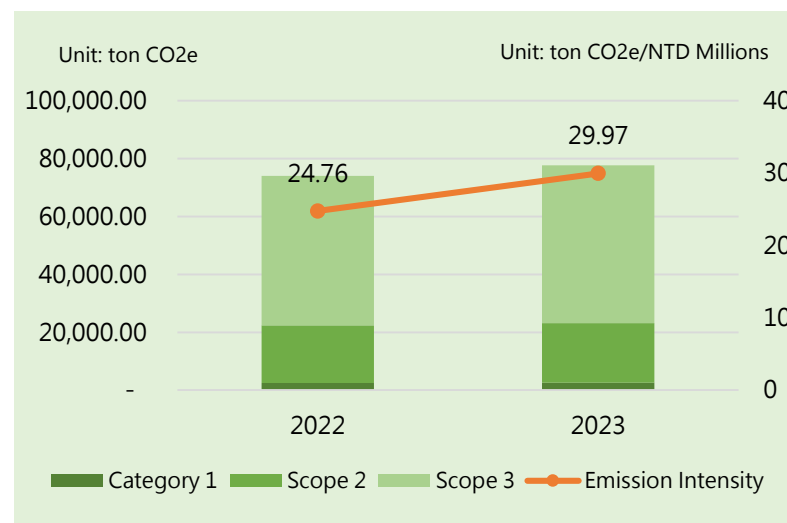
Taiwan Branch: Energy Administration, Ministry of Economic Affairs, Taiwan.

Xiamen Xiahui: Ministry of Ecology and Environment of the People's Republic of China.

PT. LUHAI INDUSTRIAL (Indonesia): The latest 2021 Indonesia Kementerian Energi dan Sumber Daya Mineral (ESDM) published by the Ministry of Energy and Mineral Resources Indonesia.

If the factors of the current year are not published before verification, the latest published values are used as the benchmark.

Note 4: Luhai Intelligent Technology (Kunshan) Co. Ltd. wasn't included in the inventory boundary until 2023 because of its relocation due to government policies.



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## 4.5 Waste and Resource Circulation

As a responsible global corporate citizen, we adhere to environmentally friendly and recycling principles. All hazardous waste is carefully sorted and processed according to local government waste disposal regulations and handled by qualified and professional companies. The sludge generated by Xiahui is co-processed in cement kilns; chemical packaging materials are incinerated; waste mineral oil and emulsions are atomized for disposal; hazardous waste is monitored via GPS throughout the transfer process to the final disposal site by the Ministry of Ecology and Environment. In Indonesia, waste rubber materials are managed by capable recycling companies, while non-hazardous, non-recyclable waste is incinerated on-site. Recyclable waste is either handed over to local authorities or recycled in-house. In 2023, there were no incidents of serious waste leakage. All waste was regularly removed and legally reported by qualified companies. For the Taiwan Branch and Luhai Intelligent Technology (Kunshan) Co. Ltd., the primary waste types are domestic waste and aluminum scraps from production, which constitute a very small percentage of the group's total waste. In 2023, the company generated 60.08 tons of hazardous waste, a reduction of 62.87% compared to that in 2022. This significant decrease is mainly due to the implementation of sludge drying processes at Xiahui, which reduced the water content and volume of surface treatment waste and electroplating sludge.

### Measures to Mitigate Operational Risks in Waste Disposal and Transportation

1. We sign waste disposal contracts with certified companies, including waste transportation. The qualifications of transportation companies are thoroughly reviewed.
2. We enter into safety management agreements with waste disposal and transportation companies.
3. Waste is securely sealed and packaged during storage to prevent any potential leakage.
4. In accordance with the requirements of the Ministry of Ecology and Environment, we utilize a systematic tracking system for waste transfers. The entire transportation process is monitored via GPS tracking, ensuring coordinated and secure waste handling.

Unit: Metric Tons

Hazardous/ Non-Hazardous	Disposal Type	2022	2023
Hazardous Waste	Processed as per regulations by category	161.85	60.08
Non-Hazardous Waste	Direct disposal (incineration/landfill)	327.85	271.89
	Sold/Recycled	1,193.03	1,599.01

## 危险废物经营许可证

(副本)

编号: F06230122

法人名称: 漳浦环久环保科技有限公司

法定代表人: 黄振宇

住所: 漳州市漳浦县赤湖工业区五金电镀工业园

经营设施地址: 漳州市漳浦县赤湖工业区五金电镀工业园

核准经营危险废物类别及经营规模

有效期限: 自 2022年09月15日至 2023年09月14日

发证机关: 福建省生态环境厅

发证日期: 2022年09月15日

初次发证日期: 2021年05月12日

**PEMERINTAH PROVINSI BANTEN**  
**DINAS LINGKUNGAN HIDUP DAN KEHUTANAN**  
KAWASAN PUSAT PEMERINTAHAN PROVINSI BANTEN (KP3B)  
Jl. KH. Syech Nawawi Al-Bantani Palima – Serang Telp. (0254) 267093 Fax. (0254) 267094

Nomor : 660/ 0400.1 /PSLB3/ DLHK/ IV/ 2023  
Lampiran : 1 (satu) berkas  
Perihal : Persetujuan Teknis di Bidang  
Pengelolaan Limbah B3 untuk Kegiatan  
Pengumpulan skala Provinsi PT. TUNAS  
MITRA TEHNIK (Perubahan)

Serang, 27 April 2023

Yth. Pimpinan Perusahaan  
PT. TUNAS MITRA TEHNIK  
Di  
Jl. Lingkungan Citokek Desa  
Grogol Indah Kecamatan Anyer  
Kabupaten Serang  
Provinsi Banten

1. Mengingat :

- a. Peraturan Pemerintah Nomor 5 Tahun 2021 tentang Penyelenggaraan Perizinan Berusaha Berbasis Risiko;
- a. Peraturan Pemerintah Nomor 22 Tahun 2021 tentang Penyelenggaraan Perlindungan dan Pengelolaan Lingkungan Hidup;
- b. Peraturan Menteri Lingkungan Hidup dan Kehutanan Nomor 6 Tahun 2021 tentang Tata Cara dan Persyaratan Pengelolaan Limbah Bahan Berbahaya dan Beracun;
- c. Peraturan Menteri Lingkungan Hidup Nomor 14 Tahun 2013 tentang Simbol dan Label Limbah Bahan Berbahaya dan Beracun;
- d. Peraturan Daerah Provinsi Banten Nomor 10 Tahun 2012 tentang Perlindungan dan Pengelolaan Lingkungan Hidup;

2. Memperhatikan :

- a. Surat permohonan PT. Tunas Mitra Teknik Nomor : 145/TMT/IV/2023 tanggal 3 April 2023 perihal Permohonan Perubahan Persetujuan Teknis Pengumpulan Limbah B3 dan Surat Kelayakan Operasional (SLO) Skala Provinsi dengan menambahkan jenis Limbah B3 baru sebanyak 30 (tiga puluh) jenis Limbah B3;
- b. Berita Acara Pemeriksaan Kelengkapan Administrasi Permohonan Persetujuan Teknis Pengelolaan Limbah B3 tanggal 4 April 2023 dengan Nomor Registrasi : 660/021-PSLB3/DLHK/IV/2023;
- c. Berita Acara Rapat Teknis Validasi Dokumen Permohonan Perubahan Persetujuan Teknis Pengelolaan Limbah B3 untuk Usaha Jasa Kegiatan Pengumpulan Limbah B3 skala Provinsi atas nama PT. Tunas Mitra Teknik yang dilaksanakan pada tanggal 11 April 2023.

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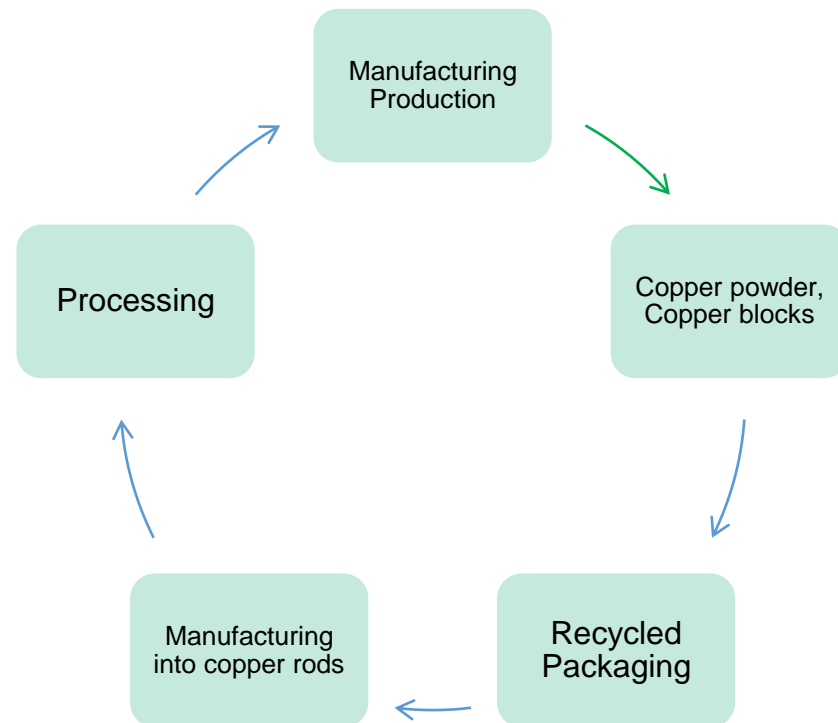
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## Resource Recycling

In the pursuit of green manufacturing, we focus on reducing unnecessary resource wastage, seeking waste reduction, and developing recycling technologies. Throughout the value chain, we collaborate with upstream and downstream partners to promote the recycling and sharing of packaging materials. Additionally, we are committed to testing materials with low environmental impact, aiming to maximize the benefits of a circular economy. We create circular value by recycling process materials, developing waste reduction technologies, and designing and selling circular products.

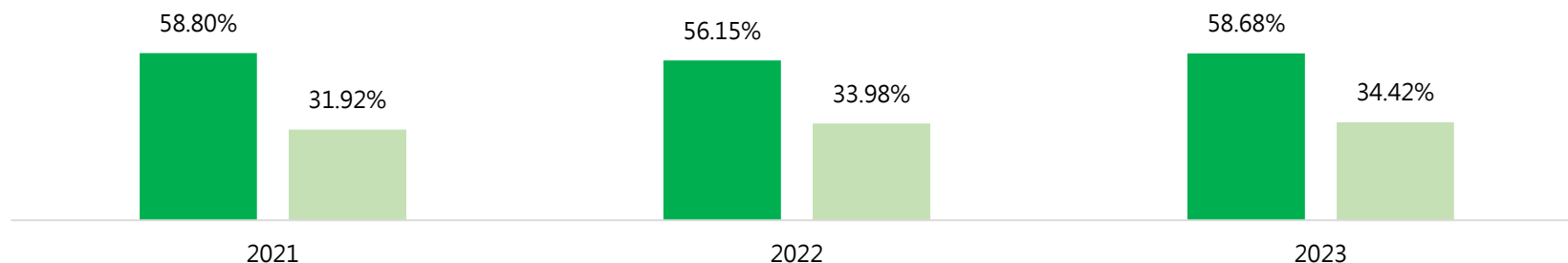
The company actively promotes the installation of various energy-saving equipment to reduce energy consumption and continuously improves the efficiency of resource utilization and the recycling and reuse of raw materials. For example, we make extensive use of recycled materials in packaging materials such as pallets, separators, and cartons, adopting reusable pallets and repairing wooden pallets to reduce environmental impact.

Lu Hai primarily recycles copper powder and copper scrap, which are processed internally and externally into copper rods and then used to produce valve stem products. The recycling rates for PT. LUHAI INDUSTRIAL (Indonesia) were 33.98% in 2022 and 34.42% in 2023. For Xiamen Xiahui, the recycling rates were 56.15% in 2022 and 58.68% in 2023.



## Raw Material Recycling Rate

■ XIAMEN XIAHUI ■ PT. LUHAI





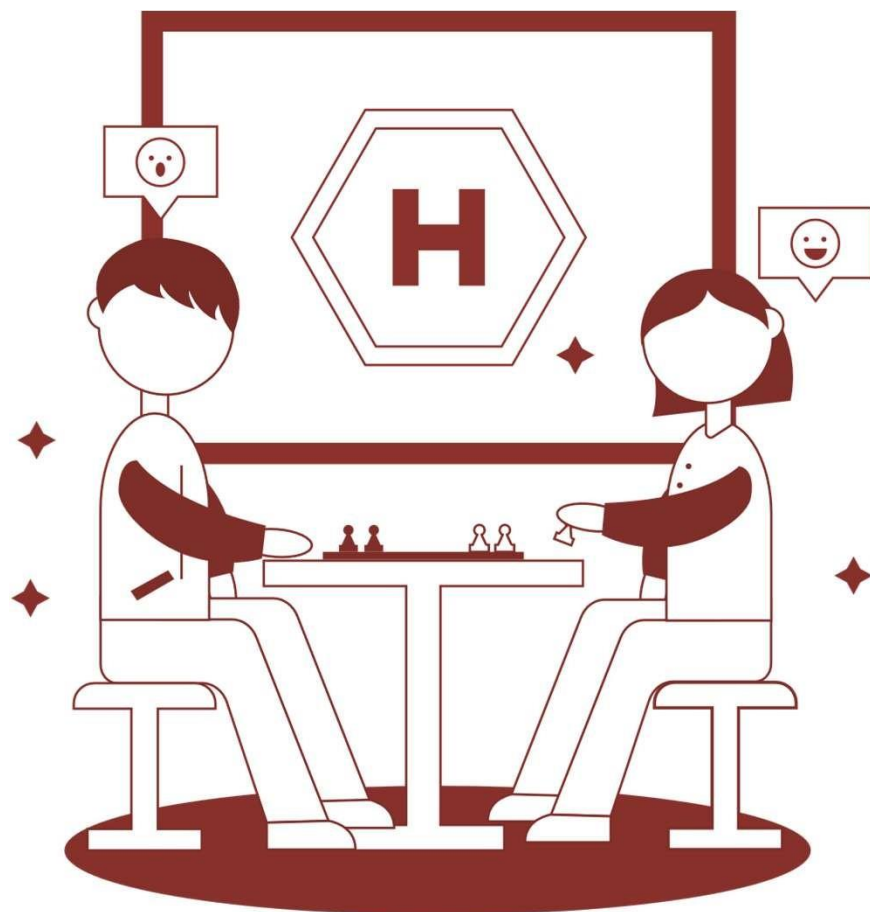
六暉控股股份有限公司  
LU HAI HOLDING CORP.

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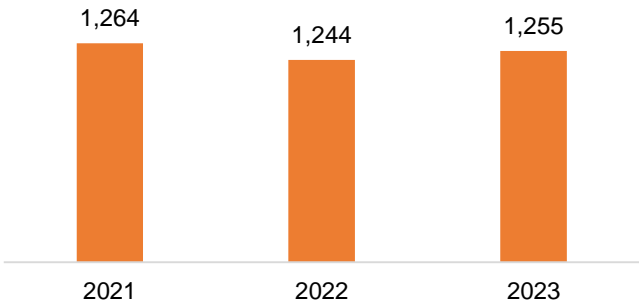
### 5.1 Diversity and Inclusion

Lu Hai warmly welcomes talent from all backgrounds to join our team. The recruitment process strictly adheres to local laws and operates with transparency and fairness. We aim to foster a diverse cultural environment by hiring individuals from various industries and prioritizing local employment and community contribution. We ensure equal opportunity regardless of race, language, gender, age, religion, or disability.

As of the end of December 2023, Lu Hai employs a total of 1,255 people, with female staff making up 38% of the workforce. The employee distribution across the facilities is as follows: Taiwan Branch: 42 employees, with a female-to-male ratio of 1:0.56; Kunshan and Xiamen: 997 employees, with a female-to-male ratio of 1:1.66; Indonesia: 216 employees, with a female-to-male ratio of 1:1.84. Due to the nature of our industry, the proportion of female employees is relatively low. The overall age distribution of our employees shows that 66.61% are between the ages of 30 and 50.

Lu Hai also engages non-employee workers, primarily through non-regular engineering contracts for tasks such as equipment installation, maintenance, and upgrades. Additionally, some regular contracts cover services like security and cleaning. Currently, we do not have statistics on the number of non-employee workers.

Number of People in the Group in the Past Three Years



Employees Female-Male Ratio

Region	Taiwan	China	Indonesia	Total	Ratio
Male	15	622	140	777	61.91%
Female	27	375	76	478	38.09%
Total	42	997	216	1,255	100%





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## Employee Structure of Each Facility Taiwan Branch

Category	Subcategory	Male		Female		Total	
		Number	%	Number	%	Number	%
Contract	Formal	15	100	27	100	42	100
	Non-Formal	0	0.0	0	0.0	0	0.0
Position	Supervisor	7	46.7	10	37.0	17	40.5
	Non-Supervisor	8	53.3	17	63.0	25	59.5
Age	<30	0	0	0	0	0	0
	30~50	11	73.3	25	92.6	36	85.7
	>50	4	26.7	2	7.4	6	14.3
Total		42					

## XIAMEN XIAHUI

Category	Subcategory	Male		Female		Total	
		Number	%	Number	%	Number	%
Contract	Formal	594	99.2	361	99.7	955	99.4
	Non-Formal	5	0.8	1	0.3	6	0.6
Position	Supervisor	28	4.7	10	2.8	38	4.0
	Non-Supervisor	571	95.3	352	97.2	923	96.1
Age	<30	121	20.2	62	17.1	183	19.0
	30~50	375	62.6	284	78.5	659	68.6
	>50	103	17.2	16	4.4	119	12.4
Total		961					

Note 1: Non-formal employees are specified as periodic contract personnel.

Note 2: Supervisors are defined as employees at the section chief level and above.

## KUNSHAN LUHAI

Category	Subcategory	Male		Female		Total	
		Number	%	Number	%	Number	%
Contract	Formal	23	100	13	100	36	100
	Non-Formal	0	0.0	0	0.0	0	0.0
Position	Supervisor	3	13.0	0	0.0	3	8.3
	Non-Supervisor	20	87.0	13	100	33	91.7
Age	<30	4	17.4	0	0.0	4	11.1
	30~50	13	56.5	11	84.6	24	66.7
	>50	6	26.1	2	15.4	8	22.2
Total		36					

## PT. LUHAI

Category	Subcategory	Male		Female		Total	
		Number	%	Number	%	Number	%
Contract	Formal	120	85.7	69	90.8	189	87.5
	Non-Formal	20	14.3	7	9.2	27	12.5
Position	Supervisor	16	11.4	2	2.6	18	8.3
	Non-Supervisor	124	88.6	74	97.4	198	91.7
Age	<30	49	35.0	41	53.9	90	41.7
	30~50	82	58.6	35	46.1	117	54.2
	>50	9	6.4	0	0.0	9	4.2
Total		216					

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## New Hires and Employee Turnover

In 2023, the total number of employees in the group was 1,255. During the year, 777 new employees were hired, and 760 employees left the company. Among the new hires, 97.3% were in China, while 98.3% of the departures were also from China. The high turnover rate in China is attributed to changes in the local labor market and industry environment. In Indonesia, new hires accounted for 1.5% of the total, with employee departures accounting for 1.7%. In Taiwan, new hires made up 1.2% of the total, with no employee departures reported for the year. The statistics for new hires and employee turnover for each facility are shown in the table below.

### Taiwan Branch

Category	Subcategory	New Hire		Turnover	
		Number	%	Number	%
Gender	Male	4	26.7%	0	0%
	Female	5	18.5%	0	0%
Age	<30	0	0%	0	0%
	30~50	9	25.0%	0	0%
	>50	0	0%	0	0%
	Total	9	21.4%	0	0%

### XIAMEN XIAHUI

Category	Subcategory	New Hire		Turnover	
		Number	%	Number	%
Gender	Male	460	76.8%	445	74.3%
	Female	289	79.8%	294	81.2%
Age	<30	334	182.5%	308	168.3%
	30~50	402	61.0%	418	63.4%
	>50	13	10.9%	13	10.9%
	Total	749	77.9%	739	76.9%

Note 1: The number of new hires does not exclude those who left during the period.

Note 2: New hire (turnover) rate = Number of new hires (turnovers) in the category / Total number of employees in the category at the end of the year.

### KUNSHAN LUHAI

Category	Subcategory	New Hire		Turnover	
		Number	%	Number	%
Gender	Male	7	30.4%	7	30.4%
	Female	0	0.0%	1	7.7%
Age	<30	2	50.0%	0	0.0%
	30~50	3	12.5%	5	20.8%
	>50	2	25.0%	3	37.5%
	Total	7	19.4%	8	22.2%

### PT. LUHAI

Category	Subcategory	New Hire		Turnover	
		Number	%	Number	%
Gender	Male	8	5.7%	10	7.1%
	Female	4	5.3%	3	3.9%
Age	<30	6	6.7%	6	6.7%
	30~50	5	4.3%	7	6.0%
	>50	1	11.1%	0	0.0%
	Total	12	5.6%	13	6.0%

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## 5.2 Welfare and Systems

At our company, we firmly believe that employees are the cornerstone of our survival and growth. With this in mind, we strive to create a warm, harmonious, and joyful working environment where every employee feels respected and appreciated. To help our employees balance work and life, we continuously improve the workplace environment and regularly organize various courses, subsidize club activities, celebrate birthdays, and host team-building events. These initiatives aim to relieve stress and promote physical and mental well-being. Moreover, we are committed to meeting the needs of women and maternal employees by enhancing employee benefits, thereby increasing their sense of happiness in the workplace and loyalty to the company. To further support the employees, we have established an Employee Welfare Committee, responsible for providing or organizing various welfare measures and activities, ensuring that we address the needs and well-being of our staff. In 2023, our total expenditure on employee salaries and welfare benefits amounted to NTD 555,522 thousand dollars.

<b>Bonus and Benefits</b>	Year-End Bonus and Performance Bonus
<b>Holiday Bonuses</b>	Chinese New Year, Dragon Boat Festival, and Mid-Autumn Festival
<b>Dining Benefits</b>	Employee Cafeteria and Meal Allowances
<b>Educational Assistance</b>	Financial support for employees to participate in external courses and training programs
<b>Additional Support</b>	Assistance for weddings, funerals, and celebrations, Childbirth Assistance, Employee Travel Subsidies, Long-Service Awards, Birthday Bonuses, Scholarships for Employees' Children, Regular Health Checks, Employee Dormitories, Club Activities



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## PT. LUHAI sports day and family Day

Since 2022, PT. LUHAI has been organizing flag-raising ceremonies and a series of competition activities on Indonesia's Independence Day (August 17). Every employee can bring their family to participate in celebrating this grand event. This day marks Indonesia's Independence Day and the PT. LUHAI Employee Sports Day, as well as a family day for all employees. The activities include flour collecting race, tug-of-war, singing competition, children's drawing competition, and more, totaling 10 events. These activities not only enhance teamwork among department members but also increase employees' sense of belonging to the company. The total investment in this event was 89.53 million Indonesian Rupiah (including prizes for the competitions, uniforms, beverages, snacks, lunch, gifts, etc.), with participation from over 450 individuals, including family members.



## Xiamen Xiahui Parent-Child Fun Sports Day

In May 2023, the company held a parent-child sports day with the theme "Happy Sports, Happy Xiahui." The purpose of the sports day was to deepen the company's culture, adjust employees' regular attitudes, inject enthusiasm into work, and inspire a positive and proactive mindset through participation in activities. It provided a space for communication, enhanced relationships among employees, and strengthened cohesion between individuals and groups. Approximately 1,100 people, including employees and their families, participated in this event.



## Xiamen Xiahui Mid-Autumn Festival Activities

In September 2023, the company organized a series of Mid-Autumn Festival activities to enhance cohesion, strengthen employee sense of belonging, and further create a warm, festive, civilized, and harmonious holiday atmosphere while promoting corporate cultural construction. The activities aimed to deepen the company's culture, adjust employees' regular attitudes, and inject enthusiasm into work. Through participation in the activities, individuals were encouraged to adopt a positive and proactive mindset, providing a space for communication, enhancing relationships among employees, and strengthening cohesion between individuals and groups. The activities included gift distribution, mooncake gambling, and outings. Approximately 1,130 people, including employees and their families, participated in this event.



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## Parental Leave

In order to ensure that employees can have peace of mind during childbirth, Lu Hai adheres to the provisions of the Labor Standards Act and the Gender Equality in Employment Act to implement a non-pay parental leave system for employees. This aims at ensuring that colleagues can achieve a balance between work and family. After the expiration of the leave, arrangements are made for employees to return to their original work units and assist them in readjusting to workplace life.

Category	2023 年		
	Male	Female	Total
Number of Employees Eligible for Parental Leave	0	6	6
Number of Employees Applying for Parental Leave	0	6	6
Number of Employees Expected to Return to Work During the Year (A)	0	2	2
Number of Employees Applying to Return to Work During the Year (B)	0	2	2
Return to Work Rate (B/A)	0%	100%	100%

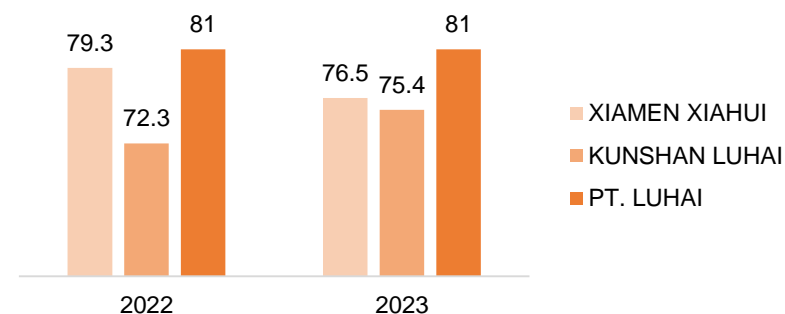
## Retirement System

The company and its affiliated investment subsidiaries within the territory of Taiwan adopt the defined contribution system in accordance with the Labor Pension Act. The retirement benefits are provided by the company and its subsidiaries, with a monthly contribution of 6% of the monthly salary allocated to retirement pensions, deposited into the labor pension special account. For subsidiary investment companies located outside Taiwan, contributions are made according to local regulations, as indicated in the table below:

	Employer's Contribution	Employee's Contribution
XIAMEN XIAHUI	16%	8%
KUNSHAN LUHAI	16%	8%
PT. LUHAI	5.7%	3%

## Employees' Level of Satisfaction

Luhui values all colleagues. To understand employees' recognition of the company's management philosophy, corporate culture, work planning, supervisory management, and welfare system, and to establish a more comfortable, efficient, and competitive work environment, XIAHUI, KUNSHAN LUHAI, and PT. LUHAI conduct annual employee satisfaction surveys. Based on the survey results, action plans are launched to improve the overall environment of the company, thereby enhancing employee loyalty and work performance.



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## Compensation Policy

Lu Hai values workplace diversity and equal promotion opportunities, ensuring equal pay for equal work regardless of gender, race, religion, political stance, marital status, or union membership. Salaries, bonuses, and employee compensation are determined according to the company's Salary Management Regulations so as to provide salaries in compliance with local wage laws, including those concerning minimum wage, overtime, and statutory benefits.

The company shares its operational success with its employees. If there is a profit in a given year, no less than 1.5% of the pre-tax profit is allocated as employee compensation according to the company's Articles of Incorporation. Employee bonuses are distributed based on the company's Employee Performance Bonus Assessment and Compensation Distribution Regulations. The company's annual performance, financial and business conditions, individual positions, responsibilities, and contributions are taken into consideration for bonuses. The company has established internal control systems and various management regulations that clearly define employee rights, obligations, and welfare. These regulations are reviewed regularly to protect employee interests.

Director remuneration is determined in accordance with individual participation and contribution and by referring to industry standards. Additionally, if the company profits in a given year, up to 3% of the profit is allocated as director compensation according to the company's Articles of Incorporation.

The company has established a Compensation Committee, composed entirely of independent directors. The Compensation Committee is responsible for setting and regularly reviewing the performance evaluation and compensation policies, systems, standards, and structures for directors and managers. The relevance and fairness of performance evaluations and compensation are reviewed by the Compensation Committee and the Board of Directors.

Ratio of Standard Salary to Local Minimum Wage	Taiwan	Xiamen	Kunshan	Indonesia
Male Junior Staff	1.12	1.92	1.00	1.00
Female Junior Staff	1.02	1.69	1.00	1.00

Note: Junior staff refers to "direct employees." The standard salary is the company's prescribed minimum salary (excluding overtime pay or other job-related allowances that vary in amount).

### Ratio of Highest Compensation to Median Employee Compensation for the Reporting Year

Ratio Calculation	2023
Ratio of Highest Compensation to Median Employee Compensation	5.43
Salary Growth Rate	1.01

Note: The annual total compensation ratio is calculated based solely on that of the Taiwan Branch.



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## 5.3 Talent Cultivation and Development

Maximizing talents and potential. The company operates with a comprehensive human resource management system encompassing recruitment, education, utilization, and retention. Employees receive job-specific and hierarchical training based on job requirements and personal planning. This approach ensures that each employee can maximize their talents, contributing to the efficient operation of the organization and the enhancement of employee skills.

Both the company and its subsidiaries prioritize employee education and training. We design comprehensive competency training programs for supervisors and staff at all levels. Each unit prepares an annual plan, including pre-employment training, on-the-job training, job transfer training, and external professional training. These plans are tailored to different levels, aiming to improve professional skills, enhance management capabilities, instill corporate culture, and strengthen employee competitiveness. This comprehensive approach helps employees acquire professional knowledge and skills, fostering key competencies among staff.

<b>New Employee Training</b>	When new employees report to the Administration Department, they receive pre-employment education and training. Relevant departments explain the company's business philosophy, attendance management regulations, safety and health management rules, work rules, and life norms. This helps new employees quickly understand the work environment and their rights, facilitating faster integration into the team.
<b>Annual Training Needs and Budget Survey</b>	Each year, departments propose internal and external training needs and plan the annual education and training schedule.
<b>Professional Skills Training</b>	Departments provide specialized knowledge or skills training required for job duties, such as CNC programming, quality control skills, international trade, and business operations.
<b>Internal Training</b>	Internal training leverages individual knowledge and experience sharing, quickly transferring wisdom and creating value within the company. This approach not only promotes effective knowledge dissemination within the company but also enhances individual workplace skills and self-worth.

Item/Location	2023	
	XIAMEN XIAHUI	PT. LUHAI
Training Project/Items	234	79
Planned Sessions	227	110
Actual Sessions	227	102
Additional Sessions	7	10
Completion Rate*	100.00%	92.73%
Total Participants	4,214	1,938
Total Training Hours	4,246.41	446.00
Average Hours	1.01	0.23



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In 2023, we conducted over 300 employee training sessions, totaling 5,782 hours with 6,373 participants. The average training hours per employee at each facility are listed below:

Employee Category	Gender	Taiwan Branch		XIAMEN XIAHUI		KUNSHAN LUHAI		PT. LUHAI	
		Total Hours	Avg. Hours	Total Hours	Avg. Hours	Total Hours	Avg. Hours	Total Hours	Avg. Hours
Supervisor	Male	117.50	3.92	342.66	4.83	72	8.00	132	2.24
	Female	261.40	4.29	56.00	2.15	32	8.00	53	4.28
Non-Supervisor	Male	177.70	6.13	2,872.25	0.99	112	8.00	186	0.14
	Female	245.40	3.78	975.5	0.81	72	8.00	74.5	0.13
Total		802.00	4.34	4,246.41	1.01	288	8.00	446	0.23

Note: Supervisors are defined as employees at the section chief level or above.

## WORK TOGETHER & BE A WINNING TEAM

Focusing on enhancing team collaboration and building an excellent work team, in 2023, PT. LUHAI INDUSTRIAL (Indonesia) conducted a team-building course titled "Work Together & Be a Winning Team." The course covered various aspects such as team communication, problem-solving, shared goals, and creating a positive work culture. These components aimed to unleash employees' collaborative potential, fostering team cohesion and improving overall efficiency. In addition to the rich course content, various interactive activities and group tasks were organized to reinforce the learning outcomes. Through these activities, employees could practically apply their learnings and better understand how to collaborate in achieving common goals. A total of 60 employees participated in this course.



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## Performance and Competency Evaluations

Each year, the company conducts performance and competency evaluations with the goal of enhancing employee capabilities and developing their potential. These evaluations promote positive interactions between supervisors and employees, provide a high-quality learning environment, and facilitate comprehensive education and training planning. They are part of a robust performance management system. The evaluation criteria include: work quality, work efficiency, operations and ethics, knowledge and skills, and responsibility. The results of these evaluations serve as the basis for education and training, employee promotions, and various personal management decisions. In 2023, the performance and competency evaluation execution rate reached 96.63% at Taiwan, Xiamen and Kunshan facilities. Notably, the evaluation execution rate for staff in technology R&D and marketing was 100%. In Indonesia, evaluations currently cover only direct/indirect personnel on-site, but we plan to expand the scope to include more departments and employees in the future.



### 2023 Performance and Competency Evaluation Participation Rates

Employee Category	Taiwan Branch		XIAMEN XIAHUI		KUNSHAN LUHAI		Total
	Male	Female	Male	Female	Male	Female	
Technology R&D	-	-	100.00%	100.00%	100.00%	100.00%	100%
Marketing and Sales	100.00%	100.00%	-	100.00%	100.00%	100.00%	100%
Manufacturing, Quality Assurance, Engineering	88.89%	100.00%	94.11%	99.31%	100.00%	100.00%	95.93%
Administrative Support and Management	80.00%	100.00%	100.00%	100.00%	100.00%	100.00%	99.22%
Total	86.67%	100.00%	94.82%	99.45%	100.00%	100.00%	96.63%

#### Notes:

1. The Chairman, employees on unpaid leave, contract employees, and those who have been employed for less than three months during the evaluation year are not included in the performance evaluation.
2. In PT. LUHAI, only direct/indirect on-site personnel are currently evaluated. We plan to expand the evaluation to include more employees and departments in the future.

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## 5.4 Human Rights

In 2023, Lu Hai reported **zero** labor conditions and human rights related cases, such as discrimination, child labor, and sexual harassment.

To fulfill corporate social responsibility and protect fundamental human rights, Lu Hai endorses and supports international human rights conventions, including the United Nations Global Compact, the Universal Declaration of Human Rights, and the ILO Declaration on Fundamental Principles and Rights at Work. The company strictly complies with local labor laws to prevent any human rights violations. In addition to providing a safe and reasonable workplace, Lu Hai ensures all employees are treated with respect and dignity. The company has established the Regulations Governing Personnel Management and Regulations Governing Human Rights Policy Management in accordance with labor laws, related personnel regulations, and the spirit of international human rights conventions to protect employees' legal rights.

Specific human rights management measures include: Ensuring equal employment opportunities and prohibiting the use of child labor. Regularly reviewing and maintaining workplace environments and facilities to provide a safe and healthy working environment. Offering regular health check-ups for employees. Establishing grievance mechanisms and channels.

Lu Hai is committed to protecting the legitimate rights and interests of complainants. The company has established clear complaint procedures and mechanisms to ensure that all information related to a complaint is kept confidential. Additionally, Lu Hai guarantees that complainants will not face retaliation for filing a complaint, thus safeguarding their rightful interests.

- Lu Hai has established the Regulations Governing Personnel Management and an Employee Welfare Committee to coordinate various welfare measures and activities, emphasizing workplace diversity and equality. In 2023, female employees at Lu Hai accounted for an average of 38.2% of the workforce.
- The company has designated personnel responsible for collecting information and will disclose this information on the Market Observation Post System to ensure complete and timely information is available to the public.
- In 2023, all security personnel at Xiahui Rubber Metal Ind. Co., Ltd. received training on human rights policies and procedures, achieving a 100% training rate.

### Freedom of Association

Lu Hai respects each employee's freedom of association and the right to participate in union activities. The company maintains regular communication with union representatives to enhance and promote labor-management cooperation. Employees' difficulties, concerns, and needs can be clearly communicated through unions and various grievance channels. As of 2023, there have been no labor disputes.

In Indonesia, unions regularly organize protests involving various companies, gathering employees to voice their demands to the government. Lu Hai respects and supports employees' activities, allowing participation in these events. In China, the company has established union organizations within the facility, and all employees are union members. In 2023, three agreements were signed, primarily renewals of expired agreements.

### Accessible Labor-Management Communication Channels

Lu Hai values harmonious labor-management relations and regularly holds labor-management meetings. The company has established internal communication channels to ensure employees' thoughts and opinions are promptly addressed. Policies have been implemented to consider and protect employees' rights. In addition to providing a diverse work environment, Lu Hai encourages employees to balance work and health and actively fosters mutual trust between labor and management.

- Employee Communication Channels (Frequency): Employee Welfare Committee: Quarterly; Labor-Management Meetings: As needed; Email: As needed
- Employee Grievance Channels: Employees can submit complaints or feedback through the following methods: Suggestion Box; Telephone Hotline; Face-to-Face Communication
- Telephone Hotline: +886-4-8748122, Email: [luhai.report@luhai.com.tw](mailto:luhai.report@luhai.com.tw)

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## 5.5 Occupational Health and Safety

Safe production leads to safe product quality. The company's employees are its greatest asset, and ensuring their safety is paramount. Protecting these "assets" is crucial for maintaining product quality and reducing accidents and occupational diseases during the production process. All the subsidiaries of the company have implemented the ISO 14001 environmental management system. Xiahui Rubber Metal Ind. Co., Ltd. has promoted safety standardization and achieved the Level 3 Work Safety Standardization Certificate. PT. LUHAI INDUSTRIAL (Indonesia) and Luhai Intelligent Technology (Kunshan) Co. Ltd. have implemented the ISO 45001 occupational health and safety management system. The Taiwan Branch plans to adopt the same system in the second quarter of 2024, establishing relevant responsible units and supervisors to enforce environmental, safety, and health management. This ensures compliance with all applicable environmental and safety regulations and standards. At the Indonesia plant, high-risk personnel, such as drivers who frequently travel, procurement staff, maintenance workers, machine operators, staff of the Rubber Section, and some staff in Manufacturing II Section are insured. In 2023, 61 employees were insured for a total amount of IDR 628 million.

- The company provides a safe and healthy working environment with regular health checks and irregular training sessions, along with adequate protective equipment.
- The company conducts regular and irregular safety and health education sessions at its production bases, aiming to provide a safer and healthier work environment and to raise awareness of preventive measures.
- Regular promotions and training on occupational injury prevention and fire safety drills are conducted.
- The company provides employees with health checkups on a regular basis.

### Health Checkups for Employees

The company is committed to the health of its employees, promoting physical and mental well-being to achieve work-life balance and reduce workplace safety and health risks. The Taiwan Branch subsidizes annual health checkup costs for employees, while general staff at the Xiamen and Indonesia plants undergo health checkups every two years.

For employees in specific positions, the Xiamen and Indonesia plants arrange special health checkups alongside the general ones and ensure that employees wear protective gear according to regulations.

Item	2022				2023			
Plant	Taiwan	Xiamen	Kunshan	PT. LUHAI	Taiwan	Xiamen	Kunshan	PT. LUHAI
Currency	NTD	RMB	RMB	IDR	NTD	RMB	RMB	IDR
Number of Employees Receiving General Health Checkups	9	-	14	-	18	-	14	76
General Health Checkup Cost (Dollar)	32,250	-	1,260	-	64,800	-	1,260	7,220,000
Number of Employees Receiving Special Health Checkups	-	728	-	-	-	702	-	48
Special Health Checkup Cost (Dollar)	-	91,254	-	-	-	76,584	-	10,560,000
Total Checkup Cost (Dollar)	32,250	91,254	1,260	-	64,800	76,584	1,260	17,780,000

Note: No health checkups were conducted at the Indonesia plant in 2022 due to the impact of COVID-19.

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## Occupational Safety and Health Personnel Training

Lu Hai ensures a safe and healthy working environment for its employees by adhering to relevant regulations. Specialized new and refresher training is provided regularly for various operations, such as first aid, forklift operation, and welding. Appropriate and sufficient protective equipment is provided. The company's production bases conduct regular or ad-hoc safety and health education, including measures to reduce noise, high temperatures, and pollution, creating a safer and healthier work environment. Regular promotion and education on occupational injury prevention and fire safety drills are conducted.

Plant	Training Category	Training Target	New Training Hours	New Training Participants	Refresher Training Requirement	Refresher Training Participants
Taiwan Branch	Occupational Safety and Health Education	Level A Occupational Safety and Health Affairs Managers	42	1	6 hours every 2 years	0
Taiwan Branch	General Training	First Aiders	16	2	3 hours every 3 years	0
Taiwan Branch	General Training	Fire Safety Managers	12	1	6 hours every 3 years	0
Taiwan Branch	Special Operations Safety and Health Education	Forklift Operators	18	1	3 hours every 3 years	0
XIAMEN XIAHUI	Occupational Safety and Health Education	Chief Occupational Health Officer	24	0	8 hours annually	1
XIAMEN XIAHUI	Occupational Safety and Health Education	Occupational Health Managers	24	0	8 hours annually	17
XIAMEN XIAHUI	Occupational Safety and Health Education	Health Instructors	3	2	-	2
XIAMEN XIAHUI	Special Operations Safety and Health Education	High-Altitude Workers	20	4	8 hours annually	0
XIAMEN XIAHUI	Special Operations Safety and Health Education	Pressure Vessel Operators	24	1	8 hours annually	0
XIAMEN XIAHUI	Special Operations Safety and Health Education	Welders	30	2	8 hours annually	1
XIAMEN XIAHUI	Special Operations Safety and Health Education	Electricians	148	0	8 hours annually	4
XIAMEN XIAHUI	Special Operations Safety and Health Education	Forklift Operators	16	6	-	6
XIAMEN XIAHUI	Special Operations Safety and Health Education	Elevator Operators	16	0	-	1
XIAMEN XIAHUI	Special Operations Safety and Health Education	Health Certificates	1	0	-	11
XIAMEN XIAHUI	General Training	First Aiders	24	0	-	3
XIAMEN XIAHUI	Occupational Safety and Health Management System Training	ISO45001 Internal Auditors	24	15	-	15
KUNSHAN LUHAI	Occupational Safety and Health Education	Safety Production Officer	16	0	8 hours annually	1
KUNSHAN LUHAI	Occupational Safety and Health Education	Safety Production Managers	16	0	8 hours annually	1

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Plant	Training Category	Training Target	New Training Hours	New Training Participants	Refresher Training Requirement	Refresher Training Participants
KUNSHAN LUHAI	Occupational Safety and Health Education	Occupational Health Officer	16	0	8 hours annually	1
KUNSHAN LUHAI	Occupational Safety and Health Education	Occupational Health Managers	16	0	8 hours annually	1
PT. LUHAI	Occupational Safety and Health Education	Occupational Health Managers	6	1	6 hours every 3 years	1
PT. LUHAI	Special Operations Safety and Health Education	Welders	30	1	-	0
PT. LUHAI	Special Operations Safety and Health Education	Forklift Operators	16	8	3 hours every 5 years	8
PT. LUHAI	General Training	Fire Safety Managers	1	10	2 hours annually	10

### First Aid Training

Lu Hai periodically conducts first aid training, including Cardiopulmonary Resuscitation (CPR) and the use of Automated External Defibrillators (AEDs). Through these training sessions, employees gain a thorough understanding of emergency procedures, enabling them to remain calm and act decisively in acute emergency situations. This training empowers employees to provide timely and effective support to injured or ill staff, thereby minimizing the impact of accidents on company operations and employee health.

In addition, these training sessions help enhance employees' knowledge regarding potential risks so that they can be more alert and pay attention to safety issues at work, further reducing accidents and injuries.

### First Aid Training



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## Fire Drill

To equip employees with fundamental fire safety knowledge, enhance their self-protection capabilities, and ensure they can effectively respond to sudden fires, evacuate, escape, and perform emergency rescue, the Taiwan Branch and subsidiaries conduct at least one fire drill annually. Personnel from the fire department are invited to the premises to explain and demonstrate the proper use of fire extinguishers and hoses. The content of these drills covers:

- Initial fire situation confirmation, firefighting, control, and coordination and command at the fire scene;
- Activation of evacuation mechanisms in various workshops;
- Evacuation guidance;
- Roll call at the assembly points for evacuated personnel;
- Positioning of all emergency response teams;
- Explanation and demonstration of fire extinguisher and hose usage.

Through these fire drills, employees not only enhance their fire safety awareness but also master the operation of fire extinguishers and hoses, significantly improving their ability to respond to emergencies.

Additionally, every 1.5 months, subsidiary supervisors provide explanations on fire safety concepts, allowing employees to experience the recoil strength of water and learn how to properly control the fire hose nozzle. In 2023, Lu Hai conducted a total of 20 drills related to emergency rescue and firefighting, with a total training duration of 24 hours and 1,026 participants.

## Fire Drill





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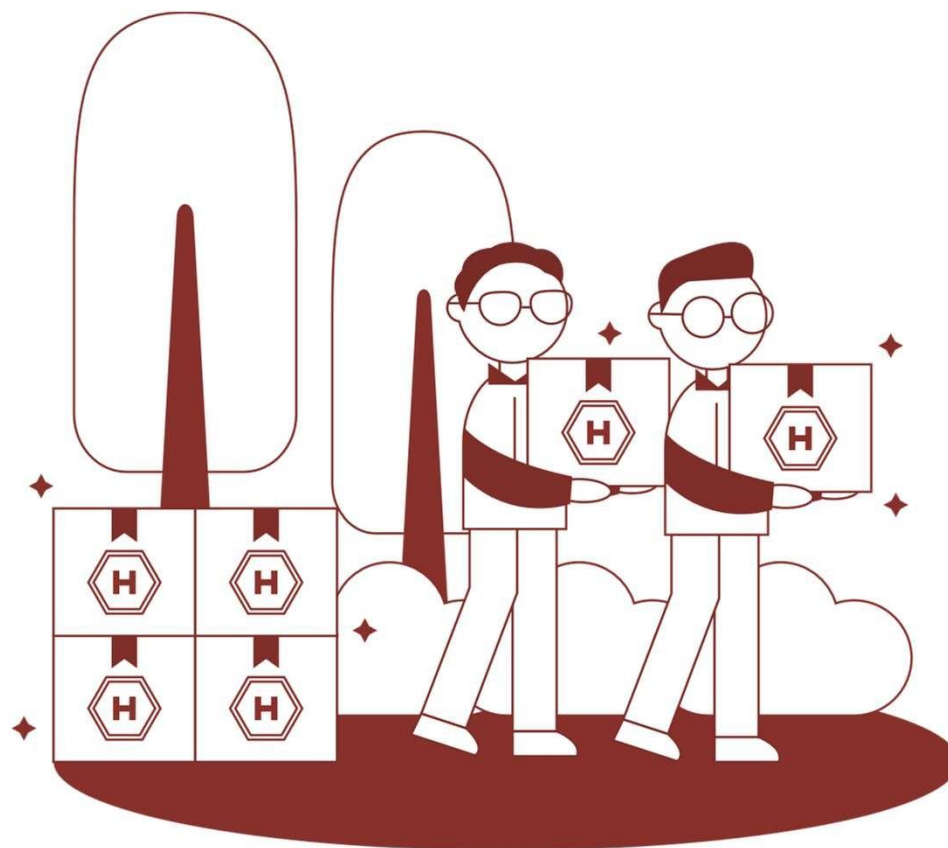
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## 6.1 Social Welfare

Lu Hai is committed to the philosophy of giving back to society, actively supporting the community and local organizations, and providing job opportunities to maintain friendly and positive relations with the community. The Taiwan Branch regularly donates to the Changhua County New Homeland of Spinal Cord Injury, sponsors the Tianzhong Marathon, and funds local events, enthusiastically participating in public welfare activities. Serving the community is a consistent principle of the company's social responsibility. In 2023, Lu Hai invested NTD 262,000 in social initiatives.

- **Community Contributions:** Community Development Associations, fellowship activities, local festivals, Tianzhong Marathon, the Changhua Classic 100K Bike Ride, and the TLPGA Tour, etc.
- **Support for the Disadvantaged:** Donations to the New Homeland of Spinal Cord Injury, scholarships for underprivileged students, and care for local disabled children.

### Employment of Local Residents in Senior Management

Region	Senior Management Personnel	Local Residents	Ratio (%)
Taiwan	6	6	100%
China	6	3	50%
Indonesia	1	1	100%
Total	13	10	76.92%

Note: Senior management refers to executives at the assistant manager level and above.

Lu Hai's subsidiaries also strive to demonstrate social responsibility by addressing the needs and development of nearby communities and actively supporting religious diversity. In 2023, the company donated funds and provided soccer equipment to support local sports activities, which help youths build confidence, teamwork, and healthy lifestyles while fostering community spirit and cooperation. Additionally, PT. LUHAI INDUSTRIAL (Indonesia) respects and supports religious diversity by donating to the construction or renovation of local mosques, providing better facilities for communal prayers and gatherings. In terms of supporting the disadvantaged, Xiahui Rubber Metal Ind. Co., Ltd. provides scholarships for underprivileged students and cares for local disabled children.



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## Tianzhong Marathon

The Taiwan's Rice Heaven Tianzhong Marathon is one of Taiwan's four major marathon events, held annually in Tianzhong Township. It attracts runners from all over Taiwan and around the world, becoming a significant event that brings together the enthusiasm and vitality of the community.

The Tianzhong Marathon is not just a sports event; it serves as a platform for fostering community cohesion. During the event, Tianzhong Township buzzes with a festive atmosphere, with local businesses and stalls offering a variety of food and goods. This not only boosts the local economy but also invigorates the community, making the Tianzhong Marathon a highly anticipated event.

The company places great importance on social engagement, and therefore, we are delighted to sponsor the Tianzhong Marathon every year. We also actively encourage our employees to participate in the event, achieving a participation rate of 85.71% for the Taiwan Branch in 2023. This is not only an opportunity for physical activity but also a crucial way for the company to interact with the local community. Through sponsorship and participation in the marathon, we can gain deeper insights into local culture and build stronger connections with residents.

By sponsoring funds and encouraging employee participation, the company actively contributes to community development and practices corporate social responsibility.



## My Hong-Te Water Refill Map

Lu Hai has joined the Water Refill Map to contribute to building a sustainable and harmonious society!

The My Hong-Te is a public drinking water action initiated by CircuPlus, in collaboration with the Ministry of the Environment and private sectors in 2020. It has since expanded, calling upon the United Nations Sustainable Development Goals to connect various partnerships in providing diverse plastic reduction solutions, evolving into the nationwide "REFILL 100% Drinking Water Zero Waste Movement." This initiative aims to transform the "single-use linear economy" of bottled water into a sustainable "3R circular economy." If everyone reduces the use of just one plastic bottle, it can create a significant sustainable impact on the planet.



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## 6.2 Participation of Public Associations and Non-Profit Organizations

By engaging with industry associations and interacting with members of these associations, Lu Hai enhances its understanding of industry trends, market information, and government regulations. This also strengthens cooperation with other enterprises, ensuring the company keeps pace with new technological developments while simultaneously enhancing its brand image and market visibility.

Region	Association Name	Role
Taiwan	Rotaract	Member
	Changhua County Friends of the Police Association Tianzhong Office	Member
	N. Generation	Member
	Taiwan Rubber & Elastomer Industries Association (TREIA)	Member
	Association of Sustainable Social Enterprise of Taiwan	Member
	Taiwan Bicycle Sustainable Alliance Association (BAS)	Member
Indonesia	Tanggungjawab Sosial Perusahaan (TSP) Tingkat Kabupaten Serang	Member
	Asosiasi Pengusaha Indonesia (APINDO) Kabupaten Serang	Member
	Serikat Pekerja Nasional (SPN) PT. Luhai Industrial	Member

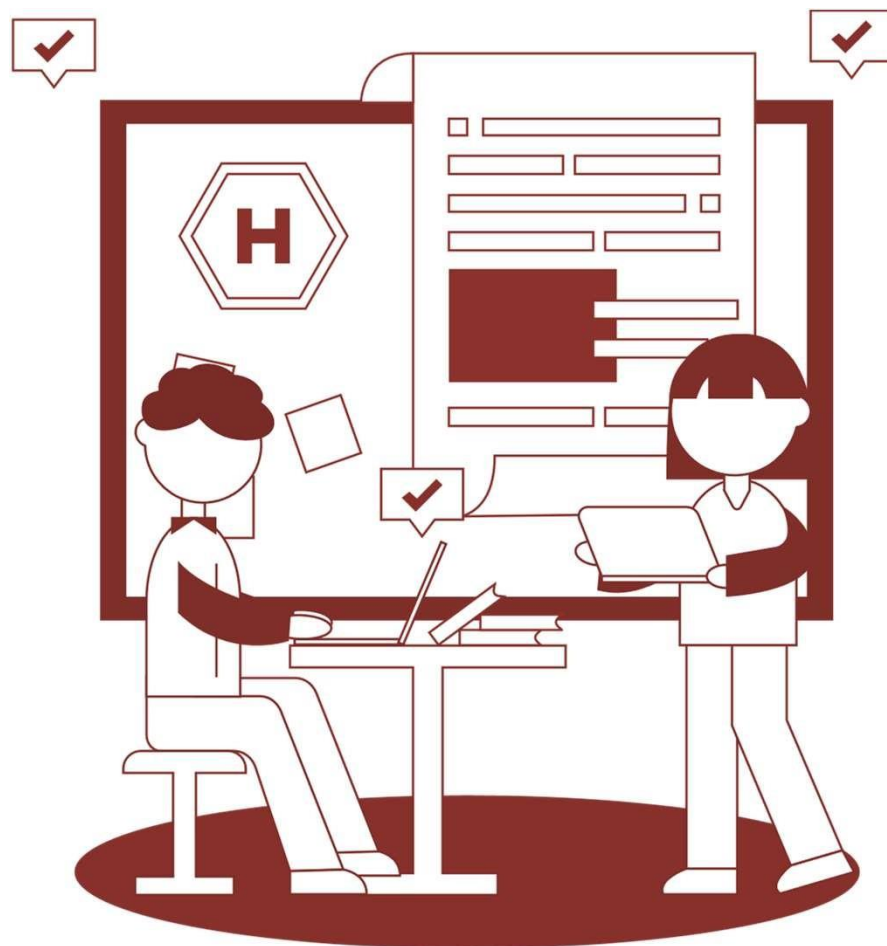
Region	Association Name	Role
China	China Rubber Industry Association Tyre Branch	Member
	Tyres and Rims Valve Stem Technology Committee	Committee Member
	Fujian Association of Automobile Manufacturers	Member
	Xiamen Jimei District Human Resources Association	Member
	Xiamen Science and Technology Service Association	Member
	Xiamen Association of Environmental Protection Industry	Member
	Xiamen Energy Conservation Association	Member
	Jimei District Guankou Town Kengnei Village United Care Committee	Member
	Taiwanese Chamber of Commerce Xiamen	Director
	Xiamen Trademark Brand Association	Director
	Xiamen Association of Enterprises with Foreign Investment	Director
	Xiamen Trademark Brand Association	Director
	Xiamen Association of Enterprises with Foreign Investment	Director
	Kunshan General Union	Member
	Kunshan Taiwanese Compatriots Investment Enterprises Association	Director and Supervisor

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## I. Global Reporting Initiative Index

Statement of Use LU HAI HOLDING CORP. has followed the GRI Standard for reporting for the period January 1, 2023 to December 31, 2023

GRI	GRI 1 : Foundation ( 2021 )
	GRI 2 : General Disclosures ( 2021 )
	GRI 3 : Material Topics ( 2021 )

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2-2 Entities included in the organization's sustainability reporting	About the Report	3	
2-3 Reporting period, frequency and contact point	About the Report	3	
2-4 Restatements of information	About the Report	3	
2-5 External assurance		-	The company has voluntarily issued sustainability reports starting from 2022
<b>Activities and workers</b>			
2-6 Activities, value chain and other business relationships	About LU HAI	6	
2-7 Employees	5.1 Diversity and Inclusion	66-68	
2-8 Workers who are not employees	5.1 Diversity and Inclusion	66	
<b>Governance</b>			
2-9 Governance structure and composition	1.1 Sustainability Strategy	16-17	Please refer to 2023 Annual Report - III. Corporate Governance Report
	2.1 Corporate Governance and Integrity Management	30-32	
2-10 Nomination and selection of the highest governance body	2.1 Corporate Governance and Integrity Management	30	
2-11 Chair of the highest governance body	2.1 Corporate Governance and Integrity Management	30	
2-12 Role of the highest governance body in overseeing the management of impacts	Message from the Chairman	4	
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2-14 Role of the highest governance body in sustainability reporting	1.1 Sustainability Strategy	16-17	
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	1.3 Identification of Significant Issues	21-23	
2-15 Conflicts of interest	2.1 Corporate Governance and Integrity Management	37	
2-16 Communication of critical concerns	1.1 Sustainability Strategy	16	Please refer to 2023 Annual Report - III. Corporate Governance Report
2-17 Collective knowledge of the highest governance body	2.1 Corporate Governance and Integrity Management	30-32	Please refer to 2023 Annual Report - III. Corporate Governance Report
2-18 Evaluation of the performance of the highest governance body	2.1 Corporate Governance and Integrity Management	34-36	Please refer to 2023 Annual Report - III. Corporate Governance Report
2-19 Remuneration policies	2.1 Corporate Governance and Integrity Management	30	
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2-20 Process to determine remuneration	2.1 Corporate Governance and Integrity Management	30	
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Strategy, policies and practices			
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2-23 Policy commitments	1.1 Sustainability Strategy	16	
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2-25 Processes to remediate negative impacts	2.1 Corporate Governance and Integrity Management	37	
	3.3 Customer Relationship Management	48-49	
	5.4 Human Rights	76	
2-26 Mechanisms for seeking advice and raising concerns	2.1 Corporate Governance and Integrity Management	37	
	3.3 Customer Relationship Management	48-49	
	5.4 Human Rights	76	
2-27 Compliance with laws and regulations	2.1 Corporate Governance and Integrity Management	29-38	
	2.3 Tax	40	
	3.2 Product Quality and Safety	46	
	4.3 Pollution Prevention and Control	60-61	
	5.2 Welfare and Systems	71	
	5.4 Human Rights	76	
2-28 Membership associations	5.5 Occupational Health and Safety	77-78	
	6.2 Associations and Non-Profit Organizations	84	
Stakeholder engagement			
2-29 Approach to stakeholder engagement	1.2 Stakeholder Engagement	17-19	
2-30 Collective bargaining agreements	5.4 Human Rights	76	
GRI 3 : Material Topics			
3-1 Process to determine material topics	1.3 Identification of Significant Issues	21	
3-2 List of material topics	1.3 Identification of Significant Issues	22	
3-3 Management of material topics	1.3 Identification of Significant Issues	23	



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<b>GRI 201 Economic Performance (2016)</b>			
	2.2 Operational Performance	39	Please refer to 2023 Annual Report - VI. Financial Overview
201-1 Direct economic value generated and distributed	2.3 Tax	40	
	5.2 Welfare and Systems	69	
	6.1 Social Welfare	82	
201-2 Financial implications and other risks and opportunities due to climate change	4.1 Climate Change	54-57	
201-3 Defined benefit plan obligations and other retirement plans	5.2 Welfare and Systems	71	
201-4 Financial assistance received from government	2.2 Operational Performance	39	
<b>GRI 202 Market Presence (2016)</b>			
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	5.2 Welfare and Systems	72	
202-2 Proportion of senior management hired from the local community	6.1 Social Welfare	82	
<b>GRI 203 Indirect Economic Impacts (2016)</b>			
203-1 Infrastructure investments and services supported	6.1 Social Welfare	82-83	
203-2 Significant indirect economic impacts	1.3 Identification of Significant Issues	21-23	
<b>GRI 204 Procurement Practices (2016)</b>			
204-1 Proportion of spending on local suppliers	3.4 Sustainable Supply Chain Management	52	
<b>GRI 205 Anti-corruption (2016)</b>			
205-1 Operations assessed for risks related to corruption	2.1 Corporate Governance and Integrity Management	37-38	
205-2 Communication and training about anti-corruption policies and procedures	2.1 Corporate Governance and Integrity Management	37-38	
205-3 Confirmed incidents of corruption and actions taken	2.1 Corporate Governance and Integrity Management	37	
<b>GRI 206 Anti-competitive Behavior (2016)</b>			
206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			There was no such incident during the reporting period
<b>GRI 207 Tax (2019)</b>			
207-1 Approach to tax	2.3 Tax	40	
207-2 Tax governance, control, and risk management	2.3 Tax	40	



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207-3 Stakeholder engagement and management of concerns related to tax	2.3 Tax	40	
<b>GRI 301 Materials (2016)</b>			
301-2 Recycled input materials used	4.5 Waste and Resource Circulation	64	
301-3 Reclaimed products and their packaging materials	4.5 Waste and Resource Circulation	64	
<b>GRI 302 Energy (2016)</b>			
302-1 Energy consumption within the organization	4.2 Energy Resource Management	58-59	
302-3 Energy intensity	4.2 Energy Resource Management	59	
302-4 Reduction of energy consumption	4.2 Energy Resource Management	58	
302-5 Reductions in energy requirements of products and services	4.2 Energy Resource Management	58	
<b>GRI 303 Water and Effluents (2018)</b>			
303-2 Management of water discharge-related impacts	4.3 Pollution Prevention and Control	60	
303-3 Water withdrawal	4.2 Energy Resource Management	59	
<b>GRI 305 Emissions (2016)</b>			
305-1 Direct (Scope 1) GHG emissions	4.4 Greenhouse Gas Management	62	
305-2 Energy indirect (Scope 2) GHG emissions	4.4 Greenhouse Gas Management	62	
305-3 Other indirect (Scope 3) GHG emissions	4.4 Greenhouse Gas Management	62	
305-4 GHG emissions intensity	4.4 Greenhouse Gas Management	62	
305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	4.3 Pollution Prevention and Control	60	
<b>GRI 306 Effluents and Waste 2016 (2020)</b>			
306-1 Water discharge by quality and destination	4.5 Waste and Resource Circulation	63	
306-2 Waste by type and disposal method	4.5 Waste and Resource Circulation	63	
306-3 Significant spills	4.5 Waste and Resource Circulation	63	
306-4 Transport of hazardous waste	4.5 Waste and Resource Circulation	63	
306-5 Water bodies affected by water discharges and/or runoff	4.5 Waste and Resource Circulation	63	
<b>GRI 401 Employment (2016)</b>			
401-1 New employee hires and employee turnover	5.1 Diversity and Inclusion	68	



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	Disclosure Items	Section	Page	Supplementary Notes
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	5.2 Welfare and Systems	69-72	
401-3	Parental leave	5.2 Welfare and Systems	71	
GRI 403 Occupational Health and Safety (2018)				
403-1	Occupational health and safety management system	5.5 Occupational Health and Safety	77	
403-3	Occupational health services	5.5 Occupational Health and Safety	77	
403-5	Worker training on occupational health and safety	5.5 Occupational Health and Safety	78-80	
403-6	Promotion of worker health	5.5 Occupational Health and Safety	77	
GRI 404 Training and Education (2016)				
404-1	Average hours of training per year per employee	5.3 Talent Cultivation and Development	73-74	
404-3	Percentage of employees receiving regular performance and career development reviews	5.3 Talent Cultivation and Development	75	
GRI 405 Diversity and Equal Opportunity (2016)				
405-1	Diversity of governance bodies and employees	2.1 Corporate Governance and Integrity Management	30-31	Please refer to 2023 Annual Report - III. Corporate Governance Report
		5.1 Diversity and Inclusion	66-67	
GRI 406 Non-discrimination (2016)				
406-1	Incidents of discrimination and corrective actions taken	5.4 Human Rights	76	There was no such incident during the reporting period
GRI 407 Freedom of Association and Collective Bargaining (2016)				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	5.4 Human Rights	76	
GRI 408 Child Labor (2016)				
408-1	Operations and suppliers at significant risk for incidents of child labor	5.4 Human Rights	76	
GRI 409 Forced or Compulsory Labor (2016)				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	5.4 Human Rights	76	
GRI 410 Security Practices (2016)				
410-1	Security personnel trained in human rights policies or procedures	5.4 Human Rights	76	
GRI 413 Local Communities (2016)				



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Disclosure Items		Section	Page	Supplementary Notes
413-1	Operations with local community engagement, impact assessments, and development programs	1.3 Identification of Significant Issues	21-23	
413-2	Operations with significant actual and potential negative impacts on local communities	6 Social Participation	82-84	
GRI 416 Customer Health and Safety (2016)				
416-1	Assessment of the health and safety impacts of product and service categories	3.2 Product Quality and Safety	46-47	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	3.2 Product Quality and Safety	46-47	There was no such incident during the reporting period
GRI 417 Marketing and Labeling (2016)				
417-1	Requirements for product and service information and labeling	3.2 Product Quality and Safety	46-47	
		3.3 Customer Relationship Management	48-49	
417-2	Incidents of non-compliance concerning product and service information and labeling	3.3 Customer Relationship Management	49	
417-3	Incidents of non-compliance concerning marketing communications	3.3 Customer Relationship Management	49	There was no such incident during the reporting period
GRI 418 Customer Privacy (2016)				
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	3.3 Customer Relationship Management	49	

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### Auto Parts

Category	TOPIC	CODE	METRIC	Section and supplementary note	PAGE
Environment	Energy Management	TR-AP-130a.1	(1) Total energy consumed, (2) percentage grid electricity and (3) percentage renewable	4.2 Energy Resource Management	58-59
	Waste Management	TR-AP-150a.1	(1) Total amount of waste from manufacturing, (2) percentage hazardous, (3) percentage recycled	4.5 Waste and Resource Circulation	63-64
Social capital	Product Safety	TR-AP-250a.1	Number of vehicles recalled	There was no such incident during the reporting period	
Business models and innovation	Design for Fuel Efficiency	TR-AP-410a.1	Revenue from products designed to increase fuel efficiency or reduce emissions	Our company's TPMS products can improve vehicle fuel efficiency.	
	Materials Sourcing	TR-AP-440a.1	Description of the management of risks associated with the use of critical materials	3.4 Sustainable Supply Chain Management	50
	Materials Efficiency	TR-AP-440b.1	Percentage of products sold that are recyclable	4.5 Waste and Resource Circulation	64
		TR-AP-440b.2	Percentage of input materials from recycled or remanufactured content	4.5 Waste and Resource Circulation	64
Leadership and Corporate Governance	Competitive Behaviour	TR-AP-520a.1	Total amount of monetary losses as a result of legal proceedings associated with anti-competitive behaviour regulations	There was no such incident during the reporting period	

ACTIVITY METRIC	CATEGORY	CODE	UNIT OF MEASURE	Quantitative data of 2023
Number of parts produced	Quantitative	TR-AP-000.A	Number	Bicycle class : 116,05 million PCS Motorcycle and electric motorcycle class : 256,32 million PCS Passenger car, truck and off-the-road vehicles class : 119,68 million PCS
Weight of parts produced	Quantitative	TR-AP-000.B	Metric tonnes (t)	Not applicable. All of our company's products have defined acceptable weight ranges and standards, and are strictly controlled by quality assurance.
Area of manufacturing plants	Quantitative	TR-AP-000.C	Square metres (m <sup>2</sup> )	Taiwan Branch : 5,351 m <sup>2</sup> Xiamen Xiahui : 89,274.68 m <sup>2</sup> / Xiamen Xiahui (GUANKOU) : 7,997.81m <sup>2</sup> Kunshan LUHAI : 27,966.67 m <sup>2</sup> / PT. LUHAI : 30,181.6 m <sup>2</sup>

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Dimension	TCFD Disclosure Recommendation	Climate-related Information of Listed Companies	Section	Page	Note
Governance	Describe the board's oversight of climate related risks and opportunities.	Describe the board of directors' and management's oversight and governance of climate-related risks and opportunities.	1.1 Sustainability Strategy	16-17	
	Describe management's role in assessing and managing climate-related risks and opportunities.		4.1 Climate Change	54	
Strategy			4.1 Climate Change	54	
	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Describe how the identified climate risks and opportunities affect the business, strategy, and finances of the business (short, medium, and long term).	4.1 Climate Change	55	
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Describe the financial impact of extreme weather events and transformative actions.	4.1 Climate Change	56	
	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	If scenario analysis is used to assess resilience to climate change risks, the analysis factors and major financial impacts used should be described.			Our company has not yet used scenario analysis to assess climate change risks.
Risk Management	Describe the organization's processes for identifying and assessing climate-related risks		4.1 Climate Change	55-56	
	Describe the organization's processes for managing climate-related risks	Describe how climate risk identification, assessment, and management processes are integrated into the overall risk management system.	4.1 Climate Change	54-57	
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.		1.3 Identification of Significant Issues	21-23 24-25	
				1.4 Risk Management	55-56
			4.1 Climate Change		
Metrics & Targets	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	1. If there is a transition plan for managing climate-related risks, describe the content of the plan, and the indicators and targets used to identify and manage physical risks and transition risks. 2. If internal carbon pricing is used as a planning tool, the basis for setting the price should be stated.	4.1 Climate Change	56	Our company does not use internal carbon pricing.

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Dimension	TCFD Disclosure Recommendation	Climate-related Information of Listed Companies	Section	Page	Note
	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Greenhouse gas inventory and assurance status and reduction targets, strategy, and concrete action plan	4.4 Greenhouse Gas Management	62	External assurance is expected to be implemented in 2025.
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	If climate-related targets have been set, the activities covered, the scope of greenhouse gas emissions, the planning horizon, and the progress achieved each year should be specified. If carbon credits or renewable energy certificates (RECs) are used to achieve relevant targets, the source and quantity of carbon credits or RECs to be offset should be specified.	4.1 Climate Change	55 、 57	



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